

# PRESS STATEMENT ON RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016

## EXTRACTS FROM CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

	CONSOLIDATED		SEPARATE	
	31-Dec-16 MK'000	31-Dec-15 MK'000	31-Dec-16 MK'000	31-Dec-15 MK'000
<b>STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME</b>				
Interest income received	10,756,764	14,253,553	10,756,764	14,253,553
Interest payable	(4,636,308)	(3,709,573)	(4,636,308)	(3,709,573)
Net Interest Income	6,120,456	10,543,980	6,120,456	10,543,980
Other Income	7,736,296	6,373,441	7,736,296	6,373,441
Net Income	13,856,752	16,917,421	13,856,752	16,917,421
Operating Expenses	(16,844,026)	(10,910,203)	(16,844,026)	(10,910,203)
Profit before impairment losses	(2,987,274)	6,007,218	(2,987,274)	6,007,218
Impairment provisions	(1,867,594)	(6,243,455)	(1,867,594)	(6,243,455)
Profit before tax	(4,854,868)	(236,237)	(4,854,868)	(236,237)
Income tax expenses	524,716	40,776	524,716	40,776
<b>Profit for the period</b>	<b>(4,330,152)</b>	<b>(195,461)</b>	<b>(4,330,152)</b>	<b>(195,461)</b>
Total Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>(4,330,152)</b>	<b>(195,461)</b>	<b>(4,330,152)</b>	<b>(195,461)</b>
Earnings per share (tambala)	(595)	(27)	(595)	(27)
Weighted average ordinary shares in issue (million)	728	728	728	728

	CONSOLIDATED		SEPARATE	
	31-Dec-16 MK'000	31-Dec-15 MK'000	31-Dec-16 MK'000	31-Dec-15 MK'000
<b>STATEMENT OF FINANCIAL POSITION</b>				
<b>LIABILITIES &amp; EQUITY</b>				
Deposits from Customers	66,534,659	60,888,676	66,534,659	60,888,676
Other Borrowings	3,679,431	2,832,329	3,679,431	2,832,329
Other liabilities	9,635,920	8,859,322	9,744,390	8,937,467
Equity	6,807,086	11,137,238	6,836,477	11,166,629
<b>Total Liabilities &amp; Equity</b>	<b>86,657,096</b>	<b>83,717,565</b>	<b>86,794,957</b>	<b>83,825,101</b>
<b>ASSETS</b>				
Cash and Cash equivalents	23,610,542	24,889,153	23,610,542	24,889,153
Other receivables	5,546,270	4,385,592	5,687,041	4,496,038
Other investments	17,409,397	13,834,736	17,451,997	13,877,336
Net Loans and Advances	29,495,805	30,140,392	29,495,805	30,140,392
Property, plant and equipment	10,595,082	10,467,692	10,549,572	10,422,182
<b>Total Assets</b>	<b>86,657,096</b>	<b>83,717,565</b>	<b>86,794,957</b>	<b>83,825,101</b>

	CONSOLIDATED		SEPARATE	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
<b>STATEMENT OF CHANGES IN EQUITY</b>				
<b>CONSOLIDATED</b>				
Share capital		Retained Earnings	Loan Loss and Other Reserves	Total
As at beginning of the year	363,822	(1,548,759)	12,322,175	11,137,238
Total Comprehensive Income for the year	-	(4,330,152)	-	(4,330,152)
Transfer to Loan loss reserve	-	(601,888)	601,888	-
<b>As at end of year</b>	<b>363,822</b>	<b>(6,480,799)</b>	<b>12,924,063</b>	<b>6,807,086</b>

	CONSOLIDATED		SEPARATE	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
<b>STATEMENT OF CHANGES IN EQUITY</b>				
<b>SEPARATE</b>				
Share capital		Retained Earnings	Loan Loss and Other Reserves	Total
As at beginning of the year	363,822	(1,519,368)	12,322,175	11,166,629
Total Comprehensive Income for the year	-	(4,330,152)	-	(4,330,152)
Transfer to Loan loss reserve	-	(601,888)	601,888	-
<b>As at end of year</b>	<b>363,822</b>	<b>(6,451,408)</b>	<b>12,924,063</b>	<b>6,836,477</b>

	CONSOLIDATED		SEPARATE	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
<b>STATEMENT OF CASH FLOWS</b>				
<b>OPERATING ACTIVITIES</b>				
Interest and fees received	18,493,060	20,626,994	18,493,060	20,626,994
Interest paid	(4,636,308)	(3,709,573)	(4,636,308)	(3,709,573)
Cash paid to suppliers and employees	(20,703,405)	(14,532,693)	(20,703,405)	(14,532,693)
Movement in net customer balances	5,527,139	12,455,570	5,527,139	12,455,570
Income tax paid	(7,183)	(1,087,847)	(7,183)	(1,087,847)
Cash flows (from)/to operating activities	(1,326,697)	13,752,451	(1,326,697)	13,752,451

	CONSOLIDATED		SEPARATE	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
<b>INVESTING ACTIVITIES</b>				
Acquisition of property and equipment	(917,860)	(5,494,451)	(917,860)	(5,494,451)
Cash outflow to investing activities	(917,860)	(5,494,451)	(917,860)	(5,494,451)

	CONSOLIDATED		SEPARATE	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
<b>FINANCING ACTIVITIES</b>				
Loan proceeds / (repayments)	965,946	(1,981,124)	965,946	(1,981,124)
Dividend Paid	-	(400,204)	-	(400,204)
Cash flow (from) /to financing activities	965,946	(2,381,328)	965,946	(2,381,328)
Net movement in Cash and Cash equivalents	(1,278,611)	5,876,672	(1,278,611)	5,876,672
Cash and Cash equivalents at beginning of year	24,889,153	19,012,481	24,889,153	19,012,481
Cash and cash equivalents at end of year	23,610,542	24,889,153	23,610,542	24,889,153

## REGULATORY DISCLOSURES

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

Sector	Outstanding Amount K'm	31-Dec-16		Impairment Loss K'm	Outstanding Amount K'm	31-Dec-15		Impairment loss
		Specific Provision K'm	% of Core Capital			Specific Provisions K'm	% of Core Capital	
Agriculture	5,491	2,125	(270%)	2,245	4,804	2,176	2,206	
Mining	446	34	(14%)	42	512	1	161	
Manufacturing	766	167	(90%)	424	1,136	123	1,028	
Electricity	343	271	(12%)	80	362	72	89	
Construction	644	204	(58%)	311	1,213	366	568	
Wholesale & retail	6,776	2,052	(309%)	1,816	6,683	2,062	3,334	
Restaurants & Hotels	394	16	(61%)	159	860	2	294	
Transport	1,296	470	(110%)	508	1,373	571	322	
Finance	923	370	(113%)	430	702	76	332	
Community	1,685	418	(14%)	783	515	61	239	
Reals	370	55	(14%)	122	237	82	51	
Other	152	139	(44%)	20	-	-	-	
<b>Total</b>	<b>19,286</b>	<b>6,321</b>		<b>6,940</b>	<b>18,397</b>	<b>5,592</b>	<b>8,624</b>	

### 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-16		31-Dec-15	
	K'm	% of Core Capital	K'm	% of Core Capital
Agriculture	9,227	(270%)	4,995	293%
Mining	492	(14%)	-	-
Manufacturing	3,087	(90%)	-	-
Electricity	394	(12%)	-	-
Construction	1,974	(58%)	-	-
Wholesale & retail	10,544	(309%)	-	-
Restaurants & Hotels	588	(17%)	-	-
Transport	2,089	(61%)	-	-
Finance	3,772	(110%)	-	-
Community	3,869	(113%)	-	-
Reals	494	(14%)	-	-
Other	1506	(44%)	-	-

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

Directors	31-Dec-16		31-Dec-15	
	K'm	% of Core Capital	K'm	% of Core Capital
Balance at the beginning of the year	50.2	58.2	50.2	58.2
Loans granted during the year	-	-	-	-
Repayments	(35)	(8)	(8)	-
<b>Balance at end of the year</b>	<b>15.2</b>	<b>50.2</b>	<b>42.4</b>	<b>58.2</b>
<b>Other related parties</b>				
Balance at the beginning of the year	531.7	330.0	531.7	330.0
Loans granted during the year	697.0	551	697.0	551
Repayments	(574.6)	(349.3)	(574.6)	(349.3)
<b>Balance at end of the year</b>	<b>654.1</b>	<b>531.7</b>	<b>654.1</b>	<b>531.7</b>
<b>Senior management officials</b>				
Balance at the beginning of the year	118.5	152.5	118.5	152.5
Loans granted during the year	120.5	39	120.5	39
Repayments	(20.3)	(73)	(20.3)	(73)
<b>Balance at end of the year</b>	<b>218.7</b>	<b>118.5</b>	<b>218.7</b>	<b>118.5</b>

Name of subsidiary	31-Dec-16		31-Dec-15	
	Number of shares	Percentage Holding	Number of shares	Percentage Holding
NBS Forex Bureau	7,000,000	100%	7,000,000	100%

Malawi Kwacha facilities	31-Dec-16		31-Dec-15	
	Rate %	31-Dec-16	Rate %	31-Dec-15
Base lending Rate	33%	36%	33%	36%
Lending Rate Spread	-2% to 10%	-2% to 10%	-2% to 10%	-2% to 10%
Foreign Currency facilities	+5%	+5%	+5%	+5%

Directors' remuneration	31-Dec-16		31-Dec-15	
	K'm	31-Dec-16	K'm	31-Dec-15
Directors' remuneration	10,450	11,424	10,450	11,424
Total bonuses paid to employees	-	186,002	-	186,002

Type of Deposit	31-Dec-16		31-Dec-15	
	Rate %	31-Dec-16	Rate %	31-Dec-15
Malawi Kwacha				
Current account	0.10	0.50	0.10	0.50
Savings	8.00	8.50	8.00	8.50
7 Day Notice	6.00	8.00	6.00	8.00
30 Day Notice	5.50	9.00	5.50	9.00
2 Months	9.00	11.00	9.00	11.00
3 Months	9.50	11.00	9.50	11.00
6 Months	Negotiable	Negotiable	Negotiable	Negotiable
9 Months	Negotiable	Negotiable	Negotiable	Negotiable
12 Months	Negotiable	Negotiable	Negotiable	Negotiable
<b>Foreign Currency Denominated Accounts (FCDAs)</b>				
USD	2.00	2.00	2.00	2.00
GBP	2.25	2.25	2.25	2.25
ZAR	3.00	3.00	3.00	3.00
EUR	1.50	1.50	1.50	1.50

## Performance

The Bank and its subsidiary, NBS Forex Bureau Limited ("The Group") reported a loss before tax of MK4,854 million for the year ended 31 December 2016 (December 2015: loss of MK 236 million) and net loss after tax of **MK4,330 million** (2015: Net loss MK 195 million).

The loss for the year ended December 31, 2016 was largely due to two factors, a drop in Interest Income and sharp increase in other operating expenses. Total gross income at **MK18,492 million** was 10.3% lower than the **MK 20,627 million** realized in 2015 due to a decline in Net Interest Income (**MK10,757 million** in 2016 against **MK14,254 million** in 2015, a drop of 24.5%). Non-Interest Income at MK7,736 million performed better and was 21.4% higher than the **MK 6,373 million** realized in 2015.

Interest income declined due to reduced lending activities as the Bank tightened its risk appetite in the high interest rate environment and continued to focus on cleaning up its non-performing loan book and reducing credit losses. This strategy paid off and, consequently, impairment charges for non-performing loans declined by 70.1% from **MK6,243 million** in 2015 to **MK1,868 million** in 2016.

Operating expenses increased to **MK16,844 million** in 2016 from **MK10,910 million** in 2015 mainly due to non-recurring legal expenses in a High Court judgement and arbitration settlement (K 1,484 million), and operational losses (K1,288 million).

Total deposits at **MK66,534 million** (2015: MK 60,889 million) grew by 9.3% while net loans and advances at **MK29,496 million** (2015: MK30,140 million) decreased by 2.1% due to tightening of credit risk appetite. Other investments grew by 26% from K13,835 million to K17,409m. Total assets grew by 4% (MK2.7 billion) in the year, mainly as a result of increase in money market investments.

## Outlook

In 2017 the economy is expected to be on the rebound mainly on account of improved food situation. Interest rates are expected to remain high as the authorities attempt to tame inflationary pressures. The Malawi Kwacha shall continue to depreciate due to the low export base and high demand of imported goods. We expect increased electricity costs due to inadequate electricity generation capacity. We expect the authorities to continue coordinating a strong monetary and fiscal policy.

NBS Bank Limited is implementing a new five year business plan that will enable the Bank to successfully differentiate itself in the market, offer customized services and solutions for clearly segmented existing and new customers and deliver value for its various stakeholders. The Bank has since identified a technical partner who will work closely with local leadership to deliver on this new business plan.

The bank has embarked on re-capitalization project which was approved by the shareholders on 29th December 2016 at an extra-ordinary general meeting to augment its capital position. After recapitalization, the bank shall be able to take on more business which shall result in increased income. The bank forecasts return to profitability in the third quarter of 2017, after the recapitalization process.

## Dividend

Due to the less than satisfactory financial performance, the Board of Directors has not recommended the payment of dividend in respect of the year ended 31 December 2016 (2015:Nil).

*V. Kumwenda*

V. Kumwenda

Chairman