

SUMMARY OF UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017

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	CONSOLIDATED UNAUDITED 6 months to 30-Jun-17 MK'000	CONSOLIDATED AUDITED 6 months to 30-Jun-16 MK'000	CONSOLIDATED AUDITED 12 months to 31-Dec-16 MK'000	SEPARATE UNAUDITED 6 months to 30-Jun-17 MK'000	SEPARATE AUDITED 6 months to 30-Jun-16 MK'000	SEPARATE AUDITED 12 months to 31-Dec-16 MK'000
STATEMENT OF COMPREHENSIVE INCOME						
Interest income received	4,693,096	5,343,547	10,756,764	4,693,096	5,343,547	10,756,764
Interest payable	(2,315,175)	(2,052,677)	(4,636,308)	(2,315,175)	(2,052,677)	(4,636,308)
Net Interest Income	2,377,921	3,290,870	6,120,456	2,377,921	3,290,870	6,120,456
Other Income	3,167,725	3,835,661	7,736,296	3,167,725	3,835,661	7,736,296
Net Income	5,545,646	7,126,531	13,856,752	5,545,646	7,126,531	13,856,752
Operating Expenses	(7,827,961)	(9,048,736)	(16,844,026)	(7,827,961)	(9,048,736)	(16,844,026)
Loss before impairment losses	(2,282,315)	(1,922,205)	(2,987,274)	(2,282,315)	(1,922,205)	(2,987,274)
Impairment provisions	380,832	582,213	(1,867,594)	380,832	582,213	(1,867,594)
Loss before tax	(1,901,483)	(1,339,992)	(4,854,868)	(1,901,483)	(1,339,992)	(4,854,868)
Income tax credit / (expense)	765,002	(38,209)	524,716	765,002	(38,209)	524,716
Loss for the period	(1,136,481)	(1,378,201)	(4,330,152)	(1,136,481)	(1,378,201)	(4,330,152)
Other comprehensive income	-	-	-	-	-	-
Total Comprehensive Income	(1,136,481)	(1,378,201)	(4,330,152)	(1,136,481)	(1,378,201)	(4,330,152)
Earnings per share (tambala)	(0.39)	(189)	(595)	(0.39)	(189)	(595)
Weighted average ordinary shares in issue (million)	2,913	728	728	2,913	728	728
STATEMENT OF FINANCIAL POSITION LIABILITIES AND EQUITY						
Liabilities						
Deposits from Customers	70,523,485	69,176,428	66,534,659	70,523,485	69,176,428	66,534,659
Other Borrowings	3,522,277	3,738,853	3,679,431	3,522,277	3,738,853	3,679,431
Other liabilities	13,187,194	13,000,750	9,635,920	13,245,913	13,141,521	9,744,390
Total Liabilities	87,232,956	85,916,031	79,850,010	87,291,675	86,056,802	79,958,480
Equity						
Share capital	1,456,414	363,822	363,822	1,456,414	363,822	363,822
Share premium	12,310,302	2,323,895	2,323,895	12,310,302	2,323,895	2,323,895
Accumulated losses	(6,616,598)	(2,520,043)	(6,480,799)	(6,587,207)	(2,490,652)	(6,451,408)
Other reserves	9,599,486	9,591,363	10,600,168	9,599,486	9,591,363	10,600,168
Total equity	16,749,604	9,759,037	6,807,086	16,778,995	9,788,428	6,836,477
Total Liabilities & Equity	103,982,560	95,675,068	86,657,096	104,070,670	95,845,230	86,794,957
ASSETS						
Cash and Cash equivalents	19,999,779	26,698,322	23,610,542	19,999,779	26,698,322	23,610,542
Other receivables	10,522,383	13,253,169	5,546,270	10,522,383	13,426,241	5,687,041
Other investments	37,650,288	17,500,464	17,409,397	37,692,888	17,543,064	17,451,997
Loans and Advances	25,570,721	27,619,402	29,495,805	25,570,721	27,619,402	29,495,805
Property, plant and equipment	10,239,389	10,603,711	10,595,082	10,284,899	10,558,201	10,549,572
Total Assets	103,982,560	95,675,068	86,657,096	104,070,670	95,845,230	86,794,957
STATEMENT OF CHANGES IN EQUITY						
As at beginning of the period	6,807,086	11,137,238	11,137,238	6,836,477	11,166,629	11,166,629
Loss for the period	(1,136,481)	(1,378,201)	(4,330,152)	(1,136,481)	(1,378,201)	(4,330,152)
Issue of shares	11,078,999	-	-	11,078,999	-	-
As at end of period	16,749,604	9,759,037	6,807,086	16,778,995	9,788,428	6,836,477
STATEMENT OF CASH FLOWS						
OPERATING ACTIVITIES						
Loss before tax	(1,901,483)	(1,339,992)	(4,854,868)	(1,901,483)	(1,339,992)	(4,854,868)
Depreciation/ Amortisation	654,240	358,989	778,599	654,240	358,989	778,599
Increase in Operating Assets	(20,526,902)	(9,474,758)	(3,407,068)	(20,526,902)	(9,474,758)	(3,407,068)
Increase in Operating Liabilities	10,982,946	12,056,487	6,163,823	10,982,946	12,056,487	6,163,823
Income Tax paid	-	(6,340)	(7,183)	-	(6,340)	(7,183)
Net Cash (used in)/ generated from operating activities	(10,791,199)	1,594,386	(1,326,697)	(10,791,199)	1,594,386	(1,326,697)
INVESTING ACTIVITIES						
Acquisition of property and equipment	(298,563)	(495,008)	(917,860)	(298,563)	(495,008)	(917,860)
Net Cash used in investing activities	(298,563)	(495,008)	(917,860)	(298,563)	(495,008)	(917,860)
FINANCING ACTIVITIES						
Long - term Loan Repayments	(3,600,000)	709,791	965,946	(3,600,000)	709,791	965,946
Issue of shares	11,078,999	-	-	11,078,999	-	-
Net Cash generated from financing activities	7,478,999	709,791	965,946	7,478,999	709,791	965,946
Net movement in Cash and Cash equivalents	(3,610,763)	1,809,169	(1,278,611)	(3,610,763)	1,809,169	(1,278,611)
Cash and Cash equivalents at beginning of period	23,610,542	24,889,153	24,889,153	23,610,542	24,889,153	24,889,153
Cash and cash equivalents at end of period	19,999,779	26,698,322	23,610,542	19,999,779	26,698,322	23,610,542

REGULATORY DISCLOSURES

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

Sector	30-Jun-17			30-Jun-16		
	Outstanding Amount MK'm	Impairment loss MK'm	Specific Provisions MK'm	Outstanding Amount MK'm	Impairment loss MK'm	Specific Provisions MK'm
Agriculture	2,588	694	526	3,392	2,301	1,385
Mining	333	-	57	532	7	61
Manufacturing	1,804	730	84	1,037	269	804
Electricity	401	59	283	335	291	57
Construction	1,294	221	100	569	281	210
Wholesale&Retail	8,018	2,112	544	8,196	2,462	2,146
Restaurants & Hotels	437	95	2	281	39	294
Transport	1,007	332	77	1,391	476	430
Financial Services	1,183	280	249	797	371	193
Community	1,768	397	118	2,129	1,119	434
Real Estate	361	72	4	162	56	22
Other	51	9	45	63	30	31
Total	19,245	5,001	2,059	18,884	7,702	6,067

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	30-June-2017		30-Jun-16	
	MK'000	% of Core Capital	MK'000	% of Core Capital
Agriculture	3,327	48%	3,366	76%
Agriculture	-	-	1,629	36%

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

Directors	30- June-17	30-Jun-16
	MK'000	MK'000
Balance at the beginning of the period	101.5	50.2
Loans granted during the period	356.0	60.0
Repayments	(440.9)	(8.7)
Balance at end the of period	16.6	101.5
Other related parties		
	30-Jun-17	30-Jun-16
	MK'000	MK'000
Balance at the beginning of the period	178.3	531.7
Loans granted during the period	642.0	-
Repayments	(87.3)	(353.4)
Balance at end the of period	733.0	178.3
Senior management officials		
	30-Jun-17	30-Jun-16
	MK'000	MK'000
Balance at the beginning of the period	50.2	118.5
Loans granted during the period	448.8	3.5
Repayments	(120.2)	(71.8)
Balance at end the of period	378.8	50.2

INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Number of shares	Percentage Holding	Number of shares	Percentage Holding
	30- June-17	30 June-17	30-Jun-16	30-Jun-16
NBS Forex Bureau	7,000,000	100%	7,000,000	100%

LENDING RATES

Malawi Kwacha facilities	30- June-17	30-Jun-16
Base lending Rate	31.0%	36.0%
Lending Rate Spread	-2% to 10%	-2% to 10%
Foreign Currency facilities	+5% Libor rate	+5% Libor rate

DIRECTORS' REMUNERATION AND EMPLOYEE BONUSES

	30- June-17	30-Jun-16
	K'm	K'm
Directors' remuneration	6,020	6,215
Total bonuses paid to employees	-	-

DEPOSIT RATES

Type of Deposit	30-June-17	30-Jun-16
Malawi Kwacha	Rate %	Rate %
Current account	0.10	0.50
Savings	8.00	8.50
7 Day Notice	6.50	8.00
30 Day Notice	5.50	9.00
2 Months	7.00	11.00
3 Months	7.00	11.00
6 Months	7.00	Negotiable
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

FINANCIAL REVIEW

Performance

The Bank and its subsidiary, NBS Forex Bureau Limited, reported a loss before tax of MK1.9 billion for the six months ended 30 June 2017 (June 2016: loss of MK1.34 billion) and net loss after tax of MK1.14 billion (June 2016: Net loss after tax of MK 1.38 billion).

The Bank operated with significantly lower than required capital levels in the first half of 2017 which adversely impacted on the Bank's ability to grow loans and overdrafts. Consequently, net interest income decreased by 28% compared to the same period of the prior year. Non Interest Income decreased by 17% compared to the same period of 2016 mainly due to squeezed margins on currency sales and reduction in ledger fees due to regulatory action. It is pleasing to report that operating expenditure decreased by 13% as a result of continued cost optimisation measures. It is worth noting that the 2017 half year costs are also inclusive of once-off staff rationalization expenses amounting to MK350 million. Net Credit Impairments improved by 35% as a result of better credit management as well as significant recoveries of previously impaired loans.

The Bank registered a 6% growth of customer deposits during the six months under review. Total assets grew by 20%.

Shareholder's Equity

The Bank's share capital and share premium increased significantly following a rights issue concluded during the six months under review.

Outlook

Despite the performance and capital challenges that the Bank has been facing in the recent past, the Bank is optimistic about future business prospects. Recently, the Bank successfully raised MK11.8 billion through a rights issue and is now compliant with Basel II and Statutory capital requirements. Apart from compliance, the additional capital injection is expected to enable the Bank to compete more favourably in certain targeted market segments.

Furthermore, the Bank is undergoing a transformation and change process which has seen a change in senior management through recruitment of top talent. As part of the transformation process, the Bank has also entered into a 3-year strategic cooperation with Rabobank, through its subsidiary Rabo International Advisory Services, focused on improving financial services and strengthening NBS Bank's operations and outreach. This strategic partnership, coupled with the change in the senior management team, is expected to spearhead the implementation of a new strategy which is aimed at positioning the bank as a top 3 financial institution within the medium term. It is pleasing to note that from June 2017 to August 2017, the Bank has registered operating profit on a month to month basis and this trend is expected to continue.

The Bank will continue to utilise its extensive nationwide distribution network that includes the landmark agency banking model and its newly implemented state of the art core banking platform to provide superior service to its clients. In addition, the Bank continues to invest in mobile and online platforms such as Eazy 322 which offer our customers opportunities to transact anywhere at all times. We shall always be your caring Bank.

Dividend

The Board of Directors has not recommended the payment of any dividend in light of the unsatisfactory performance in the six months period ended 30 June 2017.


Vizenge Kumwenda
Chairman


Matthews Mtumbuka
Director


Kwanele Ngwenya
Chief Executive Officer


Ernest Tembo
Acting Chief Finance Officer