

# 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<br>MK'000 | 31-Dec-15<br>MK'000 | 31-Dec-16<br>MK'000 | 31-Dec-15<br>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<br>MK'000 | 31-Dec-15<br>MK'000 | 31-Dec-16<br>MK'000 | 31-Dec-15<br>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>   |

| <b>STATEMENT OF CHANGES IN EQUITY</b>   |                |                    |                              |                  |
|---|----------------|--------------------|------------------------------|------------------|
| <b>CONSOLIDATED</b>                     |                |                    |                              |                  |
|   | Share capital  | Retained Earnings  | Loan Loss and Other Reserves | Total            |
| <b>As at beginning of the year</b>      | 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> |

| <b>SEPARATE</b>                         |                |                    |                              |                  |
|---|----------------|--------------------|------------------------------|------------------|
|   | Share capital  | Retained Earnings  | Loan Loss and Other Reserves | Total            |
| <b>As at beginning of the year</b>      | 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> |

| <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   |

| <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) |

| <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      | 965,846     | (2,381,328) | 965,846     | (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  |

| <b>REGULATORY DISCLOSURES</b>   |                           |                                     |                        |                           |                                      |                 |
|---|---------------------------|-------------------------------------|------------------------|---------------------------|--------------------------------------|-----------------|
| <b>1. IMPAIRMENT LOSSES /NON PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY SECTOR</b> |                           |                                     |                        |                           |                                      |                 |
| Sector  | Outstanding Amount<br>K'm | 31-Dec-16 Specific Provision<br>K'm | Impairment Loss<br>K'm | Outstanding Amount<br>K'm | 31-Dec-15 Specific Provisions<br>K'm | Impairment loss |
| K'm   |                           |                                     |                        |                           |                                      |                 |
| Agriculture   | 5,491                     | 2,125                               | 2,245                  | 4,804                     | 2,176                                | 2,206           |
| Mining  | 446                       | 34                                  | 42                     | 512                       | 1                                    | 161             |
| Manufacturing   | 766                       | 167                                 | 424                    | 1,136                     | 123                                  | 1,028           |
| Electricity   | 343                       | 271                                 | 80                     | 362                       | 72                                   | 89              |
| Construction  | 644                       | 204                                 | 311                    | 1,213                     | 366                                  | 568             |
| Wholesale & retail  | 6,776                     | 2,052                               | 1,816                  | 6,683                     | 2,062                                | 3,334           |
| Restaurants & Hotels  | 394                       | 16                                  | 159                    | 860                       | 2                                    | 294             |
| Transport   | 1,296                     | 470                                 | 508                    | 1,373                     | 571                                  | 322             |
| Finance   | 923                       | 370                                 | 430                    | 702                       | 76                                   | 332             |
| Community   | 1,685                     | 418                                 | 783                    | 515                       | 61                                   | 239             |
| Reals   | 370                       | 55                                  | 122                    | 237                       | 82                                   | 51              |
| Other   | 152                       | 139                                 | 20                     | -                         | -                                    | -               |
| Total   | 19,286                    | 6,321                               | 6,940                  | 18,397                    | 5,592                                | 8,624           |

| <b>2. CREDIT CONCENTRATION</b>   |           |                   |           |                   |
|--|-----------|-------------------|-----------|-------------------|
| 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  | 2089      | (61%)             | -         | -                 |
| Finance  | 3772      | (110%)            | -         | -                 |
| Community  | 3,869     | (113%)            | -         | -                 |
| Reals  | 494       | (14%)             | -         | -                 |
| Other  | 1506      | (44%)             | -         | -                 |

| <b>3. LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES</b> |              |              |  |
|---|--------------|--------------|--|
| Directors   | 31-Dec-16    | 31-Dec-15    |  |
|   | K'm          | K'm          |  |
| Balance at the beginning of the year                                      | 50.2         | 58.2         |  |
| Loans granted during the year   | -            | -            |  |
| Repayments  | (35)         | (8)          |  |
| <b>Balance at end the of year</b>   | <b>15.2</b>  | <b>50.2</b>  |  |
| Other related parties   | 31-Dec-16    | 31-Dec-15    |  |
|   | K'm          | K'm          |  |
| Balance at the beginning of the year                                      | 531.7        | 330.0        |  |
| Loans granted during the year   | 697.0        | 551          |  |
| Repayments  | (574.6)      | (349.3)      |  |
| <b>Balance at end of the year</b>   | <b>654.1</b> | <b>531.7</b> |  |
| Senior management officials   | 31-Dec-16    | 31-Dec-15    |  |
|   | K'm          | K'm          |  |
| Balance at the beginning of the year                                      | 118.5        | 152.5        |  |
| Loans granted during the year   | 120.5        | 39           |  |
| Repayments  | (20.3)       | (73)         |  |
| <b>Balance at end of the year</b>   | <b>218.7</b> | <b>118.5</b> |  |

| <b>INVESTMENTS IN SUBSIDIARIES</b> |                  |                    |                  |                    |
|------------------------------------|------------------|--------------------|------------------|--------------------|
| Name of subsidiary                 | Number of shares | Percentage Holding | Number of shares | Percentage Holding |
|                                    | 31-Dec-16        | 31-Dec-16          | 31-Dec-15        | 31-Dec-15          |
| NBS Forex Bureau                   | 7,000,000        | 100%               | 7,000,000        | 100%               |

| <b>LENDING RATES</b>        |            |            |
|-----------------------------|------------|------------|
| Malawi Kwacha facilities    | 31-Dec-16  | 31-Dec-15  |
| Base lending Rate           | 33%        | 36%        |
| Lending Rate Spread         | -2% to 10% | -2% to 10% |
| Foreign Currency facilities | +5%        | +5%        |

| <b>DIRECTORS' REMUNERATION AND EMPLOYEE BONUSES</b> |           |           |
|---|-----------|-----------|
|   | 31-Dec-16 | 31-Dec-15 |
|   | K'm       | K'm       |
| Directors' remuneration                             | 10.450    | 11.424    |
| Total bonuses paid to employees                     | -         | 186.002   |

| <b>DEPOSIT RATES</b>                                |                  |                  |      |
|---|------------------|------------------|------|
| Type of Deposit                                     | 31-Dec-16 Rate % | 31-Dec-15 Rate % |      |
| Malawi Kwacha                                       |                  |                  |      |
| Current account                                     | 0.10             | 0.50             |      |
| Savings   | 8.00             | 8.50             |      |
| 7 Day Notice  | 6.00             | 8.00             |      |
| 30 Day Notice                                       | 5.50             | 9.00             |      |
| 2 Months  | 9.00             | 11.00            |      |
| 3 Months  | 9.50             | 11.00            |      |
| 6 Months  | Negotiable       | Negotiable       |      |
| 9 Months  | Negotiable       | Negotiable       |      |
| 12 Months   | Negotiable       | Negotiable       |      |
| <b>Foreign Currency Denominated Accounts(FCDAs)</b> |                  |                  |      |
| 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 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**  
Chairman



**C Chiundira**  
Director

## Independent Auditor's Report on the Summary Consolidated and Separate Financial Statements

### To the shareholders of NBS Bank Limited

**Opinion**  
The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2016, the summary statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes comprising Basis of preparation, Impairment losses/Non performing credit facilities and provisions for losses by sector and Loans to directors, senior management and other related parties, are derived from the audited consolidated and separate financial statements of NBS Bank Limited ("the Company") for the year ended 31 December 2016.

In our opinion, the accompanying summary financial statements are consistent in all material respects with the audited consolidated and separate financial statements, in accordance with the requirements of the Financial Services Act, 2010 of Malawi.

**Other Matter**  
We have not audited the Credit concentration, Performance review, Outlook, Deposit rates, Lending rates, Directors remuneration and employee bonus included in the accompanying summary consolidated and separate financial statements and accordingly do not express any opinion thereon.

**Summary 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 our report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and our report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

**The Audited Consolidated and Separate Financial Statements and Our Report Thereon**  
We expressed an unmodified audit opinion on the audited financial statements in our report dated 29 March 2017. That report also includes:  
● A *Material Uncertainty Relating to Going Concern* section that draws attention to note 39 in the audited consolidated financial statements. Note 39 of the audited consolidated financial statements indicated that the Group and Company incurred a loss of MK 4.330 billion for the year ended 31 December 2016 (2015: loss of MK 195 million); and the Group and Company has not met the banking minimum capital requirements per Basel II Capital Adequacy Directive as at 31 December 2016 as per the Reserve Bank of Malawi directive. The ability of the Group and Company to continue as a going concern is dependent on a successful conclusion of the rights issue and implementation of the strategies highlighted in note 39 in the audited consolidated financial statements. These events or conditions, along with other matters set forth in note 39 of the audited consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on NBS Bank Limited's ability to continue as a going concern. The summary consolidated financial statements are affected to the equivalent extent as the audited consolidated financial statements.  
● The communication of other key audit matters. Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the financial statements for the current period.

**Director's Responsibility for the Summary consolidated and separate Financial Statements**  
Directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the requirements of the Financial Services Act, 2010 of Malawi.

**Auditor's Responsibility**  
Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements."



KPMG

Gordon Tembo  
Chartered Accountant (Malawi)  
Partner  
Blantyre, Malawi

30 March 2017



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