

# SUMMARY AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

<b>PAT</b> MK29.38 BN UP BY 55%	<b>TOTAL BALANCE SHEET</b> MK658 BN UP BY 42%	<b>CUSTOMER DEPOSITS</b> MK539 BN UP BY 43%	<b>NET LOANS AND ADVANCES</b> MK154 BN UP BY 12%	<b>TOTAL INCOME</b> MK103 BN UP BY 57%	<b>TOTAL OPERATING COSTS</b> MK48 BN UP BY 36%	<b>COST TO INCOME RATIO</b> 47% DOWN FROM 54%	<b>NPL RATIO</b> 4.9% UP FROM 3%	<b>ANNUALISED RETURN ON EQUITY</b> 59% UP FROM 51%	<b>TOTAL CAPITAL RATIO</b> AT 18.10%
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	Consolidated Audited 12 months to 31-Dec-23 MK'million	Consolidated Audited 12 months to 31-Dec-22 MK'million	Separate Audited 12 months to 31-Dec-23 MK'million	Separate Audited 12 months to 31-Dec-22 MK'million
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### STATEMENTS OF COMPREHENSIVE INCOME

Interest income	111,896	77,227	111,897	77,227
Interest expense	(44,202)	(25,804)	(44,202)	(25,804)
<b>Net interest income</b>	<b>67,694</b>	<b>51,423</b>	<b>67,695</b>	<b>51,423</b>
Fees and other non-interest income	37,943	16,052	37,812	16,052
Fees and commission expense	(2,993)	(1,900)	(2,993)	(1,900)
<b>Total non-interest income</b>	<b>34,950</b>	<b>14,152</b>	<b>34,819</b>	<b>14,152</b>
<b>Total Operating Income</b>	<b>102,644</b>	<b>65,575</b>	<b>102,514</b>	<b>65,575</b>
Depreciation	(3,185)	(3,275)	(3,181)	(3,275)
Operating expenses	(45,177)	(32,363)	(45,177)	(32,363)
<b>Profit before impairment losses</b>	<b>54,282</b>	<b>29,937</b>	<b>54,348</b>	<b>29,937</b>
Impairment provisions	(4,561)	(2,977)	(4,561)	(2,977)
<b>Profit before tax</b>	<b>49,721</b>	<b>26,960</b>	<b>49,787</b>	<b>26,960</b>
Income tax expenses	(20,343)	(8,055)	(20,365)	(8,055)
<b>Profit for the year</b>	<b>29,378</b>	<b>18,905</b>	<b>29,422</b>	<b>18,905</b>
Earnings per share (tambala)	10.09	6.50		
Weighted average ordinary shares in issue (million)	2,911	2,911		

### STATEMENT OF OTHER COMPREHENSIVE INCOME

<b>Profit for the year</b>	<b>29,378</b>	<b>18,905</b>	<b>29,422</b>	<b>18,905</b>
Items that may be reclassified subsequently to profit or loss				
Net fair value adjustments on Malawi Government treasury notes	(40)	(278)	(40)	(278)
<b>Total comprehensive income for the year</b>	<b>29,338</b>	<b>18,627</b>	<b>29,381</b>	<b>18,627</b>

	Consolidated Audited 31-Dec-23 MK'million	Consolidated Audited 31-Dec-22 MK'million	Consolidated Audited 31-Dec-22 MK'million	Separate Audited 31-Dec-23 MK'million	Separate Audited 31-Dec-22 MK'million	Separate Audited 31-Dec-22 MK'million
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### STATEMENT OF FINANCIAL POSITION

<b>ASSETS</b>						
Cash and cash equivalents	104,500	32,812	32,812	104,440	32,812	32,812
Money market investments	282,315	219,802	219,802	282,315	219,802	219,802
Placements with other banks	85,329	54,317	54,317	85,329	54,317	54,317
Loans and advances	153,816	137,796	137,796	153,816	137,796	137,796
Equity investments	131	131	131	431	131	131
Property, plant and equipment	14,240	7,806	7,806	14,163	7,760	7,760
Intangible assets	7,933	2,708	2,708	7,928	2,708	2,708
Other receivables	6,871	4,511	4,511	7,122	4,481	4,481
Right-of-use assets	2,581	2,330	2,330	2,580	2,330	2,330
<b>Total Assets</b>	<b>657,716</b>	<b>462,213</b>	<b>462,213</b>	<b>658,124</b>	<b>462,137</b>	<b>462,137</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Liabilities</b>						
Deposits from customers	538,527	376,484	376,483	538,868	376,496	376,496
Long term borrowings	8,493	6,791	6,791	8,493	6,791	6,791
Lease liabilities	4,811	3,833	3,833	4,811	3,833	3,833
Deferred Tax Liability	447	778	778	440	748	748
Tax Payable	8,982	3,596	3,544	9,012	3,596	3,544
Other borrowings	26,570	25,552	25,552	26,570	25,552	25,552
Other liabilities	19,863	10,378	8,111	19,834	10,290	8,022
<b>Total Liabilities</b>	<b>607,693</b>	<b>427,411</b>	<b>425,092</b>	<b>608,028</b>	<b>427,306</b>	<b>424,986</b>
<b>Equity</b>						
Share capital	1,455	1,455	1,455	1,455	1,455	1,455
Share premium	12,104	12,104	12,104	12,104	12,104	12,104
Accumulated profits	36,343	21,039	23,359	36,417	21,069	23,389
Loan Loss Reserve	499	541	541	499	541	541
Other comprehensive loss reserve	(378)	(338)	(338)	(378)	(338)	(338)
<b>Total Liabilities &amp; Equity</b>	<b>657,718</b>	<b>462,213</b>	<b>462,213</b>	<b>658,126</b>	<b>462,137</b>	<b>462,137</b>

### STATEMENT OF CHANGES IN EQUITY

<b>Balance at beginning of the year as previously stated</b>	<b>37,121</b>	<b>23,151</b>	<b>23,151</b>	<b>37,151</b>	<b>23,181</b>	<b>23,181</b>
Prior year adjustment	(2,320)	-	-	(2,320)	-	-
<b>Balance at beginning of the year as restated</b>	<b>34,801</b>	<b>23,151</b>	<b>23,151</b>	<b>34,831</b>	<b>23,181</b>	<b>23,181</b>
Profit for the year	29,378	18,905	18,905	29,422	18,905	18,905
Other comprehensive income	(40)	(278)	(278)	(40)	(278)	(278)
Dividend declared and paid	(14,116)	(4,657)	(4,657)	(14,116)	(4,657)	(4,657)
<b>As at the end of year</b>	<b>50,023</b>	<b>37,121</b>	<b>37,121</b>	<b>50,097</b>	<b>37,151</b>	<b>37,151</b>

	Consolidated Audited 31-Dec-23 MK'million	Consolidated Audited 31-Dec-22 MK'million	Separate Audited 31-Dec-23 MK'million	Separate Audited 31-Dec-22 MK'million
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### STATEMENT OF CASH FLOWS

#### CASH FLOWS FROM

<b>OPERATING ACTIVITIES</b>				
Profit before income tax expense	49,721	26,960	49,788	26,960
Adjustments for non-cash items included within the income statement	8,757	7,468	8,749	7,468
Changes in interest earning and other assets	(108,262)	(90,456)	(108,544)	(90,456)
Changes in customer deposits and other liabilities	163,878	76,527	164,281	76,527
Interest paid	(44,202)	(25,804)	(44,202)	(25,804)
Interest received	(111,896)	(77,227)	(111,898)	(77,227)
Net finance income	65,921	41,915	65,593	41,915
Income tax paid	(15,502)	(5,233)	(15,502)	(5,233)
<b>Net cash used in operating activities</b>	<b>96,819</b>	<b>5,758</b>	<b>96,669</b>	<b>5,758</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of property and equipment and intangible assets	(13,820)	(3,019)	(13,727)	(3,019)
Proceeds from disposal of property and equipment	22	27	19	27
<b>Net cash used in investing activities</b>	<b>(13,798)</b>	<b>(2,992)</b>	<b>(13,708)</b>	<b>(2,992)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from / (repayment of) loans and borrowings	1,053	(953)	1,053	(953)
Dividends declared and paid	(14,116)	(4,657)	(14,116)	(4,657)
Interest on lease liability	(1,028)	(710)	(1,028)	(710)
Repayment of lease liabilities	(354)	(526)	(354)	(526)
<b>Net cash generated from financing activities</b>	<b>(14,445)</b>	<b>(6,846)</b>	<b>(14,445)</b>	<b>(6,846)</b>
<b>Net movement in cash and cash equivalents</b>	<b>68,576</b>	<b>(4,080)</b>	<b>68,516</b>	<b>(4,080)</b>
Cash and Cash equivalents at beginning of the year	32,812	34,955	32,812	34,955
Effects of exchange rate changes	3,112	1,937	3,112	1,937
<b>Cash and cash equivalents at end of the year</b>	<b>104,500</b>	<b>32,812</b>	<b>104,440</b>	<b>32,812</b>

### REGULATORY DISCLOSURES

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

	Outstanding Amount	31-Dec-23 Impaired Amount	Expected credit loss (stage 3)	Outstanding Amount	31-Dec-22 Impaired Amount	Expected credit loss (stage 3)
	MK'm	MK'm	MK'm	MK'm	MK'm	MK'm
<b>Sector</b>						
Agriculture	2,677	659	652	17,893	559	244
Mining	-	-	-	3	-	-
Manufacturing	8,191	103	103	11,357	80	35
Electricity	8,077	2	1	14,354	2	1
Construction	3,486	1,080	578	3,135	216	94
Wholesale & Retail	21,189	2,556	1,478	10,548	598	261
Restaurants & Hotels	1,616	1,050	461	1,305	41	18
Transport	1,862	213	186	1,685	314	138
Financial Services	7,109	3	3	5,455	5	2
Community	108,022	2,281	578	75,332	1,064	1,129
Real Estate	78	54	54	128	5	2
<b>Total</b>	<b>162,307</b>	<b>8,001</b>	<b>4094</b>	<b>141,195</b>	<b>2,884</b>	<b>1,924</b>

#### 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-23 % of Core Capital	31-Dec-22 % of Core Capital
	MK'm	MK'm
Agriculture	-	0%
Mining	-	0%
Manufacturing	-	0%
Electricity, gas, water and energy	-	0%
Construction	-	0%
Wholesale and retail	-	0%
Restaurants and hotels	-	0%
Transport, storage and communications	-	0%
Financial services	-	0%
Community	-	0%
Real estate	-	0%
Other	-	0%

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

	31-Dec-23 MK'm	31-Dec-22 MK'm
<b>Directors</b>		
Balance at the beginning of the period	246.1	82
Loans granted during the period	28	171.9
Repayments	(41)	(8)
<b>Balance at end of the period</b>	<b>233.1</b>	<b>246.1</b>
<b>Senior management officials</b>		
Balance at the beginning of the period	561	597
Loans granted during the period	969	157
Repayments	(693)	(193)
<b>Balance at end of the period</b>	<b>837</b>	<b>561</b>
<b>Total related party lending as a % of Capital</b>	<b>2.1%</b>	<b>2.17%</b>

### INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Number of shares 31-Dec-23	Percentage Holding 31-Dec-23	Number of shares 31-Dec-22	Percentage Holding 31-Dec-22
NBS Forex Bureau	7,000,000	100%	7,000,000	100%

### LENDING RATES

	31-Dec-23	31-Dec-22
<b>Malawi Kwacha facilities</b>		
Reference rate	23.6%	17.3%
Lending Rate Spread	0% to 10%	0% to 10%
Foreign Currency facilities	8% to 10%	8% to 10%

### DIRECTORS' REMUNERATION BONUSES AND MANAGEMENT FEES

	31-Dec-23 MK'm	31-Dec-22 MK'm
Directors' remuneration	38	30
Total bonuses payable to staff	5,532	2,988
Management fees to related party	452	698

	MK' million	MK' million
Capital Expenditure	13,820	2,461
Capital Commitments	17,237	16,100
Contingent Liabilities including off balance items	25,447	22,072

### DEPOSIT RATES

Type of Deposit	31-Dec-23 Rate %	31-Dec-22 Rate %
<b>Malawi Kwacha</b>		
Current account	0.1	0.1
Savings	2	2
7 Day Notice	5	5
30 Day Notice	5.5	5.5
2 Months	6.5	6.5
3 Months	6	6
6 Months	Negotiable	Negotiable
9 Months	Negotiable	Negotiable
12 Months	Negotiable	Negotiable
<b>Foreign Currency Denominated Accounts (FCDAs)</b>		
USD	4	4
GBP	2.25	2.25
ZAR	3	3
EUR	1.5	1.5

### FINANCIAL REVIEW

The Board is pleased to present the summary audited financial statements of the Group for the year ended 31 December 2023.

#### The Operating Environment

Banks worldwide faced a challenging business environment marked by high inflation, high interest rates, low demand for goods and services, tight credit conditions and supply chain disruptions caused by the Russia-Ukraine war and climate change. Central banks responded by raising interest rates to control inflation and tried to address widening trade deficits and acute foreign currency shortages by devaluing local currencies to reduce demand for forex. The Malawi economy was severely impacted by Cyclone Freddy, which destroyed crops, critical infrastructure and displaced many people. Additionally, the Malawi Kwacha was devalued by 64% during the year to match the parallel market rate, leading to high inflation. As a result, by December 31st, 2023, the Monetary Policy Committee (MPC) had increased the policy rate from 18% to 24% and raised the Liquidity Reserve Requirement from 3.75% to 7.75%. On the fiscal side, the income tax rate was raised from 30% to 40% on bank profits above MK10 billion.

#### Financial Performance

The Group recorded a consolidated Profit After Tax (PAT) of MK29.38 billion in the 12-month period ended 31st December 2023 compared to MK18.91 billion reported in a similar period of 2022 representing an increase of 55% year-on-year. Net interest income amounted to MK67.69 billion, 31.6% above Net interest income of MK51.42 billion reported in the prior year. The strong performance was attributable to the growth in money market investments and the loan book which increased by MK93.53 billion and MK21.11 billion to MK367.64 billion and MK162.31 billion respectively.

Non-interest income grew from MK14.15 billion to MK34.82 billion on the back of trade finance, increased usage of digital systems and a higher volume of forex trading. The Bank saw a notable uptake in retail customer numbers for both accounts and wallets which would form the basis for higher transaction volumes and fees going forward.

Total operating expenses went up from MK32.36 billion to MK45.18 billion representing an increase of 39.6%. The primary drivers of increase in operating expenses were the depreciation of the Kwacha, recruitment of managers to fill vacancies and the high inflation recorded in 2023. The majority of the Bank's licenses are imported and paid for in foreign currency.

Credit impairments rose by 53% year-on-year. The increase emanated from defaults by some clients, especially in the wholesale and tourism sectors. The growth of the loan book also meant additional impairments on performing loans to comply with International Financial Reporting Standard 9, Financial Instruments.

The Group's balance sheet closed at MK657.72 billion as at 31st December 2023, up 42% from MK462.21 billion as at 31st December 2022. Growth was driven by customer deposits, which went up by MK162.04 billion year-on-year. Current and Savings accounts mix improved from 47% of total deposits in 2022 to 52% in 2023. The Bank's loan book closed at MK162.31 billion, up by MK21.11 billion compared to the prior year. The additional loans were largely in the retail segment.

#### Outlook

Malawi's economic performance is expected to improve in 2024 on the back of the resumption of donor budgetary support and prudent macroeconomic policies that are aligned with the International Monetary Fund's Extended Credit Facility program. The IMF forecasts Malawi's Gross Domestic Product growth rate for 2024 to improve to 3.3% from 1.7% in 2023. The improved economic outlook for the global and regional economies is further expected to support local economic activities through low imported inflation and rising demand for the country's exports. Downside risks may arise from weak agricultural output because of the adverse impact of El Nino weather and a tight monetary policy stance to tame inflation rate. The