



NBS Bank
Your Caring Bank

EXTRACTS FROM CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	MK'000	MK'000	MK'000	MK'000
STATEMENT OF COMPREHENSIVE INCOME				
Interest income received	17,198,488	10,824,595	17,198,488	10,831,891
Interest payable	(7,886,755)	(5,141,865)	(7,886,755)	(5,142,882)
Net Interest Income	9,311,733	5,682,730	9,311,733	5,689,009
Other Income	4,257,095	3,345,411	4,243,931	3,341,446
Net Income	13,568,828	9,028,141	13,555,664	9,030,455
Operating Expenses	(7,504,420)	(5,980,252)	(7,504,420)	(5,907,948)
Profit before impairment losses	6,064,408	3,047,889	6,051,244	3,122,507
Impairment provisions	(3,213,762)	(1,561,406)	(3,213,762)	(1,561,406)
Profit before tax	2,850,646	1,486,483	2,837,482	1,561,101
Income tax expenses	(938,063)	(760,022)	(938,063)	(769,165)
Profit for the year	1,912,583	726,461	1,899,419	791,936
Other Comprehensive Income				
Surplus on revaluation	-	261,810	-	261,810
Net profit (loss) on available for sale financial assets	(20,527)	19,191	(20,527)	19,191
Total Other Comprehensive Income	(20,527)	281,001	(20,527)	281,001
Total Comprehensive Income	1,892,056	1,007,462	1,878,892	1,072,937
DIVIDENDS PAID				
Final(for prior year)	-	400,204	-	400,204
Total	-	400,204	-	400,204
Earnings per share (tambala)	263	100	261	109
Weighted average ordinary shares in issue (million)	728	728	728	728
STATEMENT OF FINANCIAL POSITION				
LIABILITIES & EQUITY				
Deposits from Customers	47,180,070	39,503,620	47,192,650	39,544,790
Other Borrowings	935,190	8,132,983	935,190	8,132,983
Other liabilities	3,067,704	4,848,102	3,133,273	4,913,665
Equity	9,030,713	7,138,657	9,060,104	7,181,212
Total Liabilities & Equity	60,213,677	59,623,362	60,321,217	59,772,650
ASSETS				
Cash and Cash equivalents	13,428,063	9,344,143	13,428,063	9,344,143
Other receivables	1,017,270	2,364,212	1,170,320	2,517,255
Other investments	5,654,850	7,043,499	5,654,850	7,043,499
Net Loans and Advances	34,861,318	35,714,754	34,861,318	35,756,509
Property, plant and equipment	5,252,176	5,156,754	5,206,666	5,111,244
Total Assets	60,213,677	59,623,362	60,321,217	59,772,650
STATEMENT OF CHANGES IN EQUITY				
As at beginning of the year	7,138,657	6,531,399	7,181,212	6,508,479
Total Comprehensive Income for the year	1,892,056	1,007,462	1,878,892	1,072,937
Other movements net	-	(400,204)	-	(400,204)
As at end of year	9,030,713	7,138,657	9,060,104	7,181,212
STATEMENT OF CASH FLOWS				
OPERATING ACTIVITIES				
Interest and fees received	21,455,583	14,170,006	21,442,419	14,173,337
Interest paid	(7,886,755)	(5,141,865)	(7,886,755)	(5,142,882)
Cash paid to Suppliers and employees	(9,168,963)	(8,455,017)	(9,210,133)	(8,419,122)
Movement in net customer balances	8,529,887	(5,615,621)	8,584,221	(5,648,734)
Income Tax paid	(914,066)	(425,459)	(914,066)	(425,459)
Cash flows (to)/from operating activities	12,015,686	(5,467,956)	12,015,686	(5,462,860)
INVESTING ACTIVITIES				
Acquisition of shares in NICO Properties Limited	-	(15,000)	-	(15,000)
Acquisition of property and equipment	(733,973)	(1,645,640)	(733,973)	(1,645,640)
Cash outflow to investing activities	(733,973)	(1,660,640)	(733,973)	(1,660,640)
FINANCING ACTIVITIES				
Loan proceeds / (repayments)	(7,197,793)	5,727,466	(7,197,793)	5,727,466
Dividend paid	-	(400,204)	-	(400,204)
Cash flow (to)/from financing activities	(7,197,793)	5,327,262	(7,197,793)	5,327,262
Net movement in Cash and Cash equivalents	4,083,920	(1,801,334)	4,083,920	(1,796,238)
Cash and Cash equivalents at beginning of year	9,344,143	11,145,477	9,344,143	11,140,381
Cash and cash equivalents at end of year	13,428,063	9,344,143	13,428,063	9,344,143

REGULATORY DISCLOSURES

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

	31-Dec-13			31-Dec-12		
Sector	Outstanding Amount MK'000	Impairment loss K'000	Specific Provisions K'000	Outstanding Amount K'000	Impairment loss K'000	Specific Provisions K'000
Agriculture	5,713.69	1,755.63	330.86	2,495.70	548.56	189.36
Mining	2.26	0.02	0.65	1.00	0.56	0.37
Manufacturing	304.68	66.17	44.38	342.40	16.00	25.40
Electricity	271.19	28.11	9.13	159.70	0.56	5.23
Construction	991.37	68.54	76.97	386.70	0.15	44.05
Wholesale & retail	7,903.73	1,329.33	749.87	4,379.90	441.75	429.16
Restaurants & Hotels	130.73	36.33	6.11	90.60	0.44	3.50
Transport	1,289.62	136.71	177.83	426.00	91.12	101.77
Finance	147.72	21.88	41.11	27.30	9.00	23.53
Community	917.04	126.46	93.86	135.00	25.16	53.71
Reals	-	-	-	15.70	0.46	-
Other	573.41	82.38	194.62	388.00	40.44	111.38
Total	18,245.43	3,651.55	1,725.97	8,848.00	1,174.20	987.47

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.

SECTOR OF BORROWER

	31-Dec-13		31-Dec-12	
	Million Kwacha	% of Core Capital	Million Kwacha	% of Core Capital
Agriculture	5,158	58%	2,254	34%

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

Directors	31-Dec-13		31-Dec-12	
	MK'000		MK'000	
Balance at the beginning of the year	133.2		117.0	
Loans granted during the year	-		66.5	
Repayments	(48.0)		(50.3)	
Balance at end of the year	85.2		133.2	

Other related parties	31-Dec-13		31-Dec-12	
	MK'000		MK'000	
Balance at the beginning of the year	442.1		389.6	
Loans granted during the year	0.0		155.4	
Repayments	(210.0)		(102.9)	
Balance at end of the year	232.1		442.1	

Senior management officials	31-Dec-13		31-Dec-12	
	MK'000		MK'000	
Balance at the beginning of the year	310.9		439.5	
Loans granted during the year	56.0		13.5	
Repayments	(159.0)		(142.1)	
Balance at end of the year	207.9		310.9	

INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Number of shares	Percentage Holding	Number of shares	Percentage Holding
	31-Dec-13	31-Dec-13	31-Dec-12	31-Dec-12
NBS Forex Bureau	7,000,000	100%	7,000,000	100%

LENDING RATES

Malawi Kwacha facilities		31-Dec-13	31-Dec-12
Base lending Rate		37.0%	36.0%
Lending Rate Spread		-2% to 10%	-2% to 10%
Foreign Currency facilities		+5%	+5%

DIRECTORS' REMUNERATION AND EMPLOYEE BONUSES

		31-Dec-13	31-Dec-12
		MK'000	MK'000
-	-		
Directors' remuneration		9,038	6,991
Total bonuses paid to employees		139,530	-

DEPOSIT RATES

Type of Deposit	31-Dec-13 Rate %	31-Dec-12 Rate %
Malawi Kwacha		
Current account	0.75	1.00
Savings	9.00	11.00
7 Day Notice	10.00	8.50
30 Day Notice	12.00	11.00
2 Months	15.50	17.00
3 Months	16.00	21.00
6 Months	Negotiable	25.00
9 Months	Negotiable	Negotiable
12 Months	Negotiable	Negotiable
Foreign Currency Denominated Accounts(FCDAs)		
USD	2.00	2.00
GBP	2.25	2.25
ZAR	3.00	3.00
EUR	1.50	1.50

Performance

The Bank and its subsidiary, NBS Forex Bureau Limited (“The Group”) reported profit before tax of MK2,851 million for the year ended 31 December 2013 (December 2012: MK1,486 million) representing 92% growth and net profit after tax of MK1,913 million (2012: MK726 million) representing 163% growth. Total gross income at MK21,455 million (2012: MK14,170 million) was made up of MK17,198 million (2012: MK10,824 million) interest income and MK4,257 million (2012: MK3,345 million) non-interest income. Interest income grew by 58% due to higher lending rates.

Total deposits at MK47,180 million (2012: MK39,504 million) grew by 19% due to bank's strategy on deposit mobilization coupled with improved customer service, while gross advances at MK40,237million (2012: MK37,877 million) grew by 6% due to reduced lending as a result of high lending rates. Total assets remained flat in the year mainly as a result of reduced lending and use of cash balances to settle loan obligations.

The NBS Forex Bureau Limited remained dormant and made a profit before tax of K13m arising from revaluation of foreign denominated cash balances compared to a loss before tax of MK75 million in 2012.

Dividend

Despite the 2013 improved performance, the Board of Directors recommends that no dividends be declared and paid in respect of the year ended 31st December 2013 as the Bank augments its capital to remain resilient and to be fully compliant with the Basel II regulations.

Economic overview

The economy of Malawi performed marginally well in 2013, growing by less than 4.5 % as compared to 4.3% in 2012. The marginal growth was mainly on account of increase in agricultural output, improved availability of foreign exchange. However, the suspension of aid by major donors towards the end of the year adversely affected the growth rate.

Tobacco output was good and sale proceeds were impressive and this had a positive impact on the country's foreign exchange reserve position, which was maintained above the 2.5 months import cover throughout the year compared to 2012 when it hit the 0.8 months import cover.

Average Inflation increased to 28.4% in 2013 from 21.3% in 2012 due to rising food prices coupled with the rapid depreciation of the Kwacha in the aftermath of cashgate scandal and suspension of donor flows. Rising fuel cost and speculation of food shortage in the country resulted in the rising cost of food in the last quarter of the year, hence the rise in inflation.

The Bank rate remained at 25%, however, the Bank lending rates increased from an average of 36% to 38% due to higher yields offered on government securities.

Outlook

The Malawi Economy is expected to grow as a result of expected bumper yield from agricultural activities. Bank rate is projected to be maintained at the current rate of 25%, as the monetary authorities attempt to control the growth of money supply. As the country goes to the polls in May 2014, inflation might temporarily go up as expenditure increases during this year. The Bank will reposition itself to cushion the adverse effects and take advantage of changes in the macro-economic environment.

F Mlusu
Chairman

E Nuka (Mrs)
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NBS BANK

We have audited the consolidated and separate financial statements of NBS Bank for the year ended 31 December 2013 from which the summarized consolidated and separate financial statements were derived, in accordance with International Standards on Auditing. In our report datedMarch 2014, we expressed an unqualified opinion on the consolidated and separate financial statements from which the summarized consolidated and separate financial statements were derived.

In our opinion, the accompanying summarized consolidated and separate financial statements are consistent, in all material respects, with the consolidated and separate financial statements from which they were derived.

For a better understanding of the Group's consolidated and separate financial position and the results of its operations for the year and of the scope of our audit, the summarised consolidated and separate financial statements should be read in conjunction with the consolidated and separate financial statements from which the summarised consolidated and separate financial statements were derived and our audit report thereon.



Certified Public Accountants and Business Advisors

-----**March 2014**