NBS Bank

Your Caring Bank

2011 Annual Report

NBS Branch Network

NBS Bank
Your Caring Bank

Contents

Corporate Profile

"We seek to add new products and services to our range to meet a broadening array of our customer needs."

Customer satisfaction is at the heart of the Bank's operations.

NBS Bank was incorporated as a limited company on 14th March 2003 and was registered under the Banking Act 1989 on 1st March 2004. It started its commercial banking operations on 1st July 2004.

The Bank's predecessor institution, the New Building Society, was formed following the amalgamation of the Central African Building Society, Commonwealth Century Building Society and First Building Society. It was incorporated under the Building Societies Act on 7th February 1964.

The Bank was listed on the Malawi Stock Exchange on 25th June 2007. The objective was to raise capital to invest in its infrastructure by refurbishing branches and upgrading the Banks information technology systems to offer a more convenient and efficient service to customers. Currently the Bank's shareholding is as follows: NICO 50.1%, Public 26.2%, International Finance Corporation18.1%, National Investment Trust Limited (NITL) 5.2% and ESOP 0.4%.

In line with its philosophy of "Taking banking to the people", the bank boasts of having probably the best footprint in Malawi. It has well over 38 online-real-time services centres strategically placed across the country. In addition, the Bank offers ATM, mobile and SMS banking services to give its customers additional service delivery platforms and creating convenience.

NBS Bank continues to be a market leader in mortgage financing in Malawi, currently commanding 70% of the share of the market. The mortgages are to a large extent funded by savings deposits which also constitute a vital part of its business.

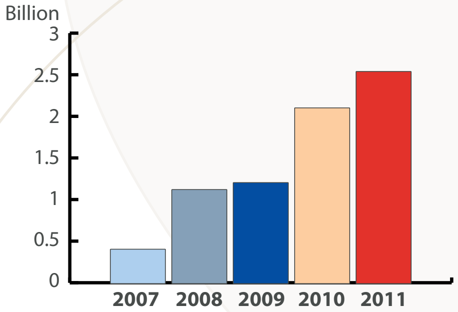
In terms of innovation, a clearly defined strategy guides our daily actions. We seek to add new products and services to our range to meet a broadening array of our customer needs. Executing this strategy translates directly into our ability to help customers satisfy their unique banking needs.

Our view on competition is simple; Ambitious and aggressive, driven and determined, enthusiastic and energetic, we cultivate the opportunity to compete. We thrive on challenges, viewing them as an invitation to success. As a cohesive team, we work together to routinely please our customers, surpass our record achievements, and drive our organization to greater success.

FINANCIAL HIGHLIGHTS

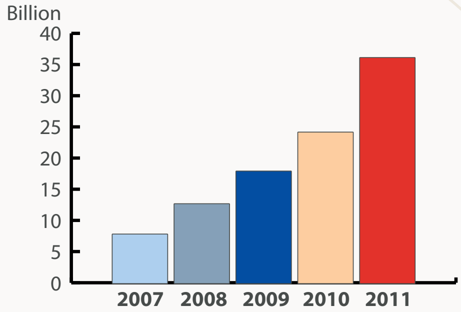
In Malawi Kwacha

NET PROFIT BEFORE TAX



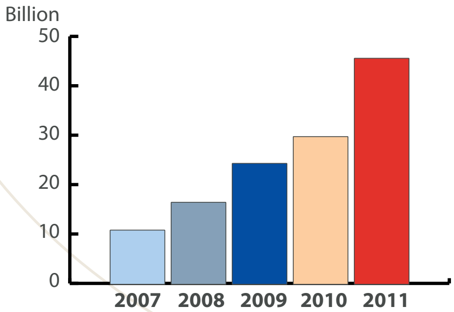
2007 - 0.4 Bn
2008 - 1.1 Bn
2009 - 1.2 Bn
2010 - 2.1 Bn
2011 - 2.5 Bn

LOANS & ADVANCES



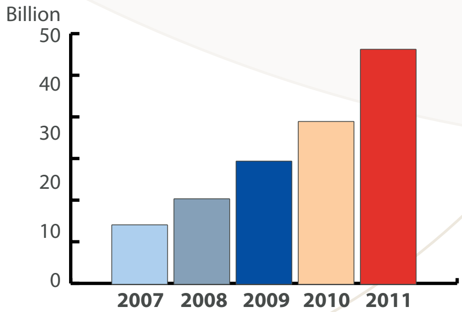
2007 - 7.9 Bn
2008 - 12.9 Bn
2009 - 17.9 Bn
2010 - 24.1 Bn
2011 - 36.0 Bn

TOTAL DEPOSITS



2007 - 10.9 Bn
2008 - 16.5 Bn
2009 - 24.3 Bn
2010 - 29.7 Bn
2011 - 45.4 Bn

TOTAL ASSETS



2007 - 14.2 Bn
2008 - 20.6 Bn
2009 - 29.4 Bn
2010 - 38.9 Bn
2011 - 56.1 Bn

Chairman's Report

"During the year, the Bank continued to register growth in customer numbers and deposit market share."

Mr Felix Mlusu,
Chairman

2011 was a very challenging year as predicted in 2010. It was mainly characterized by acute shortages of foreign exchange. This negatively impacted all sectors of the economy. In spite of the challenges, I am pleased to report yet another year of sound performance by the Bank under the guidance of its Board of Directors.

Economic Environment

The economic environment continued to deteriorate as real GDP growth rate decreased to 4.6% pa from 6.4% pa in the prior year. On the other hand inflation rate increased from 6.3% in 2010 to 9.8% in 2011.

The poor performance of the economy was mainly on account of a generally poor tobacco marketing season, the withdrawal of budget and balance of payments support aid by most donors which resulted into acute shortages of foreign exchange.

In spite of the deteriorating terms of trade, the exchange rate and the interest rate remained unchanged for most part of the year. The exchange rate was however, adjusted downwards by 10% in August, but this did little to unlock foreign exchange inflows.

Performance

Despite these challenges, I am pleased to announce a Group pre-tax profit of MK2.532 billion compared to MK2.098 billion earned in 2010 representing a 21% increase. Profit after tax at K1.686 billion was 20% up on previous year. The profit after tax translates to return on equity of 33%.

The growth in profitability has been largely due to a 31% growth in interest income arising from a 49% growth in the loan portfolio which has been funded by a 53% growth in deposits. Other Income which included a write back for severance pay provision was down by 7% largely due to foreign exchange scarcity during the year.

Total income at MK8.625 billion was 16% above 2010 whilst net income at MK6.742 billion was 12% above the previous year.

The cost to income ratio remained the same as the previous year at 61% and is slightly above the industry norm of 60%.

Outlook

We expect the trend to be similar in 2012 with marginal performance on Non Interest Income due to continuing scarcity of foreign exchange. However, short term strategies are in place in order to mitigate the envisaged weak revenue performance.

Capital Raising

The Capital Raising exercise was finalised during the last quarter and MK1.825 billion was raised as additional capital. This has resulted in The International Finance Corporation (IFC) being one of the significant shareholders of the Bank. The shareholding is now as follows:

NICO 50.1%
Public 26.2%
IFC 18.1%
NITL 5.2%
ESOP 0.4%

The capital raised was to be used to extend the footprint of the Bank in the country as well as provide loan capital to small and medium enterprises.

Corporate Social Responsibility

It is now a tradition that the Bank sponsors the Mulanje Mountain Porters' Race such that the race is now called the NBS Bank Mount Mulanje Porters' Race. This is Malawi's only extreme sport and the Bank has been sponsoring it for seven years running. In 2011 the sponsorship of the race was at MK3 million.

Another sporting activity that the Bank has been supporting for a long time is the Country Club Limbe Monthly Mug and Winner of Winners Golf Competition. The Bank has supported this competition for well over seven years now. In 2011 the sponsorship value was at MK5 million. This sponsorship avails the Bank a unique opportunity to meet its high-end clients and share with them developments in their bank, new products and service offering as well as simply getting to know each other better so as to consolidate our relationship.

Staff

In 2011 the Bank embarked on a restructuring and staff rationalization program. Under the program, the Bank realigned staff roles with their capabilities and personality profiles. Under the same exercise, the Bank also reviewed and documented processes of all vital activities in the Bank.

As part of the reorganization, the Bank has now created a fully fledged Operations Division, Risk Division and a Personal and Business Banking Division.

Conclusion

During the year, the Bank continued to register growth in customer numbers and deposit market share. This is an undisputable sign of the trust and confidence that the market has on the Bank. I therefore would like to thank all our customers for their continued support.

I also want to take this opportunity to thank my fellow directors on the NBS Bank Board for their dedication and direction without which it would have been very difficult to realize the success that we are talking about today.

And, finally, I would like to commend NBS Bank Management and staff for the good performance they have achieved.

Thank you all.

Felix L. Mlusu
Chairman

NBS Directors

Mr Felix Mlusu,
Chairman

Mr Evans Matabwa,
Director

Ms Bernadette Mandoloma,
Director

Mr Vizenge Kumwenda,
Director

Mr Lucious Mandala,
Director

Mr Chadwick Mphande,
Director

Mr Joe Swankie,
Director

Mrs Estelle Nuka,
Director

NBS Senior Management

Mr John S Biziwick,
Chief Executive Officer

Mr Gilford Kadzakumanja,
Deputy Chief Executive Officer

Mr Martin Ndenya,
Chief Finance Officer/ Company Secretary

Mr Shadreck Chikusilo,
Head of Operations

Mr Stanley Mkwamba,
Head of Personal and Business Banking

Mr Sam Kamkosi,
Head of Credit

Mr Aubrey Chalera,
Head of Corporate Banking

Ms Lusekelo Mwamondwe-Kaoloka,
Head of Treasury and International Trade

Mr Dumisani Chatima,
Head of Internal Audit

Mr Paul Kanthambi,
Head of ICT

Mr Benedicto Nkhoma,
Head of Risk and Compliance

Mr Tryson Kalanda,
Senior Branch Manager Capital City Branch

Mr Richard Kunjawa,
Head of HR and Administration

Chief Executive Officer's Report

"I am pleased to report yet another year of good performance by the Bank."

Mr John S Biziwick,
Chief Executive Officer

I am pleased to report yet another year of good performance by the Bank even in the midst of a very challenging operating environment given the continuing shortages of foreign exchange, fuel and electricity outages.

Despite such challenges, the Bank has continued to grow, propelled by its desire to be the Bank of Choice in Malawi. Driven by our philosophy of taking banking to the people, we have been able to continue penetrating the market especially amongst the unbanked. The Bank did not relent in its efforts to remain relevant to the financial and banking needs of its customers, both existing and prospective. In that way it continued to enjoy significant support from them.

Innovations

Hitherto, with the exception of branch banking, the ATM has been the major point of contact for customers with their bank. However, making it easy to interact with the bank in different ways lets the customer deal with the bank in the way he or she wants. In this regard, during the year, the Bank made some developments especially in the electronic banking arena by enhancing its SMS and internet banking platforms that it previously launched in 2010. This development has made the two platforms more robust and secure there by instilling more customer confidence in both channels. These developments were done using internal resources.

Furthermore, the Bank introduced SMS Alerts. This is a service which automatically notifies customers of all transactions hitting their accounts. This service has proven to be particularly useful for salaried employees and tobacco farmers as it informs them when their accounts have been credited with monthly wages and tobacco sales proceeds, respectively, thereby saving them the trouble of having to travel long distances to the Bank merely to check balances.

Women in Business

Malawi's population comprises 52% women and 48% men. However, presently, only 17% of Malawian women are banked let alone having access to bank credit. Furthermore, most Malawian women entrepreneurs lack business management skills and don't have proper collateral for loans. As such their businesses fail to grow. In cognisance of the aforesaid, in June 2008 NBS Bank in collaboration with the International Finance Corporation, started a Gender Entrepreneurship Markets Program focusing on making Malawi women in business bankable.

Since then, the Bank has continued to recognize the women market as one that has significant potential albeit having its own unique needs. To this end, it continued to give full support to the Women Banking Department that it established in 2010 to specifically look into the needs of women in business. So far the Bank has maintained its membership with the Global Banking Alliance for Women (GBA) and continues to train women entrepreneurs and create more products for them.

Delivery Channels

To support its remote banking activities, the Bank, in addition to enhancing the SMS and internet banking platforms, deployed six additional ATMs and twenty seven point-of-sale devices in the year 2011. This brings the number of ATMs the Bank has so far deployed to 66 and point of sale devices to 80.

In terms of branch banking, the Bank obtained approval from the Reserve Bank to start operating its newly built Nkhota-kota service centre whose doors will be opening in quarter one 2012.

The bank intends to continue pursuing this multichannel approach with a view to increasing points of contact with the customer thereby providing greater convenience. However, it is envisaged that the key challenge with this approach will be maintaining high levels of uptime and keeping the operational costs of the multi-channel network down.

Challenges

Notwithstanding the good performance of the Bank in the year 2012, some significant challenges had to be surmounted. However, the key challenge was lack of foreign exchange. To compound this problem, the Government maintained its policy of withholding all tobacco sales US Dollar proceeds thereby releasing to commercial banks only the Kwacha equivalent. This had a big negative impact on private sector business.

Our People

Regarding people issues, NBS Bank continues to value its human capital more than any other resource. In this regard, the Bank continued to train its staff both on and off the job, within and outside the country, to enhance their skills. In total 80 training programs were conducted benefiting a total of 362 members of staff.

Future Outlook

Given the restructuring and staff rationalization exercise that the Bank has recently undergone, it has now strategically postured itself to take advantage of emerging market opportunities not only with greater efficiency, but also with a strong resolve so that it can further enhance shareholder value through business growth.

Appreciation

In conclusion, I would like to thank the Chairman of the Bank and his Board of Directors for their continued guidance throughout the year. I also would like to thank our customers and all stakeholders for their steadfast support, trust and partnership without which we would not have achieved what we did. In addition, I would like to express my appreciation to my colleagues, staff and Management, for their never ending effort, commitment and dedication. I feel greatly favoured and proud to be their team leader

John S Biziwick
Chief Executive Officer

Corporate Social Responsibility

NBS Bank endeavors to contribute positively towards the wellbeing of the communities in the areas in which it operates. To this end, the Bank made several philanthropic acts in the year.

Below: The winning team, 1st to 3rd positions in both men and women categories, pose with some members of the Bank. Far left is Mr. John Biziwick, NBS Bank's CEO.

Right: The main winners in the 7th edition of Mulanje mountain porters race, which was again fully sponsored by the Bank.

Left and Below: NBS Bank members of staff during the painting exercise at Queen Elizabeth Hospital, Malawi's largest referral hospital. The event was organised by the Bankers Association of Malawi.

Below: NBS Bank Deputy Chief Executive Officer, Mr. Gilford Kadzakumanja, presenting a dummy cheque for MK500,000.00 to Forum for African Women Educationalists in Malawi (FAWEMA) Chairperson towards young girls and women education and training.

Above and Left: Several institutions received computer donations towards modernising and automating their operations. Here the Bank's representatives, Mayamiko Kalizang'oma and Lillian Kawaza are presenting computers to RAYS of Hope Chairman and Mzuzu Technical College Principal respectively.

Right: During the year, Catholic University received a donation of MK300,000.00 towards the commissioning of a standby power generator at its Nguludi Campus. The Bank's Head of Retail and Personal Banking, Mr Stanley Mkwamba (L), presenting a dummy cheque to Sister Veronica Massa, the University's council member.

Below: NBS Bank Chief Executive Officer, Mr. John Biziwick, presenting a trophy to Stanford Mayuni after he emerged the winner in the 2011 NBS Bank Winner of Winners Golf Tournament at Country Club Limbe. Looking on is the Bank's Deputy Chief Executive Officer (centre) and the Club's Golf Captain.

Major Events of 2011

Above: The Bank under its WIB program organised a seminar for its members and the participants were photographed afterwards with the Deputy Chief Officer (seated centre).

Right: The Deputy Chief Executive Officer presenting certificates to participants of the NBS Bank Women In Business (WIB) workshop.

Left: In recognition of being the best Global Trade Finance Program issuing bank for Small and Medium Enterprises transactions in Africa, the Bank received awards from The International Finance Corporation. In the picture, Esnat Nchembe and Andrew Kambalame, from the SME department, received the awards on behalf of the Bank.

Below: The Bank participatedin the 23rd Malawi International trade fair. Seen here are some of the customers being served through its bank on wheels and helpdesk.

Financials Contents

NBS Bank
Your Caring Bank

Directors' Report

The Directors have pleasure in submitting the consolidated and separate financial statements of NBS Bank Limited ("The Bank") for the year ended 31 December 2011.

Nature of Business

NBS Bank Limited was registered as a financial institution under the Banking Act 1989 on 1 March 2004 and commenced banking operations from 1 July 2004. The Bank was listed on the Malawi Stock Exchange in June 2007 and has 100% shareholding in NBS Forex Bureau Limited which commenced operations in January 2010 as a newly formed entity.

The shareholders and their respective shareholdings are:

	2011	2010
	%	%
NICO Holdings Limited	50.1	60.0
International Finance Corporation	18.1	-
National Investment Trust Limited	5.2	6.6
Public	26.2	31.4
Employee Share Ownership Scheme	0.4	2.0
	100.0	100.0

Financial Performance

The Bank and its subsidiary NBS Forex Bureau Limited ("The Group") reported profit before tax of **MK2,532 million** for the year to 31 December 2011 (December 2010: MK2,098 million) and net profit after tax of **MK1,686 million** (2010: MK1,404 million). Total income at **MK8,625 million** (2010 : K7,422 million) was made up of **MK6,012 million** (2010: MK4,602 million) interest income and **MK2,628 million** (2010:MK2,820 million) non-interest income with the latter being 7% below 2010 due to scarcity of foreign exchange. Total deposits at **MK45,421 million** (2010:MK29,696 million) grew by 53%, and gross advances at **MK36,008 million** (2010: MK24,144 million) grew by 49% due to increased points of representation and increased business from existing and new customers during the year. Assets grew by 44% during the same year mainly as a result of increase in deposit balances.

The NBS Forex Bureau continued making losses and as at 31 December 2011, the loss was at MK37 million compared to a loss of MK28 million in 2010. The loss situation has been aggravated by recent changes in regulations on foreign exchange which has adversely affected the supply and margins of foreign exchange.

Economic Overview

The economy of Malawi did not perform well in the year 2011, growing by 5% as compared to 6.5% in 2010. The decline in growth was mainly on account of deceleration in agricultural output as a result of erratic rains and dry spells that affected some areas of the country, scarcity of foreign exchange and fuel shortages. However, there were encouraging growth rates in mining and financial services that mitigated the aggregate slowdown. The situation was worsened by the withdrawal of aid by major donors who contribute up to 40% to Government Revenue.

Although tobacco output was good, sales and proceeds were not as impressive and this had a negative impact on the country's foreign exchange reserve position, which was below the three months import cover threshold. The Malawi Kwacha was devalued by 10% in August 2011.

Inflation increased from 6.3 % in December 2010 to 9.8 % in December 2011 on account of shortage of foreign exchange and increased transport costs, coupled with the devaluation of the Kwacha and rising cost of food.

The Bank base rate remained at 13% and the Bank maintained an average lending rate of 17.5% with deposit rates averaging 5%.

Strategy
The Group continued to grow the asset and deposit base through its strategy of taking banking to the people. A number of outlets and business initiatives were introduced during the period and customer loyalty continued to have a favourable impact on the business.

The Group focuses on quality service delivery achieved through efficient business processes and systems. The Group recognizes that its strategy can only be achieved through efficient and committed staff. The Group has commenced utilizing the balanced scorecard model in the implementation of its business strategy.

Performance
The results and state of affairs of the Group are set out in the accompanying consolidated and separate statements of financial position, statements of comprehensive income, statements of cash-flows and associated accounting policies and notes.

Dividend
The Board of Directors recommend final dividend for 2011 of MK400 million (2010: MK260 million) being 55 tambala per share. Total dividend for 2011 will be MK582 million (2010: MK384 million) comprising 55 tambala per share final dividend and 35 tambala per share interim dividend paid in October 2011.

Corporate Governance
The Group embraces best practices in corporate governance and has board committees that comply with the requirements of the Code of Corporate Practices and Conduct. The board is charged with responsibilities of monitoring compliance with regulations, legislations and standard of operations. The sub committees of the Board are chaired by non-executive directors.

Directorate And Secretary
The following directors and secretary served during the period:

Mr. F.L. Mlusu	-	Chairman	(Throughout the year)
Mr. J. Swankie	-	Director	" "
Mrs. E. Nuka	-	Director	" "
Mr. V. Kumwenda	-	Director	" "
Mr E. Matabwa	-	Director	" "
Mr. C. Mphande	-	Director	" "
Ms. B. Mandoloma	-	Director	" "
Mr. L. Mandala	-	Director	" "
Mr. M. Ndenya	-	Company Secretary	" "

The board met four times during the year and the members' attendance is summarised as below:

Name of Director	Number of Meetings	Number of Meetings Attended
Mr. F.L. Mlusu	4	4
Mr. J. Swankie	4	3
Mrs. E. Nuka	4	2
Mr. V. Kumwenda	4	4
Mr E. Matabwa	4	3
Mr. C. Mphande	4	3
Ms. B. Mandoloma	4	4
Mr. L. Mandala	4	4

Board Committees
There are several board committees which were established to ensure that the board discharges its duties effectively in accordance with principles of good corporate governance. All board committees have terms of reference and report to the main board.

Finance and Audit Committee
The Finance and Audit Committee is responsible for reviewing the reports of both internal and external auditors, as well as overseeing the adequacy and effectiveness of internal and accounting controls. The committee consists of three non-executive directors and the Chief Executive Officer attends the audit committee meetings as a management representative.

Responsibilities of the Finance and Audit Committee include:

- Review the audit plan with the external auditors, with specific reference to the proposed audit scope and approach;
- Review management reports and letters received from the external auditors concerning deviations from and weaknesses in accounting and operational controls, and ensure that prompt action is taken by management and that issues are satisfactorily resolved;
- Obtaining assurance from the external auditors that adequate accounting records are being maintained;
- Review the adequacy of capital, provisions for bad debts and diminution in the value of other assets, and the formulae applied by the Group in determining charges for and levels of general debt provisions, within the framework of the Group policy;
- Review the accounting policies and all proposed changes in accounting policies and practices, and recommend such changes where appropriate in terms of International Financial Reporting Standards. And also to consider the adequacy of disclosures in the Consolidated and separate financial statements;
- Review the Group's interim and audited annual Consolidated and separate financial statements and all financial information intended for distribution to the shareholders and the general public, prior to submission to the full Board;
- Assess the performance of financial management and review the quality of internal accounting control systems and reports produced by financial management;
- Review the basis on which the Group has been determined as a going concern and make recommendations to the Board;
- Review written reports by the internal audit department of the Group detailing the adequacy and overall effectiveness of the Group's internal audit function and its implementation by management, the scope and depth of coverage, reports on internal control and any recommendations and confirmation that appropriate action has been taken;
- Review internal audit charter annually, that should formally outline the purpose, authority and responsibility of the internal audit function;
- Consider reports and letters received from the Banking supervisory authorities and other regulatory bodies, and management's responses thereto where they concern matters of compliance and the duties and responsibilities of the board of directors of the Group;
- Monitor the compliance with the Companies Act, Banking Act, Financial Services Act and the Stock Exchange Listing Requirements and all other applicable legislation;
- Consider the development of accounting standards and requirements and review statements on ethical standards or requirements for the Group;
- Review and make recommendations on any potential conflicts of interest relating to situations of a material nature; and
- Review of the trading book risk, the groups liquidity and interest rate risks, among others.

Both internal and external auditors have unlimited access to the Finance and Audit Committee. The Committee is comprised of:

Mrs. E. Nuka - Chairperson
Ms. B. Mandoloma - Member
Mr. C. Mphande - Member

The committee met six times during the year and the members' attendance is summarised as below;

Name of Director	Number of Meetings	Number of Meetings Attended
Mrs. E. Nuka	6	5
Ms. B. Mandoloma	6	6
Mr. C. Mphande	6	6

Appointments And Remuneration Committee

The Committee is responsible for reviewing Employees Conditions of Service, approving recommendations for adjustments to organizational structure and hiring of Executive Management.

The Committee is comprised of:

Mr. E. Matabwa - Chairman
Ms. B. Mandoloma - Member
Mr. V. Kumwenda - Member

The committee met six times during the year and the members' attendance is summarised as below;

Name of Director	Number of Meetings	Number of Meetings Attended
Mr. E. Matabwa	6	6
Ms. B. Mandoloma	6	5
Mr. V. Kumwenda	6	5

Credit Committee

The Committee is responsible for credit policy and credit approvals which are above the mandate of Management Credit Committee and also approvals for write-offs of all non performing facilities.

The Committee is comprised of:

Mr. J. Swankie - Chairman
Mr. E. Matabwa - Member
Mr. V. Kumwenda - Member
Mr. L. Mandala - Member

The committee met six times during the year and the members' attendance is summarised as below;

Name of Director	Number of Meetings	Number of Meetings Attended
Mr. J. Swankie	6	5
Mr E. Matabwa	6	4
Mr. V. Kumwenda	6	2
Mr. L. Mandala	6	4

Risk Committee

With the recent requirements as championed by the Reserve Bank of Malawi and in line with best practice, the Board delinked risk related issues from the Finance and Audit Committee and constituted a Risk Committee during the fourth quarter of 2011.

The committee is comprised of:

Mr. L. Mandala - Chairman
Mrs. E. Nuka - Member
International Finance Corporation Nominee - Member

The committee did not meet during the year.

Subsequent Events

The directors are not aware of any matter or circumstances arising since the end of the financial year.

CHAIRMAN

DIRECTOR

29 March 2012

Statement Of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of NBS Bank Limited, comprising the statement of financial position at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act, 1984.

The Act also requires the directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and ensure the financial statements comply with the Malawi Companies Act, 1984.

In preparing the financial statements, the directors accept responsibility for the following:-

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume the company will continue in business.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The Directors' responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors have made an assessment of the Bank's and its subsidiary's ability to continue as a going concern and have a reasonable expectation that the Bank and its subsidiary has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with applicable financial reporting framework.

Approval of consolidated and separate financial statements

The consolidated and separate financial statements of NBS Bank Limited, as indicated above, were approved by the Board of Directors on **29 March 2012** and are signed on its behalf by:

CHAIRMAN

DIRECTOR

29 March 2012

Independent Auditors' Report
to the shareholders of NBS Bank Limited

Report on the Consolidated and separate financial statements
We have audited the consolidated and separate financial statements of NBS Bank Limited and its subsidiary, NBS Forex Bureau Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2011, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and cash flows for the year then ended, and the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 27 to 67.

Directors' Responsibility for the Consolidated and separate financial statements
Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and in a manner required by the Malawi Companies Act, 1984 and in such controls as the directors determine as necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or errors. This responsibility includes: designing, implementing and maintaining internal controls systems relevant to the preparation and fair presentation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these consolidated and separate financial statements fairly present, in all material respects of NBS Bank Limited and its subsidiary the consolidated and separate financial position of NBS Bank Limited as at 31 December 2011 and of its consolidated and separate financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Malawi Companies Act, 1984, so far as it concerns members of the company.

KPMG
Certified Public Accountants (Malawi)
Blantyre

29 March 2012

Consolidated and Separate Statements of Financial Position

As at 31 December 2011

In thousands of Malawi Kwacha

		Group		Company	
	Note	**2011**	2010	**2011**	2010
ASSETS					
Cash and cash equivalents	7	**11,145,477**	9,166,100	**11,140,381**	9,134,059
Money market investments	11	**2,984,295**	1,199,078	**2,984,295**	1,199,078
Loans and advances to customers	10	**36,007,914**	24,143,692	**36,013,145**	24,143,692
Other assets	8	**2,072,288**	1,023,888	**2,046,734**	930,228
Amounts due from subsidiary	9	**-**	-	**120,028**	86,694
Property and equipment	12	**3,694,033**	3,071,922	**3,640,357**	3,027,972
Intangible assets	13	**131,448**	71,392	**131,448**	71,392
Equity investments	14	**18,665**	18,665	**61,265**	61,265
Deferred tax assets	19(b)	**56,990**	155,351	**69,510**	178,390
Total assets		**56,111,110**	38,850,088	**56,207,163**	38,832,770
LIABILITIES AND EQUITY					
Liabilities					
Current and savings accounts	15	**31,950,035**	19,123,635	**31,950,035**	19,123,635
Foreign currency denominated accounts		**1,110,543**	2,309,924	**1,115,065**	2,309,924
Amounts due to subsidiary	9	**-**	-	**33,237**	33,545
Term deposit accounts	15	**12,360,333**	8,262,881	**12,360,333**	8,262,881
Short -term loan	16	**2,059,207**	3,730,234	**2,059,207**	3,730,234
Other liabilities	17	**1,572,342**	1,057,049	**1,653,556**	1,055,868
Income tax payable		**222,359**	91,449	**222,359**	91,449
Long -term loans	18	**20,010**	20,010	**20,010**	20,010
Provisions	19(a)	**-**	471,087	**-**	471,087
Deferred tax liability	19(b)	**284,882**	173,597	**284,882**	173,597
Total liabilities		**49,579,711**	35,239,866	**49,698,684**	35,272,230
Equity					
Share capital	20	**363,822**	260,372	**363,822**	260,372
Share premium	21	**2,323,895**	602,756	**2,323,895**	602,756
Revaluation reserve	22	**290,207**	297,648	**290,207**	297,648
Loan loss reserve	23	**-**	124,202	**-**	124,202
Fair value reserve	24	**(8,336)**	14,264	**(8,336)**	14,264
Retained earnings		**3,561,811**	2,310,980	**3,538,891**	2,261,298
Total equity		**6,531,399**	3,610,222	**6,508,479**	3,560,540
Total liabilities and equity		**56,111,110**	38,850,088	**56,207,163**	38,832,770

The consolidated and separate financial statements of the NBS Bank Limited were approved for issue by the Board of Directors on 29 March 2012 and were signed on its behalf by:

DIRECTOR

DIRECTOR

The consolidated and separate financial statements are to be read in conjunction with the notes from pages 27 to 67.
The auditor's report is on page 21.

Consolidated and Separate Statements of Comprehensive Income

As at 31 December 2011

In thousands of Malawi Kwacha

	Note	Group 2011	Group 2010	Company 2011	Company 2010
INCOME					
Interest on loans and advances		**5,284,112**	3,893,561	**5,288,185**	3,894,900
Interest on placements with other Banks		**78,419**	33,924	**78,419**	33,924
Income from lease financing		**427,567**	426,649	**427,567**	426,649
Income from money market investments		**221,949**	247,971	**221,949**	247,971
Total interest income	25	**6,012,047**	4,602,105	**6,016,120**	4,603,444
Interest expense		**(1,883,758)**	(1,393,103)	**(1,886,758)**	(1,393,719)
Net interest income	25	**4,128,289**	3,209,002	**4,129,362**	3,209,725
Net fees and commission income	26	**1,763,402**	1,450,267	**1,782,544**	1,459,874
Profit on foreign exchange transactions		**444,644**	1,335,221	**393,232**	1,302,402
Other operating income	27	**405,244**	22,728	**405,244**	22,728
Operating Income		**6,741,579**	6,017,218	**6,710,382**	5,994,729
EXPENDITURE					
Personnel expenses	28	**1,878,246**	1,710,479	**1,848,432**	1,688,939
Recurrent expenditure on premises and equipment		**347,459**	344,405	**347,141**	344,192
Depreciation and amortisation	12,13	**371,290**	305,226	**362,148**	299,750
Other operating costs	29	**1,423,341**	1,289,338	**1,394,137**	1,366,799
Operating expenditure		**4,020,336**	3,649,448	**3,951,858**	3,699,680
Profit before loan impairment losses		**2,721,243**	2,367,770	**2,758,524**	2,295,049
Loan impairment losses	10	**(189,218)**	(269,682)	**(189,218)**	(269,682)
Profit before income tax expense		**2,532,025**	2,098,088	**2,569,306**	2,025,367
Income tax expense	30	**(846,003)**	(693,877)	**(856,522)**	(670,838)
Profit for the year		**1,686,022**	1,404,211	**1,712,784**	1,354,529
Other comprehensive income net of income tax					
Surplus on revaluation		**-**	40,897	**-**	40,897
Reversal of loan loss reserve		**(124,202)**	-	**(124,202)**	-
Net loss on available for sale financial assets		**(22,600)**	(1,781)	**(22,600)**	(1,781)
Total other comprehensive income		**(146,802)**	39,116	**(146,802)**	39,116
Total comprehensive income for the year		**1,539,220**	1,443,327	**1,565,982**	1,393,645
Basic and diluted earnings per share (MK)	31	**3.04**	2.85	**-**	-

The consolidated and separate financial statements are to be read in conjunction with the notes from pages 27 to 67.
The auditor's report is on page 21.

Consolidated and Separate Statements of Changes in Equity

As at 31 December 2011

In thousands of Malawi Kwacha

GROUP

2011	Share Capital	Share premium	Revaluation reserve	Available for sale fair value reserve	Loan loss reserve	Retained Earnings	Total
Balance at 1 January 2011	260,372	602,756	297,648	14,264	124,202	2,310,980	3,610,222
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	1,686,022	1,686,022
Other comprehensive income net of income tax							
Decrease in fair value reserve	-	-	-	(22,600)	-	-	(22,600)
Reversal of loan loss reserve	-	-	-	-	(124,202)	-	(124,202)
Release of excess depreciation	-	-	(7,441)	-	-	7,441	-
Total comprehensive income for the year	-	-	(7,441)	(22,600)	(124,202)	1,693,463	1,539,220
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	-	-	(442,632)	(442,632)
Issue of shares	103,450	1,721,139	-	-	-	-	1,824,589
Total contributions by and distribution to owners	103,450	1,721,139	-	-	-	(442,632)	1,381,957
Balance at 31 December 2011	363,822	2,323,895	290,207	(8,336)	-	3,561,811	6,531,399

COMPANY

2011	Share Capital	Share premium	Revaluation reserve	Available for sale fair value reserve	Loan loss reserve	Retained Earnings	Total
Balance at 1 January 2011	260,372	602,756	297,648	14,264	124,202	2,261,298	3,560,540
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	1,712,784	1,712,784
Other comprehensive income net of income tax							
Decrease in fair value reserve	-	-	-	(22,600)	-	-	(22,600)
Reversal of loan loss reserve	-	-	-	-	(124,202)	-	(124,202)
Release of excess depreciation	-	-	(7,441)	-	-	7,441	-
Total comprehensive income for the year	-	-	(7,441)	(22,600)	(124,202)	1,720,225	1,565,982
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	-	-	(442,632)	(442,632)
Issue of shares	103,450	1,721,139	-	-	-	-	1,824,589
Total contributions by and distribution to owners	103,450	1,721,139	-	-	-	(442,632)	1,381,957
Balance at 31 December 2011	363,822	2,323,895	290,207	(8,336)	-	3,538,891	6,508,479

The consolidated and separate financial statements are to be read in conjunction with the notes from pages 27 to 67.
The auditor's report is on page 21.

Consolidated and Separate Statements of Changes in Equity (continued)

As at 31 December 2011

In thousands of Malawi Kwacha

GROUP

2010	Share Capital	Share premium	Revaluation reserve	Available for sale fair value reserve	Loan loss reserve	Retained Earnings	Total
Balance at 1 January 2010	246,667	314,948	278,443	16,045	124,202	1,539,795	2,520,100
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	1,404,211	1,404,211
Other comprehensive income net of income tax							
Decrease in fair value reserve	-	-	-	(1,781)	-	-	(1,781)
Release of excess depreciation	-	-	19,205	-	-	21,692	40,897
Total other comprehensive income	-	-	19,205	(1,781)	-	21,692	39,116
Total comprehensive income for the year	-	-	19,205	(1,781)	-	1,425,903	1,443,327
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	-	-	(296,000)	(296,000)
Bonus issue of shares	13,705	287,808	-	-	-	(358,718)	(57,205)
Total contributions by and distribution to owners	13,705	287,808	19,205	(1,781)	-	(654,718)	(353,205)
Balance at 31 December 2010	260,372	602,756	297,648	14,264	124,202	2,310,980	3,610,222

COMPANY

2010	Share Capital	Share premium	Revaluation reserve	Available for sale fair value reserve	Loan loss reserve	Retained Earnings	Total
Balance at 1 January 2010	246,667	314,948	278,443	16,045	124,202	1,539,795	2,520,100
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	1,354,529	1,354,529
Other comprehensive income net of income tax							
Decrease in fair value reserve	-	-	-	(1,781)	-	-	(1,781)
Release of excess depreciation	-	-	19,205	-	-	21,692	40,897
Total other comprehensive income	-	-	19,205	(1,781)	-	21,692	39,116
Total comprehensive income for the year	-	-	19,205	(1,781)	-	1,376,221	1,393,645
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	-	-	(296,000)	(296,000)
Bonus issue of shares	13,705	287,808	-	-	-	(358,718)	(57,205)
Total contributions by and distribution to owners	13,705	287,808	-	-	-	(654,718)	(353,205)
Balance at 31 December 2010	260,372	602,756	297,648	14,264	124,202	2,261,298	3,560,540

The consolidated and separate financial statements are to be read in conjunction with the notes from pages 27 to 67.
The auditor's report is on page 21.

Consolidated and Separate Statements of Cash Flows

As at 31 December 2011

In thousands of Malawi Kwacha

		Group		Company	
	Notes	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and fees received	25,26	**8,242,901**	7,422,063	**8,214,704**	7,400,190
Interest paid	25	**(1,883,758)**	(1,393,103)	**(1,886,758)**	(1,393,719)
Cash paid to suppliers and employees		**(6,091,392)**	(2,875,763)	**(6,051,319)**	(2,968,289)
		267,751	3,153,197	**276,627**	3,038,182
Movement in net customer balances		**3,851,739**	(836,046)	**3,850,940**	(802,498)
		4,119,490	2,317,151	**4,127,567**	2,235,684
Income tax paid		**(522,510)**	(752,940)	**(522,510)**	(752,940)
Net cash used in operating activities		**3,596,980**	1,564,211	**3,605,057**	1,482,744
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on disposal of property and equipment		**9,791**	12,845	**9,791**	12,845
Acquisition of property and equipment	12	**(1,050,817)**	(780,168)	**(1,031,949)**	(730,742)
Acquisition of intangible assets	13	**(12,756)**	(3,496)	**(12,756)**	(3,496)
Net cash used in investing activities		**(1,053,782)**	(770,819)	**(1,034,914)**	(721,393)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issue	20,21	**1,986,240**	-	**1,986,240**	-
Share issue costs		**(161,651)**	-	**(161,651)**	-
Net proceeds from share issue		**1,824,589**	-	**1,824,589**	-
Short term loan		**-**	(497,327)	**-**	(497,327)
Loan (repayment)/receipts	16,18	**(1,945,778)**	3,028,773	**(1,945,778)**	3,028,773
Dividend paid		**(442,632)**	(296,000)	**(442,632)**	(296,000)
Net cash (used in)/from financing activities		**(563,821)**	2,235,446	**(563,821)**	2,235,446
Net increase in cash and cash equivalents		**1,979,377**	3,028,838	**2,006,322**	2,996,797
Cash and cash equivalents at 1 January		**9,166,100**	6,137,262	**9,134,059**	6,137,262
Cash and cash equivalents at 31 December	7	**11,145,477**	9,166,100	**11,140,381**	9,134,059
ADDITIONAL STATUTORY DISCLOSURE					
Increase in net working capital		**2,435,325**	2,272,243	**2,323,360**	2,328,076

The consolidated and separate financial statements are to be read in conjunction with the notes from pages 27 to 67.
The auditor's report is on page 21.

Notes to the Consolidated and Separate Financial Statements

1. Reporting entity

NBS Bank Limited is a limited liability company incorporated and domiciled in Malawi under the Malawi Companies Act, 1984 and is a licensed financial institution under the Banking Act, 2009. The address of The Bank's registered office is P.O. Box 32251, Chichiri, Blantyre 3. The Bank is primarily involved in commercial banking covering: corporate and retail banking and treasury management. The consolidated financial statements comprise the Bank and its subsidiary, NBS Forex Bureau Limited (collectively known as The Group).

General information

The Group provides retail and corporate banking services through its 35 service centers across Malawi (2010: 31). The Group is listed on the Malawi Stock Exchange. Its ultimate parent Company is NICO Holdings Limited, a financial services company incorporated in Malawi, which is also listed on the Malawi Stock Exchange. NBS Forex Bureau Limited is a 100% owned subsidiary of NBS Bank Limited whose line of business is foreign exchange trading. NBS Forex Bureau Limited started operations in January 2010.

2. Basis of preparation

(a) Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that were relevant to its operations and effective for accounting periods beginning on 1 January 2011. These consolidated and separate financial statements have also been prepared in accordance with the provisions of Malawi Companies Act, 1984, Financial Services Act, 2011 and Banking Act, 2009.

The consolidated and separate financial statements were authorized for issue by the board of directors on 29 March 2012.

(b) Basis of measurement

The Consolidated and separate financial statements have been prepared on the historical cost basis except for the following:-

- investments held for trading are measured at fair value
- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- property and equipment are measured at revalued amounts.

(c) Functional and presentation currency

These consolidated and separate financial statements are presented in Malawi Kwacha, which is the company's functional currency. Except as otherwise indicated, financial information present in Malawi Kwacha has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of consolidated and separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated and separate financial statements are described in notes 4 and 5.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated into Malawi Kwacha at the spot rate of exchange ruling at the date of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies at the reporting date are translated to Malawi Kwacha at the spot exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign exchange differences arising on translation are recognised in profit or loss except for differences arising on translation of available-for-sale equity instruments. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Malawi Kwacha at foreign exchange rates ruling at the dates the values were determined.

(b) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and financial liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal or a financial asset of financial liability.

Interest income and expense presented in the statement of comprehensive income include:

- Interest on financial assets and financial liabilities at amortised cost on an effective interest rate basis.
- Interest on available-for-sale investment securities on an effective interest basis.

Fair value changes on financial assets and financial liabilities measured at fair value through profit or loss, are presented in net income from other financial instruments carried at fair value in the statement of comprehensive income. Net interest income analysis is provided in note 25.

(c) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised in a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(d) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3. Significant Accounting Policies (continued)

(e) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable enbility, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Additional income taxes that arise from the distribution of dividends by the Bank are recognized at the same time as the liability to pay the related dividend is recognized.

(f) Financial instruments

(i) Recognition and initial measurement

The Group initially recognises loans and advances, deposits on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3. Significant Accounting Policies (continued)

(f) Financial instruments (continued)

(ii) Derecognition (continued)

In certain transactions the Group retains rights to service a transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing rights, depending on whether the servicing fee is more than adequate to cover servicing expenses (asset) or is less than adequate for performing the servicing (liability).

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible (see note 4).

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(iv) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

For more complex instruments, the Bank uses proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference, in fair value indicated by valuation techniques is recognised in profit or loss depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

(vi) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter Bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

3. Significant Accounting Policies (continued)

(f) Financial instruments (continued)

(vi) Identification and measurement of impairment (continued)

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on financial assets measured at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss is the difference between the amortised acquisition cost and current fair value out of other comprehensive income less any impairment loss previously recognized in profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in other comprehensive income. Changes in impairment allowances attributable to time value are reflected as a component of interest income.

(vii) Designation at fair value through profit or loss

The Group has designated financial assets and financial liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Note 6 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss.

(g) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central Banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are measured at amortised cost in the statement of financial position.

(h) Other assets

Other assets comprise prepayments, sundry debtors consumable stationery, forward contracts and staff advances. Sundry debtors and staff advances are stated at amortised cost less impairment losses.

(i) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses recognized in prior periods are assessed at each reporting date for any indicators that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if the impairment loss had not been recognised.

3. Significant Accounting Policies (continued)

(j) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Group chooses to carry the loans and advances at fair value through profit or loss as described in accounting policy (f)(vii).

(k) Investment securities

Investment securities are initially measured at fair value plus in the case of investment securities not at fair value through profit or loss incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are measured at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial periods.

(ii) Fair value through profit or loss

The Bank measures some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in accounting policy (f)(vii).

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that were designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired whereupon the cumulative gains and losses previously recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

(l) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Where relevant, the cost of dismantling and removing the items and restoring the site on which the assets were located is also included in the cost of the assets.

Where parts of an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains and losses on disposal of an item of property and equipment are determined by deducting the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

3. Significant Accounting Policies (continued)

(l) Property and equipment (continued)

(ii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized and the component being replaced is derecognised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the profit or loss as an expense as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property and equipment, and major components that are accounted for separately. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Freehold buildings	40 years
Leasehold property (over 40 years to run)	40 years
Leasehold property (under 40 years to run)	over period of lease
Leasehold improvement	10 years
Computer hardware	3 years
Computer software	4 years
Other office equipment	4 years
Motor vehicles	5 years
Furniture and other equipment	10 years
Auto Teller Machines	10 years

Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted if appropriate.

(iv) Capital work in progress

Capital work in progress is the gross amount spent in carrying out work of capital nature. It is measured at cost recognised to date.

Capital work in progress is presented as part of property and equipment in the statement of financial position. When the relevant project is completed, the expenditure is capitalised to the various items of property and equipment. Capital work in progress is not depreciated.

(m) Intangible assets

Software

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when:

- the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits
- the Group can reliably measure the costs to complete the development
- it is technically and commercially feasible and
- there are sufficient resources to complete development and to use the asset.

The capitalised cost of internally developed software includes all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on software is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as it is incurred.

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of the software, from the date it is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The carrying amount of intangible assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount exceeds its recoverable amount. Intangible assets that are not yet available for use are tested for impairment on an annual basis.

3. Significant Accounting Policies (continued)

(n) Leased assets – lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as a lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(ii) The Group as a lessee

Rentals payable under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(o) Customer deposit accounts

Customer deposit accounts comprise current and savings accounts, foreign currency denominated, and term deposit accounts.

Customer deposit accounts are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's Consolidated and separate financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Customer deposit liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit or loss.

The Bank measures customer deposit liabilities at fair value, with fair value changes recognised immediately in profit or loss.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(q) Financial guarantees

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value and the initial value is amortised over the life of the guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when payment under the guarantee has become probable).

(r) Employee benefits

Employee entitlements to gratuity and long service awards are recognized when they accrue to employees in accrual is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

Employee entitlements to gratuity and long service awards defines an amount of benefit that an employee will receive on retirement or long service, usually dependent on one or more factors, such as age, periods of service and compensation.

(i) Defined contribution pension plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts.

The Group operates a Defined Contribution Pension Scheme based on a percentage of pensionable earnings, the assets of which are generally held in separate trustee administered fund. Contributions to defined contributions pension plans are recognized as an expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in future payments is available.

3. Significant Accounting Policies (continued)

(r) Employee benefits (continued)

(ii) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iii) Accrual for leave pay

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the reporting date.

(iv) Provision for severance allowance

Employees are entitled to severance allowance on death, termination by mutual agreement, which includes retirement and redundancy as required by the Employment Act. The amount is recognized for when they accrue to employees with reference to periods of service, individual age and date to retirement. The amount is actuarially determined.

(s) Share capital and reserves

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Share issue costs

Incremental cost directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instruments.

(t) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) Net trading income

Net trading income includes gains and losses from spot and forward contracts, options, futures, and foreign exchange differences. Interest rate instruments includes the results of making markets in instruments in government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives.

Equities trading income includes the results of making markets globally in equity securities and equity derivatives such as swaps, options, futures and forward contracts.

(v) Grants

Grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and recognized in profit or loss over the useful lives of the related assets or the contract period while grants related to income are presented as other income in the statement of comprehensive income.

(w) Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

4. Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks

This note presents information about the Group 's exposure to each of the above risks, the Group 's objectives, policies and processes for measuring and managing risk, and the Group 's management of capital.

Risk management best practices are as covered in this note (4). However, some shortfalls experienced by the Banking sector worldwide, and acknowledged by the Reserve Bank of Malawi, will be addressed as the bank becomes Basel II compliant by 2014.

Risk management self assessment reports and recommendations made thereon will be implemented as part of the Basel II compliance road-map beginning in 2012.

Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee, Finance and Audit Committee and Credit Committee which are responsible for developing and monitoring the Group's risk management policies in their specified areas. All Board Committees have both executive and non-executive members and report regularly to the Board of Directors on their activities. The Finance and Audit Committee delegates the asset and liability function to the Asset and Liability Management Committees.

The Group 's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group through its risk management framework, standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations in managing risk.

The Risk Committee is responsible for monitoring compliance with the Group's management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Risk Committee is assisted in these functions by the Risk management division and Internal Audit Division. Internal Audit Division undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Finance and Audit Committee.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers, loans and advances to other companys and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual default risk, and sector risk).

For risk management purposes, credit risk arising on trading securities is managed independently but reported as a component of market risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate Credit department, reporting to the Credit Committee, is responsible for oversight of the credit risk, including:

- Formulating credit policies in consultation with the business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Management Credit Committee, Head of Credit, the Credit Committee or the Board of Directors as appropriate.

- Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the same review process.

4. Financial risk management (continued)

(b) Credit Risk (continued)

Management of credit risk (continued)

- Limiting concentrations of exposure to counterparties, geographical location and industries (for loans and advances), and by issuer and market liquidity.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the Credit Committee on the credit quality of portfolios and appropriate corrective action is taken.

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement the Group's credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit has a Credit Officer who reports on all credit related matters to management. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Bank's Credit processes are undertaken by Internal Audit.

In thousands of Malawi Kwacha

4. Financial risk management (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:-

GROUP		Loans and advances to customers		Loans and advances to other banks		Investment securities	
	Note	2011	2010	2011	2010	2011	2010
Carrying amount	10,11	32,930,989	23,313,692	3,076,925	830,000	3,969,733	2,242,964
Individually impaired		2,027,016	1,679,489	-	-	-	-
Allowance for impairment	10	(660,214)	(571,930)	-	-	-	-
Carrying amount		1,366,802	1,107,559	-	-	-	-
Individually impaired							
7-12 months		756,365	1,040,652	-	-	-	-
13-24 months		935,517	410,590	-	-	-	-
> 24 months		337,134	228,247	-	-	-	-
Total		2,027,016	1,679,489	-	-	-	-
Allowance for impairment		(660,214)	(571,930)	-	-	-	-
Carrying amount		1,366,802	1,107,559	-	-	-	-
Past due not impaired		4,534,961	3,333,731	-	-	-	-
Carrying amount		4,534,961	3,333,731	-	-	-	-
Neither past due nor impaired		27,029,226	18,872,402	3,076,925	830,000	3,969,733	2,242,964
Carrying amount		27,029,226	18,872,402	3,076,925	830,000	3,969,733	2,242,964
Total carrying amounts	10	32,930,989	23,313,692	3,076,925	830,000	3,969,733	2,242,964

COMPANY		Loans and advances to customers		Loans and advances to other banks		Investment securities	
	Note	2011	2010	2011	2010	2011	2010
Carrying amount	10,11	32,936,220	23,313,692	3,076,925	830,000	3,969,733	2,242,964
Individually impaired		2,027,016	1,679,489	-	-	-	-
Allowance for impairment	10	(660,214)	(571,930)	-	-	-	-
Carrying amount		1,366,802	1,107,559	-	-	-	-
Individually impaired							
7-12 months		756,365	1,040,652	-	-	-	-
13-24 months		935,517	410,590	-	-	-	-
> 24 months		337,134	228,247	-	-	-	-
Total		2,027,016	1,679,489	-	-	-	-
Allowance for impairment		(660,214)	(571,930)	-	-	-	-
Carrying amount		1,366,802	1,107,559	-	-	-	-
Past due not impaired		4,534,961	3,333,731	-	-	-	-
Carrying amount		4,534,961	3,333,731	-	-	-	-
Neither past due nor impaired		27,034,457	18,872,402	3,076,925	830,000	3,969,733	2,242,964
Carrying amount		27,034,457	18,872,402	3,076,925	830,000	3,969,733	2,242,964
Total carrying amounts	10	32,936,220	23,313,692	3,076,925	830,000	3,969,733	2,242,964

In thousands of Malawi Kwacha

4. Financial risk management (continued)

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Furthermore, impairment may not be appropriate on the basis of past repayment history of the customer and current repayment arrangements and effort being put forward to pay.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to other banks except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at the period end.

Estimated fair value of collateral and other security enhancement held against financial assets is shown below:

	Loans and advances to customers	
	Group and Company	
	2011	2010
Against individually impaired		
Property	**1,341,776**	869,826
Plant and equipment	**250,220**	263,741
Against past due but not impaired		
Property	**8,814,906**	4,728,943
Plant and equipment	**2,306,001**	3,646,519
Against neither past due nor impaired		
Property	**9,183,033**	7,153,222
Plant and equipment	**3,196,737**	2,108,939
Total collateral held	**25,092,673**	18,771,190

In thousands of Malawi Kwacha

4. Financial risk management (continued)

The Group monitors concentrations of credit risk by sector and by geographic location. Analysis of concentrations of credit risk at the reporting date is shown below:-

GROUP

	Note	Loans and advances to customers 2011	Loans and advances to customers 2010	Loans and advances to other companies 2011	Loans and advances to other companies 2010	Investment securities 2011	Investment securities 2010
Carrying amount	10,11	**32,930,989**	23,313,692	**3,076,925**	830,000	**3,969,733**	2,242,964
Concentration by sector:							
Retail		**25,039,759**	18,619,628	-	-	-	-
Corporate		**7,891,230**	4,694,064	-	-	-	-
Banks		**-**	-	**3,076,925**	830,000	**3,969,733**	2,242,964
	10,11	**32,930,989**	23,313,692	**3,076,925**	830,000	**3,969,733**	2,242,964
Concentration by location:							
Northern Region		**799,075**	733,970	-	-	-	-
Central Region		**9,538,697**	6,138,426	-	-	-	-
Southern Region		**22,593,217**	16,441,296	**3,076,925**	830,000	**3,969,733**	2,242,964
	10,11	**32,930,989**	23,313,692	**3,076,925**	830,000	**3,969,733**	2,242,964

COMPANY

	Note	Loans and advances to customers 2011	Loans and advances to customers 2010	Loans and advances to other companies 2011	Loans and advances to other companies 2010	Investment securities 2011	Investment securities 2010
Carrying amount	10,11	**32,936,220**	23,313,692	**3,076,925**	830,000	**3,969,733**	2,242,964
Concentration by sector:							
Retail		**25,044,990**	18,619,628	-	-	-	-
Corporate		**7,891,230**	4,694,064	-	-	-	-
Banks		**-**	-	**3,076,925**	830,000	**3,969,733**	2,242,964
	10,11	**32,936,220**	23,313,692	**3,076,925**	830,000	**3,969,733**	2,242,964
Concentration by location:							
Northern Region		**799,075**	733,970	-	-	-	-
Central Region		**9,538,697**	6,138,426	-	-	-	-
Southern Region		**22,598,448**	16,441,296	**3,076,925**	830,000	**3,969,733**	2,242,964
	10,11	**32,936,220**	23,313,692	**3,076,925**	830,000	**3,969,733**	2,242,964

Credit Risk Concentration

Concentration by location for loans and advances is measured based on the location of the branch holding the asset which has a correlation with the location of the borrower.

Settlement risk

The Group activities may give rise to risk to the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Group's Management ALCO.

4. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to Banks and other inter-Company facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units are met through Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The daily liquidity position is monitored and liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of operating units. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from Companys, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Reserve Bank of Malawi. Details of the reported Company's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as per note number 4 (e).

Residual contractual maturity of financial instruments

The table below analyses the financial instruments into relevant maturity groupings based on the remaining period at 31 December 2011 to the contractual maturity date.

In thousands of Malawi Kwacha

4. Financial risk management (continued)

(c) Liquidity risk (continued)

Residual contractual maturity of financial instruments (continued)

GROUP					
FINANCIAL ASSETS At 31 December 2011	**Up to 1 month**	**1-3 months**	**3-12 Months**	**Over 1 period**	**Total**
Cash and bank balances	10,159,999	-	-	-	10,159,999
Investment securities	-	200,000	3,499,141	270,633	3,969,774
Loans and advances	3,076,925	838,142	2,090,000	30,002,847	36,007,914
Other assets	-	-	-	5,973,423	5,973,423
Total assets	13,236,924	1,038,142	5,589,141	36,246,903	56,111,110
FINANCIAL LIABILITIES					
Current and savings accounts	23,898,341	9,914,324	138,030	26,515	35,087,753
Term deposit accounts	1,372,119	1,749,398	6,163,015	3,075,801	12,360,543
Foreign currency denominated deposits	1,110,543	-	-	-	1,110,543
Other borrowed funds	-	2,059,208	-	20,010	2,079,218
Other liabilities	-	-	-	8,610,981	8,610,981
Total financial liabilities	26,381,003	11,695,755	6,301,045	11,733,307	56,111,110
Net Liquidity Gap	(13,144,079)	(10,657,613)	(711,904)	24,513,596	-
Cumulative Liquidity Gap	(13,144,079)	(23,801,692)	(24,513,596)	-	-

COMPANY					
FINANCIAL ASSETS At 31 December 2011	**Up to 1 month**	**1-3 months**	**3-12 Months**	**Over 1 period**	**Total**
Cash and balances with banks					
Cash and bank balances	10,159,999	-	-	-	10,159,999
Investment securities	-	200,000	3,499,140	270,633	3,969,773
Loans and advances	3,082,156	838,142	2,090,000	30,002,847	36,013,145
Other assets	-	-	-	6,064,246	6,064,246
Total assets	13,242,155	1,038,142	5,589,140	36,337,726	56,207,163
FINANCIAL LIABILITIES					
Current and savings accounts	21,904,403	9,914,324	138,030	26,515	31,983,272
Term deposit accounts	1,372,119	1,749,398	6,163,015	3,075,801	12,360,333
Foreign currency denominated deposits	1,115,065	-	-	-	1,115,065
Other borrowed funds	-	2,059,207	-	20,010	2,079,217
Other liabilities	-	-	-	8,669,276	8,669,276
Total financial liabilities	24,391,587	13,722,929	6,301,045	11,791,602	56,207,163
Net Liquidity Gap	(11,149,432)	(12,684,787)	(711,905)	24,546,124	-
Cumulative Liquidity Gap	(11,149,432)	(23,834,219)	(24,546,124)	-	-

In thousands of Malawi Kwacha

4. Financial risk management (continued)

(c) Liquidity risk (continued)

Residual contractual maturity of financial instruments (continued)

GROUP AND COMPANY					
FINANCIAL ASSETS At 31 December 2010	Up to 1 month	1-3 months	3-12 Months	Over 1 year	Total
Cash and balances with banks	1,093,444	-	-	-	**1,093,444**
Investment securities (Note 11)	-	100,000	1,763,044	379,920	**2,242,964**
Loans and advances (Note 10)	7,295,239	3,177,285	9,821,121	3,850,047	**24,143,692**
Other assets	-	-	-	11,369,988	**11,369,988**
Total assets	**8,388,683**	**3,277,285**	**11,584,165**	**15,599,955**	**38,850,088**
FINANCIAL LIABILITIES					
Current and savings accounts	19,106,544	-	-	-	**19,106,544**
Term deposit accounts	1,372,119	1,749,398	2,065,563	3,075,801	**8,262,881**
Foreign currency denominated deposits	2,309,924	-	-	-	**2,309,924**
Other borrowed funds		3,028,772	-	721,471	**3,750,243**
Other liabilities	1,943,725	-	-	3,476,771	**5,420,496**
Total financial liabilities	**24,732,312**	**4,778,170**	**2,065,563**	**7,276,074**	**38,850,088**
Net Liquidity Gap	**(16,343,629)**	**(1,500,885)**	**9,518,602**	**8,325,912**	**-**
Cumulative Liquidity Gap	**(16,343,629)**	**(17,844,514)**	**(8,325,912)**	**-**	**-**

The maturity gap analysis shows the contractual maturity mismatch before any adjustments are made for product and customer behavioural assumptions. The Group's asset liability committee manages this mismatch by setting guidelines and limits for anticipated liquidity gaps and monitors these gaps daily. The committee reviews the product and customer behavioural assumptions when there is indication that there is a shift in one or more of the variables.

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury Department, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested in Management ALCO. The Group's Management ALCO is responsible for the development of detailed risk management policies (subject to review and approval by Finance and Audit Committee) and for the day-to-day review of their implementation.

Exposure to interest rate risk – non trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The Management ALCO is the monitoring body for compliance with these limits and manages the risks on day-to-day basis by monitoring activities on the market. A summary of the Group's interest rate gap position on non-trading portfolios is as per note number 4(e).

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves and a 50bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) was as per note number 4(e).

Exposure to other market risks – non trading portfolios

Credit spread risk (not relating to changes in the obligor/issuer's credit standing) on debt securities held by Treasury is subject to monitoring by Management ALCO, but it is not currently significant in relation to the overall results and financial position of the Group .

4. Financial risk management (continued)

(e) Interest rate gap analysis

The table below summarises the exposure to interest rate risk. Included in the table are the assets Group's financial liabilities at carrying amounts categorised by the earlier of contractual pricing or maturity dates. The Group does not have an interest rate exposure on unrecognised items. All figures are in thousands of Malawi Kwacha.

GROUP AND COMPANY							
At 31 December 2011			Fixed Rate Instruments				
Assets subject to interest rate adjustment	Zero rate	Floating rate	0-3 months	3-6 months	6-12 months	Over 12 months	Total
Loans and advances:	-	36,007,914	-	-	-	-	36,007,914
Securities:	270,633	-	1,736,085	300,000	1,663,055	-	3,969,773
Other	16,133,423	-	-	-	-	-	16,133,423
Total rate sensitive assets (RSA)	16,404,056	36,007,914	1,736,085	300,000	1,663,055	-	56,111,110
Liabilities subject to interest rate adjustment:							
Demand accounts	-	14,835,475	-	-	-	-	14,835,475
Savings deposits	-	17,114,560	-	-	-	-	17,114,560
Time deposits	-	-	9,168,158	3,027,840	138,030	26,515	12,360,543
Other borrowings	20,010	1,110,543	-	-	-	-	1,130,553
Other	8,610,771	2,059,208	-	-	-	-	10,678,489
Total rate sensitive liabilities (RSL)	8,630,781	35,119,786	9,168,158	3,027,840	138,030	26,515	56,111,110
Asset /Liability Gap	7,773,275	888,128	(7,432,073)	(2,727,840)	1,525,025	26,515	-
Cumulative Gap	7,773,275	8,661,403	1,229,330	(1,498,510)	26,515	-	-
Net position as a percent of total assets	14%	15%	2%	(3%)	0%	-	-
RSA as a percent of RSL	190%	103%	19%	10%	1205%	-	100%

GROUP AND COMPANY							
At 31 December 2010			Fixed Rate Instruments				
Assets subject to interest rate adjustment	Zero rate	Floating rate	0-3 months	3-6 months	6-12 months	Over 12 months	Total
Loans and advances	-	24,143,692	-	-	-	-	24,143,692
Securities	379,920	-	100,000	400,000	1,363,044	-	2,242,964
Other	12,463,432	-	-	-	-	-	12,463,432
Total rate sensitive assets (RSA)	12,843,352	24,143,692	100,000	400,000	11,363,044	-	38,850,088
Liabilities subject to interest rate adjustment							
Demand accounts	-	4,628,139	-	-	-	-	4,628,139
Savings deposits	-	14,523,919	-	-	-	-	14,523,919
Time deposits	-	-	3,076,003	1,702,921	362,642	3,075,801	8,217,367
Other borrowings	20,010	701,461	-	-	-	-	721,471
Other	5,263,467	5,495,725	-	-	-	-	10,759,192
Total rate sensitive liabilities (RSL)	5,283,477	25,349,244	3,076,003	1,702,921	362,642	3,075,801	38,850,088
Asset /Liability Gap	7,559,875	(1,205,552)	(2,976,003)	(1,302,921)	1,000,402	(3,075,801)	-
Cumulative Gap	7,559,875	6,354,323	3,378,320	2,075,399	3,075,801	-	-
Net position as a percent of total assets	19%	(3%)	(8%)	(3%)	3%	(8%)	-
RSA as a percent of RSL	243%	95%	3%	23%	376%	-	100%

In thousands of Malawi Kwacha

4. Financial risk management (continued)

(f) Currency risk

The Group had the following significant foreign currency positions.

GROUP					
At 31 December 2011	**USD**	**GBP**	**Euro**	**ZAR**	**Total**
Assets					
Balances with correspondent banks	53,218	1,746	50,895	896	106,755
Cash in vaults	31,234	2,126	1,300	1,875	36,535
Forward Contracts	141,075	-	-	-	141,075
Loans and advances to customers	1,223,168	-	-	-	1,223,168
Total assets	**1,448,695**	**3,872**	**52,195**	**2,771**	**1,507,533**
Liabilities					
Customer deposits	1,709,239	40,721	114,085	3,352	1,867,397
Short-term loans	2,062,636	-	-	-	2,062,636
Total liabilities	**3,771,875**	**40,721**	**114,085**	**3,352**	**3,930,033**
Net position	(2,323,180)	(36,849)	(61,890)	(581)	(2,422,500)

GROUP					
At 31 December 2010	**USD**	**GBP**	**Euro**	**ZAR**	**Total**
Assets					
Balances with correspondent banks	1,860,033	79,760	73,570	7,842	2,021,205
Cash in vaults	12,047	755	1,394	30,588	44,784
Loans and advances to customers	1,264,789	-	-	111	1,264,900
Total assets	**3,136,869**	**80,515**	**74,964**	**38,541**	**3,330,889**
Liabilities					
Customer deposits	2,148,739	85,830	71,469	3,886	2,309,924
Forward contracts	301,602	-	-	-	301,602
Total liabilities	**2,450,341**	**85,830**	**71,469**	**3,886**	**2,611,526**
Net Position	686,528	(5,315)	3,495	34,655	719,363

COMPANY					
At 31 December 2011	**USD**	**GBP**	**Euro**	**ZAR**	**Total**
Assets					
Balances with correspondent banks	53,218	1,746	50,895	896	106,755
Cash in vaults	25,017	1,586	1,294	1,782	29,679
Forward Contracts	141,075	-	-	-	141,075
Loans and advances to customers	1,228,399	-	-	-	1,228,399
Total assets	**1,447,709**	**3,332**	**52,189**	**2,678**	**1,505,908**
Liabilities					
Customer deposits	1,709,239	40,721	114,085	3,352	1,867,397
Short-term loans	2,062,636	-	-	-	2,062,636
Total liabilities	**3,771,875**	**40,721**	**114,085**	**3,352**	**3,930,033**
Net Position	(2,324,166)	(37,389)	(61,896)	(674)	(2,424,125)

In thousands of Malawi Kwacha

4. Financial risk management (continued)

(f) Currency risk (continued)

The Group had the following significant foreign currency positions.

COMPANY					
At 31 December 2010	**USD**	**GBP**	**Euro**	**ZAR**	**Total**
Assets					
Balances with correspondent banks	1,840,868	79,760	73,570	7,842	2,002,040
Cash in vaults	12,047	755	1,394	30,588	44,784
Loans and advances to customers	1,264,789	-	-	111	1,264,900
Total assets	**3,117,704**	**80,515**	**74,964**	**38,541**	**3,311,724**
Liabilities					
Customer deposits	2,157,015	85,830	71,469	3,886	2,318,200
Forward contracts	301,602	-	-	-	301,602
Total liabilities	**2,458,617**	**85,830**	**71,469**	**3,886**	**2,619,802**
Net Position	**659,087**	**(5,315)**	**3,495**	**34,655**	**691,922**

(g) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group's standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

(h) Capital Management

Regulatory capital

The Reserve Bank of Malawi sets and monitors capital requirements for the Group as a whole.

In implementing current capital requirements, Reserve Bank of Malawi requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets as per note (i).

The Bank's regulatory capital is analysed into two tiers:

Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

In thousands of Malawi Kwacha

4. Financial risk management (continued)

(h) Capital Management (continued)

Regulatory capital (continued)

Tier 2 capital, which includes qualifying liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments such as available-for-sale.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognized in the statement of financial position.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Group's management of capital during the year.

The Group's regulatory capital position as at 31 December was as follows:-

Capital Adequacy Requirement

The Group's available Tier 1 and Tier 2 capital is required to be a minimum of 6% and 8% respectively, of its risk bearing assets and contingent liabilities. At 31 December 2011, the Group's available capital was **14%** for tier 1 (2010: 11%) and **15%** (2010: 12%) for tier 2 of all its risk bearing assets and contingent liabilities.

	COMPANY	
Capital Management	**2011**	**2010**
Paid up share capital	**363,822**	260,372
Share Premium	**2,323,895**	602,756
Retained Earnings Prior Periods	**2,310,980**	1,330,720
Net Profit - Current period (60%)	**762,091**	664,927
Core Capital (Tier 1 Capital)	**5,760,788**	2,858,775
Revaluation reserves	**290,207**	297,648
Total capital (Tier 2 Capital)	**6,050,995**	3,156,423

(i) Prudential Aspects of Bank's Liquidity

The Reserve Bank of Malawi issued the following guidelines on the management of liquidity:

-Liquidity Ratio 1 : Net liquidity (total liquid assets less suspense account in foreign currency) divided by total deposits must be at least 30%.

As at 31 December 2011, the Group 's liquidity Ratio 1 was **40%** (2010– 34%)

-Liquidity Ratio 2 : Net liquidity (total liquid assets less suspense account in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20%.

As at 31 December 2011, the Group 's Liquidity Ratio 2 was **37%** (2010 – 33%).

In accordance with the Banking Act, the Reserve Bank of Malawi in its supervisory role, has established the following requirement as at the reporting date:

Liquidity Reserve Requirement

The Group is required to maintain a liquidity reserve amount with Reserve Bank of Malawi, calculated on a weekly basis, of not less than 15.5% of the preceding month's average total deposit liabilities. The Group complied with this requirement during the period.

5. Basis of preparation and use of accounting estimates and judgements

The consolidated and separate financial statements are presented in Malawi Kwacha, rounded to the nearest thousand.

(a) Use of estimates and judgements

Management discusses with the Finance and Audit Committee the development, selection and disclosure of The Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management.

Key source of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3f (vi).

The specific counter-party component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counter-party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk Function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counter-party allowances and the model assumptions and parameter used in determining collective allowances.

(b) Determining fair values

The determination of fair value for financial assets and financial liabilities for which there is no observable market price require the use of valuation techniques as described in accounting policy 3f (v) and note 6. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group 's accounting policies include:

Financial asset and financial liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

In classifying financial assets or financial liabilities as "trading", the Group determines that it meets the description of trading and liabilities set out in accounting policy 3f (i).

In designating financial assets or financial liabilities at fair value though profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 3f (vii).

(c) New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2011, and have not been applied in preparing these financial statements:

- ***IFRS 7 Financial Instruments Disclosures;*** Amendments enhancing disclosures about transfers of financial assets. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The effective date is annual periods beginning on or after 1 July 2013.

5. Basis of preparation and use of accounting estimates and judgements

(c) New standards and interpretations not yet effective (continued)

- ***IFRS 9 Financial Instruments;*** This standard forms part of the IASB's project to replace the existing standard on the recognition and measurement of financial instruments. The standard defines two measurement categories for financial assets: amortised cost and fair value. A financial asset may only be measured at amortised cost if it has basic loan features and is managed on a contractual yield basis. The standard also differs from existing requirements for accounting for financial assets in various other areas, such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income. The standard will be applied retrospectively (subject to the standard's transitional provisions). The impact on the financial statements will require reclassification of financial assets. The effective date is annual periods beginning on or after 1 January 2015.

- ***IFRS 10 Consolidated Financial Statements;*** This standard requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements, it defines the principle of control, and establishes control as the basis for consolidation. It set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee and it sets out the accounting requirements for the preparation of consolidated financial statements. The effective date is annual periods beginning on or after 1 January 2013.

- ***IFRS 11 Joint Arrangements;*** The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. The effective date is annual periods beginning on or after 1 January 2013.

- ***IFRS 12 Disclosure of Interest in other Entities;*** The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate, the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The effective date is annual periods beginning on or after 1 January 2013.

- ***IFRS 13 Fair Value Measurement;*** IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). The effective date is annual periods beginning on or after 1 January 2013.

- ***IAS 1 Presentation of Financial Statements;*** Amendments to revise the way other comprehensive income is presented. The amendments to IAS 1 retain the 'one or two statement' approach at the option of the entity and only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be 'recycled' (e.g. cash-flow hedging, foreign currency translation), and those elements that will not (e.g. fair value through OCI items under IFRS 9). The effective date is annual periods beginning on or after 1 July 2012.

- ***IAS 12 Income Taxes;*** Amendments to revise the way other IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be , be through sale. As a result of the amendments, SIC-21 Income Taxes—Recovery of revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The effective date is annual periods beginning on or after 1 January 2012.

- ***IAS 19 Employee Benefits;*** Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects, requires recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements. It introduces enhanced disclosures about defined benefit plans, Modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits, clarifies miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features. The effective date is annual periods beginning on or after 1 January 2013.

- ***IAS 27 Consolidated and Separate Financial Statements;*** Reissued as IAS 27 Separate Financial Statements (as amended in 2011), Consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 Consolidated Financial Statements. The effective date is annual periods beginning on or after 1 January 2013.

- ***IAS 28 Investments in Associates;*** Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011), the objective of IAS 28 (as amended in 2011) is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). The effective date is annual periods beginning on or after 1 January 2013.

In thousands of Malawi Kwacha

6. Accounting classifications and fair values of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

GROUP				
31 December 2011				
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**11,145,477**	**-**	**-**	**11,145,477**
Loans and advances to customers	**-**	**-**	**36,007,914**	**36,007,914**
Investment securities	**-**	**2,984,295**	**-**	**2,984,295**
	11,145,477	**2,984,295**	**36,007,914**	**50,137,686**
Financial liabilities				
Deposits from customers	**45,420,911**	**-**	**-**	**45,420,911**
Short term loan	**-**	**-**	**2,079,217**	**2,079,217**
	45,420,911	**-**	**2,079,217**	**47,500,128**
December 2010				
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	9,166,100	-	-	9,166,100
Loans and advances to customers	-	-	24,143,692	24,143,692
Investment securities	-	1,199,078	-	1,199,078
	9,166,100	1,199,078	24,143,692	34,508,870
Financial liabilities				
Deposits from customers	29,679,349	-	-	29,679,349
Short term loan	-	-	3,750,244	3,750,244
	29,679,349	-	3,750,244	33,429,593

COMPANY				
31 December 2011				
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**11,140,381**	**-**	**-**	**11,140,381**
Loans and advances to customers	**-**	**-**	**36,013,145**	**36,013,145**
Investment securities	**-**	**2,984,295**	**-**	**2,984,295**
	11,140,381	**2,984,295**	**36,013,145**	**50,137,821**
Financial liabilities				
Deposits from customers	**45,458,670**	**-**	**-**	**45,458,670**
Short term loan	**-**	**-**	**2,079,217**	**2,079,217**
	45,420,911	**-**	**2,079,217**	**47,537,887**
December 2010				
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	9,134,059	-	-	9,134,059
Loans and advances to customers	-	-	24,143,692	24,143,692
Investment securities	-	1,199,078	-	1,199,078
	9,166,100	1,199,078	24,143,692	34,476,892
Financial liabilities				
Deposits from customers	29,729,985	-	-	29,729,985
Short term loan	-	-	3,750,244	3,750,244
	29,729,985	-	3,750,244	33,480,229

Notes to the Consolidated and Separate Financial Statements (continued)

As at 31 December 2011

In thousands of Malawi Kwacha

6. Accounting classifications and fair values of financial instruments (continued)

GROUP

	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
31 December 2011					
Cash and cash equivalents	**11,145,477**	**-**	**-**	**11,145,477**	**11,145,477**
Loans and advances to customers	**-**	**36,007,914**	**-**	**36,007,914**	**36,007,914**
Investment securities	**2,984,295**	**-**	**-**	**2,984,295**	**2,984,295**
Total	**14,129,772**	**36,007,914**	**-**	**50,137,686**	**50,137,686**
Deposits from customers	**-**	**-**	**45,420,911**	**39,975,234**	**45,420,911**
Short term loan	**-**	**-**	**2,079,217**	**2,119,048**	**2,079,217**
Total	**-**	**-**	**47,500,128**	**42,094,282**	**47,500,128**
31 December 2010					
Cash and cash equivalents	9,166,100	-	-	9,166,100	9,166,100
Loans and advances to customers	-	24,143,692	-	24,143,692	24,143,692
Investment securities	1,199,078	-	-	1,199,078	1,199,078
Total	10,365,178	24,143,692	-	34,508,870	34,508,870
Trading liabilities					
Deposits from customers	-	-	29,679,349	29,679,349	29,679,349
Short term loan	-	-	3,750,244	3,750,244	3,750,244
Total	-	-	33,429,593	33,429,593	33,429,593

COMPANY

	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
31 December 2011					
Cash and cash equivalents	**11,140,381**	**-**	**-**	**11,140,381**	**11,145,477**
Loans and advances to customers	**-**	**36,013,145**	**-**	**36,013,145**	**36,007,914**
Investment securities	**2,984,295**	**-**	**-**	**2,984,295**	**2,984,295**
Total	**14,124,676**	**36,013,145**	**-**	**50,137,821**	**50,137,686**
Deposits from customers	**-**	**-**	**45,458,670**	**45,458,670**	**45,458,670**
Short term loan	**-**	**-**	**2,079,217**	**2,079,217**	**2,079,217**
Total	**-**	**-**	**47,537,887**	**47,537,887**	**47,537,887**
31 December 2010					
Cash and cash equivalents	9,134,059	-	-	9,134,059	9,134,059
Loans and advances to customers	-	24,143,692	-	24,143,692	24,143,692
Investment securities	1,199,078	-	-	1,199,078	1,199,078
Total	10,333,137	24,143,692	-	34,476,829	34,476,829
Trading liabilities					
Deposits from customers	-	-	29,729,985	29,729,985	29,729,985
Short term loan	-	-	3,750,244	3,750,244	3,750,244
Total	-	-	33,480,229	33,480,229	33,480,229

In thousands of Malawi Kwacha

6. Accounting classifications and fair values (continued)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table:

- Malawi Government Treasury Bills
  The fair value is based on quoted market prices, if available, or is calculated based on discounted expected future principal and interest cash flows.

- Malawi Government Local Registered Stocks
  The amortised cost is estimated as the present value of future cash flows, discounted at effective interest rates.

- Loans and receivables
  The amortised cost is estimated as the present value of future cash flows, discounted at effective interest rates.

  For receivables and payables with a remaining life of less than one period, the carrying amount is deemed to reflect the fair value. All other receivables and other payables are discounted to determine the fair value.

7. Cash and cash equivalents

	GROUP		COMPANY	
	2011	2010	**2011**	2010
Cash balances	**1,657,923**	1,093,444	**1,655,088**	1,080,569
Balance with Reserve Bank of Malawi	**7,663,934**	4,962,780	**7,663,934**	4,962,780
Balances due from other banks	**838,142**	2,065,990	**835,881**	2,046,824
Money market investments due within 3 months (note 11)	**985,478**	1,043,886	**985,478**	1,043,886
Cash and cash equivalents	**11,145,477**	9,166,100	**11,140,381**	9,134,059

8. Other assets

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Consumable stationery	**60,908**	40,737	**60,908**	40,737
Prepayments and sundry debtors	**794,172**	447,759	**768,618**	354,099
Forward Contracts	**-**	301,602	**-**	301,602
Cheques in course of collection	**1,217,208**	233,790	**1,217,208**	233,790
	2,072,288	1,023,888	**2,046,734**	930,228

9. Intercompany balances

	COMPANY	
	2011	2010
Due from NBS Forex Bureau Limited		
Balance at 1 January	**86,694**	-
Additions during the year	**33,334**	86,694
Balance at 31 December	**120,028**	86,694
Due to NBS Forex Bureau Limited		
Balance at 1 January	**33,545**	-
(Repayments)/additions during the year	**(308)**	33,545
Balance at 31 December	**33,237**	33,545

In thousands of Malawi Kwacha

10. Loans and advances to customers

	GROUP	COMPANY	GROUP AND COMPANY
	2011	**2011**	**2010**
Loans and overdrafts	**26,146,953**	**26,152,184**	16,227,945
Lease contracts	**2,583,247**	**2,583,247**	2,180,952
Mortgage advances	**7,937,928**	**7,937,928**	6,306,725
Total gross loans and advances	**36,668,128**	**36,673,359**	24,715,622
Allowance for impairment	**(660,214)**	**(660,214)**	(571,930)
Net loans and advances	**36,007,914**	**36,013,145**	24,143,692
Total loans and advances are due to mature as follows:			
• Within one year	**15,528,288**	**15,528,288**	8,817,693
• After one year	**21,139,840**	**21,145,071**	15,897,929
	36,668,128	**36,673,359**	24,715,622
Movement on allowance for impairment:-			
At beginning of year	**571,930**	**571,930**	349,026
Amounts written-off	**(100,934)**	**(100,934)**	(46,778)
Increase in impairment net of recoveries	**189,218**	**189,218**	269,682
Balance at end of year	**660,214**	**660,214**	571,930

Loans and advances to customers include the following finance lease receivables for leases of equipment where the group is a lessor:-

Gross investment in finance leases receivable:	GROUP AND COMPANY	
	2011	2010
Receivable less than one year	**1,171,243**	1,078,358
Receivable more than one year	**2,283,373**	2,003,520
	3,454,616	3,081,878
Unearned finance income	**(871,369)**	(900,926)
Net investment in finance leases	**2,583,247**	2,180,952
Net investment in finance leases, receivable:		
Less than one year	**529,890**	753,693
Between one and five years	**2,053,357**	1,427,259
	2,583,247	2,180,952

11. Money market investments

Government of Malawi and Reserve Bank of Malawi bills	**3,699,141**	1,863,043
Government of Malawi Local Registered Stocks	**270,632**	379,921
Total investments	**3,969,773**	2,242,964
The investments are due to mature as follows:-		
• Within three months (Note 7)	**985,478**	1,043,886
• Between three months and one year	**2,984,295**	1,199,078
	3,969,773	2,242,964

Money market investments with maturity of less than three months are classified cash and cash equivalents.

In thousands of Malawi Kwacha

12. Property and equipment

	Leasehold Land and Buildings	Motor vehicles, fixtures and fittings	Capital work in progress	2011 Total
GROUP				
2011				
Cost or valuation				
Balance at 1 January 2011	**752,260**	**2,477,934**	**887,096**	**4,117,290**
Additions during the year	**191,356**	**508,087**	**351,374**	**1,050,817**
Transfer within classes	**-**	**181,373**	**(181,373)**	**-**
Transfers to intangible assets (note 13)	**-**	**-**	**(70,828)**	**(70,828)**
Disposal during the year	**-**	**(34,429)**	**-**	**(34,429)**
Balance at 31 December 2011	**943,616**	**3,132,965**	**986,269**	**5,062,850**
Comprising of:				
Valuation	**742,658**	**-**	**-**	**742,658**
Cost	**200,958**	**3,132,965**	**986,269**	**4,320,192**
	943,616	**3,132,965**	**986,269**	**5,062,850**
Accumulated depreciation and impairment losses				
Balance at 1 January	**18,865**	**1,026,503**	**-**	**1,045,368**
Charge for the year	**19,023**	**328,739**	**-**	**347,762**
Eliminated on disposal	**-**	**(24,313)**	**-**	**(24,313)**
Balance at 31 December 2011	**37,888**	**1,330,929**	**-**	**1,368,817**
Carrying amount				
At 31 December 2011	**905,728**	**1,802,036**	**986,269**	**3,694,033**

	Leasehold Land and Buildings	Motor vehicles, fixtures and fittings	Capital work in progress	Total
GROUP				
2010				
Cost or valuation				
Balance at 1 January 2010	752,260	1,825,652	812,382	3,390,294
Additions	-	347,576	432,592	780,168
Transfers within classes	-	323,907	(323,907)	-
Transfer to intangible assets (note 13)	-	-	(33,971)	(33,971)
Disposals	-	(19,201)	-	(19,201)
Balance at 31 December 2010	752,260	2,477,934	887,096	4,117,290
Comprising of:				
Valuation	742,658	41,412	-	784,070
Cost	9,602	2,436,522	887,096	3,333,220
	752,260	2,477,934	887,096	4,117,290
Accumulated depreciation and impairment losses				
Balance at 1 January 2010	-	777,996	-	777,996
Charge for the year	18,865	266,601	-	285,466
Eliminated on disposal	-	(18,094)	-	(18,094)
Balance at 31 December 2010	18,865	1,026,503	-	1,045,368
Carrying amount				
At 31 December 2010	733,395	1,451,431	887,096	3,071,922

In thousands of Malawi Kwacha

12. Property and equipment (continued)

	Leasehold Land and Buildings	Motor vehicles, fixtures and fittings	Capital work in progress	2011 Total
COMPANY				
2011				
Cost or valuation				
Balance at 1 January 2011	**752,260**	**2,428,508**	**887,096**	**4,067,864**
Additions	**191,356**	**489,219**	**351,374**	**1,031,949**
Transfers within classes	**-**	**181,373**	**(181,373)**	**-**
Transfers to intangible assets (note 13)	**-**	**-**	**(70,828)**	**(70,828)**
Disposals	**-**	**(34,429)**	**-**	**(34,429)**
Balance at 31 December 2011	**943,616**	**3,064,671**	**986,269**	**4,994,556**
Comprising of:				
Valuation	**742,658**	**41,412**	**-**	**784,070**
Cost	**200,958**	**3,023,259**	**986,269**	**4,210,486**
	943,616	**3,064,671**	**986,269**	**4,994,556**
Accumulated depreciation and impairment losses				
Balance at 1 January 2011	**18,865**	**1,021,027**	**-**	**1,039,892**
Charge for the year	**19,023**	**319,597**	**-**	**338,620**
Eliminated on disposal	**-**	**(24,313)**	**-**	**(24,313)**
Balance at 31 December 2011	**37,888**	**1,316,311**	**-**	**1,354,199**
Carrying amount				
At 31 December 2011	**905,728**	**1,748,360**	**986,269**	**3,640,357**

COMPANY				
2010				
Cost or valuation				
Balance at 1 January 2010	752,260	1,825,652	812,382	3,390,294
Additions	-	298,150	432,592	730,742
Disposals	-	(19,201)	-	(19,201)
Transfers within classes	-	323,907	(323,907)	-
Transfer to intangible assets (note 13)	-	-	(33,971)	(33,971)
Balance at 31 December 2010	752,260	2,428,508	887,096	4,067,864
Comprising of:				
Valuation	742,658	41,412	-	784,070
Cost	9,602	2,387,096	887,096	3,283,794
	752,260	2,428,508	887,096	4,067,864
Accumulated depreciation and impairment losses				
Balance at 1 January 2010	-	777,996	-	777,996
Charge for the year	18,865	261,125	-	279,990
Eliminated on disposal	-	(18,094)	-	(18,094)
Balance at 31 December 2010	18,865	1,021,027	-	1,039,892
Carrying amount				
At 31 December 2010	733,395	1,407,481	887,096	3,027,972

In thousands of Malawi Kwacha

12. Property and equipment (continued)

Register of land and building giving details as required under the Companies Act 1984, Schedule 3, Section 16 are maintained at the registered office of the Group and company are open for inspection by members or their duly authorised agents.

Leasehold land and buildings were last revalued on 31 December 2009 by S D Banda BSc, MSIM, MRICS, Chartered Quality Surveyor, an independent valuer not connected to the Group, on a current, open market value. Under the method used, accumulated depreciation was eliminated against the gross carrying amount and the net amount restated to the revalued amount. The resultant surplus was taken to revaluation reserve.

Capital work in progress represents renovation work and software implementation and upgrade costs.

13. Intangible assets

	GROUP		COMPANY	
	2011 Total	2010 Total	**2011 Total**	2010 Total
Cost				
Balance at 1 January	**118,905**	81,438	**118,905**	81,438
Additions	**12,756**	3,496	**12,756**	3,496
Transfer from work in progress (Note 12)	**70,828**	33,971	**70,828**	33,971
Balance at 31 December	**202,489**	118,905	**202,489**	118,905
Accumulated amortization and impairment				
Balance at 1 January	**47,513**	27,753	**47,513**	27,753
Amortization for the year	**23,528**	19,760	**23,528**	19,760
Balance at 31 December	**71,041**	47,513	**71,041**	47,513
Carrying amount				
At 31 December	**131,448**	71,392	**131,448**	71,392

Intangible assets relate to purchased software.

14. Equity investment

NICO Properties Limited	**18,665**	18,665	**18,665**	18,665
NBS Forex Bureau Limited	**-**	-	**42,600**	42,600
	18,665	18,665	**61,265**	61,265

NBS Bank Limited holds 100% shareholding in NBS Forex Bureau Limited and 2.5% in NICO Properties Limited.

15. Customer deposits

	GROUP AND COMPANY	
	2011	**2010**
Current accounts	**14,835,475**	4,602,870
Savings accounts	**10,173,409**	8,638,460
Investments accounts	**6,941,151**	5,882,305
	31,950,035	19,123,635
Term deposit accounts		
Maturing within 3 months	**3,121,517**	8,047,995
Maturing between 3 and 12 months	**9,238,816**	214,886
	12,360,333	8,262,881

In thousands of Malawi Kwacha

16. Short-term loan

	GROUP AND COMPANY	
	2011	2010
PTA Bank	**1,772,785**	3,028,773
International Finance Corporation (IFC)	**85,300**	235,278
NORSAD	**182,476**	381,448
Pension funds loan	**18,646**	84,735
	2,059,207	3,730,234

Analysed as follows;

	IFC	NORSAD	Pension Funds	PTA	Total
Balance at 1 January 2011	235,278	381,448	84,735	3,028,773	3,730,234
Interest charges	17,127	20,921	10,964	225,739	274,751
Repayment during the year	(167,105)	(219,893)	(77,053)	(1,481,727)	(1,945,778)
Balance at 31 December 2011	85,300	182,476	18,646	1,772,785	2,059,207

International Finance Corporation approved an unsecured loan of USD 3 million to NBS Bank Limited in August 2007 at an agreed fixed rate of 8.6% per annum repayable in 5 years commencing 15 July 2009. This loan is used for onward lending to Small Medium Enterprises with a maximum repayment period of 2 years.

NORSAD approved a loan of USD 5 million to NBS Bank Limited on 23 January 2007 at an agreed fixed rate of 6.5% per annum out of which USD 2 million has been drawn. This loan is used for onward lending to viable Small Medium Enterprises in Malawi that are environmentally friendly and export oriented. This loan has a repayment period of 5 years and is guaranteed by NICO Holdings Limited in the sum of USD 3 million.

Pension funds loan is for a 5 year term effective June 2006 at prime interest +2% and was utilized in renovating the NBS Bank Limited, Blantyre Branch property. The loan is secured through a guarantee by NICO Holdings Limited in the sum of K200 million.

The Bank acquired a short-term loan facility of US $ 20 million from PTA Bank with interest at 7.25% per annum in December 2010 renewable every six months.

17. Other liabilities

	GROUP		COMPANY	
	2011	2010	**2011**	2010
Unpresented cheques	**73,554**	65,981	**73,554**	65,981
Accruals	**1,267,964**	595,415	**1,348,510**	595,415
PAYE and other taxes	**131,153**	124,434	**131,821**	124,434
Bills payable	**99,671**	271,219	**99,671**	270,038
	1,572,342	1,057,049	**1,653,556**	1,055,868

18. Long-term loans

	GROUP AND COMPANY	
	2011	2010
Malawi Government	**20,010**	20,010

The Malawi Government loan represents an IDA credit which was loaned to Malawi Housing Corporation for the construction of low cost housing. Interest on the loan, originally at 7% per annum, was suspended. The Bank repays the loan through offsetting receipts by Malawi Housing Corporation to Malawi Government under the varied terms of the contract. The loan is secured through a guarantee by the Malawi Government.

In thousands of Malawi Kwacha

19. Provisions

(a) Severance provisions

	GROUP AND COMPANY	
	2011	2010
Balance at 1 January	**471,087**	374,257
Pending transfer to Pension Fund	**(73,436)**	-
Amount paid	**-**	(1,293)
(Decrease)/increase in provision	**(397,651)**	98,123
Balance at 31 December	**-**	471,087

The Pensions Act 2010, effectively compels employers to maintain pension funds. The Pensions Act makes it mandatory for the employer to pay to the pension fund accrued amounts of the severance pay to the extent that the employer accumulated pension contribution is lower than the severance pay provision. The Group ascertained the accumulated pension for each employee, and made a comparison with the carrying amount of the severance pay. The resultant shortfall to be paid into the pension fund was transferred to pension liability. The balance on provision for severance pay after the transfer of MK73 million to pensions liability was reversed on 1 June 2011

(b) Deferred tax assets and liability

GROUP	2011			2010		
	Assets	**Liability**	**Net**	Assets	Liability	Net
Capital allowances on						
Property and equipment	**-**	**(254,993)**	**(254,993)**	-	(153,544)	(153,544)
Fair value adjustments	**3,572**	**-**	**3,572**	-	(6,725)	(6,725)
Severance provision	**22,031**	**-**	**22,031**	141,326	-	141,326
Others	**31,387**	**(29,889)**	**1,498**	14,025	(13,328)	697
	56,990	**(284,882)**	**(227,892)**	155,351	(173,597)	(18,246)

COMPANY	2011			2010		
	Assets	**Liability**	**Net**	Assets	Liability	Net
Capital allowances on						
Property and equipment	**-**	**(254,993)**	**(254,993)**	-	(153,544)	(153,544)
Fair value adjustments	**3,572**	**-**	**3,572**	-	(6,725)	(6,725)
Severance provision	**22,031**	**-**	**22,031**	141,326	-	141,326
Others	**43,907**	**(29,889)**	**14,018**	37,064	(13,328)	23,736
	69,510	**(284,882)**	**(215,372)**	178,390	(173,597)	4,793

In thousands of Malawi Kwacha

19. Provisions (continued)

Movement in temporary differences during the period was as follows:-

GROUP	As at 1 January 2011	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 December 2011
Property and equipment	(153,544)	(101,449)	-	(254,993)
Fair value adjustment	(6,725)	-	10,297	3,572
Severance provision	141,326	(119,295)	-	22,031
Other	697	801	-	1,498
	(18,246)	(219,943)	10,297	(227,892)
COMPANY				
Property and equipment	(153,544)	(101,449)	-	(254,993)
Fair value adjustment	(6,725)	-	10,297	3,572
Severance provision	141,326	(119,295)	-	22,031
Other	23,736	(9,718)	-	14,018
	4,793	(230,462)	10,297	(215,372)

(c) Unrecognised deferred tax assets and liabilities –Group

The subsidiary has a deferred tax asset of MK17.7 million in respect of losses carried forward which are subject of agreement with Malawi Revenue Authority. In addition, the Company has a deferred tax asset of MK30.266 million which has not been recognised by the Group as it represents the deferred tax effect of the unrealised loss of investment in the subsidiary company.

20. Share capital

GROUP AND COMPANY		2011	2010
Authorised share capital (MK'000)		**500,000**	350,000

1,000,000,000 (2010: 700,000,000) Ordinary Shares of MK0.50 each.
The holders of ordinary shares are entitled to receive dividends as declared from time to time.

Issued and fully paid (thousands of shares)		**727,643**	520,743
The movement in share capital during the period was as follows:-			
	No of shares	**2011**	2010
At 1 January issued and fully paid shares of 50t each	520,743,333	**260,372**	246,667
Bonus shares issued on 31 December 2010	-	**-**	13,705
Shares issued - 31 December 2011	206,900,006	**103,450**	-
Total shares issued at end of year	727,643,339	**363,822**	260,372

Bonus shares were issued out of retained earnings as follows:-		
Bonus shares	**-**	13,705
Share premium	**-**	287,808
Transaction cost	**-**	57,205
Retained earnings apportionment	**-**	358,718

A total of 206,900,006 were issued during the year 2011, 102,950,957 shares were issued at a 10% discounted price of MK9.60 to IFC Holding Limited through a private placement completed in September 2011 and a Rights Issue for 103,949,049 pro-rata to shareholding was completed in December 2011.

In thousands of Malawi Kwacha

21. Share Premium

	2011	2010
Share premium	2,323,895	602,756

Share premium arose from the transfer of balances on revenue and general reserves on the conversion of New Building Society to NBS Bank Limited, excess of share value over book value on listing, private placement, rights issue and on issue of bonus shares net of issue costs as follows:

	2011	2010
Balance pre-listing	164,637	164,637
Share issue on listing	150,311	150,311
Share issue	1,721,139	-
Bonus issue	287,808	287,808
Total	2,323,895	602,756

22. Revaluation reserve

	2011	2010
The revaluation reserve relates to the surplus arising on the revaluation of properties, motor vehicles, equipment and fittings. Surplus for the year is included in statement of comprehensive income. This is not available for distribution to owners until realized.	290,207	297,648

23. Loan loss reserve

	2011	2010
Loan loss reserve represents an appropriation from profits as additional provisions to meet the requirements of Reserve Bank of Malawi Limited. The directors are of the opinion that the provisions are adequate for the loan book.	-	124,202

24. Fair value reserve

	2011	2010
The fair value reserve includes the cumulative net change in the fair value of available for sale investments measured at fair value through other comprehensive income, excluding impairment losses, until the investment is derecognized.	(8,336)	14,264

25. Net interest income

	GROUP		COMPANY	
Interest income	2011	2010	2011	2010
Related party loans	78,419	33,924	78,419	33,924
Personal loans	612,633	472,188	612,633	472,188
Corporate loans	1,326,672	759,472	1,326,672	759,472
Short-term loan	52,682	59,505	52,682	59,505
Mortgage Loans	1,338,679	1,107,654	1,338,679	1,108,993
Tobacco loans	200,080	109,316	200,080	109,316
Investment securities	221,949	247,971	221,949	247,971
Overdrafts	1,556,635	1,215,605	1,560,708	1,215,605
Lease Contracts	427,567	426,649	427,567	426,649
Interest - Norsad/IFC loans	196,731	169,821	196,731	169,821
Total interest income	6,012,047	4,602,105	6,016,120	4,603,444
Interest expense				
Current Accounts	92,699	35,189	95,699	35,805
Savings Deposits	287,849	225,090	287,849	225,090
Investment Deposits	405,280	221,091	405,280	221,091
Fixed Deposits	789,889	776,721	789,889	776,721
FCD Accounts	42,642	22,361	42,642	22,361
Inter-Company - borrowing	-	40,006	-	40,006
Interest - Norsad/IFC/PTA loans	265,399	72,645	265,399	72,645
Total interest expense	1,883,758	1,393,103	1,886,758	1,393,719
Net interest income	4,128,289	3,209,002	4,129,362	3,209,725

In thousands of Malawi Kwacha

26. Fees, commission and other charges

	GROUP		COMPANY	
Income	**2011**	**2010**	**2011**	**2010**
Bank charges and commission	**1,475,954**	1,232,625	**1,495,096**	1,242,232
Income from ATM Transactions	**240,574**	199,586	**240,574**	199,586
VISA Income	**61,525**	29,798	**61,525**	29,798
	1,778,053	1,462,009	**1,797,195**	1,471,616
Expense				
Bank charges	**(14,651)**	(11,742)	**(14,651)**	(11,742)
Net fees and commission income	**1,763,402**	1,450,267	**1,782,544**	1,459,874

27. Other operating income

	GROUP AND COMPANY	
	2011	2010
Rental Income	**7,593**	10,990
Reversal of severance	**397,651**	-
Profit on disposal of property and equipment	**-**	11,738
	405,244	22,728

28. Personnel expenses

	GROUP		COMPANY	
	2011	2010	**2011**	2010
Salaries and wages	**1,053,665**	877,030	**1,031,894**	861,827
Staff bonus	**217,056**	206,132	**217,056**	206,132
Other expenses	**365,672**	297,323	**359,904**	293,085
Mortgage loan subsidy	**92,604**	79,574	**90,329**	77,543
Christmas pay expenses	**3,922**	6,848	**3,922**	6,793
Severance pay provision	**-**	98,123	**-**	98,123
Training expenses	**56,807**	58,562	**56,807**	58,549
Management car scheme	**88,520**	86,887	**88,520**	86,887
	1,878,246	1,710,479	**1,848,432**	1,688,939

29. Other operating costs

Accommodation costs	**376,379**	307,105	**362,934**	295,235
Auditors' remuneration:-				
Current period fees	**10,550**	15,800	**9,800**	14,700
Other audit expenses and VAT	**2,358**	6,314	**2,470**	6,036
Cash collection expenses	**49,827**	32,596	**48,856**	31,759
Communication costs	**568,926**	514,698	**561,511**	509,497
Company shared expenses	**22,057**	3,675	**22,057**	3,675
Directors expenses	**4,122**	4,538	**4,122**	4,538
Directors remuneration	**6,641**	6,181	**6,641**	6,181
General expenses	**86,205**	86,635	**84,122**	85,791
Legal and professional fees	**54,040**	73,090	**53,824**	72,070
Loan commitment fees	**-**	37,700	**-**	37,700
Loan interest	**10,964**	25,036	**10,964**	25,036
Malawi Stock Exchange listing fees	**7,057**	6,000	**7,057**	6,000
NICO Management fees	**13,180**	-	**13,180**	-
Projects and conferences expenses	**21,259**	30,233	**21,259**	30,233
Provision for advance to subsidiary	**-**	-	**-**	100,887
Restructuring expenses	**48,850**	14,603	**48,850**	14,603
Security expenses	**79,759**	52,293	**75,644**	50,017
Sundry business charges	**50,781**	63,810	**50,460**	63,810
Transfer Secretarial Expenses	**10,386**	9,031	**10,386**	9,031
	1,423,341	1,289,338	**1,394,137**	1,366,799

In thousands of Malawi Kwacha

30. Income tax expense

	GROUP		COMPANY	
	2011	2010	2011	2010
Current tax expense	626,060	680,573	626,060	680,573
Overprovision in prior years	-	(5,625)	-	(5,625)
Tax losses carried forward	(10,519)	(7,227)	-	-
Origination and reversal of temporary differences	230,462	26,156	230,462	(4,110)
Total income tax charge	846,003	693,877	856,522	670,838
Reconciliation of tax charge				
Profit before tax	2,532,025	2,098,088	2,569,306	2,025,367
Income tax using corporate tax rate	765,834	629,426	771,019	607,610
Non-deductible expenses	33,840	49,115	39,174	47,939
Deferred tax	46,329	-	46,329	-
Under-provision for tax in prior years	-	15,336	-	15,289
	846,003	693,877	856,522	670,838

The losses in the subsidiary carried forward are subject to agreement with the Malawi Revenue Authority.

31. Earnings per share

The calculation of basic and diluted earnings per share is based on the net profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the period calculated as follows:

	GROUP	
	2011	2010
Net profit attributable to ordinary shareholders	1,686,022	1,404,211
Weighted average number of ordinary shares	555,143	493,333
Basic earnings per share (MK)	3.04	2.85
Diluted earnings per share (MK)	3.04	2.85

32. Capital commitments

As at 31 December 2011, the contracted but not yet incurred capital commitments were **MK97 million.**

The authorised but not yet contracted for commitments as at 31 December 2011 were **MK1,184 million.**

These commitments are to be funded from internal resources.

33. Inflation and exchange rates

Exchange rates as at 31 December

	2011	2010
United States Dollar (USD)	165.97	150.80
British Pound (GBP)	259.38	235.49
South African Rand (ZAR)	20.84	23.70
Inflation rates as at 31 December	9.8%	6.3%

There were no significant movements in both exchange rate and inflation at the time of the approval of the Consolidated and separate financial statements.

34. Contingent Liabilities

The Bank is a defendant to several cases which are outstanding in the courts of Malawi. While liability is not admitted, if the defence against the actions is unsuccessful, then the Group would pay the claims including legal costs. Based on legal advice, the directors are of the opinion that the outcome of the action may not have material effect on the Group's financial position.

35. Guarantees

The Group guarantees repayment of mortgage loans to NICO Life Insurance Company for its staff. Staff mortgages and all mortgage securities are registered in the Group's favour. The Group pays an interest subsidy on behalf of employees and the related fringe benefits tax inclusive of subsidy are included under staff costs. At 31 December 2011 guaranteed staff mortgages were **MK741 million** (December 2010: MK529 million).

In thousands of Malawi Kwacha

36(a). Related parties transactions

Identity of related parties

The Group has control relationship with parent Company and fellow subsidiaries. All transactions are at arms length. During the year and at year end, the following transactions and balances, respectively, were made:

Related Party	Relationship	Type of Transaction	Value of Transaction MK'000 Dec. 2011	Balance of Transaction MK'000 Dec. 2011	Amount of Transaction MK'000 Dec. 2010	Balance of Transaction MK'000 Dec. 2010
NICO Holdings Limited	**Holding Company**	Company account interest income	349	-	244	-
		Company account interest expense	(14,735)	-	(675)	-
		Dividend	(265,579)	-	(177,600)	-
		Company Account	-	(36,854)	-	-
		Fixed deposit interest	(3,164)	-	(96)	(11,169)
		Shared expenses	(22,833)	(3,861)	(7,623)	-
		Fixed deposit	(549,348)	-	-	(20,067)
NICO Life Insurance Limited	**Company**	Management fees	6,473	617	5,217	-
		Bank account	-	(373,570)	-	(1,581,889)
		Bank account Interest Income	2,280	-	3,818	-
		Bank account Interest expense	(2,345)	-	(1,197)	-
		Fixed deposit	(14,263,169)	(1,837,726)	-	(507,044)
		Fixed deposit Interest Expense	(177,747)	-	(83,566)	-
		Rent Expense	(8,740)	-	(7,683)	-
		Loan	-	(12,537)	-	(42,368)
		Loan Interest Expense	(5,237)	-	-	-
		Bank account	-	89	(13,201)	77
		Pension Contribution & premiums	(160,202)	-	(136,119)	-
NICO General Insurance Limited	**Company**	Bank account Interest Income	1,363	-	606	-
		Bank account Interest Expense	(3,645)	-	(6,953)	-
		Fixed deposit	(2,921,733)	(616,574)	-	(72,279)
		Fixed deposit interest expense	(22,701)	-	-	-
		Loan interest expense	(1,097)	-	(17,635)	-
		Loan	-	(1,865)	(2,504)	(8,474)
		General insurance premiums	(69,908)	-	-	-
		Bank account	-	(102,230)	(52,676)	(134,828)
		Bank account	-	135	-	6
NICO Technologies Limited	**Company**	Technical support	(4,002)	(1,407)	(3,331)	(1,103)
		Bank account	-	(664)	-	(10,915)
		Bank account interest income	220	-	319	-
		Fixed deposit	(51,221)	(12,126)	-	(5,432)
		Bank account interest expense	(36)	-	(61)	-
		Fixed deposit interest	(239)	-	(594)	-
NICO Asset Management Limited	**Company**	Bank account	-	(11,214)	-	(6,388)
		Bank account interest income	138	-	271	-
		Bank account interest expense	(38)	-	(49)	-
		Fixed deposit	(165,889)	(8,188)	-	(96,917)
		Fixed deposit interest	(2,595)	-	(2,606)	-
Directors and Executive Officers	**Directors/ Managers**	Directors remuneration	(2,476)	-	(2,419)	-
		Executive managers	-	-	-	-
		remuneration	(66,579)	-	(59,757)	-
		Interest on Directors and	-	-	-	-
		Executive Managers loans	26,223	-	29,925	-
		Loans	-	191,347	-	213,563

In thousands of Malawi Kwacha

36(b). Related party transactions (continued)

Transactions with Directors, Management and staff

Directors, Management and their immediate relatives have transacted with the group during the year as follows:

	Directors and their related parties	Employees	Directors and their related parties	Employees
	2011	**2011**	2010	2010
Advances	**191,347**	**439,000**	213,563	406,921
Deposits	**(8,828)**	**(22,888)**	(5,753)	(34,513)
Net balances	**182,519**	**416,112**	207,810	372,408
Interest received	**26,223**	**16,681**	31,430	58,279
Interest paid	**-**	**(148)**	(10)	(435)
	26,223	**16,533**	31,420	57,844

Advances to directors and parties related thereto are conducted at arms length and deemed to be adequately secured. Advances to staff comprise **MK90 million** (2010: MK73 million) interest free loans and **MK198 million** (2010: MK173 million) at an interest rate of 9.5% the remaining balance of **MK151 million** (2010: MK161 million) carries commercial interest rates.

Advances to related parties at concessionary rates of interest are valued at the present value of expected future repayments of the advances discounted at a pre-tax discount rate that equates to the interest rate charged by the Bank on similar loans to non-related parties. Consequently, an allowance for impairment losses of MK1.9 million (2010: MK6 million) has been made against low interest advances to employees. No other impairment losses have been recorded against loans to related parties.

Directors' and managements' compensation for the year comprised:

	GROUP	GROUP
	2011	2010
Executive Managers' salary	**66,579**	43,200
Executive Directors' remuneration	**6,641**	6,181
Executive Managers' bonus	**6,646**	9,771

37. Grant received

The Bank received a grant of USD 200,000 (MK29 million) in support of its outreach project of focusing on economically active impoverished customers. The project ran for two years from November 2009 to the last quarter of 2011. The funds were to be used according to agreed indicative budget parameters that focus on economically active impoverished clients.

In thousands of Malawi Kwacha

38. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's service outlets location and internal reporting structure.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment and intangible assets other than goodwill.

Geographical segment

Information provided to the Group's Chief Operating Decision Makers is classified by region as follows:

- Northern Region — Includes loans, deposits and other transactions and balances with corporate customers in the northern region.
- Central Region — Includes loans, deposits and other transactions and balances with retail customers in the central region.
- Southern Region — Includes loans, deposits and other transactions and balances with retail customers in the southern region. It also includes the Group's funding and centralized risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placement and corporate Government debt securities.

2011	Note	Northern Region	Central Region	Southern Region	Shared services	Total
Net interest income	25	119,919	672,752	1,633,541	1,702,077	4,128,289
Other operating income		235,721	492,393	634,383	1,265,444	2,627,941
Operating expenses		(300,317)	(654,189)	(674,152)	(2,406,329)	(4,034,987)
Total segment revenue		55,323	510,956	1,593,772	561,192	2,721,243
Segment contribution		55,323	510,956	1,593,772	561,192	2,721,243
Impairment losses on financial assets	10	-	-	-	(189,218)	(189,218)
Reportable profit for the period before income tax		55,323	510,956	1,593,772	371,974	2,532,025
Reportable segment assets		1,051,992	5,803,379	14,901,617	34,354,122	56,111,110
Total assets		1,051,992	5,803,379	14,901,617	34,354,122	56,111,110
Reportable segment liabilities		2,603,53	13,861,678	25,378,649	14,267,247	56,111,110
Income tax expenditure	30				(846,003)	(846,003)
Depreciation and amortisation	12,13				371,290	371,290
Capital expenditure	12,13				783,664	783,664

In thousands of Malawi Kwacha

38. Segment reporting (continued)

2010	Note	Northern Region	Central Region	Southern Region	Shared services	Total
Net interest income	25	68,846	520,096	945,252	1,674,808	3,209,002
Other operating income		229,836	426,435	586,979	1,576,708	2,819,958
Operating expenses		(196,290)	(409,281)	(378,180)	(2,677,439)	(3,661,190)
Total segment revenue		102,392	537,250	1,154,051	574,077	2,367,770
Segment contribution		102,392	537,250	1,154,051	574,077	2,367,770
Impairment losses on financial assets	10	-	-	-	(269,682)	(269,682)
Reportable profit for the period before income tax		102,392	537,250	1,154,051	304,395	2,098,088
Reportable segment assets		868,330	3,631,878	6,299,244	28,050,636	38,850,088
Total assets		868,330	3,631,878	6,299,244	28,050,636	38,850,088
Reportable segment liabilities		2,263,598	6,584,951	11,121,032	18,880,507	38,850,088
Total liabilities		2,263,598	6,584,951	11,121,032	18,880,507	38,850,088
Income tax expense	30	-	-	-	(693,877)	(693,877)
Depreciation and amortization	12,13	-	-	-	305,226	305,226
Capital expenditure	12,13	-	-	-	783,664	783,664

The Group segments its business by the regions in which it operates as results of the risk that is attached to each region. A significant portion of its lending in the agricultural sector carries varying risks in these regions.

The Group transacts a significant portion of its business with the Malawi Government and its related statutory corporations and institutions where related revenue is in excess of 10% of the Group's total revenues.

39. Subsequent events

Subsequent to reporting date, no events have occurred requiring adjustments to or disclosures in these financial statements.

Shareholding Statistics

for NBS Bank Limited as at 31 December 2011

Industry Codes

Industry	Holders	Holder %	Total Shares	Shares %
Local Company	76	1.15%	369,112,335	50.73%
Foreign Company	4	0.06%	138,132,467	18.98%
Resident Ind	6,371	96.38%	121,992,152	16.77%
Invest/Trust etc.	42	0.64%	47,727,901	6.56%
Pension/Provident	22	0.33%	25,119,407	3.45%
Banks/Nominees	39	0.59%	13,193,638	1.81%
Insurance/Assurance	8	0.12%	7,349,616	1.01%
Other Corp	18	0.27%	3,335,109	0.46%
Non Resident	30	0.45%	1,680,714	0.23%
Grand Total of Holders	**6,610**	**Grand Total of Shares**	**727,643,339**	

Shareholding Distribution

Range	Shares	Total Shares %	Holders	Total
1-5000	3,034,06	0.42%	1,212	18.34%
5001-10000	17,289,30	2.38%	2,542	38.46%
10001-25000	30,149,80	4.14%	1,869	28.28%
25001-50000	17,692,20	2.43%	510	7.72%
50001-100000	17,125,70	2.35%	252	3.81%
100001-200000	14,792,60	2.03%	112	1.69%
200001-500000	20,874,10	2.87%	70	1.06%
500001-1000000	17,131,40	2.35%	24	0.36%
1000001-999999999	589,553,00	81.02%	19	0.29%
Total Shares	**727,643,339**	**Total Shares**	**6,610**	

Country

Country	Holders	Holders %	Total Shares	Total Shares %
Botswana	1	0.00%	2,006	0.00%
Canada	1	0.00%	211,112	0.03%
Cayman Islands	1	0.00%	10,556	0.00%
Etiopia	1	0.00%	4,389	0.00%
Ghana	2	0.02%	6,913,889	0.95%
Kenya	1	0.00%	21,112	0.00%
Lesotho	1	0.00%	49,084	0.01%
Loans	1	0.00%	9,078	0.00%
Malawi	6,561	99.24%	586,830,276	80.65%
Mauritius	1	0.00%	55,183	0.01%
Netherlands	1	0.00%	20,000	0.00%
Norway	1	0.00%	8,128	0.00%
Oman	1	0.00%	18,895	0.00%
South Africa	9	0.12%	531,400	0.07%
Swaziland	1	0.00%	5,278	0.00%
Tanzania	4	0.05%	236,340	0.03%
United Kingdom	12	0.17%	765,903	0.11%
USA	6	0.08%	131,911,224	18.13%
Zimbabwe	4	0.05%	39,486	0.01%
Total Shareholders	**6,610**	**Total Shares**	**727,643,339**	

Notes

Notes

NBS Bank

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