

SUMMARY OF UNAUDITED CONSOLIDATED RESULTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

PAT
MK4.4
BILLION,
UP BY
55%

Customer Deposits
MK174
BILLION,
UP BY
26%

Net Interest Income
UP BY
10%

Total Balance Sheet
UP BY
MK102
BILLION

Total Operating Costs
UP BY
3%

Total Capital Ratio
AT
19.7%

Annualised Return on Equity
AT
37%



STATEMENT OF COMPREHENSIVE INCOME

	Consolidated and Separate Unaudited 6 months to 30-Jun-21 MK'000	Consolidated and Separate Unaudited 6 months to 30-Jun-20 MK'000	Consolidated and Separate Audited 12 months to 31-Dec-20 MK'000
Interest income received	22,868,689	17,533,236	36,570,829
Interest payable	(8,309,079)	(4,274,411)	(9,986,860)
Net Interest Income	14,559,610	13,258,825	26,583,969
Other Income	6,133,001	4,538,304	10,571,167
Net Income	20,692,611	17,797,129	37,155,136
Operating Expenses	(12,944,526)	(12,597,361)	(25,197,840)
Profit before impairment losses	7,748,085	5,199,768	11,957,296
Impairment provisions	(12,719,930)	(1,513,327)	(1,982,578)
Profit/(loss) before tax	6,468,249	3,684,441	9,974,718
Income tax expenses	(2,072,959)	(839,965)	(2,524,967)
Profit/(Loss) for the period	4,395,290	2,844,476	7,049,751
Other comprehensive income	-	-	136,567
Total Comprehensive Income	4,395,290	2,844,476	6,913,184
Earnings per share (MK)	1.51	0.98	2.42
Weighted average ordinary shares in issue (million)	2,913	2,913	2,913

STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY

	Consolidated Unaudited 30-Jun-21 MK'000	Consolidated Unaudited 30-Jun-20 MK'000	Consolidated Audited 31-Dec-20 MK'000	Separate Unaudited 30-Jun-21 MK'000	Separate Unaudited 30-Jun-20 MK'000	Separate Audited 31-Dec-20 MK'000
Liabilities						
Deposits from Customers	174,244,862	138,155,389	153,861,153	174,257,442	138,155,389	153,873,733
Other Borrowings	6,273,711	7,329,847	6,808,021	6,273,711	7,329,847	6,808,021
Deferred Tax Liability	1,195,967	93,021	674,828	1,165,632	62,686	644,493
Deposits from other Banks	71,321,869	125,946,664	29,741,645	71,321,869	125,946,664	29,741,645
Lease Liability	4,257,971	3,727,503	3,479,034	4,257,971	3,727,503	3,479,034
Other liabilities	3,900,878	2,914,931	4,600,699	3,900,990	2,760,126	4,512,811
Total Liabilities	261,285,258	164,725,355	199,165,380	261,179,615	164,540,215	199,059,737

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
Fair value through other comprehensive income reserve	(157,913)	-	(136,567)	(157,913)	-	(136,567)
Retained earnings	10,109,357	4,197,792	5,343,482	10,138,748	4,227,183	5,372,873
Other reserves	-	400,036	400,036	-	400,036	400,036
	23,510,918	18,157,302	19,166,425	23,540,309	18,186,693	19,195,816

Total Liabilities & Equity **284,796,176** **182,882,657** **218,331,805** **284,719,924** **182,726,908** **218,255,553**

ASSETS

Cash and Cash equivalents	16,662,238	16,675,429	24,091,941	16,662,238	16,675,429	24,091,941
Other receivables	9,403,786	4,951,654	5,385,818	9,373,045	4,860,243	5,355,077
Money Market Investments	187,958,253	111,036,520	116,513,149	187,958,253	111,036,520	116,513,149
Equity Investments	49,700	49,700	49,700	49,700	49,700	49,700
Loans and Advances	57,472,220	37,556,360	59,034,722	57,472,220	37,556,360	59,034,722
Deferred Tax Asset	-	-	-	-	-	-
Right to Use Assets	3,199,801	3,081,534	2,646,558	3,199,801	3,081,534	2,646,558
Intangible Assets	3,909,595	3,584,732	4,013,802	3,909,595	3,584,732	4,013,802
Property, plant and equipment	6,140,583	5,946,728	6,596,115	6,095,072	5,882,390	6,550,604
Total Assets	284,796,176	182,882,657	218,331,805	284,719,924	182,726,908	218,255,553

STATEMENT OF CHANGES IN EQUITY

As at the beginning of the year	19,166,425	15,342,218	14,581,699	19,195,816	15,342,218	14,611,090
Other Equity movements	(50,797)	-	(136,567)	(50,797)	-	(136,567)
Profit for the year	4,395,290	2,815,084	7,049,751	4,395,290	2,844,475	7,049,751
Dividend paid	-	-	(2,328,458)	-	-	(2,328,458)
As at the end of year	23,510,918	18,157,302	19,166,425	23,540,309	18,186,693	19,195,816

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before income tax expense	6,468,249	3,684,441	9,974,718
Adjustments for non-cash item included within the income statement	2,979,089	3,029,620	4,742,968
Increase in interest earning assets	(75,019,396)	(22,862,953)	(49,075,799)
Increase in deposits and other liabilities	60,334,477	19,124,211	52,879,522
Interest paid	(8,309,079)	(4,274,411)	(9,986,860)
Interest received	(22,868,689)	(17,419,066)	(36,570,829)
Direct taxation paid	(726,824)	(310,308)	(330,188)
Net cash used in operating activities	(20,524,015)	(10,479,644)	(8,392,748)

INVESTING ACTIVITIES

Net Finance income	15,321,380	15,563,169	25,945,454
Acquisition of property and equipment	(1,281,970)	(1,700,366)	(3,773,524)
Proceeds from disposal of property and equipment	544,719	48,138	109,626
Net cash from/(used) in investing activities	14,584,129	13,910,941	22,281,556

FINANCING ACTIVITIES

Net proceeds from loans and borrowings	(534,310)	(533,398)	(1,055,224)
Dividends declared and paid	-	-	(2,328,458)
Repayment of lease liabilities	(955,507)	(231,710)	(422,425)
Net cash generated from financing activities	(1,489,817)	(765,108)	(3,806,107)

Net movement in cash and cash equivalents

cash equivalents	(7,429,703)	2,666,189	10,082,701
Cash and Cash equivalents			
at beginning of the year	24,091,941	14,009,240	14,009,240
Cash and cash equivalents			
at end of the year	16,662,238	16,675,429	24,091,941

REGULATORY DISCLOSURES

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

	Outstanding Amount MK'm	Impairment Loss MK'm	Specific Provisions MK'm	Outstanding Amount MK'm	Impairment Loss MK'm	Specific Provisions MK'm
Sector						
Agriculture	4,083	337	181	3,286	110	59
Mining	1,212	285	152	641	568	303
Manufacturing	4,799	10	5	1,487	214	114
Electricity	12,856	4	2	13,328	8	4
Construction	2,746	93	50	1,894	402	215
Transport	15,712	483	259	10,781	327	175
Wholesale & Retail	1,477	166	88	621	362	193
Restaurants & Hotels	1,357	68	36	816	538	287
Financial Services	4,571	181	97	3,543	320	171
Community	10,947	267	143	2,735	490	262
Real Estate	631	8	4	398	15	8
Other	-	-	-	477	534	283
Total	60,390	1,901	1,016	40,007	3,888	2,074

Included in the 30 June 2021 specific provision of K1 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

	30-Jun-21 MK'm	% of Core Capital	30-Jun-20 MK'000	% of Core Capital
Electricity	6,822	31.1%	8,557	48.1%

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

Directors

	30-Jun-21 MK'm	30-Jun-20 MK'm
Balance at the beginning of the period	23.2	32.2
Loans granted during the period	13.0	100
Repayments	(8.6)	(19.0)
Balance at end of the period	27.6	23.2

Other related parties

Balance at the beginning of the period	207.5	201.1
Loans granted during the period	2,774	15.8
Repayments	(668.5)	(9.4)
Balance at end of the period	2,313	207.5

Senior management officials

Balance at the beginning of the period	427.0	580.4
Loans granted during the period	164.1	12.1
Repayments	(70.1)	(165.5)
Balance at end of the period	521.0	427.0

INVESTMENTS IN SUBSIDIARIES

	Number of shares 30-Jun-21	Percentage Holding 30-Jun-21	Number of shares 30-Jun-20	Percentage Holding 30-Jun-20
Name of subsidiary				
NBS Forex Bureau	7,000,000	100%	7,000,000	100%

LENDING RATES

	30-Jun-21	30-Jun-20
Malawi Kwacha facilities		
Base Lending Rate	12.2%	13.4%
Lending Rate Spread	0% to 10%	0% to 10%
Foreign Currency facilities	+5% Libor rate	+5% Libor rate

DIRECTORS' REMUNERATION AND EMPLOYEE BONUSES

	30-Jun-21 MK'000	30-Jun-20 MK'000
Director's remuneration	16,822	13,686
Total bonuses paid to employees	884	758

DEPOSIT RATES

Type of Deposit	30-Jun-21 Rate %	30-Jun-20 Rate %
Malawi Kwacha		
Current account	0.50	0.50
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)

	0.60	0.60
USD	0.60	0.60
GBP	0.60	0.60
ZAR	0.60	0.60
EUR	0.60	0.60

FINANCIAL REVIEW

Performance

NBS Bank has successfully navigated many challenges presented by COVID-19 to deliver a robust financial performance in the first half of 2021. This has been driven by the continuous focus and implementation of our five-year strategy that is aimed at accelerating the digital transformation, building a strong balance sheet, and enhancing efficiencies across the bank. This performance trend shows that the Bank's transformation journey continues to be on track and is on a sustainable path.

Net interest income grew by 10% in 2021 compared to a similar period in 2020, largely because of growth of loan book and effective management of investments in money market instruments. On the other hand, non-interest revenue registered a growth of 35% on prior year performance on the back of some one-off income and cash flows. The bank has also been impacted by COVID 19 pandemic and registered a reduction in customer accounts which negatively affected transaction volumes.

The Bank grew profit before tax by 76% to MK6.5 billion for the six months ended 30 June 2021 when compared to a similar period to June 2020. The net profit after tax also grew by 55% to MK4.4 billion when compared to the prior period to June 2020.

The Group has made very good progress on implementation of its five-year strategy, which places a leading digital offering at the centre of the vision for superior customer experience which has translated to increased transaction volumes and income growth. Operating expenses registered 3% growth on prior year due to planned investments in our operating systems and increases in revenue generating transactional expenses. The financial results show that the Bank is achieving greater efficiencies across the board. The Bank registered a 26% growth of customer deposits during the six months to 30 June 2021. The Bank registered a 13% growth of customer deposits during the six months to 30 June 2021. Money Market investments grew by 61% but loans and advances decreased by 3% due to planned repayments of seasonal facilities. The improvement of the Bank's performance in the first half of 2021 amidst the current environmental challenges is due to flexibility in strategy implementation which has enabled the bank to focus on high revenue generating activities.

Outlook

The economic outlook for the second half 2021 is challenging. Malawian Gross Domestic Product (GDP) projections have been revised downwards by over 50% and the same will grow by an estimated average of 2.78% in 2021 from a 6.1% initial projection. The third wave of COVID 19 pandemic will negatively affect GDP growth for 2021 further, though the roll out of vaccines offers some hope. Inflation is expected to drop further from the current 9%, with a major pull-down effect coming from food inflation. However key challenges include weakening of demand due to effects of the Pandemic on the economy and the gradual depreciation of the Malawi Kwacha. The banks strong balance sheet, with strong capital Ratios and liquidity positions, provide solid foundation for future growth.

The Bank will continue to monitor significant developments and changes in the monetary policy to make sure it mitigates risk on performance. The Bank continues to be resilient in its performance and is positive that its turnaround journey continues in full force despite the current challenges in the operating environment and projects a good 2021 and beyond.

Dividend

The Board of Directors has recommended payment of an interim dividend for the half year ended 30 June 2021 of MK1.75 billion representing 60 tambala per share (June 2020: MK1.3 billion representing 45 tambala per share). The dividend will be paid on Friday 24 September 2021 to shareholders appearing in the Register of Members as at close of business on Friday 10 September 2021. The Register of Members will be closed from 11 September 2021 to 13 September 2021.

 **V. Kumwenda**
Chairman

 **M. Mtumbuka**
Chairman-Finance and Audit Committee

 **K. Ngunyema**
Chief Executive Officer

 **V. Zulu**
Chief Finance Officer