

NATIONAL BANK OF MALAWI

SUMMARY OF UNAUDITED INTERIM CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30TH JUNE 2007

	30-Jun-07 Unaudited	30-Jun-06 Unaudited	CHANGE	31-Dec-06 Audited
	K'm	K'm	%	K'm
INCOME STATEMENTS				
Interest income	2,580	2,525	2	5,109
Interest expense	(405)	(485)	(16)	(1,060)
Net interest income	2,175	2,040	7	4,049
Other income	1,370	1,086	26	2,595
Net Income	3,545	3,126	13	6,644
Operating expenses	(1,918)	(1,636)	17	(3,744)
Profit before impairment losses on loans and advances	1,627	1,490	9	2,900
Net Recoveries/(Impairment losses) on loans and advances	257	(32)	>100	32
Profit before taxation	1,884	1,458	29	2,932
Taxation	(567)	(451)	26	(958)
Profit after taxation	1,317	1,007	31	1,974
Minority interest	(2)	(2)	0	(5)
Profit attributable to shareholders	1,315	1,005	31	1,969
DIVIDENDS PAID				
Interim	0	0	-	342
Final - prior year	650	456	43	456
Total	650	456	43	798
Earnings per share (Kwacha)	2.88	2.20	31	4.32
Dividend per share (Kwacha)	1.43	1.00	43	1.75
Number of ordinary shares in issue (millions)	456	456	0	456
BALANCE SHEETS				
LIABILITIES & EQUITY				
Liability to depositors	29,366	25,203	17	25,433
Other liabilities	4,166	7,109	(41)	3,691
Ordinary shareholders funds	7,199	5,800	24	6,524
Minority interest	7	5	40	7
Deferred taxation	21	148	(86)	21
TOTAL	40,759	38,265	7	35,676
ASSETS				
Cash and funds with RBM	1,836	2,536	(28)	2,252
Treasury and RBM Bills	6,347	9,434	(33)	3,796
Local Registered Stocks	1,960	1,204	63	1,207
Placements with other banks	7,483	2,976	>100	5,798
Other investments	1	57	(98)	902
Loans and Advances	16,732	12,295	36	16,551
Other assets	2,640	6,771	(61)	1,778
Fixed Assets	3,760	2,992	26	3,392
TOTAL	40,759	38,265	7	35,676
Memorandum Items				
Contingent Liabilities	5,508	2,211	>100	4,735
STATEMENTS OF CHANGES IN EQUITY				
As at beginning of period	6,524	5,376	21	5,376
Net profit for the period	1,315	1,005	31	1,969
Dividends paid	(650)	(456)	43	(798)
Impairment on previously revalued assets	0	0		(74)
Deferred tax on previously revalued assets	0	(125)	(100)	76
Other movements (net)	10	0	>100	(25)
As at end of Period	7,199	5,800		6,524
CASH FLOW STATEMENTS				
Cash flows from operating activities				
Profit before tax	1,884	1,458	29	2,932
Adjustments for:				
Depreciation	147	117	26	368
Profit on disposal of fixed assets	(1)	(4)	(75)	(5)
Reversal of impairment loss	0	0		(4)
Increase in operating assets	(1,042)	(6,485)	(84)	(6,062)
Increase in operating liabilities	3,956	6,172	(36)	2,428
Cash generated from operating activities	4,944	1,258	>100	(343)
Tax paid	(654)	(478)	37	(826)
Net cash generated from operating activities	4,290	780	>100	(1,169)
Net cash used in investing activities	(5,850)	(4,576)	28	1,134
Net cash used in financing activities	(640)	(456)	40	(801)
Decrease in liquid assets	(2,200)	(4,252)	(48)	(836)
Liquid assets at beginning of the period	8,429	9,265	(9)	9,265
Liquid assets at end of the period	6,229	5,013	24	8,429

PERFORMANCE

The Board is pleased to announce a group pre-tax profit of K1,884m, compared with K1,458m earned during the similar period of 2006, representing a 29% increase. This performance underscores the Bank's proven ability to sustain satisfactory earnings growth.

Investments in product and talent development and customer service improvements continue to bear fruit.

Deposits and lending have increased by 17% and 36% respectively. This is in spite of the fact that the issue of a level playing field in the deposit market is yet to be resolved by the authorities.

Interest rate reductions in the latter part of 2006 exerted some pressure on margins in the first half of 2007, but a proper restructuring of the balance sheet and the increase registered on business volumes ensured that there was a minimum negative impact on earnings.

Treasury operations and non-interest income at 26% increase also continue to be our major source of growth, and as planned, is assisting to cushion the effects of reduction in interest margins.

The Bank registered very good performance in its bad debt recovery function, supplemented by the rather favourable operating environment for a number of previously provided for clients.

In addition to the operating performance, shareholders have experienced capital gains in the region of 78% from the beginning of the year as the Bank's share price grew from K30 to K53.50 as at 30th June 2007.

DIVIDEND

The Board has resolved to pay an interim dividend amounting to K438m (2006 interim: K342m) representing K0.96 per share (2006 interim: K0.75). Dividends will be paid on 31st August 2007 to members whose names appear on the register as at the close of business on 17th August, 2007.

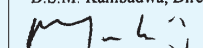
OUTLOOK

There has been some stabilisation in the macroeconomic environment which was to be sustained by the 2007/08 "pro-poor" budget. However, anxieties that have arisen from the current impasse in Parliament have the effect of worsening the country risk profile, business outlook and the operating environment, especially in the area of new investments. This setback notwithstanding, the Bank has in place a strategic plan and the necessary resources to deal with challenges that may arise.

The Bank has lined up new products and services that are aimed at sustaining its growth record. The results for the second half of the year are therefore expected to build on the trend that has been displayed in the first half.

BY ORDER OF THE BOARD


D.S.M. Kambauwa, Director


G. B. Partridge, Director

27th July, 2007
Registered Office
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Blantyre