Your Friendly Bank

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2011

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Malawi Kwacha

	Unaudited six months period ended		Audited year ended
	30-Jun-11	30-Jun-10	31-Dec-10
Interest receivable	2,868,245	2,352,979	5,113,901
Interest payable	(804,177)	(662,048)	(1,452,842)
Net interest income	2,064,068	1,690,931	3,661,059
Income from equity investments	30,327	9,479	104,359
Gains on foreign exchange transactions	300,481	353,033	672,984
Other operating income	816,423	564,623	1,205,660
Total operating income	**3,211,299**	**2,618,066**	**5,644,062**
Operating expenditure	(1,661,854)	(1,433,345)	(2,948,892)
Operating profit	1,549,445	1,184,721	2,695,170
Impairment provisions	(89,547)	(31,412)	(78,681)
Profit before tax	1,459,898	1,153,309	2,616,489
Income tax expense	(421,932)	(340,174)	(787,894)
Net profit for the period	**1,037,966**	**813,135**	**1,828,595**
Other comprehensive income for the period	3,100	(43,217)	77,817
Total comprehensive income for the period	**1,041,066**	**769,918**	**1,906,412**
profit attributable to:			
Owners of the parent	971,588	792,005	1,766,992
Non controlling interest	66,378	21,130	61,603
Net Profit for the period	1,037,966	813,135	1,828,595
Earnings per share (tambala)	**44**	**34**	**78**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of Malawi Kwacha

	Unaudited six months period ended		Audited year ended
	30-Jun-11	30-Jun-10	31-Dec-10
LIABILITIES & EQUITY			
Issued capital	116,813	116,813	116,813
Share premium	1,565,347	1,565,347	1,565,347
Revaluation reserves	1,664,861	1,681,311	1,664,861
Other non distributable reserves	365,311	323,473	360,778
Loan loss reserve	40,032	33,406	40,032
Retained earnings	4,598,600	3,171,894	3,790,550
Total equity attributable to equity holders of the parent	8,350,964	6,892,244	7,538,381
Non controlling interest	694,717	536,083	629,772
Total Equity	**9,045,681**	**7,428,327**	**8,168,153**
Amounts due to depositors	42,234,951	29,312,563	37,127,432
Other liabilities	3,677,749	3,541,831	4,381,721
Balances with banks abroad	-	-	694
Total Equity and Liabilities	**54,958,381**	**40,282,721**	**49,678,000**
Cash and cash equivalents	8,186,430	4,469,481	5,321,760
Money market investments	12,417,056	10,167,716	13,379,327
Equity Investments	1,431,819	1,250,430	1,308,968
Advances and Loans to Customers net of impairment losses	25,407,073	18,543,808	22,597,545
Finance leases	4,201,844	3,235,841	3,639,703
Other receivables	455,580	360,274	561,756
Property plant and equipment	2,858,579	2,255,171	2,868,941
Total Assets	**54,958,381**	**40,282,721**	**49,678,000**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

In thousands of Malawi Kwacha

	Unaudited six months period ended		Audited year ended
	30-Jun-11	30-Jun-10	31-Dec-10
As at the beginning of the period	8,168,153	6,892,535	6,892,535
Net profit for period	1,037,966	769,918	1,828,595
Other comprehensive income	3,100	(43,217)	77,817
Total comprehensive income for the period	**1,041,066**	**726,701**	**1,906,412**
Dividends paid	(163,538)	(186,907)	(630,794)
Other movements	-	(4,002)	-
Balance at the end of the period	**9,045,681**	**7,428,327**	**8,168,153**

CONSOLIDATED STATEMENTS OF CASHFLOW

In thousands of Malawi Kwacha

	Unaudited six months period ended		Audited year ended
	30-Jun-11	30-Jun-10	31-Dec-10
Operating activities			
Interest and fees received	3,977,151	3,259,160	6,176,872
Interest paid	(792,466)	(660,054)	(1,449,630)
Cash paid to suppliers and employees	(2,443,880)	(1,126,270)	(1,977,601)
	740,805	1,472,836	2,749,641
Net increase/(decrease) in net amounts due to customers balances	1,686,658	(3,486,237)	746,444
Cash generated from/(utilised in) operations	2,427,463	(2,013,401)	3,496,085
Income taxes paid	(526,933)	(312,689)	(478,299)
Net cash generated from/(utilised in) operating activities	**1,900,530**	**(2,326,090)**	**3,017,786**
Investing activities			
Net maturities/(purchases) of money market investments	1,268,334	2,051,307	(1,160,304)
(Purchases)/proceeds from sale of equity investments	(130,866)	-	296
Proceeds from sale of plant and equipment	1,500	-	815
Acquisition of property, plant and equipment	(173,938)	(330,408)	(1,145,246)
Gross dividend received	163,342	72,017	108,064
Net Cash generated from/(utilised in) investing activities	**1,128,372**	**1,792,916**	**(2,196,375)**
Financing activities			
Dividend paid	(163,538)	(186,907)	(630,794)
Net Cash utilised in financing activities	**(163,538)**	**(186,907)**	**(630,794)**
Net increase/(decrease) in cash and cash equivalents	2,865,364	(720,081)	190,617
Cash and cash equivalents at beginning of period	5,321,066	5,189,562	5,130,449
Cash and cash equivalents at end of period	**8,186,430**	**4,469,481**	**5,321,066**

Review of Operations

The Group balance sheet continues to grow and interest margins have been maintained despite a highly competitive market. As a result, net interest income increased by 22% over the corresponding prior period. Although foreign exchange trading volumes and related income remained depressed this was compensated by robust growth in domestic fee and commission income. Operating expenditure was in line with expectations and our overall cost to income ratio declined marginally to below 52%. Earnings per share at 44 tambala is an encouraging 30% higher than the 34 tambala achieved in the first six months of the last year.

Outlook

The economic outlook for the second half of the year is uncertain. Government has communicated its intention to reduce its reliance on external grants to finance its recurrent budget. It remains to be seen whether this will necessitate increased domestic borrowing with potential implications for market liquidity and the direction of interest rates. Availability of foreign exchange will also remain a major concern not only for the bank but also its customer base. We, however remain optimistic that our diversified business lines and strong liquid balance sheet will enable group profitability to be sustained at current levels.

Dividends

The directors have declared a first interim dividend of K654.1m or 25 tambala per share (2010:19 tambala) payable on Friday 19th August 2011 to shareholders whose names appear in the register at the close of business on Friday 12th August 2011. The register shall be closed from Monday 15th August to Wednesday 17th August 2011 both days inclusive.

K. N. Chaturvedi — Managing Director
J. M. O'Neill — Executive Director
L. M. Kondowe — Chief Financial Officer

Blantyre, 26th July, 2011.