



NBS Bank Plc
("NBS Bank" or the "Company")
Company registered number 6614

**Public announcement to NBS Bank shareholders and investors
(Pursuant to the MSE Listings Requirements)**

NBS Bank is announcing that it is proposing to raise approximately K11.8 billion by way of a fully underwritten renounceable Rights Issue of 2,182,930,017 new ordinary shares (the "Rights Shares") at K5.40 per share (the "Issue Price") on the basis of 3 new ordinary shares for every 1 existing ordinary share. The Issue Price represents a 10% discount on the volume weighted average price of K6 per share traded on the Malawi Stock Exchange (the "MSE") over a period of 90 days immediately prior to 9 May 2017.

Background to the Rights Issue

On 30 November 2016, the Directors resolved to recommend to shareholders that the Company undertakes a recapitalisation of not less than K10 billion. The said capital is to be raised through issue of new ordinary shares in the Company through a rights issue to existing shareholders of the Company as at 26 May 2017. This issue of new ordinary shares is referred to as the Rights Issue. By a resolution of the shareholders passed at an extraordinary general meeting of the Company held on 29 December 2016, the shareholders approved the Rights Issue and the Directors are now implementing that resolution. Post completion of the audit of the Company's financial statements for the year ended 31 December 2016, the additional capital required has been computed to be approximately K11.8 billion and that is the capital that will be raised.

Reasons for the Rights Issue

This Rights Issue is being undertaken to recapitalize the Company, being a bank, so that it can be compliant with the capital adequacy regulations applicable to banks in Malawi.

As of 30 September 2015 the Company's Tier 1 and Total Capital ratios were 7.3% and 8.6% respectively and below the regulatory benchmarks of 10.0% and 15.0% respectively. On 30 November 2015 the Registrar of Financial Institutions ("RoFI") determined that the Company was a significantly undercapitalized bank and instituted some prompt corrective actions ("PCAs") under the Financial Services (Prompt Corrective Action for Banks) Directive including the following:- (i) That no dividends were to be declared or paid by the Company until after the RoFI

determined that the capital position of the Company had been restored; (ii) That no new lending or credit concentrations were to be provided by the Company. Where the then existing concentrations expired, they were not to be renewed until the capital deficiencies of the Company had been fully addressed; (iii) That the Company was to write off all nonperforming loans that were 18 months past due; (iv) That no material transactions (including capital expenditure and new branch expansions) were to be undertaken by the Company without the RoFI's approval; and (v) That the Board submits a recapitalization plan for the Company.

The rationale for the PCAs mentioned above was to contain and mitigate risks that the Company was exposed to and prevent further deterioration of the Company's financial condition.

In the course of time, the Board and management proposed to recapitalize the Company through a rights issue to all existing shareholders of the Company. The RoFI agreed to the proposal hence the recommendation of the Board to the shareholders that a Rights Issue be approved. As above-said, by a resolution of the shareholders passed at an extraordinary general meeting of the Company held on 29 December 2016, the shareholders approved the Rights Issue.

As of 31 December 2016 the Company's Tier 1 and Total Capital ratios were -6.7% and -6.7% respectively. As of 31 March 2017 the Company's Tier 1 and Total Capital ratios were -7.38% and -7.38% respectively.

The Board believes that injection of K11.8 billion equity capital into the Company is sufficient to render the Company compliant with the capital adequacy regulations applicable to banks in Malawi.

Use of proceeds

The proceeds from the Rights Issue of K11.8 billion will be used to augment the Bank's working capital thereby enabling the Bank resume offering of normal banking services including lending.

Timing of the Rights Issue

Application is being made to the MSE for the rights to acquire the Rights Shares (nil paid) (the "Nil Paid Rights") and the rights to acquire the Rights Shares (fully paid) (the "Fully Paid Rights") to be admitted to listing on the MSE's official list and admitted to trading on the MSE. Shareholders of the Company recorded as such in the share register of the Company at the close of trade on Friday 26 May 2017 will qualify to participate in the Rights Issue. It is expected that the subscription period for the Rights Shares will open on 29 May 2017, and dealings in the Nil Paid Rights and Fully Paid Rights on the MSE will commence on the same date. It is intended for the subscription period to close on 23 June 2017, and for the certificates in respect of the Rights Shares duly subscribed for and fully paid to be issued and dispatched latest by 29 June 2017. It is expected that the Rights Shares will be listed, and dealings in the Rights Shares on the MSE will

commence, on 3 July 2017. These aforementioned dates are subject to amendment and any changes will be published in the press.

Further announcement

A further announcement will be made in due course setting out the important dates and times in respect of the Rights Issue.

Dated the 12th day of May 2017

Marsha Machika
Company Secretary
NBS Bank plc

Thoko Mkavea
Chief Investment Banking Officer
CDH Investment Bank Limited

Lead financial advisors



Legal advisors



Reporting accountants

Deloitte.

Sponsoring broker



Important information

This announcement is an advertisement. It is not a prospectus, disclosure document or offering document under the laws of Malawi or any other law and does not purport to be complete. This announcement does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Nil Paid Rights, Fully Paid Rights, or Rights Shares offered by any person in any jurisdiction in which such an offer or solicitation is unlawful.

The transfer of the Nil Paid Rights, Fully Paid Rights or Rights Shares into jurisdictions other than Malawi may be restricted by law. Persons into whose possession this announcement comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any jurisdiction.

Neither the content of the NBS Bank website nor any website accessible by hyperlinks on the NBS Bank's website is incorporated in, or forms part of, this announcement.

Certain statements made in this announcement constitute forward-looking statements. These statements include information with respect to NBS Bank's financial condition, NBS Bank's results of operations and business strategy, plans and objectives. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "targets", "may", "will", "continue", "project", and similar expression, as well as statements in the

future tense, identify forward-looking statements. These forward-looking statements are not guarantees of NBS Bank's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond NBS Bank's ability to control or estimate precisely, such as changes in laws or regulations and decisions by governmental bodies or regulators; performance against regulatory targets and standards, including delivery of costs and efficiency savings; customers and counterparties failing to perform their obligations; and unreasonable weather affecting agricultural production. Other factors that could cause actual results to differ materially from those described in this document include fluctuations in exchange rates, interest rates and commodity price indices. The effects of these factors are difficult to predict. New factors emerge from time to time and NBS Bank cannot assess the potential impact of any such factor on NBS Bank's activities or to the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

Except as may be required by law or regulation, NBS Bank undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this announcement.