SUMMARY OF UNAUDITED INTERIM RESULTS FOR THE PERIOD ENDED 30TH JUNE 2016

PERFORMANCE
We announce a group pre-tax profit of K11.8b (2015 interim: K11.1b). These results are after taking into account one-off integration costs following the acquisition of Indebank.

Among other integration costs, the Bank incurred an accommodation pay amounting to K937m. In addition Indebank continued to incur unplanned overheads due to delays in obtaining certain regulatory approvals which resulted in losses amounting to K430m. Net income reflected a strong year-on-year growth of 27%, with first Interest Income increasing by 44%, partly on account of business inherited from Indebank. Despite a high interest rate environment, the quality of the Bank’s loan book at below 3% non-performing ratio remains good in relation to the industry.

THE OPERATING ENVIRONMENT
The operating environment has continued to be challenging, characterized by high inflation, drought, food shortages and high interest rates.

Unsatisfactory tobacco proceeds due to the low quality crop as reflected in high repayment rates by buyers at the auction floor, low tax and output prices, lower than expected sugar production and exports, together with the continued supervision of direct budgetary donor support, have all contributed to foreign currency challenges consequently affecting economic performance and in turn the Bank’s business.

Notwithstanding the operating environment and integration costs, the Bank’s performance during the period under review was satisfactory.

DIVIDEND
Directors have resolved to pay an interim dividend amounting to K3.0b (2015 interim K1.5b) representing K6.44 per share (2015 interim: K3.22). Dividends will be paid on 30th September 2016 to members whose names appear on the register as at the close of business on 23rd September 2016.

OUTLOOK
Economic growth outlook for 2016 is projected to remain subdued at 2.6% mainly due to the lagging effects of the El Niño weather conditions of the previous cropping season. Estimates point to a drop in maize production at about 12% in the 2015/16 season on the back of an already low 2014/15 base. The low economic growth prospects will continue to have negative implications on effective consumer demand and thereby business activity.

Inflation remains stubbornly high at 22.6% recorded in June 2016 from 23.5% in January 2016. The elevated prices of sugar and cereal coupled with the weak foreign exchange market effects through Malawi Kwecha deprecation will continue to push up inflation.

Currently, high foreign exchange demand is outstripping supply despite the ongoing sugar exporters reports in the first half of the year. This is resulting in the market depreciation of the Kwecha. The forecast for the second half of the year therefore points to the continuation of a challenging operating environment.

The integration of Indebank into National Bank has now been successfully completed. This implies that the Group will no longer be carrying the extra overheads of Indebank.

Therefore, notwithstanding the projected challenging environment, Group performance in the second half is expected to show more positive growth in earnings compared to the first half.

BY ORDER OF THE BOARD

U. B. Patrdge, Ph.D.,
Chief Executive Officer

M. M. Kasavv, Ph.D.,
Chief Financial Officer

M. P. Mafeni,
Director

20th July, 2016

Regulatory Officer:
7 Hendon Street,
BLANTYRE