

SUMMARY OF UNAUDITED CONSOLIDATED RESULTS FOR THE SIX MONTHS PERIOD ENDED 30TH JUNE, 2019

	CONSOLIDATED AND SEPARATE UNAUDITED 6 months to 30-Jun-19 MK'000	CONSOLIDATED AND SEPARATE UNAUDITED 6 months to 30-Jun-18 MK'000	CONSOLIDATED AND SEPARATE AUDITED 12 months to 31-Dec-18 MK'000			
STATEMENT OF COMPREHENSIVE INCOME						
Interest income received	11,216,936	5,877,864	12,865,573			
Interest payable	(2,665,774)	(1,500,890)	(3,123,142)			
Net Interest Income	8,551,162	4,376,974	9,742,431			
Other Income	4,371,278	5,098,497	10,405,512			
Net Income	12,922,440	9,475,471	20,147,943			
Operating Expenses	(10,803,232)	(8,690,453)	(18,823,537)			
Profit before impairment losses	2,119,208	785,018	1,324,406			
Impairment provisions	(30,730)	(102,228)	(1,208,663)			
Profit/(loss) before tax	2,088,478	682,790	2,533,069			
Income tax expenses	(682,876)	(203,894)	(833,926)			
Profit/(Loss) for the period	1,405,602	478,896	1,699,143			
Other comprehensive income	-	-	-			
Total Comprehensive Income	1,405,602	478,896	1,699,143			
Earnings per share (MK)	0.48	0.16	0.58			
Weighted average ordinary shares in issue (million)	2,913	2,913	2,913			
STATEMENT OF FINANCIAL POSITION						
	CONSOLIDATED UNAUDITED 30-Jun-19 MK'000	CONSOLIDATED UNAUDITED 30-Jun-18 MK'000	CONSOLIDATED AUDITED 31-Dec-18 MK'000	SEPARATE UNAUDITED 30-Jun-19 MK'000	SEPARATE UNAUDITED 30-Jun-18 MK'000	SEPARATE AUDITED 31-Dec-18 MK'000
LIABILITIES AND EQUITY						
Liabilities						
Deposits from Customers	113,042,834	83,850,895	99,513,624	13,042,834	83,850,895	99,513,624
Other Borrowings	20,010	20,010	20,010	20,010	20,010	20,010
Other liabilities	11,505,101	12,370,334	11,988,316	11,429,794	12,295,027	11,913,009
Total Liabilities	124,567,945	96,241,239	111,521,950	124,492,638	96,165,932	111,446,643
Equity						
Share capital	1,455,291	1,455,291	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	12,104,183	12,104,183
Retained earnings	(638,571)	(4,703,320)	(2,080,299)	(609,180)	(4,673,929)	(2,050,908)
Subordinated Debt	2,924,954	-	2,924,954	-	-	-
Other reserves	17,481	4,143,105	53,607	17,481	4,143,105	53,607
Total Equity	15,863,338	12,999,259	11,532,782	15,892,729	13,028,650	11,562,173
Total Liabilities & Equity	140,431,283	109,240,498	123,054,732	140,385,367	109,194,582	123,008,816
ASSETS						
Cash and Cash equivalents	16,057,892	36,881,125	28,960,520	16,057,892	36,881,125	28,960,520
Other receivables	6,767,183	6,976,524	6,464,414	6,736,442	6,945,783	6,433,673
Money Market Investments	74,216,224	35,670,478	59,445,000	74,216,224	35,670,478	59,445,000
Equity investments	235,699	83,365	187,866	235,699	83,365	187,866
Loans and Advances	30,661,407	19,344,266	17,412,232	30,661,407	19,344,266	17,412,232
Deferred Tax Asset	2,076,452	2,248,853	2,759,328	2,106,787	2,279,188	2,789,663
Intangible Assets	3,690,209	3,803,981	3,754,188	3,690,209	3,803,981	3,754,188
Property, plant and equipment	6,726,217	4,231,906	4,071,184	6,680,707	4,186,396	4,025,674
Total Assets	140,431,283	109,240,498	123,054,732	140,385,367	109,194,582	123,008,816
STATEMENT OF CHANGES IN EQUITY						
As at the beginning of the year	11,532,782	12,520,363	12,520,363	11,562,173	12,549,754	12,549,754
Transitional Adjustment on IFRS9 Adoption	-	-	(2,686,724)	-	-	(2,686,724)
Profit for the year	1,405,602	478,896	1,699,143	1,405,602	478,896	1,699,143
Subordinated debt	2,924,954	-	2,924,954	-	-	-
As at the end of year	15,863,338	12,999,259	11,532,782	15,892,729	13,028,650	11,562,173
STATEMENT OF CASH FLOWS						
OPERATING ACTIVITIES						
Interest and fees income	15,588,214	10,976,361	23,271,085			
Interest paid	(2,665,774)	(1,500,890)	(3,123,142)			
Cash paid to suppliers and employees	(4,738,285)	(11,760,456)	(19,307,225)			
Movement in investments	(14,771,224)	18,158,185	(5,616,337)			
Movement in net customer balances	(7,424,963)	(2,646,225)	10,719,148			
Income tax refund/(expense)	2,288	(94,258)	(132,040)			
Net cash used in operating activities	(14,009,744)	13,132,717	5,811,489			
INVESTING ACTIVITIES						
Acquisition of property and equipment	(1,314,198)	(578,822)	(1,159,864)			
Acquisition of intangible assets	(55,124)	(14,854)	(77,440)			
Proceeds from disposal of property and equipment	28,739	-	44,251			
Net cash from/(used) in investing activities	(1,340,583)	(593,676)	(1,193,053)			
FINANCING ACTIVITIES						
Long - term loan (repayments)/receipts	2,924,954	-	-			
Lease repayments	(477,255)	-	-			
Net cash generated from financing activities	2,447,699	-	-			
Net movement in cash and cash equivalents	(12,902,628)	12,539,041	4,618,436			
Cash and Cash equivalents at beginning of the year	28,960,520	24,342,084	24,342,084			
Cash and cash equivalents at end of the year	16,057,892	36,881,125	28,960,520			

REGULATORY DISCLOSURES						
1. IMPAIRMENT LOSSES /NON PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY INDUSTRY SECTOR						
Sector	30-Jun-19		Specific Provisions MK'm	30-Jun-18		
	Outstanding Amount MK'm	Impairment loss MK'm		Outstanding Amount MK'm	Specific Provisions MK'm	
Agriculture	2,274	677	358	1,215	121	
Mining	650	529	227	394	1	
Manufacturing	2,330	121	147	2,641	286	
Electricity	11,115	5	56	162	8	
Construction	1,819	1,030	945	2,532	260	
Wholesale&Retail	9,772	2,899	3,436	6,133	825	
Restaurants & Hotels	1,629	283	307	1,296	78	
Transport	1,306	615	432	1,395	232	
Financial Services	2,805	601	425	4,225	166	
Community	3,037	340	383	3,454	201	
Real Estate	291	272	188	351	53	
Other	760	378	223	213	46	
Total	37,788	7,750	7,127	24,011	2,277	

Included in the 30 June 2019 specific provision of K7.1 billion are stage 1 and stage 2 impairment provisions on performing loans in line with IFR9.

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				
Sector	30-Jun-19		30-Jun-18	
	MK'm	% of Core Capital	MK'000	% of Core Capital
Electricity	10,013	98.9%	-	0%

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

Directors	30-Jun-19		30-Jun-18	
	MK'm	% of Core Capital	MK'm	% of Core Capital
Balance at the beginning of the period	16.6		16.6	
Loans granted during the period	28.0			
Repayments	(12.4)		(2.1)	
Balance at end the of period	32.2		16.6	

Other related parties	30-Jun-19		30-Jun-18	
	MK'm	% of Core Capital	MK'm	% of Core Capital
Balance at the beginning of the period	162.0		733.0	
Loans granted during the period	90.0		0.0	
Repayments	(50.9)		(571.0)	
Balance at end the of period	201.1		162.0	

Senior management officials	30-Jun-19		30-Jun-18	
	MK'm	% of Core Capital	MK'm	% of Core Capital
Balance at the beginning of the period	585.5		378.8	
Loans granted during the period	77.0		264.7	
Repayments	(82.1)		(58.0)	
Balance at end the of period	580.4		585.5	

INVESTMENTS IN SUBSIDIARIES				
Name of Subsidiary	30-Jun-19		30-Jun-18	
	Number of shares	Percentage Holding	Number of shares	Percentage Holding
NBS Forex Bureau	7,000,000	100%	7,000,000	100%

LENDING RATES		
Malawi Kwacha facilities		
	30-Jun-19	30-Jun-18
Base lending Rate	13.9%	25.5%
Lending Rate Spread	0% to 10%	-2% to 10%
Foreign Currency facilities	+5% Libor rate	+5% Libor rate

DIRECTORS' REMUNERATION AND EMPLOYEE BONUSES			
	30-Jun-19 MK'000	30-Jun-18 MK'000	
Directors' remuneration	5,304	7,373	
Total bonuses paid to employees	-	-	

DEPOSIT RATES				
Type of Deposit	30-Jun-19		30-Jun-18	
	Rate %		Rate %	
Malawi Kwacha				
Current account	0.50	0.10		
Savings	1.55	5.00		
7 Day Notice	3.73	6.50		
30 Day Notice	5.00	5.00		
2 Months	6.00	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	0.60	2.00		
GBP	0.60	2.25		
ZAR	0.60	3.00		
EUR	0.60	1.50		

FINANCIAL REVIEW

Performance

The Group (NBS Bank Plc and NBS Forex Bureau), registered a progressively upward trend in performance in the first half of 2019 when compared to the same period of the previous year, despite a low interest rate environment. This trend and performance is confirmation that the Bank's transformation journey is on track and on a sustainable path.

The Bank recorded a profit before tax of MK2.08 billion for the six months ended 30 June 2019 (June 2018: profit of MK683 million) and net profit after tax of MK 1.40 billion (June 2018: Net profit after tax of MK479 million). The 2019 half-year net profit after tax, with a year-on-year growth of 194%, is a significant improvement on the comparable period last year and builds on the K1.69 billion net profit reported for the full 2018 year.

Net interest income grew by 95% in 2019 compared to a similar period in 2018, largely as result of growth of loan book and effective management of investments in money market instruments. The Bank continues to build capability of digital offerings particularly using such channels as mobile, internet, and agency banking. Growth is therefore expected to come from the transactional business. Operating expenses went up by 24% because of branch rationalisation programmes done early this year. The increase was in line with projections. The Bank continues to implement cost optimization measures to further improve its efficiency ratios as well as to deliver maximum value to the customers.

The Bank registered a 14% growth of customer deposits during the six months under review. Loans and advances grew by 59%. The improvement of our performance in the first half of 2019 is mainly due to targeted and specific management actions focusing on improving the quality of our loan book, growth of money market investments and loans.

Outlook

The economic outlook remains positive. Gross Domestic Product (GDP) growth for 2019 is forecast to be at 5 percent, an improvement on the growth rate of 4 percent recorded in 2018. The rebound in growth is expected to be supported by the agriculture sector, improved power supply, continued macroeconomic stability as well as the easing of monetary policy. Notable growth is expected in the manufacturing, electricity, gas and water supply, construction and transportation sectors. Inflation is expected to drop further from the current 9%, with a major pull down effect coming from food inflation. Notwithstanding, downside risks to inflation include rising global oil prices and weakening of demand in advanced economies.

The Bank will continue to monitor the recent significant developments and changes in the monetary policy to make sure it mitigates risk on performance against any further reduction of interest rates. The Bank continues to strive forward in its turn round journey and sees positive prospects for 2019 and beyond.

Dividend

While noting that the Bank has made a profit in the six months period ended 30 June 2019, the Board of Directors has not recommended the payment of any dividend to enable full turnaround of the business in 2019.



V. Kumwenda
Chairman



M. Mtumbuka
Director



K. Ngwenya
Chief Executive Officer



Vera Zulu
Chief Finance Officer