

NATIONAL BANK OF MALAWI				
SUMMARY OF AUDITED RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2008				
	GROUP		COMPANY	
	31-Dec-08 K'm	31-Dec-07 K'm	31-Dec-08 K'm	31-Dec-07 K'm
INCOME STATEMENTS				
Interest income	5,972	5,275	5,975	5,276
Interest expense	(816)	(770)	(819)	(779)
Net interest income	5,156	4,505	5,156	4,497
Other income	4,122	3,138	3,998	3,071
Net income	9,278	7,643	9,154	7,568
Operating expenses	(4,959)	(4,342)	(4,882)	(4,278)
Profit before recoveries on impaired loans and advances	4,319	3,301	4,272	3,290
Net recoveries on impaired loans and advances	252	268	252	268
Profit before tax	4,571	3,569	4,524	3,558
Income tax expense	(1,417)	(1,176)	(1,403)	(1,166)
Profit after tax	3,154	2,393	3,121	2,392
Minority interest	(2)	(4)	-	-
Profit attributable to shareholders	3,152	2,389	3,121	2,392
DIVIDENDS PAID				
Interim	500	935	500	935
Final (for prior year)	351	650	351	650
Total	851	1,585	851	1,585
Earnings per share (Kwacha)	6.90	5.24		
Dividend per share (Kwacha)	1.86	3.48		
Number of ordinary shares in issue (millions)	457	456		
BALANCE SHEETS				
LIABILITIES & EQUITY				
Liabilities to customers	45,439	34,938	45,445	34,938
Other liabilities	7,126	5,178	7,098	5,161
Equity attributable to equity holders of the parent company	9,757	6,765	9,726	6,765
Minority interest	8	-	-	-
Total liabilities and equity	62,330	46,887	62,269	46,864
ASSETS				
Cash and funds with Reserve Bank of Malawi	2,207	3,173	2,204	3,173
Treasury and Reserve Bank of Malawi bills	10,705	9,996	10,684	9,973
Reserve Bank of Malawi bonds	959	-	958	-
Government of Malawi Local Registered Stocks	1,623	1,877	1,623	1,877
Equity investments	1,037	366	1,037	366
Investment in associate	143	-	123	-
Placements with other banks	8,684	4,630	8,684	4,630
Loans and advances to customers	25,567	18,421	25,567	18,429
Other money market deposits	500	464	500	464
Other assets	3,388	2,744	3,383	2,750
Property, plant and equipment	7,217	4,653	7,205	4,637
Deferred tax assets	300	563	301	565
Total assets	62,330	46,887	62,269	46,864
Memorandum items				
Contingencies	2,560	1,775	2,560	1,775
STATEMENTS OF CHANGES IN EQUITY				
As at beginning of period	6,771	5,751	6,765	5,741
Profit for the year	3,154	2,393	3,121	2,392
Dividends paid	(851)	(1,590)	(851)	(1,585)
Surplus on revaluation of property	824	-	824	-
Deferred tax on revalued assets	(151)	201	(151)	201
Other movements (net)	18	16	18	16
As at end of period	9,765	6,771	9,726	6,765
CASH FLOW STATEMENTS				
Cash flows from operating activities				
Profit before tax	4,571	3,569	4,524	3,558
Adjustments for:				
Depreciation	454	355	450	351
Fair value gain on equity investments	(59)	(60)	(59)	(60)
Profit on disposal of property, plant and equipment	(5)	(7)	(6)	(7)
Profit on disposal of equity investments	(2)	-	(2)	-
Dividends received	(23)	-	(23)	(12)
Share of profits of associate	(27)	-	-	-
Impairment loss on property	152	-	152	-
Increase in operating assets	(7,790)	(2,835)	(7,771)	(2,845)
Increase in operating liabilities	11,039	10,153	11,036	10,134
Cash generated from operating activities	8,310	11,175	8,301	11,119
Tax paid	(1,295)	(1,161)	(1,282)	(1,143)
Net cash from operating activities	7,015	10,014	7,019	9,976
Net cash inflow from investing activities	(7,871)	(4,716)	(7,882)	(4,687)
Net cash used in financing activities	(835)	(1,574)	(835)	(1,569)
Net increase/(decrease) in cash and cash equivalents	(1,691)	3,724	(1,698)	3,720
Cash and cash equivalents at beginning of the period	12,153	8,429	12,136	8,416
Cash and cash equivalents at end of the period	10,462	12,153	10,438	12,136

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 subsidiaries (the Group) for the year ended 31 December 2008 from which the accompanying summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 26th March 2009 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. 26 March 2009

PERFORMANCE

The Board is pleased to announce a group pre-tax profit of K4.6b, compared with K3.6b earned in 2007, representing a 28% increase. The Bank continues on a stable growth path consistent with its Vision and Mission. Post-tax profits at K3.2b (2007: K2.4b) show a 32% increase. Correspondingly, earnings per share rose 33% from K5.24 in 2007 to K6.90. Overall, the balance sheet grew by 33%.

Although the market experienced some pressures on interest margins, net interest income grew by 14% as a direct result of significant growth in the loan book and deposit base of 39% and 30% respectively. This is a direct payoff of the Bank's aggressive client relationship management efforts. The growth was complemented by strong performance in non-funded income which increased by 31%. This underscores the success of the Bank's strategy of diversifying its income streams to avoid undue reliance on net interest in a declining interest rate environment.

In spite of foreign exchange shortages experienced during the trading period, exchange earnings at K1.6b exceeded expectations and grew by 24%. Utilisation of loan facilities could have been much higher than the recorded figure had the supply of foreign exchange been normal.

The Bank restructured its operations to remain competitive and to maintain its leadership role in the sector. The restructuring has paved way for future improvements in the cost income ratio and efficiency gains, in line with the Bank's strategic objectives and international benchmarks.

The Bank's associate, United General Insurance (UGI) Limited, registered satisfactory performance in 2008. Pretax profits grew by 12% a share of which, amounting to K27m has been included in the consolidated pre-tax income of the group.

DIVIDEND

An interim dividend of K500m was paid in September, 2008 in addition to a final dividend of K351m in respect of 2007 profits. In total the dividend paid out in 2008 amounted to K851m.

The Board has resolved to recommend to the shareholders payment of a final dividend amounting to K1.0b representing K2.19 per share. The dividend will be payable after the Annual General Meeting.

OUTLOOK

The frequent downward revision of world economic growth rates by various authoritative economic bodies is a clear reflection of the uncertainties surrounding the depth of the current world recession and the length of time it will take to bottom out. The world wide financial crisis and credit crunch notwithstanding, the various credit lines that the Bank enjoys with its key external correspondent relationships to-date remain unaffected and will be maintained throughout 2009.

In the light of the global financial crisis which has implications for the Malawi economy the Bank expects subdued GDP growth, continuing scarcity of foreign exchange, a somewhat accommodative fiscal and monetary policy, resulting in the continuation of problems created by excess money supply growth. However, the Bank's strong balance sheet and strategies in place should enable it to deal with the negative effects arising from these challenges. The Bank is poised to secure a continued stable growth path in 2009. In addition, the Bank is investing substantially in customer services through improvements of its delivery platforms, product innovations and up-skilling of its members of staff.

BY ORDER OF THE BOARD

Dr. M.A.P. Chikaonda,
Chairman

G. B. Partridge,
Director

26th March, 2009
Registered Office:
19 Victoria Avenue
BLANTYRE