

	GROUP		COMPANY	
	31-Dec-18 K'm	31-Dec-17 K'm	31-Dec-18 K'm	31-Dec-17 K'm
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Interest and similar income	47,079	51,681	46,604	51,293
Interest expense	(6,315)	(6,558)	(6,335)	(6,558)
Net interest income	40,764	45,123	40,269	44,735
Other income	22,255	20,018	20,060	18,170
Net income	63,019	65,141	60,329	62,905
Operating expenses	(38,033)	(33,361)	(36,670)	(32,496)
Profit before impairment losses on loans and advances	24,986	31,780	23,659	30,409
Net impairment losses on loans and advances	(1,970)	(4,230)	(1,950)	(4,230)
Profit before taxation	23,016	27,550	21,709	26,179
Taxation	(7,051)	(8,403)	(6,403)	(7,860)
Profit after tax	15,965	19,147	15,306	18,319
Other Comprehensive Income				
Gains on property valuations	2,509	2,694	2,509	2,694
Deferred tax on revalued assets	641	129	641	129
Fair value movement on available for sale assets	0	0	0	0
Other Comprehensive Income net of tax	3,150	2,823	3,150	2,823
Total Comprehensive Income for the year	19,115	21,970	18,456	21,142
Profit attributable to shareholders				
Owners of the Parent	15,881	18,912		
Non-Controlling Interest (Minorities)	84	235		
	15,965	19,147		
Comprehensive income attributable to shareholders				
Owners of the Parent	19,031	21,735		
Non-Controlling Interest (Minorities)	84	235		
	19,115	21,970		
DIVIDENDS PAID				
Interim	2,498	3,315	2,498	3,315
Final (for prior year)	5,697	5,342	5,697	5,342
Total	8,195	8,657	8,195	8,657
Earnings per share (Kwacha)	34.01	40.50		
Dividend per share (Kwacha)	17.55	18.54		
Number of ordinary shares in issue (millions)	467	467		
STATEMENTS OF FINANCIAL POSITION				
LIABILITIES & EQUITY				
Customer deposits	294,525	278,492	271,026	254,102
Current income tax liabilities	874	2,109	685	1,975
Other liabilities	14,080	14,442	13,471	14,984
Deferred tax	9	826	0	0
Loans and borrowings	19,428	14,185	19,428	14,185
Equity attributable to equity holders of the parent company	88,316	80,907	86,307	79,466
Minority interest	98	1,306	0	0
Total liabilities and equity	417,330	392,267	390,917	364,712
ASSETS				
Cash and funds with Reserve Bank of Malawi	25,023	27,098	25,267	27,098
Government of Malawi Treasury Bills	83,168	24,670	69,080	24,670
Government of Malawi Treasury notes	13,235	4,808	13,235	4,808
Government of Malawi Promissory Notes	1,441	48	1,441	48
Equity investments	3,891	3,698	3,891	3,698
Investment in associate	1,336	487	992	233
Investment in subsidiaries	0	0	6,444	6,623
Placements with other banks	22,899	32,052	22,899	32,052
Loans and advances to customers	166,621	137,575	166,621	137,575
OMO Repos and other money market investments	40,314	104,195	26,426	78,450
Other assets	9,761	7,673	9,178	6,819
Property and equipment	29,380	30,970	29,296	27,750
Intangible assets	8,436	8,325	8,320	8,226
Non-current assets held for sale	0	330	0	330
Deferred tax	7,866	6,379	7,827	6,332
Goodwill	3,959	3,959	0	0
Total assets	417,330	392,267	390,917	364,712
Memorandum items				
Contingent liabilities: Letters of credit and guarantees	35,799	35,241	35,799	35,241
STATEMENTS OF CHANGES IN EQUITY				
As at beginning of period				
Transition adjustment on adoption of IFRS 9	(3,420)	0	(3,420)	0
Total comprehensive income for the year	19,031	21,735	18,456	21,142
Dividends paid	(8,195)	(8,657)	(8,195)	(8,657)
Minority interest loss eliminated on disposal of Indetrust Holdings Limited	(7)	0	0	0
As at end of period	88,316	80,907	86,307	79,466
STATEMENTS OF CASH FLOWS				
Cash flows from operating activities				
Profit before tax	23,016	27,550	21,709	26,179
Adjustments for:				
Depreciation	3,362	2,897	3,333	2,873
Fair value profit on equity investments	(796)	(1,493)	(796)	(1,493)
Profit on sale of equity investments	(120)	(536)	(120)	(536)
Profit on disposal of fixed assets	(990)	(122)	(271)	(102)
Dividends received	(114)	(17)	(617)	(421)
Share of profits of associate	(254)	(143)	0	0
Impairment loss on property	503	0	503	0
Net fair value loss/(gain) on revaluation of properties	150	(316)	150	142
Increase in operating assets	(35,982)	(861)	(36,132)	(812)
Increase in operating liabilities	15,971	49,227	15,711	38,188
Cash generated from operating activities	4,746	76,186	3,470	64,018
Tax paid	(7,662)	(8,649)	(7,081)	(8,274)
Net cash flow from operating activities	(2,916)	67,537	(3,611)	55,744
Net cash flow from investing activities	(68,892)	(7,137)	(56,145)	(8,822)
Net cash inflow/(outflow) from financing activities	(3,001)	5,267	(2,952)	5,319
Net increase/(decrease) in cash and cash equivalents	(74,809)	65,667	(62,708)	52,241
Cash and cash equivalents at beginning of the period	161,631	95,964	135,886	83,645
Cash and cash equivalents at end of the period	86,822	161,631	73,178	135,886

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 28 March 2019, and is available on the company's website, www.natbank.com.mw.

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

Sector	Outstanding Amount K'm	31st December 2018			31st December 2017		
		Impaired Amount K'm	IFRS 9 Expected Credit Losses K'm	Specific Provision K'm	Outstanding Amount K'm	Impaired Amount K'm	Specific Provision K'm
Agriculture, Forestry, Livestock and Fishing	27,957	40	787	62	59		
Manufacturing	28,581	60	827	3,167	2,309		
Mining and Quarrying	17	1	1	4	0		
Construction and Engineering	2,129	500	233	83	49		
Energy/Electricity, Gas, Air conditioning, Water supply & Waste management	-	517	5,304	0			
Transport/Storage	5,005	185	208	153	5		
Communication	53	-	2	53	27		
Financial/Insurance/Professional/Scientific & Technical services	3,188	210	90	6	0		
Wholesale/Retail	37,970	5,503	2,593	3,408	3,300		
Individual/Households	24,123	517	628	861	170		
Real Estate	1,662	18	202	18	0		
Tourism	13,387	4	275	27	14		
Other	2,687	165	189	199	28		
TOTAL	173,173	7,203	6,552	143,536	8,041	5,961	

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	31st December 2018		31st December 2017	
	K'm	% OF CORE CAPITAL	K'm	% OF CORE CAPITAL
Wholesale and Retail	0	0%	0	0%

LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES

	31st December 2018 K'm	31st December 2017 K'm
DIRECTORS:		
Balance at beginning of year	495	393
Loans granted during the year	133	303
Repayments	(140)	(201)
Balance at end of year	488	495
OTHER RELATED PARTIES:		
Balance at beginning of year	10,877	6,880
Loans granted during the year	4,226	11,367
Repayments	(6,678)	(7,370)
Balance at end of year	8,425	10,877
SENIOR MANAGEMENT OFFICIALS:		
Balance at beginning of year	1,035	1,015
Loans granted during the year	160	158
Repayments	(184)	(138)
Balance at end of year	1,011	1,035
Total related party lending	9,924	12,407
Total related party lending as a percentage of core capital	17%	25%

INVESTMENTS IN SUBSIDIARIES

Name of Subsidiary	Percentage Holding	
	31st December 2018	31st December 2017
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%
NBM Development Bank Limited	100%	100%
NBM Pension Administration Limited	100%	100%
Stockbrokers Malawi Limited	75%	75%

LENDING RATES

	31st December 2018	31st December 2017
Malawi Kwacha facilities		
Base Lending Rate	23.00%	23.00%
Lending Rate Spread	-5.00% to +8.00%	-5.00% to +8.00%
Foreign Currency facilities		
	7.00% to 12.00%	7.00% to 12.00%

DIRECTORS REMUNERATION, BONUSES AND MANAGEMENT FEES

	2018 K'm	2017 K'm
Directors Remuneration	867	742
Total Bonuses Paid by the Group	2,366	2,087
Management Fees	Nil	Nil

DEPOSIT RATES

Type of Deposit	31st December 2018 Rate %	31st December 2017 Rate %
Malawi Kwacha		
Current Account	0.10	0.10
Savings	5.00	5.00
Special savings	1.00	1.00
Savings Bond	13.00	15.00
Student Save	3.50	3.50
Fiesta Save	8.00	8.00
7 Day Call	5.00	5.00
30 Day Call	4.50	4.50
2 Months	8.50	8.50
3 Months	7.50	7.50
6 Months	5.50	5.50
9 Months	Negotiable	Negotiable
12 Months	Negotiable	Negotiable
Foreign Currency Denominated Accounts (FCDA's)		
USD	0.50	0.50
GBP	1.75	1.75
ZAR	4.00	4.00
EUR	0.50	0.50

SUMMARY OF THE AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Board is pleased to announce the audited financial results of the Group for the year ended 31 December 2018.

PERFORMANCE

The Bank registered a group profit after tax of K15.97b from K19.15bn representing a decrease of 16.6% largely due to subdued loan book in the first half of the year. Non-interest income increased by 11.2%.

The Bank's loan book grew by 21% mostly in the second half of the year mainly from the SME and personal sectors. Customer deposits increased by 5.8%. The Bank achieved an overall growth of 6.4% in the Statement of Financial Position.

THE OPERATING ENVIRONMENT

In 2018 the country experienced a generally stable macroeconomic environment. Inflation averaged 9.31% (2017:11.61%). The Malawi Kwacha nominal exchange rate largely remained stable. Monetary policy stance continued to be tight in a bid to sustain the focus towards the attainment of the medium term inflation target of 5% by 2021.

In spite of the generally stable environment, economic activity was for a greater part of the year muted, as among other factors the country continued to experience prolonged power outages which affected customers' productivity and therefore, appetite for credit and other banking facilities.

DIVIDEND

The Bank paid an interim dividend of K2.5b in September 2018 (2017: K3.3b) and a second interim dividend amounting to K1.5b on 1 April 2019 (2018: K1.5b). The directors recommend a final dividend of K3.5b (2017: K4.2b) making a total dividend of K7.5b in respect of 2018 profits representing K16.06 per ordinary share (2017 : K19.30 per share). The final dividend will be payable after the Annual General Meeting scheduled for June 2019.

OUTLOOK

GDP is expected to grow by 5.3%. The agriculture sector will be the mainstay of this growth anchored by a stable macroeconomic environment. Downside risks to achieving this growth include the recently experienced flooding and other weather related exogenous shocks as the agriculture sector is still dependent on rain fed crop production, coupled with power challenges.

The Bank is implementing a strategy that seeks to embed customer centricity deeply into the culture of the business with digitalization being one of the key pillars in the quest for delighting its customers.

Looking ahead, the Board envisages a continuing stable macroeconomic environment resulting in increased commercial activity and therefore an improvement in the Bank's performance through its ability to leverage on its strategy and core strengths to address challenges and exploit opportunities in the market.

BY ORDER OF THE BOARD

M.M. Kawawa
Chief Executive Officer

M.N. Katsala
Chief Financial Officer

Dr. G.B. Partridge
Chairman

J. Nsomba
Director

3rd April, 2019
Registered Office:
7 Henderson Street,
BLANTYRE

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

To the members of National Bank of Malawi plc

Opinion

The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2018, the summary of statements of comprehensive incomes, summary statements of cash flows for the year then ended and related notes, are derived from the audited consolidated and separate financial statements of National Bank of Malawi plc for the year ended 31 December 2018.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent in all material respects, with the consolidated and separate financial statements, and the basis described on the basis for preparation paragraph.

Summary Consolidated and Separate Financial Statements

The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and the auditor's report thereon. The summary consolidated and separate financial statements and the audited consolidated and separate financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated and separate financial statements.

The Audited Consolidated and Separate Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 3 April 2019. That report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year.