



EXTRACTS FROM THE CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

	CONSOLIDATED AND SEPARATE AUDITED	CONSOLIDATED AND SEPARATE AUDITED				
	12 months to 31-Dec-17 MK'000	12 months to 31-Dec-16 MK'000 Restated	CONSOLIDATED AUDITED 31-Dec-15 MK'000	SEPARATE AUDITED 31-Dec-17 MK'000	SEPARATE AUDITED 31-Dec-16 MK'000 Restated	
STATEMENTS OF COMPREHENSIVE INCOME						
Interest income	10,559,385	10,756,764				
Interest Expense	(3,332,621)	(4,767,310)				
Net Interest Income	7,226,764	5,989,454				
Other Income	6,852,566	7,736,296				
Net Income	14,079,330	13,725,750				
Depreciation	(1,368,433)	(778,599)				
Operating Expenses	(15,199,523)	(16,065,427)				
Profit before impairment losses	(2,488,626)	(3,118,276)				
Impairment provisions	1,073,586	(7,545,412)				
Loss before tax	(1,415,040)	(10,663,688)				
Income tax expenses	322,733	2,267,363				
Loss for the year	(1,092,307)	(8,396,325)				
Other comprehensive income	-	-				
Total Comprehensive Income	(1,092,307)	(8,396,325)				
Earnings per share (tambala)	(0.38)	(11.54)				
Weighted average ordinary shares in issue (million)	2,913	728				
	CONSOLIDATED AUDITED 31-Dec-17 MK'000	CONSOLIDATED AUDITED 31-Dec-16 MK'000 Restated	CONSOLIDATED AUDITED 31-Dec-15 MK'000	SEPARATE AUDITED 31-Dec-17 MK'000	SEPARATE AUDITED 31-Dec-16 MK'000 Restated	SEPARATE AUDITED 31-Dec-15 MK'000
STATEMENT OF FINANCIAL POSITION LIABILITIES AND EQUITY						
Liabilities						
Deposits from Customers	76,981,284	66,665,659	60,888,676	76,981,284	66,665,659	60,888,676
Other Borrowings	20,010	3,679,431	2,832,329	20,010	3,679,431	2,832,329
Other liabilities	22,667,946	9,635,920	9,136,582	22,592,639	9,560,613	9,214,727
Total Liabilities	99,669,240	79,981,010	72,857,587	99,593,933	79,905,703	72,935,732
Equity						
Share capital	1,455,291	363,822	363,822	1,455,291	363,822	363,822
Share premium	12,104,183	2,323,895	2,323,895	12,104,183	2,323,895	2,323,895
Accumulated losses	(5,088,800)	(5,680,029)	(1,548,759)	(5,059,409)	(5,650,638)	(1,519,368)
Other reserves	4,049,689	5,733,225	9,998,280	4,049,689	5,733,225	9,998,280
	12,520,363	2,740,913	11,137,238	12,549,754	2,770,304	11,166,629
Total Liabilities & Equity	112,189,603	82,721,923	83,994,825	112,143,687	82,676,007	84,102,361
ASSETS						
Cash and Cash equivalents	24,342,084	23,610,542	24,889,153	24,342,084	23,610,542	24,889,153
Other receivables	4,978,572	5,158,901	4,662,852	4,947,831	5,128,160	4,773,298
Money Market Investments	39,264,948	17,360,732	13,786,071	39,264,948	17,360,732	13,786,071
Equity investments	63,665	48,665	48,665	63,665	48,665	48,665
Investment in subsidiary	-	-	-	-	-	42,600
Placements with other banks	14,563,715	5,185,821	-	14,563,715	5,185,821	-
Loans and Advances	18,372,690	18,632,166	30,140,392	18,372,690	18,632,166	30,140,392
Deffered Tax Asset	2,452,747	2,130,014	-	2,483,082	2,160,349	-
Intangible Assets	4,116,974	5,828,193	5,503,937	4,116,974	5,828,193	5,503,937
Property, plant and equipment	4,034,208	4,766,889	4,963,725	3,988,698	4,721,379	4,918,245
Total Assets	112,189,603	82,721,923	83,994,825	112,143,687	82,676,007	84,102,361
STATEMENT OF CHANGES IN EQUITY						
As at beginning of the year	2,740,913	11,137,238		2,770,304	11,166,629	
Loss for the year	(1,092,307)	(8,396,325)		(1,092,307)	(8,396,325)	
Issue of shares	10,871,757	-		10,871,757	-	
As at end of year	12,520,363	2,740,913		12,549,754	2,770,304	
STATEMENT OF CASH FLOWS						
OPERATING ACTIVITIES						
Interest and fees income	17,411,951	18,493,060				
Interest paid	(3,332,621)	(4,767,308)				
Cash paid to suppliers and employees	(22,780,742)	(17,128,744)				
Movement in investments	(21,904,216)	(3,574,661)				
Movement in net customer balances	23,926,001	5,658,139				
Income Tax paid	(121,128)	(7,183)				
Net cash used in operating activities	(6,800,755)	(1,326,697)				
INVESTING ACTIVITIES						
Acquisition of property and equipment	(1,240,531)	(917,860)				
Proceeds from disposal of property and equipment	1,501,071	-				
Net cash from/(used) in investing activities	260,540	(917,860)				
FINANCING ACTIVITIES						
Long - term loan (repayments)/receipts	(3,600,000)	965,946				
Issue of shares	10,871,757	-				
Net cash generated from financing activities	7,271,757	965,946				
Net movement in cash and cash equivalents	731,542	(1,278,611)				
Cash and Cash equivalents at beginning of the year	23,610,542	24,889,153				
Cash and cash equivalents at end of the year	24,342,084	23,610,542				

REGULATORY DISCLOSURES

1. IMPAIRMENT LOSSES /NON PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY

INDUSTRY SECTOR

Sector	Outstanding Amount MK'm	Impaired Amount MK'm	31-Dec-17		Outstanding Amount MK'm	Impaired Amount MK'm	31-Dec-16	
			Specific Provisions** MK'm	% of Core Capital			Specific Provisions** MK'm	% of Core Capital
Agriculture	2,182	761	441	20.2	9,227	7,736	83.9	
Mining	421	27	27	6.4	492	489	99.4	
Manufacturing	3,005	1,237	223	7.4	3,087	1,191	38.3	
Electricity	111	37	22	19.8	394	423	107.4	
Construction	1,775	1,367	140	7.9	1,974	955	48.4	
Wholesale & Retail	4,989	1,815	460	9.2	10,544	8,593	81.5	
Restaurants & Hotels	426	365	6	1.4	588	553	94.1	
Transport	1,556	898	191	12.3	2,089	1,803	86.7	
Financial Services	2,807	1,046	260	9.3	3,685	1,353	36.7	
Community	3,225	1,507	106	3.3	3,491	2,467	70.7	
Real Estate	256	176	38	14.8	494	491	99.4	
Other	2,034	185	101	5.0	1,505	172	11.4	
Total	22,787	9,421	2,015	8.8	37,570	26,226	70.0	

**Specific provisions are not inclusive of interest in suspense amounting to MK 2.399 billion (2016: MK 6.939 billion) related to non-performing loans.

2. CREDIT CONCENTRATION

Total credit facilities including guarantees, acceptances and other similar commitments extended by the bank to any one customer or group of related customers where amounts exceeded 25% of core capital.

In the year ended 31 December 2017, maximum exposure by a single borrower was at 22%

SECTOR OF BORROWER

	31-Dec-17		31-Dec-16	
	MK'm	% of Core Capital	MK'm	% of Core Capital
Agriculture	-	0%	9,227	270%
Manufacturing	-	0%	3,087	90%
Construction	-	0%	1,974	58%
Wholesale & Retail	-	0%	10,544	309%
Transport	-	0%	2,089	61%
Financial Services	-	0%	3,772	110%
Community	-	0%	3,669	113%
Other	-	0%	1,506	44%

3. LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES

Directors	31-Dec-17	31-Dec-16
	MK'000	MK'000
Balance at the beginning of the period	15.2	50.2
Loans granted during the period	-	-
Repayments	(15.2)	(35.0)
Balance at end of the period	-	15.2
Other related parties		
	31-Dec-17	31-Dec-16
	MK'000	MK'000
Balance at the beginning of the period	654.1	531.7
Loans granted during the period	391.2	697.0
Repayments	-54.5	-574.6
Balance at end of the period	990.8	654.1
Senior management officials		
	31-Dec-17	31-Dec-16
	MK'000	MK'000
Balance at the beginning of the period	218.7	118.5
Loans granted during the period	167.6	120.5
Repayments	(72.9)	(20.3)
Balance at end of the period	313.4	218.7
Total related party lending as a % of Capital	0.01%	0.03%

INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	31-Dec-17		31-Dec-16	
	Number of shares	Percentage Holding	Number of shares	Percentage Holding
NBS Forex Bureau	7,000,000	100%	7,000,000	100%

LENDING RATES

	31-Dec-17	31-Dec-16
Malawi Kwacha facilities		
Base lending Rate	27.5%	33.0%
Lending Rate Spread	-2% to 10%	-2% to 10%
Foreign Currency facilities	+5% Libor rate	+5% Libor rate

DIRECTORS' REMUNERATION BONUSES AND MANAGEMENT FEES

	31-Dec-17	31-Dec-16
	MK'000	MK'000
Directors' remuneration	13,150	10,450
Total bonuses paid to employees	-	-
Management fees to related party	37,890	-
Capital Expenditure	1,240	917
Capital Commitments	3,400	3,200
Contingent Liabilities	5,000	4,500

DEPOSIT RATES

Type of Deposit	31-Dec-17 Rate %	31-Dec-16 Rate %
Malawi Kwacha		
Current account	0.10	0.10
Savings	5.00	8.00
7 Day Notice	5.50	6.00
30 Day Notice	5.50	5.50
2 Months	7.00	9.00
3 Months	7.00	9.50
6 Months	Negotiable	Negotiable
9 Months	Negotiable	Negotiable
12 Months	Negotiable	Negotiable

Foreign Currency Denominated Accounts (FCDAs)

	2017	2016
USD	2.00	2.00
GBP	2.25	2.25
ZAR	3.00	3.00
EUR	1.50	1.50

Review

The Group (NBS Bank Plc and NBS Forex Bureau) is currently undergoing a transformation in the way it does business to ensure successful implementation of its mission, which is to be the bank of choice in Malawi. Having provided financial solutions that have contributed to changing the lives of Malawians for over 50 years, it was felt that there was need to review the strategic direction of the business in order to remain relevant to customers. This transformation is expected to continue in the year 2018. In 2017 the Bank, successfully concluded a recapitalisation process which resulted in full compliance with capital requirements of the Registrar of Financial Institutions. Furthermore, a significant part of the process of changing the leadership of the Bank was implemented and several key milestones of the 5-year strategy were achieved. The focus of the Bank and its strategic partner, Rabobank of Netherlands, shall be on leveraging the wide network of the Bank, enhancing service delivery and improving efficiency in operations. Significant resources have been set aside to continue investing in systems, refurbishing and rebranding our customer touchpoints, leadership development, and capacity building. These investments are central in the drive for the bank to achieve a full turnaround expected to be realised within 2018.

Strategy

The Bank's strategic goals and objectives are based on the aspiration to be recognized as a digitally-driven transactional bank for both retail and corporate customers through a deeper understanding of their pain points. This distinction is embodied in the Bank's entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and ability to be nimble, flexible and innovative. Our products will be designed to be EAZY to understand, EAZY to use, EAZY to access and EAZY on the pocket.

Outlook

The Bank expects a continued stable exchange rate and continued low interest rates in the year ahead which will result in continued squeezed interest margins in the industry. However, the reduced rates are likely to positively impact on the appetite and ability of borrowers to service existing and new loans. Key threats to economic growth will remain the impact of the dry spell leading to low agriculture production, and intermittent power supply.

The bank expects 2018 to be the year we turnaround and create value while giving our shareholders an appropriate and sustainable return on their investment.

Financial Performance

The year 2017, whilst better than the previous year, was still tough and challenging for the Group. The Group reported a loss after tax of MK1.092 billion (31 December 2016 Restated: net loss after tax of MK 8.396 billion). The loss for the year ended 31 December 2017, although materially showing a positive variance from December 2016, was largely a result of the lack of growth of revenues in the first half of the year then ended. Notable indicators:

Net Interest Income 21% up on prior year due to a significant reduction in interest expense.

Non-Interest Revenue 11% down on prior year due to reduced margins on FX sales.

Impairment recovery of MK1.1bn against loss of MK7.5bn prior year.

Operating expenses down 1.6% on prior year due to an improved control environment.

Customer deposits growth 15.5% on prior year.

Money Market investment growth of 126% on prior year due to increased investments.

The Group restated the 31 December 2016 results to include adjustments in the computation of provision for non-performing loans and interest expense.

The Bank is required to meet regulatory capital ratios of 10% and 15% for Tier 1 and Tier 2 respectively. As at 31 December 2017, the bank had complied with both ratios.

Dividend

The Board of Directors has not recommended the payment of any dividend for the year ended 31 December 2017 to enable the Bank achieve full turnaround.

V. Kumwenda
Chairman

M. Mtambuka
Director

K. Ngunywa
Chief Executive Officer

V. Zulu
Chief Finance Officer

BASIS OF PREPARATION

The Directors have prepared the summary consolidated and separate financial statements to meet the requirements of the Financial Services Act, 2010 and the Malawi Stock Exchange. The Directors have considered the requirements of the Financial Services Act, 2010 and the Malawi Stock Exchange and believe that the summary statements of financial position, comprehensive income, changes in equity and cash flows are sufficient to meet the requirements of the users of the summary consolidated and separate financial statements. The amounts in the summary consolidated and separate financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards. The summary consolidated and separate financial statements have been derived from the Annual Consolidated and Separate Financial Statements which were approved by the board of directors on 20 March 2018, and is available on the company's website, www.nbs.mw