

SUMMARY OF THE CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

| | | | | | | | | | |
|--------------------------------------|--|---|--|---|--|---|---------------------------------|---|------------------------|
| PAT MK7 BILLION, UP BY 58% | Customer Deposits MK154 BILLION, UP BY 27% | Net Interest Income UP BY 34% | Total Balance Sheet UP BY 59 BILLION | Total Operating Costs UP BY 11% | Total Capital Ratio AT 18.5% | Annualised Return on Equity 37% | Share Price UP BY 60% | Cost To Income Ratio DOWN FROM 79% TO 68% | NPL Ratio 5% |
|--------------------------------------|--|---|--|---|--|---|---------------------------------|---|------------------------|

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

| | Consolidated and Separate 12 months to 31-Dec-20 MK'000 | Consolidated and Separate 12 months to 31-Dec-19 MK'000 |
|--|---|---|
| Interest income | 36,570,829 | 25,416,278 |
| Interest expense | (9,986,860) | (5,600,378) |
| Net interest income | 26,583,969 | 19,815,900 |
| Other income | 10,571,167 | 9,026,277 |
| Net Income | 37,155,136 | 28,842,177 |
| Depreciation | (3,051,698) | (2,636,029) |
| Operating expenses | (22,146,142) | (20,147,975) |
| Profit before impairment losses | 11,957,296 | 6,058,173 |
| Impairment provisions | (1,982,578) | 810,194 |
| Profit before tax | 9,974,718 | 6,868,367 |
| Income tax expenses | (2,924,967) | (2,410,757) |
| Profit for the year | 7,049,751 | 4,457,610 |

OTHER COMPREHENSIVE INCOME

| | 2020 | 2019 |
|--|------------------|------------------|
| Earnings per share (tambala) | 242 | 153 |
| Weighted average ordinary shares in issue (million) | 2,911 | 2,911 |
| Profit for the year | 7,049,751 | 4,457,610 |
| Items that will not be reclassified to profit or loss | | |
| Surplus on revaluation of properties | - | 382,555 |
| Items that may be reclassified subsequently to profit or loss | | |
| Net fair value adjustments on Malawi Government treasury notes | (136,567) | - |
| Total comprehensive income for the year | 6,913,184 | 4,840,165 |

SUMMARY STATEMENT OF FINANCIAL POSITION

| | Consolidated 31-Dec-20 MK'000 | Consolidated 31-Dec-19 MK'000 | Consolidated 1-Jan-19 MK'000 Restated | Separate 31-Dec-20 MK'000 | Separate 31-Dec-19 MK'000 Restated | Separate 1-Jan-19 MK'000 Restated |
|--|-------------------------------|-------------------------------|---------------------------------------|---------------------------|------------------------------------|-----------------------------------|
| LIABILITIES AND EQUITY | | | | | | |
| Liabilities | | | | | | |
| Deposits from customers | 153,861,153 | 120,739,165 | 99,513,624 | 153,873,733 | 120,751,745 | 99,526,204 |
| Other borrowings | 6,808,021 | 7,863,245 | 20,010 | 6,808,021 | 7,863,245 | 20,010 |
| Lease liabilities | 3,479,034 | 2,010,185 | - | 3,479,034 | 2,010,185 | - |
| Deferred tax liability | 674,828 | - | - | 644,493 | - | - |
| Tax Ppayable | 258,510 | - | - | 258,510 | - | - |
| Other liabilities | 34,083,834 | 14,075,884 | 11,988,316 | 33,995,946 | 13,987,996 | 11,900,429 |
| Total Liabilities | 199,165,380 | 144,688,479 | 111,521,950 | 199,059,737 | 144,613,171 | 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/(accumulated losses) | 5,343,482 | 622,189 | (3,585,421) | 5,372,873 | 651,580 | (3,556,030) |
| Other comprehensive loss reserve | (136,567) | - | 36,126 | (136,567) | - | 36,126 |
| Other reserves | 400,036 | 400,036 | 17,481 | 400,036 | 400,036 | 17,481 |
| Total Liabilities & Equity | 218,331,805 | 159,270,178 | 121,549,610 | 218,255,553 | 159,224,261 | 121,503,694 |
| ASSETS | | | | | | |
| Cash and cash equivalents | 24,091,941 | 14,009,240 | 28,960,520 | 24,091,941 | 14,009,240 | 28,960,520 |
| Other receivables | 5,385,818 | 4,283,292 | 4,839,096 | 5,355,077 | 4,252,551 | 4,808,355 |
| Tax recoverable | - | 855,969 | 863,923 | - | 855,969 | 863,923 |
| Money market investments | 104,694,819 | 82,266,804 | 36,780,304 | 104,694,819 | 82,266,804 | 36,780,304 |
| Equity investments | 49,700 | 49,700 | 187,866 | 49,700 | 187,866 | 187,866 |
| Placements with other banks | 11,818,330 | 8,035,031 | 22,664,696 | 11,818,330 | 8,035,031 | 22,664,696 |
| Loans and advances | 59,034,722 | 38,561,505 | 16,349,766 | 59,034,722 | 38,561,505 | 16,349,766 |
| Deferred tax asset | - | 746,944 | 3,078,067 | - | 777,279 | 3,108,402 |
| Right-of-use assets | 2,646,558 | 1,515,264 | - | 2,646,558 | 1,515,264 | - |
| Intangible assets | 4,013,802 | 3,853,876 | 3,754,188 | 4,013,802 | 3,853,876 | 3,754,188 |
| Property, plant and equipment | 6,596,115 | 5,092,553 | 4,071,184 | 6,550,604 | 5,047,042 | 4,025,674 |
| Total Assets | 218,331,805 | 159,270,178 | 121,549,610 | 218,255,553 | 159,224,261 | 121,503,694 |

SUMMARY STATEMENT OF CHANGES IN EQUITY

| | Consolidated 31-Dec-20 MK'000 | Consolidated Restated 31-Dec-19 MK'000 | Separate 31-Dec-20 MK'000 | Separate Restated 31-Dec-19 MK'000 |
|---|-------------------------------|--|---------------------------|------------------------------------|
| As at the beginning of the year | 14,581,699 | 10,789,055 | 14,611,090 | 10,818,446 |
| IFRS 16 transition adjustment | - | (286,126) | - | (286,126) |
| Prior year insurance receivable restatement net of tax | - | (761,395) | - | (761,395) |
| Profit for the year | 7,049,751 | 4,457,610 | 7,049,751 | 4,457,610 |
| Other comprehensive income | (136,567) | - | (136,567) | - |
| Movement in other reserves | - | 382,555 | - | 382,555 |
| Dividend declared and paid | (2,328,458) | - | (2,328,458) | - |
| As at the end of year | 19,166,425 | 14,581,699 | 19,195,816 | 14,611,090 |
| Restatement | | | | |
| Insurance receivable restatement relates to an insurance claim that occurred in one of the branches of the Bank in 2016. A receivable asset was recognised but has now been reversed. | | | | |

SUMMARY STATEMENT OF CASH FLOWS

| | 2020 | 2019 |
|---|--------------------|---------------------|
| CASHFLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax expense | 9,974,718 | 6,868,367 |
| Adjustments for non-cash items included within the income statement | 4,742,968 | 1,831,169 |
| Increase in interest earning assets | (48,996,168) | (50,144,241) |
| Increase in deposits and other liabilities | 52,413,115 | 23,110,390 |
| Decrease in equity instruments | - | 138,166 |
| Interest paid | 9,986,860 | 5,600,378 |
| Interest received | (36,570,829) | (25,416,278) |
| Direct taxation paid | (330,188) | (71,680) |
| Net cash used in operating activities | (8,779,524) | (38,083,729) |
| INVESTING ACTIVITIES | | |
| Net Finance income | 25,945,454 | 18,428,892 |
| Acquisition of property and equipment | (3,773,524) | (2,714,007) |
| Proceeds from disposal of property and equipment | 109,626 | 88,605 |
| Net cash generated from investing activities | 22,281,556 | 15,803,490 |
| FINANCING ACTIVITIES | | |
| Proceeds from loans and borrowings | - | 7,963,461 |
| Repayment of loans and borrowings- principal | (1,055,224) | (120,226) |
| Dividends declared and paid | (2,328,458) | - |
| Repayment of lease liabilities | (422,425) | (545,568) |
| Net cash (used in)/generated from financing activities | (3,806,107) | 7,297,667 |
| Net movement in cash and cash equivalents | 9,695,925 | (14,982,572) |
| Cash and Cash equivalents at beginning of the year | 14,009,240 | 28,960,520 |
| Effects of exchange rate changes | 386,776 | 31,292 |
| Cash and cash equivalents at end of the year | 24,091,941 | 14,009,240 |

REGULATORY DISCLOSURES

1. IMPAIRMENT LOSSES /NON PERFORMING CREDIT FACILITIES AND EXPECTED CREDIT LOSS BY INDUSTRY SECTOR

| Sector | 31-Dec-20 | | | 31-Dec-19 | | |
|----------------------|-------------------------|----------------------|---------------------------|-------------------------|----------------------|---------------------------|
| | Outstanding Amount MK'm | Impaired Amount MK'm | Expected Credit Loss MK'm | Outstanding Amount MK'm | Impaired Amount MK'm | Expected Credit Loss MK'm |
| Agriculture | 3,675 | 213 | 133 | 2,999 | 84 | 134 |
| Mining | 674 | 20 | 18 | 595 | 548 | 227 |
| Manufacturing | 5,513 | 578 | 277 | 1,561 | 203 | 145 |
| Electricity | 12,891 | 10 | 242 | 15,023 | 4 | 475 |
| Construction | 2,789 | 160 | 100 | 1,803 | 492 | 289 |
| Wholesale & Retail | 15,363 | 558 | 530 | 11,213 | 1,880 | 852 |
| Restaurants & Hotels | 1,497 | 347 | 133 | 672 | 456 | 236 |
| Transport | 1,423 | 189 | 84 | 390 | 190 | 102 |
| Financial Services | 4,307 | 295 | 169 | 3,551 | 552 | 322 |
| Community | 11,443 | 353 | 319 | 3,350 | 829 | 397 |
| Real Estate | 642 | 11 | 15 | 419 | 72 | 47 |
| Other | 961 | 347 | 123 | 463 | 504 | 252 |
| Total | 61,178 | 3,081 | 2,143 | 42,039 | 5,814 | 3,478 |

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-20 | | 31-Dec-19 | |
|---------------------------------------|-----------|-------------------|-----------|-------------------|
| | MK'm | % of Core Capital | MK'm | % of Core Capital |
| Agriculture | - | 0% | - | 0% |
| Mining | - | 0% | - | 0% |
| Manufacturing | - | 0% | - | 0% |
| Electricity, gas, water and energy | 11,595 | 60.00% | 13,929 | 94.00% |
| Construction | - | 0% | - | 0% |
| Wholesale and retail | - | 0% | - | 0% |
| Restaurants and hotels | - | 0% | - | 0% |
| Transport, storage and communications | - | 0% | - | 0% |
| Financial services | - | 0% | - | 0% |
| Community | - | 0% | - | 0% |
| Real estate | - | 0% | - | 0% |
| Other | - | 0% | - | 0% |

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

| | 31-Dec-20 MK'000 | 31-Dec-19 MK'000 |
|--|------------------|------------------|
| Directors | | |
| Balance at the beginning of the period | 20.8 | 23.6 |
| Loans granted during the period | 40.3 | 28 |
| Repayments | (2.9) | (30.8) |
| Balance at end of the period | 58.2 | 20.8 |
| Senior management officials | | |
| Balance at the beginning of the period | 422.7 | 404.2 |
| Loans granted during the period | 204.6 | 116.6 |
| Repayments | (171.5) | (98.1) |
| Balance at end of the period | 455.8 | 422.7 |
| Total related party lending as a % of Capital | 0.00% | 0.01% |

INVESTMENTS IN SUBSIDIARIES

| Name of subsidiary | Number of shares 31-Dec-20 | Percentage Holding 31-Dec-20 | Number of shares 31-Dec-19 | Percentage Holding 31-Dec-19 |
|--------------------|----------------------------|------------------------------|----------------------------|------------------------------|
| NBS Forex Bureau | 7,000,000 | 100% | 7,000,000 | 100% |

LENDING RATES

| | 31-Dec-20 | 31-Dec-19 |
|---------------------------------|----------------|----------------|
| Malawi Kwacha facilities | | |
| Reference rate | 12.3% | 12.5% |
| 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-20 MK'000 | 31-Dec-19 MK'000 |
|----------------------------------|------------------|------------------|
| Directors' remuneration | 23,876 | 17,815 |
| Total bonuses payable to staff | 999,531 | 680,998 |
| Management fees to related party | 102,443 | 32,468 |
| Capital Expenditure | 3,774 | 2,714 |
| Capital Commitments | 4,903 | 6,502 |
| Contingent Liabilities | 3,061 | 1,500 |

DEPOSIT RATES

| Type of Deposit | 31-Dec-20 Rate % | 31-Dec-19 Rate % |
|----------------------|------------------|------------------|
| Malawi Kwacha | | |
| Current account | 0.5 | 0.5 |
| Savings | 1.55 | 1.55 |
| 7 Day Notice | 3.73 | 3.73 |
| 30 Day Notice | 5.00 | 5.00 |
| 2 Months | 6.00 | 6.00 |
| 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)

| | 31-Dec-20 | 31-Dec-19 |
|-----|-----------|-----------|
| USD | 2.00 | 2.00 |
| GBP | 2.25 | 2.25 |
| ZAR | 3.00 | 3.00 |
| EUR | 1.5 | 1.5 |

FINANCIAL REVIEW

Financial Performance
The group reported a strong financial performance in the year 2020, with profit after tax rising by 58% to K7,050 billion from K4,458 billion reported in 2019. Faced with the significant impact of Covid-19 on economic activity, the Bank focused on continuity of service excellence and maximizing efficiencies. This drive was facilitated by acceleration of digital transformation, which has enhanced customer experience and streamlined internal processes.

Our balance sheet remains robust with our capital and liquidity positions improving in 2020; net loans and money market investments rose by 53% and 27% to MK59 billion and MK105 billion respectively whilst customer deposits increased by 27% year on year to K154 billion. The tremendous growth in the year demonstrates that the Bank has remained resilient during such a challenging year and has emerged stronger.

Net interest income grew impressively by 34% because of the growth of the loan book and increased investment in money market investments. Non-interest income which is made up of transaction fees and forex trading income increased by 17% from prior year. The uptake of the Bank's products on digital platforms improved as investments were made to increase network availability and reliability. The Bank also upgraded its internet banking platform and Mobile App offering to ensure improved service offering. Net impairment charges on loans and advances were K1.9 billion during the year and K0.8 billion in 2019, reflecting the related growth in the loan book. Operating expenditure was up by 10% compared to the prior year. In part this was due to capacity upgrade of the infrastructure supporting the core banking system enabling it to handle the continued investment in digital channels, COVID 19 preventative safety measures and other investments in staff capacity building.

Operating Environment and Achievements
The year 2020 saw the Corona Virus (Covid 19) pandemic affect the local and global landscape in unprecedented ways. Malawi is under a state of National Disaster as declared by the State President. The Bank contributed towards the fight against Covid 19, both in its own capacity and through the NICO Group of Companies with donations of personal protective equipment and hospital equipment. The focus and commitment of our employees has been at the core of the Bank's response to the significant challenges in 2020. In difficult circumstances, our teams ensured continuity of service during peak pandemic times.

The Bank continues to invest in its transformation and some initiatives include the introduction of biometrics as part of the identity verification process. The Bank has enhanced its partnership with the Directorate of Traffic and Road Safety Services through the introduction of road traffic payments on its EasyMobile 322 platform. The Bank also introduced international money remittance services across its branch network by collaborating with Hello Paisa and World Remit. To reinforce its drive towards financial inclusion, the Bank through its agency banking arm Bank Pafupi, and its ongoing partnership with Financial Access for Rural Markets, Smallholders and Enterprises (FARMSE) prioritised a plan to increase visibility of the channel and educate local communities about the value of banking formally.

Lastly, noteworthy achievements for the Bank during the year were awards received for two consecutive years: as the Best Bank in Malawi at the Euromoney Awards for Excellence and Bank of the Year by The Banker. These awards serve to reaffirm the confidence that customers and shareholders have in their Bank and will aid to further motivate the NBS Bank plc Red Brigade to work even harder to bring better results, solutions, and all-round service to its customers.

Strategy
The Bank continues to oversee the execution of its efforts in its transformation journey, and it is on track in the implementation of its five-year strategic plan to turn the organization around. The Bank has diligently and innovatively sought to provide a best-on-the-market digital banking experience to its clients via its multiple outstanding channels and delivery of personalized customer experience by its agile members of staff.