

STATEMENTS OF COMPREHENSIVE INCOME

	GROUP			COMPANY		
	30-Jun-16 Unaudited K'm	30-Jun-15 Unaudited K'm	31-Dec-15 Audited K'm	30-Jun-16 Unaudited K'm	30-Jun-15 Unaudited K'm	31-Dec-15 Audited K'm
Interest income	22,496	15,336	32,758	21,300	15,295	32,050
Interest expense	(3,116)	(1,950)	(4,660)	(2,876)	(1,950)	(4,404)
Net interest income	19,380	13,386	28,098	18,424	13,345	27,646
Other income	8,737	8,733	15,826	7,675	8,423	14,595
Net income	28,117	22,119	43,924	26,099	21,768	42,241
Operating expenses	(16,330)	(10,611)	(22,493)	(14,224)	(10,408)	(21,114)
Profit before recoveries on impaired loans and advances	11,787	11,508	21,431	11,875	11,360	21,127
Net recoveries/(expense) on impaired loans and advances	44	267	(1,816)	169	267	(1,502)
Profit before taxation	11,831	11,775	19,615	12,044	11,627	19,625
Income tax expense	(3,673)	(3,637)	(6,246)	(3,694)	(3,582)	(6,374)
Profit after tax	8,158	8,138	13,369	8,350	8,045	13,251

Other comprehensive income

Gains on property valuations	0	0	1,383	0	0	1,365
Fair value movement on available for sale assets	(11)	(97)	(191)	(11)	(97)	(191)
Deferred tax on revalued assets	0	0	1,263	0	0	1,243
Other comprehensive income net of tax	(11)	(97)	2,455	(11)	(97)	2,417
Total comprehensive income for the year	8,147	8,041	15,824	8,339	7,948	15,668

Profit attributable to shareholders

Owners of the Parent	8,133	8,121	13,329			
Non-Controlling Interest (Minorities)	25	17	40			
	8,158	8,138	13,369			

Comprehensive income attributable to shareholders

Owners of the Parent	8,133	8,024	15,769			
Non-Controlling Interest (Minorities)	25	17	55			
	8,158	8,041	15,824			

DIVIDENDS PAID

Interim	0	0	1,504	0	0	1,504
Final (for prior year)	3,198	4,669	4,669	3,198	4,669	4,669
Total	3,198	4,669	6,173	3,198	4,669	6,173

Earnings per share (Kwacha)

Dividend per share (Kwacha)	6.85	10.00	13.22	6.85	10.00	13.22
Number of ordinary shares in issue (millions)	467	467	467	467	467	467

STATEMENTS OF FINANCIAL POSITION
LIABILITIES & EQUITY

Customer deposits	226,821	145,547	214,989	204,881	136,357	184,093
Current income tax liabilities	2,021	2,322	1,229	1,894	2,282	1,192
Other liabilities	22,430	25,999	13,710	23,079	25,807	12,043
Deferred tax	594	0	600	0	0	0
Loans and borrowings	1,421	3,720	3,551	1,421	3,720	3,340
Equity attributable to equity holders of the parent company	58,702	47,675	53,778	58,340	47,121	53,199
Non-controlling interest	1,031	61	1,043	0	0	0
Total liabilities and equity	313,020	225,324	288,900	289,615	215,287	253,867

ASSETS

Cash and funds with Reserve Bank of Malawi	25,923	30,041	30,550	25,923	30,041	27,570
Government of Malawi Treasury Bills	29,326	47,635	28,592	29,326	47,537	26,223
Reserve Bank of Malawi bill bonds and treasury notes	853	1,360	817	853	1,360	817
Government of Malawi Promissory Notes	0	4,514	2,285	0	4,514	2,285
Equity investments	2,240	3,002	2,761	2,180	2,932	2,697
Investment in associates	517	478	527	233	233	233
Investment in subsidiaries	-	-	0	6,962	315	6,904
Placements with other banks	29,085	11,094	24,129	29,085	11,094	18,878
Loans and advances to customers	130,437	71,736	113,975	130,437	71,736	109,610
Other money market deposits	43,304	9,678	40,023	20,411	0	23,437
Other assets	9,611	18,621	5,985	9,055	18,469	5,021
Investment properties	133	0	133	133	0	0
Property, plant and equipment	27,120	19,690	25,519	24,577	19,600	21,259
Intangible assets	5,870	4,042	5,003	5,870	4,042	4,758
Deferred tax assets	4,590	3,433	4,590	4,570	3,414	4,175
Goodwill	4,011	0	4,011	0	0	0
Total assets	313,020	225,324	288,900	289,615	215,287	253,867

Memorandum items

Contingent liabilities - letters of credit and guarantees	15,554	14,396	20,635	15,554	14,396	20,147
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STATEMENTS OF CHANGES IN EQUITY

As at beginning of period	53,778	44,182	44,182	53,199	43,704	43,704
Net profit for the period	8,133	8,121	13,329	8,350	8,045	13,251
Dividends paid	(3,198)	(4,669)	(6,173)	(3,198)	(4,669)	(6,173)
Surplus on revaluation of property	0	0	1,383	0	0	1,365
Fair value movement on available for sale assets	(11)	(97)	(191)	(11)	(97)	(191)
Transfer to loan loss reserve	0	138	0	0	138	0
Deferred tax on revalued assets	0	0	1,248	0	0	1,243
As at end of period	58,702	47,675	53,778	58,340	47,121	53,199

STATEMENTS OF CASH FLOWS

Cash flows from operating activities						
Profit before tax	11,831	11,775	19,615	12,044	11,627	19,625
Adjustments for:						
Depreciation	1,299	1,010	2,286	1,157	1,003	2,208
Fair value (profit)/loss on equity investments	516	(372)	(74)	516	(372)	(67)
Profit on disposal of fixed assets	(6)	(18)	(21)	(4)	(18)	(18)
(Profit)/Loss on disposal of equity investments	0	0	0	-	-	0
Dividends received	(16)	(33)	(121)	(128)	(72)	(160)
Share of profits of associate	26	(28)	(91)	-	-	0
Loss/(Gain) on revaluation of properties	0	0	(15)	-	-	(15)
Decrease/(Increase) in operating assets	(19,671)	13,903	(23,192)	(17,560)	13,816	(28,027)
Increase/(decrease) in operating liabilities	11,506	(2,820)	52,243	9,558	(4,045)	47,105
Cash generated from operating activities	5,485	23,417	50,630	5,583	21,939	40,651
Tax paid	(2,881)	(3,246)	(6,644)	(2,792)	(3,184)	(6,584)
Net cash from/(used in) operating activities	2,604	20,171	43,986	2,791	18,755	34,067
Net cash outflow from investing activities	(2,676)	(24,453)	(2,906)	(1,180)	(24,303)	(9,194)
Net cash inflow/(outflow) from financing activities	(5,366)	(6,532)	(8,417)	(6,532)	(8,415)	-
Net increase/(decrease) in cash and cash equivalents	(5,438)	(10,814)	32,663	(3,715)	(12,080)	16,458
Cash and cash equivalents at beginning of the period	91,355	58,692	58,692	66,738	50,280	50,280
Cash and cash equivalents at end of the period	85,917	47,878	91,355	63,023	38,200	66,738

IMPAIRMENT LOSSES/NON PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY INDUSTRY SECTOR

Sector	30th June 2016			30th June 2015		
	Outstanding Amount	Impaired Amount	Specific Provision	Outstanding Amount	Impaired Amount	Specific Provision
	K'm	K'm	K'm	K'm	K'm	K'm
Agriculture, Forestry, Livestock and Fishing	30,318	39	43	19,231	1,257	842
Manufacturing	25,806	1,304	571	14,929	1,571	623
Mining and Quarrying	2	-	0	0	-	0
Construction and Engineering	960	95	56	646	105	7
Energy/Electricity, Gas, Air conditioning,						
Water supply & Waste management	2,950	0	8	1,797	0	0
Transport/Storage	6,190	484	66	1,499	215	2
Communication	2,918	10	5	3,343	0	0
Financial/Insurance/Professional/Scientific						
& Technical services	1,051	0	0	1,451	0	0
Wholesale/Retail	36,881	1,218	224	13,776	1,335	67
Individual/Households	13,025	485	352	10,165	847	256
Real Estate	1,920	4	1	3,454	0	0
Tourism	8,009	108	34	2,075	149	47
Other	1,794	59	27	1,239	63	25
TOTAL	131,824	3,806	1387	73,605	5,542	1869

CREDIT CONCENTRATION

Total Credit Facilities including guarantees, acceptances and other similar commitments extended to any one customer or group of related customers where amounts exceed 25% of core capital.

SECTOR OF BORROWER

	30th June 2016		30th June 2015	
	K'm	% OF CORE CAPITAL	K'm	% OF CORE CAPITAL
Wholesale/Retail	10,195	30%	8,950	34%

LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES

	30th June 2016 K'm	30th June 2015 K'm
DIRECTORS:		
Balance at beginning of half year	341	197
Loans granted during the half year	91	372
Repayments	(162)	(196)
Balance at end of half year	270	373

OTHER RELATED PARTIES:

Balance at beginning of half year	5,011	5,832
Loans granted during the half year	4,147	12,286
Repayments	(2,606)	(11,702)
Balance at end of half year	6,552	6,416

SENIOR MANAGEMENT OFFICIALS:

Balance at beginning of year	903	617
Loans granted during the year	79	735
Repayments	(161)	(757)
Balance at end of year	821	595

INVESTMENTS IN SUBSIDIARIES

Name of Subsidiary	Percentage Holding	
	30th June 2016	30th June 2015
NBM Capital Markets Limited	100%	100%
NBM Securities Limited	100%	100%
National Bank of Malawi Nominees Limited	100%	100%
NBM Bureau De Change Limited	100%	100%
Inde Bank Limited	97%	0%
NBM Pension Administration Limited	100%	100%
Stockbrokers Malawi Limited	75%	75%

LENDING RATES

	30th June 2016	30th June 2015
Malawi Kwacha facilities		
Base Lending Rate	34.0%	37.0%
Lending Rate Spread	-4% to 8.0%	-4% to + 8.0%
Foreign Currency facilities	7.5% to 12.0%	7.5% to 12.0%

PERFORMANCE

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

Among other integration costs, the Bank incurred a severance 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 K400m. Net Income reflected a strong year-on-year growth of 27%, with Net 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 rejection rates by buyers at the auction floors, low tea output and prices, lower than expected sugar production and exports, together with the continued suspension 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 K3.0 b (2015 interim: K1.5b) representing K 6.44 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 Nino weather conditions of the previous cropping season. Estimates point to a drop in maize production of at least 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 therefore business activity.

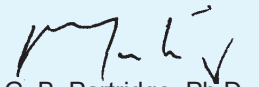
Inflation remains stubbornly high at 22.6% recorded in June 2016 from 23.5% in January 2016. The sustained increase in maize and cereal prices coupled with pass through effects of Malawi Kwacha depreciation will continue to push up inflation.

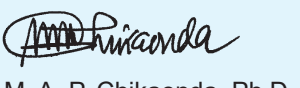
Currently, high foreign exchange demand is outstripping supply despite the ongoing tobacco export receipts in the first half of the year. This is resulting in the gradual depreciation of the Kwacha. The forecast for the second half of the year therefore points to the continuation of a challenging operating 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


G. B. Partridge, Ph.D.,
Chief Executive Officer


M. A. P. Chikaonda, Ph.D.,
Chairman

29th July, 2016
Registered Office:
7 Henderson Street,
BLANTYRE


M.M. Kawawa,
Chief Financial Officer


Mrs E. Mafeni,
Director

DIRECTORS REMUNERATION, BONUSES
AND MANAGEMENT FEES

	30th June 2016 K'm	30th June 2015 K'm
Directors Remuneration	479	494
Total Bonuses Paid by the Bank	1,677	2,465

DEPOSIT RATES

Type of Deposit	30th June 2016 Rate %	30th June 2015 Rate %
Malawi Kwacha		
Current Account	0.15	0.15
Savings	9.00	7.00
Special savings	5.00	3.00
Savings Bond	9.00	9.00
Student Save	7.00	5.00
Fiesta Save	12.00	10.00
7 Day Call	8.00	6.00
30 Day Call	9.00	7.00
2 Months	13.00	11.00
3 Months	12.00	10.00
6 Months	9.50	8.00
9 Months	Negotiable	Negotiable
12 Months	Negotiable	Negotiable

Foreign Currency Denominated Accounts (FCDAs)

USD	0.50	0.50
GBP	1.75	1.75
ZAR	4.00	4.00
EUR	0.50	0.50