

NATIONAL BANK OF MALAWI

SUMMARY OF AUDITED RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2007

	GROUP		COMPANY	
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
	As restated		As restated	
	K'm	K'm	K'm	K'm
INCOME STATEMENTS				
Interest income	5,275	5,109	5,276	5,097
Interest expense	(770)	(1,060)	(779)	(1,060)
Net interest income	4,505	4,049	4,497	4,037
Other income	3,138	2,595	3,071	2,631
Net income	7,643	6,644	7,568	6,668
Operating expenses	(4,342)	(3,825)	(4,278)	(3,767)
Profit before recoveries on impaired loans and advances	3,301	2,819	3,290	2,901
Net recoveries on impaired loans and advances	268	32	268	32
Profit before taxation	3,569	2,851	3,558	2,933
Taxation	(1,176)	(933)	(1,166)	(925)
Profit after tax	2,393	1,918	2,392	2,008
Minority interest	(4)	(5)	-	-
Profit attributable to shareholders	2,389	1,913	2,392	2,008
DIVIDENDS PAID				
Interim	935	342	935	342
Final (for prior year)	650	456	650	456
Total	1,585	798	1,585	798
Earnings per share (Kwacha)	5.24	4.20		
Dividend per share (Kwacha)	3.48	1.75		
Number of ordinary shares in issue (millions)	456	456		
BALANCE SHEETS				
LIABILITIES & EQUITY				
Liabilities to customers	34,938	25,433	34,938	25,440
Other liabilities	5,178	4,807	5,161	4,793
Equity attributable to equity holders of the parent company	6,765	5,744	6,765	5,741
Minority interest	6	7	-	-
Total liabilities and equity	46,887	35,991	46,864	35,974
ASSETS				
Cash and funds with Reserve Bank of Malawi	3,173	2,252	3,173	2,239
Treasury and Reserve Bank of Malawi bills	9,996	3,796	9,973	3,796
Government of Malawi Local Registered Stocks	1,877	1,207	1,877	1,207
Placements with other banks	4,630	5,798	4,630	5,798
Loans and advances to customers	18,421	16,551	18,429	16,551
Other investments	830	902	830	902
Other assets	2,744	1,779	2,751	1,784
Property, plant and equipment	4,653	3,392	4,637	3,382
Deferred tax assets	563	314	564	315
Total assets	46,887	35,991	46,864	35,974
Memorandum items				
Contingent liabilities	1,775	3,642	1,775	3,642
STATEMENTS OF CHANGES IN EQUITY				
As at beginning of period as previously stated	5,744	5,376	5,741	5,251
Prior year adjustment	-	(724)	-	(724)
As at beginning of period as previously stated	5,744	4,652	5,741	4,527
Net profit for the period	2,389	1,913	2,392	2,008
Dividends paid	(1,585)	(798)	(1,585)	(798)
Impairment on previously revalued assets	-	(74)	-	(74)
Deferred tax on previously revalued assets	201	76	201	76
Other movements (net)	16	(25)	16	2
As at end of period	6,765	5,744	6,765	5,741
CASH FLOW STATEMENTS				
Cash flows from operating activities				
Profit before tax	3,569	2,851	3,558	2,933
Adjustments for:				
Depreciation	355	368	351	365
Gain on winding up subsidiary	-	-	-	(97)
Fair value gain on equity investments	(60)	-	(60)	-
Profit on disposal of fixed assets	(7)	(5)	(7)	(4)
Dividends received	-	-	(12)	(14)
Reversal of impairment loss	-	(4)	-	(4)
Increase in operating assets	(2,835)	(6,062)	(2,845)	(6,649)
Increase in operating liabilities	10,153	2,509	10,134	2,723
Cash generated from operating activities	11,175	(343)	11,119	(697)
Tax paid	(1,161)	(826)	(1,143)	(820)
Net cash from operating activities	10,014	(1,169)	9,976	(1,517)
Net cash inflow from investing activities	(4,716)	1,134	(4,687)	1,402
Net cash used in financing activities	(1,574)	(801)	(1,569)	(797)
Net increase/(decrease) in cash and cash equivalents	3,724	(836)	3,720	(912)
Cash and cash equivalents at beginning of the period	8,429	9,265	8,416	9,328
Cash and cash equivalents at end of the period	12,153	8,429	12,136	8,416

PERFORMANCE

The Board is pleased to announce a group pre-tax profit of K3,569m, compared with a restated group pre-tax profit of K2,851m earned during a similar period of 2006, representing 25% increase.

This performance is against a background of pressure on margins following the two downward bank rate adjustments from 20% finally resting at 15%. However, this was more than adequately compensated for by a general increase in business volumes. Treasury operations and non-interest income which grew by 21% had a significant contribution to the Bank's revenues and continues to be its major source of sustainable income growth. Due to the country's positive economic environment, the Bank also recorded excellent recoveries on previously provided for debt.

In line with the current interpretation of the Employment Act, the Bank made provision for severance pay amounting to K1,360m, of which K244m was charged to current year profits. The rest was charged against reserves, a major element affecting the otherwise positive growth record of the Bank's core capital and thereby necessitating a prudent approach to this year's final dividend.

The US Dollar/Malawi Kwacha exchange rate has been relatively stable during the year under review, in part reflecting significant tobacco and maize exports as well as a continuously weakening Dollar on the international foreign exchange markets. This notwithstanding, there was a perceived misalignment of the value of the Kwacha resulting in intermittent shortages of foreign exchange which, despite recording good growth, fell short of budget targets on international trade business and foreign exchange earnings.

Deposits increased by 37% in spite of the fact that the issue of a level playing field in the deposit market had yet to be resolved by the authorities.

The year also saw the doubling of the Bank's share price from K30 as at 31 December 2006 to K60 as at 31 December 2007, a further acknowledgement of the public's confidence in the Bank's earning potential.

DIVIDEND

A first interim dividend of K438m was paid in August 2007 followed by a second interim dividend of K497m in December 2007. In total dividend paid in 2007 amounted to K1,585m (2006: K798m) representing K3.48 per share (2006: K1.75 per share) representing an increase of 99%.

The Board has resolved to pay a final dividend amounting to K350m representing K0.77 per share. Dividends will be paid on 6th June 2008 to members whose names appear on the register as at the close of business on 16th May, 2008.

OUTLOOK

At 7.1% real growth with moderate inflation, recent forecasts suggest that the economy is expected to remain robust and is on a sustainable growth path.

Although further pressures on interest margins are anticipated, a growing economy and the recent actions by the Reserve Bank to level the playing field on the deposit and credit markets should trigger the necessary growth in volumes to compensate for any negative effects. Operationally, and guided by its current strategic plan, the Bank is continuing with its initiatives on product and technology investments to further improve customer service and delivery channels. This will ensure a quality clientele and sufficient business volumes for sustainable growth.

BY ORDER OF THE BOARD

Dr. M.A.P. Chikaonda, Chairman

G. B. Partridge, Director

27th March, 2008

Registered Office:
19 Victoria Avenue
BLANTYRE

AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL BANK OF MALAWI AND ITS SUBSIDIARIES

We have audited the consolidated financial statements of National Bank of Malawi and its subsidiary (the Group) for the year ended 31 December 2007 from which the accompanying summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 27th March 2008 we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Group's financial position and the results of its operations for the period and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which they were derived and our full audit report thereon.

Deloitte
Public Accountants
Blantyre, Malawi

27 March 2008