



NBS BANK PLC

EXTRACTS FROM THE CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

	CONSOLIDATED AND SEPARATE AUDITED	CONSOLIDATED AND SEPARATE AUDITED
	12 months to 31-Dec-18 MK'000	12 months to 31-Dec-17 MK'000
STATEMENTS OF COMPREHENSIVE INCOME		
Interest income	12,865,573	10,559,385
Interest expense	(3,123,142)	(3,332,621)
Net interest income	9,742,431	7,226,764
Other income	10,405,512	6,852,566
Net income	20,147,943	14,079,330
Depreciation	(1,533,823)	(1,368,432)
Operating expenses	(17,289,714)	(15,199,524)
Profit before impairment losses	1,324,406	(2,488,626)
Impairment provisions	1,208,663	1,073,586
Profit/(loss) before tax	2,533,069	(1,415,040)
Income tax/(expense)/credit	(833,926)	322,733
Profit/(loss) for the year	1,699,143	(1,092,307)
Other comprehensive income	-	-
Total comprehensive income	1,699,143	(1,092,307)
Earnings per share (tambala)	58.38	(38.00)
Weighted average ordinary shares in issue (million)	2,913	2,913

	CONSOLIDATED AUDITED 31-Dec-18 MK'000	CONSOLIDATED AUDITED 31-Dec-17 MK'000	SEPARATE AUDITED 31-Dec-18 MK'000	SEPARATE AUDITED 31-Dec-17 MK'000
STATEMENT OF FINANCIAL POSITION				
Liabilities and Equity				
Liabilities				
Deposits from customers	99,513,624	76,981,284	99,526,204	76,993,864
Other borrowings	20,010		20,010	
Other liabilities	11,988,316	22,667,946	11,900,429	22,580,059
Total Liabilities	111,521,950	99,669,240	111,446,643	99,593,933
Equity				
Share capital	1,455,291	1,455,291	1,455,291	1,455,291
Share premium	12,104,183	12,104,183	12,104,183	12,104,183
Accumulated losses	(2,080,299)	(5,088,800)	(2,050,908)	(5,059,409)
Other reserves	53,607	4,049,689	53,607	4,049,689
	11,532,782	12,520,363	11,562,173	12,549,754
Total Liabilities & Equity	123,054,732	112,189,603	123,008,816	112,143,687
Liabilities				
Cash and cash equivalents	28,960,520	24,342,084	28,960,520	24,342,084
Other receivables	6,464,414	4,978,572	6,433,673	4,947,831
Money market investments	36,780,304	39,264,948	36,780,304	39,264,948
Equity investments	187,866	63,665	187,866	63,665
Placements with other banks	22,664,696	14,563,715	22,664,696	14,563,715
Loans and advances	17,412,232	18,372,690	17,412,232	18,372,690
Defferd tax asset	2,759,328	2,452,747	2,789,663	2,483,082
Intangible Assets	3,754,188	4,116,974	3,754,188	4,116,974
Property, plant and equipment	4,071,184	4,034,208	4,025,674	3,988,698
Total Assets	123,054,732	112,189,603	123,008,816	112,143,687
	-	-	-	-
STATEMENT OF CHANGES IN EQUITY				
As at the beginning of the year	12,520,363	2,740,913	12,549,754	2,770,304
Transitional Adjustment on IFRS9 Adoption at 1 January 2018	(2,686,724)	-	(2,686,724)	-
Loss for the year	1,699,143	(1,092,307)	1,699,143	(1,092,307)
Issue of shares	-	10,871,757	-	10,871,757
As at the end of year	11,532,782	12,520,363	11,562,173	12,549,754

STATEMENT OF CASH FLOWS	CONSOLIDATED AND SEPARATE AUDITED 31-Dec-18	CONSOLIDATED AND SEPARATE AUDITED 31-Dec-17
OPERATING ACTIVITIES		
Interest and fees income	23,271,085	17,411,951
Interest paid	(3,123,142)	(3,332,621)
Cash paid to suppliers and employees	(19,307,225)	(22,780,742)
Movement in investments	(5,616,337)	(21,904,216)
Movement in net customer balances	10,719,148	23,926,001
Income tax paid	(132,040)	(121,128)
Net cash used in operating activities	5,811,489	(6,800,755)
INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,237,304)	(1,240,531)
Proceeds from disposal of property and equipment	44,251	1,501,071
Net cash from/(used) in investing activities	(1,193,053)	260,540
FINANCING ACTIVITIES		
Long - term loan (repayments)/receipts	-	(3,600,000)
Issue of shares	-	10,871,757
Net cash generated from financing activities	-	7,271,757
Net movement in cash and cash equivalents	4,618,436	731,542
Cash and Cash equivalents at beginning of the year	24,342,084	23,610,542
Cash and cash equivalents at end of the year	28,960,520	24,342,084

REGULATORY DISCLOSURES						
1 IMPAIRMENT LOSSES /NON PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY INDUSTRY SECTOR						
Sector	31-Dec-18			31-Dec-17		
	Outstanding Amount	Impaired Amount	Specific Provisions**	Outstanding Amount	Impaired Amount	Specific Provisions**
	MK'm	MK'm	MK'm	MK'm	MK'm	MK'm
Agriculture	433	217	91	2,182	761	441
Mining	1,204	483	236	421	27	27
Manufacturing	3,000	1,030	783	3,005	1,237	223
Electricity	172	3	-	111	37	22
Construction	2,961	1,260	1,019	1,775	1,367	140
Wholesale & Retail	7,051	2,599	2,557	4,989	1,815	460
Restaurants & Hotels	505	265	165	426	365	6
Transport	1,188	513	203	1,556	898	191
Financial Services	3,251	578	316	2,807	1,046	260
Community	3,267	942	819	3,225	1,507	106
Real Estate	612	211	230	256	176	38
Other	810	196	97	2,034	185	101
Total	24,454	8,297	6,516	22,787	9,421	2,015

**Specific provisions as at 31 December 2017 are not inclusive of interest in suspense amounting to MK 2.399 billion.

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.				
In the year ended 31 December 2018, maximum exposure by a single borrower was at 10.85 % (2017: 22%)				
SECTOR OF BORROWER				
	MK'm	31-Dec-18 % of Core Capital	MK'm	31-Dec-17 % of Core Capital
Agriculture	-	0%	-	0%
Manufacturing	-	0%	-	0%
Construction	-	0%	-	0%
Wholesale & Retail	-	0%	-	0%
Transport	-	0%	-	0%
Financial Services	-	0%	-	0%
Community	-	0%	-	0%
Other	-	0%	-	0%

3. LOANS TO DIRECTORS ,SENIOR MANAGEMENT AND OTHER RELATED PARTIES			
Directors	31-Dec-18 MK'000	31-Dec-17 MK'000	
Balance at the beginning of the period	-	15.2	
Loans granted during the period	28.0	-	
Repayments	(4.4)	(15.2)	
Balance at the end of the period	23.6	-	
Other related parties	31-Dec-18 MK'000	31-Dec-17 MK'000	
Balance at the beginning of the period	990.8	654.1	
Loans granted during the period	164.5	391.2	
Repayments	(327.3)	(54.5)	
Balance at the end of the period	828.0	990.8	
Senior management officials	31-Dec-18 MK'000	31-Dec-17 MK'000	
Balance at the beginning of the period	313.4	218.7	
Loans granted during the period	175.8	167.6	
Repayments	(85.0)	(72.9)	
Balance at the end of the period	404.2	313.4	
Total related party lending as a % of Capital	0.01%	0.01%	

INVESTMENTS IN SUBSIDIARIES				
	Number of shares 31-Dec-18	Percentage Holding 30-Dec-18	Number of shares 31-Dec-17	Percentage Holding 31-Dec-17
NBS Forex Bureau	7,000,000	100%	7,000,000	100%

LENDING RATES		
Malawi Kwacha facilities	31-Dec-18	31-Dec-17
Base lending Rate	25.5%	27.5%
Lending Rate Spread	-2% to 10%	-2% to 10%
Foreign Currency facilities	+5% Libor rate	+5% Libor rate

DIRECTORS' REMUNERATION BONUSES AND MANAGEMENT FEES		
	31-Dec-18 MK'000	31-Dec-17 MK'000
Directors' remuneration	14,396	13,150
Total bonuses paid to employees	-	-
Management fees to related party	38,802	37,890
Capital Expenditure	1,237	1,240
Capital Commitments	45	3,400
Contingent Liabilities	5,000	5,000

DEPOSIT RATES		
Type of Deposit	31-Dec-18 Rate %	31-Dec-17 Rate %
Malawi Kwacha		
Current account	0.10	0.10
Savings	5.00	5.00
7 Day Notice	6.50	5.50
30 Day Notice	5.00	5.50
2 Months	7.00	7.00
3 Months	7.00	7.00
6 Months	7.00	7.00
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

Review
The Board of NBS Bank Plc and NBS Forex Bureau is pleased with the continued turnaround as evidenced by these excellent results which shows that the Group is progressively implementing the planned strategies with a view to becoming the Bank of choice in Malawi. During the year, online, mobile banking platforms and credit systems were enhanced to allow customers to make payments and have easy access loan products. The Bank also launched an onboarding app to enable remote account opening. In 2018, a private banking suite was opened at the Presidential villas complex in Lilongwe to afford convenience to this growing segment of our customers. A Call Center was launched to fast-track the resolution of customer queries. Payday loans and Bancassurance products were also launched. Back office systems were upgraded to straight-through processing to ensure efficiency and timeliness in the processing of customer transactions. With the return to profitability and the continued partnership with Rabobank of the Netherlands, we plan to offer more customer-centric products and commit significant resources to digitised systems that will help to serve our customers faster and more reliably. The ultimate strategy of the Bank is to ensure key banking products are available to our customers through digital platforms. To that end, the Bank is on a path to review its physical infrastructure and where appropriate, prioritise agency banking, online banking and other digital channels. These changes are vital to ensuring the Bank is efficient and sustainable for the foreseeable future.

Strategy
The Bank's strategic goals and objectives are to be a digitally-driven transactional Bank for both retail and corporate customers through a deeper understanding of their needs. This distinction will be embodied in the Bank's intrapreneurial culture, balanced by a strong risk management discipline, client-centric approach and ability to be nimble, flexible and innovative. Our products will be designed to be EAZY to understand, EAZY to use, EAZY to access and EAZY on the pocket. In 2019, the Bank will consolidate the gains made over the past two years to provide a platform for further growth.

Outlook
The Bank expects stable exchange rates in 2019 and inflation to trend downwards. We expect interest rates to progressively follow a similar trend in the next six months. Due to the impact of the recent reduction of interest rates, we expected credit to the private sector to grow, with significant growth to be more pronounced in the second half of the year. We expect the improved macroeconomic environment to lead to GDP growth of 4%.

Financial Performance
The Group registered a profit after tax of MK1.699 billion in 2018 compared to a loss after tax of MK1.092 billion reported in a similar period in 2017. The profit is a result of the turnaround strategy the Bank has been implementing since 2017. The key financial performance indicators are as follows:
Net interest income grew impressively by 35% because of the increased investments in short-term placements with financial institutions.

Non-Interest income which is made of transaction fees and forex trading income increased massively by 52% year-on-year. The Bank's uptake on digital platforms continued to improve as investments were made to increase network availability and reliability. The forex business showed a record growth of 75% largely because of increased volume of trade compared to the prior period. Recoveries of non-performing debt was flat. Operating expenditure was up by 14% compared to prior year largely due to investments in bank projects.

Total customer deposits grew by 29% as customers continued to place their confidence in the Bank's new strategy and investments in new online and branch infrastructure.

The Bank implemented IFRS9 in the year 2018 and is fully compliant with the Standard's requirements. Due to this implementation the loan loss reserve of MK4bn was released to retained earnings.

Dividend
The Board of Directors has not recommended the payment of any dividend for the year ended 31 December 2018 as the bank is still on its transformation journey. The Bank is still investing on expansion of the business and optimization of the systems.

V. Kumwenda Chairman	M. Mtumbuka Chairman- Finance and Audit Committee	K. Ngwenya Chief Executive Officer	V. Zulu Chief Finance Officer
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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 13 March 2018, and is available on the company's website, www.nbs.mw

INDEPENDENT AUDITOR'S REPORT ON SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
To the shareholders of NBS Bank plc

Opinion
The summary consolidated and separate financial statements of NBS Bank Plc and its subsidiary, which comprise the summary consolidated and separate statements of financial position as at 31 December 2018, the summary consolidated and separate statements of comprehensive income, summary consolidated and separate statements of changes in equity and summary consolidated and separate statements of cash flows for the year then ended and related notes, are derived from the audited consolidated and separate financial statements of NBS Bank plc and its subsidiary 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 of NBS Bank Plc 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 21 March 2018. 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.

Director's Responsibility for the Summary Consolidated and Separate Financial Statements
The directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the basis described on the basis for preparation paragraph.

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.



Chartered Accountants
Madaio Mwenelupembe
Partner
25 March 2019