

Zambia National Commercial Bank Plc

Company Registration Number: 5387

Share Code: Zanaco

ISIN: ZM000000250 (Zanaco)

Interim Results for the six months ended June 2009

In compliance with requirements of the Securities Act Cap 354 of the Laws of Zambia and Listing Rules of the Lusaka Stock Exchange, the Directors of Zanaco are pleased to announce half-year interim results for the period ended 30th June 2009

Note: These results have not been audited and are derived from the Bank's management accounts.

CONDENSED PROFIT AND LOSS ACCOUNT AS AT 30TH JUNE 2009

| | Jun 2009 | Jun 2008 | Change |
|---------------------------------------|----------------|----------------|-----------|
| | K'm | K'm | % |
| Interest Income | 173,651 | 124,538 | 39 |
| Interest expense | (14,429) | (8,790) | 64 |
| Net interest income | 159,222 | 115,748 | 38 |
| Non-interest income | 72,021 | 65,146 | 11 |
| Total income | 231,243 | 180,894 | 28 |
| Operating expenses | (142,545) | (141,032) | 1 |
| Impairment charge on financial assets | (31,816) | (6,203) | 413 |
| Profit before income tax | 56,882 | 33,659 | 69 |
| Tax (charge) | (23,043) | (11,854) | 94 |
| Profit for the year | 33,839 | 21,805 | 55 |

| | | | |
|--|-------|-----|----|
| Average number of shares during the year | 1,155 | 984 | 17 |
| Earnings per share (ZMK) | 29 | 22 | 32 |

Condensed cashflow statement

| | | |
|--|------------------|------------------|
| Net Cashflow from operating activities | (645,580) | (140,648) |
| Net Cashflows used in investing activities | (10,828) | (10,434) |
| Net Cashflows from financing activities | (18,191) | (10,001) |
| Net increase/(decrease) in cash and cash equivalent | (674,599) | (161,083) |
| Cash and cash equivalent at 1 January | 1,042,838 | 595,379 |
| Balance at end of period | 368,239 | 434,296 |

Condensed consolidated statement of changes in equity

| | | |
|---|----------------|----------------|
| Balance at 1 January | 322,282 | 198,855 |
| Net change in available-for-sale financial assets | 1,768 | (13) |
| Deferred tax adjustment | - | (6,220) |
| Profit for the year | 33,839 | 21,805 |
| Dividend paid | (18,191) | (10,001) |
| Balance at end of period | 339,698 | 204,426 |

Financial highlights

| | | |
|-------------------------|---|-----|
| Total income up | - | 28% |
| Profit before tax up | - | 69% |
| Cost to income ratio at | - | 62% |
| Advances up | - | 44% |
| Deposits up | - | 20% |
| Total assets up | - | 35% |

FINANCIAL REPORT

The half year summarised Financial Statements have been prepared in compliance with the International Financial Reporting Standards and Accounting policies which are consistent with those applied in the previous periods.

Interest income

Interest income has increased by 39% year on year to K173,651 million [June 2008:K124,538 million] on the back drop of increased investment in Loans and Advances, Government securities and Open Market Operations. Interest income was further bolstered by the increase in lending rates.

Interest Expense

Interest expense increased by 64% or K5,639 million to K14,429 million [June 2008: K8,790million]. The increase was as a result of the increase in volume of Deposits and the cost of medium term funding denominated in foreign currency.

Total Income

The total operating income has increased on year to year basis by 28% to K231,243 million [June 2008: K180,894 million], driven primarily by the

38% growth in net interest income, and by 11% increase in non-interest income.

Total Expenditure

The Bank's total expenditure for the six months to 30 June 2009 stood at K142,245 million registering a growth of only 1% as compared to the K141,032 million for the six months to 30 June 2008. The low growth in expenditure is a result of cost management measures adopted by the Bank.

Impairment

The impairment charges on the income statement as at 30th June 2009 of K31,816 million [June 2008: K6,203 million] has increased to reflect both the economic down turn and credit portfolio legacy issues.

Profit

Profit before tax of K56,882 million is 69% up from the 2008 figure of K33,659 million and the Earnings Per Share is up 32% to K29 from K22 in 2008, despite the dilution occasioned as a result of the capital raised in last year's Initial Public offer (IPO).

REVIEW OF OPERATIONS

The Bank has continued to focus on customer services through on-going phased renovation of branches, the increase of distribution channels via Point of Sale (POS) and Automated Teller Machines (ATMs), and the launch of new or improved products such as Xapit mobile banking.

CAPITAL ADEQUACY

The Bank remains well capitalised and the increasing profitability has bolstered the Bank's capital adequacy ratio to 15.45%, well above the regulatory benchmark of 10% and last year's capital adequacy ratio of 10.33%.

CONTINGENCIES

The Contingent liability comprises mainly Letters of Credit opened and Guarantees issued by the Bank in the normal course of business.

FUTURE OUTLOOK

There is cautious optimism that the economy is improving as witnessed by the strengthening of copper prices and the Kwacha, which may indicate the possibility of future reduction in inflation and interest rates.

The Bank is well positioned to meet the challenges of the future given its strong liquidity and capital base.

CONDENSED BALANCE SHEET

| | 2009 | 2008 | Change |
|--|------------------|------------------|-----------|
| | K'm | K'm | % |
| Assets | | | |
| Cash and Balances with Bank of Zambia | 373,613 | 363,871 | 3 |
| Loans and advances to banks | 203,492 | 57,567 | |
| Loans and advances to customers | 1,265,772 | 879,925 | 44 |
| Investment securities | 671,190 | 563,737 | 19 |
| Property, plant & equipment and other assets | 202,017 | 154,034 | |
| Total assets | 2,716,084 | 2,019,134 | 35 |
| Liabilities | | | |
| Deposits | 2,061,576 | 1,712,700 | 20 |
| Borrowed funds | 129,830 | - | - |
| Other liabilities | 184,980 | 102,008 | |
| | 2,376,386 | 1,814,708 | 31 |
| Shareholders funds | 339,698 | 204,426 | 66 |
| Total liabilities and equity | 2,716,084 | 2,019,134 | 35 |
| Contingencies | 69,728 | 31,061 | 124 |

By Order of the Board



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Big Strong Reliable