This document and any accompanying documents are important and require your immediate attention.

If you are in any doubt as to the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, legal practitioner, accountant, investment advisor, investment banker or other appropriate independent financial advisor who is authorised under the Securities Act as read with the MSE Listings Requirements to render financial advisory services with regard to listed securities if you are resident in Malawi or, if not resident in Malawi, from another appropriately authorised financial advisor.

If you sell or have sold or otherwise have transferred your Existing Shares (other than ex-rights) before 5:00 pm (Malawi time) on Friday 26 May 2017 (the "Record Date"), please send this prospectus, together with the Letter of Allocation, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that, subject to certain exceptions, such documents should not be sent to any jurisdiction where to do so might constitute violation of local securities laws or regulations. If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) before the Record Date, you should refer to the instructions regarding split applications in Part III of this prospectus: "Terms and Conditions of the Rights Issue" and in paragraph 4.4 of the Letter of Allocation if and when received.

NBS Bank plc

(the "Company")
(incorporated on 14 March 2003 in Malawi with registered number 6614)
(Share code: NBS)
Prospectus

3 for 1 underwritten Rights Issue of 2,182,930,017 new ordinary shares at K5.40 per share in the capital of the Company

Lead financial advisors	Legal advisors	Reporting accountants	Sponsoring broker
CDH Investment Bank	Wilson & Morgan	Deloitte.	Continental Capital

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The directors of the Company whose names appear in paragraph 3.3 of Part IV of this prospectus "Information on the Company", collectively and individually accept full responsibility for the accuracy of the information given in this prospectus and confirm having made all reasonable inquiries, that to the best of their knowledge and belief there are no facts the omission of which would make any statement in this prospectus false or misleading.

Additional copies of the prospectus can be obtained from the registered office of the Company, the Company's Transfer Secretaries, the MSE, Continental Capital Limited, African Alliance Securities Limited and Stockbrokers Malawi Limited as well as in electronic form from the Company's website (www.nbs.mw) from 26 May 2017.

A copy of this prospectus has been delivered to the Registrar of Companies for registration, and to the Registrar of Financial Institutions ("RoFI") for his approval. The Registrar of Companies and the RoFI have not checked and will not check the accuracy of any statements made and accept no responsibility therefor or for the financial soundness of the Company or the value of the shares concerned.

This prospectus is dated Friday, 26 May 2017

NBS Bank
Your Caring Bank

Corporate information and advisors

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Registered office of the Company

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E-mail: chiefexec@natbankmw.com

Transfer secretaries

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Chibisa House
19 Glyn Jones Road
P O Box 3173
Blantyre, Malawi
Tel: +265 (0) 1 832 085/086
Fax: +265 (0) 1 821 617
E-mail: emasautso@nicoassetmanagers.com

Advisors' statement of responsibility

The lead financial advisors, CDH Investment Bank Limited, the sponsoring broker, Continental Capital Limited, each of which is licenced and regulated by the RoFI and the legal advisors, Wilson and Morgan, who are regulated by the Malawi Law Society and the reporting Accountant, Deloitte, who are regulated by the Malawi Accountants Board are all acting exclusively for NBS Bank Limited (the "Company") and no one else in connection with the Rights Issue and will not regard any other person (whether or not a recipient of this prospectus) as a client in relation to the Rights Issue and will not be responsible to anyone other than the Company for providing the protections afforded to clients or providing advice in relation to the Rights Issue or any matters referred to in this prospectus. Save for the sponsoring broker's and the legal advisors' responsibilities under the MSE Listings Requirements, the advisors assume no responsibility whatsoever and make no representation or warranty expressed or implied, in relation to the contents of this prospectus, including its accuracy, completeness or verification and nothing contained in this prospectus is, or shall be relied upon as a promise or representation in this respect whether as to the past or the future, in connection with the Company or the Rights Issue. Each of CDH Investment Bank Limited, Continental Capital Limited, Wilson and Morgan and Deloitte accordingly disclaim to the fullest extent permitted by law any responsibility and liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this prospectus or any such statement.

Table of contents

Summary

1. Purpose of this prospectus

This prospectus contains information and instructions that will help the shareholders of the Company and persons claiming under them in subscribing for the Rights Shares that the Company is offering to Entitled Shareholders or otherwise deal with their rights with respect to the Rights Shares offered to them.

2. Purpose of the Rights Issue

At an extraordinary general meeting of the Company held on 29 December 2016, the shareholders at the recommendation of the Directors approved that the Company undertakes a recapitalisation of not less than K10 billion through a rights offer to existing shareholders of the Company as at the Record Date. Subsequently it has been determined that the actual amount to be raised is K11.8 billion. Once raised the capital of K11.8 billion will enable the Company comply with the applicable capital adequacy regulations and compete well in the market.

3. Use of the proceeds of the Rights Issue

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

The Company is in the process of implementing a turn-around strategy which is embodied in the Company's 2017 to 2021 business plan. It is transforming itself into a leaner (staff reduction is ongoing), innovative, customer centric bank offering the best breed of retail banking services in Malawi. To shorten the journey of transformation the Company has entered into a technical partnership arrangement with Rabobank. It is also strengthening management. In that regard it has recruited a new Chief Executive Officer from 1 April 2017 to champion the change into a new performance culture at all levels of the Company. The Company is reorganising senior management: It is separating with a number of senior managers - some through voluntary exit and others may be asked to reposition or leave if necessary. Replacement senior managers are being recruited on the basis of possession of talent and skills best suited to the new performance culture. It is expected that the Company will be profitable from 2017 onwards, generating sufficient capital from its own operations and delivering a decent return for shareholders of the Company.

4. Terms of the Rights Issue

The Company hereby offers a total of 2,182,930,017 new Ordinary Shares of 50 tambala each or thereabouts in the capital of the Company (the "Rights Shares"), upon the terms and conditions set out in this prospectus, by way of a renounceable fully underwritten rights offer, at a discounted price of K5.40 per Rights Share on the basis of 3 Rights Shares for every 1 existing Ordinary Share of the Company held by shareholders as at the Record Date.

Entitled Shareholders will be entitled to participate in the Rights Issue.

Entitled Shareholders who wish to apply for more Rights Shares in addition to those provisionally allotted to them in terms of the Rights Offer are referred to paragraph 2.2.4 of Part III of this prospectus: "Terms and conditions of the Rights Issue" which sets out the procedure to be followed in applying for additional Rights Shares as provision has been made for application for excess Rights Shares.

The subscription price is payable in full (in Kwacha for Malawi residents and in the US$ equivalent for those not resident in Malawi) by Entitled Shareholders or their respective renouncees on acceptance of the offer.

The Rights Shares will, upon allotment and issue, rank *pari pasu* with all other existing Ordinary Shares in terms of both voting rights and dividends.

The Rights Issue is fully underwritten as detailed in paragraph 1of Part III of this prospectus: "Terms and conditions of the Rights Issue" and paragraph 16 of Part XI of this prospectus: "Additional information".

5. **Financial effects of the Rights Issue**

Entitled Shareholders who take up their pro rata Rights Shares in full will maintain their undiluted interest in the Company. Entitled Shareholders who do not take up any of their rights to subscribe for the Rights Shares will suffer an immediate dilution of up to a maximum of 75% to their interest in the Company. The Directors expect that the Rights Issue will make a positive contribution in the years ending 31 December 2017 and onward.

Adjusting for the receipt of the net proceeds from the Rights Issue, the Company's illustrative net assets as at 31 December 2016, on a pro forma basis would have been K18.6 billion - see Part IX of this prospectus: "Unaudited pro forma financial information".

6. **Selected financial information on the Company**

The financial summary set out below has been extracted without material adjustment from the audited consolidated financial statements of the Company for the year ended 31 December 2016, and the two years ended 31 December 2015 and 2014. The summary financial information should be read together with the financial statements. The consolidated financial statements for the years ended 31 December 2015 and 2014 are each incorporated by reference into this prospectus.

Summary of consolidated statements of profit or loss and other comprehensive income

In K'million

	Year to December 2016	Year to December 2015	Year to December 2014
Income			
Total interest income	10,757	14,254	14,512
Interest expense	(4,636)	(3,710)	(3,743)
Net interest income	6,120	10,544	10,769
Fees and commission income	5,965	4,231	3,381
Profit on forex transactions	1,772	2,142	3,199
Other operating income	-	-	133
Total operating income	**13,857**	**16,917**	**17,482**
Expenditure			
Operating expenditure	(16,844)	(10,910)	(9,069)
Profit before impairment losses	(2,987)	6,007	8,414
Net impairment losses on financial assets	(1,868)	(6,243)	(4,349)
Profit /(loss) before income tax expense	(4,855)	(236)	(4,065)
Income tax credit	525	41	(1,373)
Profit/(loss) for the year	(4,330)	(195)	2,692
Net profit/(loss) on available for sale financial assets	-	-	10
Other comprehensive income	-	-	10
Total comprehensive income for the year	**(4,330)**	**(195)**	**2,702**
Earnings per share			
Basic and diluted (loss)/earnings per share (K)	(5.95)	(0.27)	3.70

Summary consolidated statements of financial position

In K'million

	Year to December 2016	Year to December 2015	Year to December 2014
Assets			
Cash and cash equivalents	23,611	24,889	19,012
Money market investments	17,361	13,786	6,666
Loans and advances to customers	29,496	30,140	31,024
Equity investments	49	49	49
Property and equipment	4,767	4,964	5089
Intangible assets	5,828	5,504	638
Deferred tax assets	387	-	-
Other assets	4,874	4,386	5,884
Tax recoverable	284	277	-
Total assets	**86,657**	**83,995**	**68,361**
Liabilities and equity			
Liabilities			
Current and savings accounts	46,865	41,853	35,300
Term deposit accounts	11,727	11,507	8,183
Short-term loans	3,600	2,634	5,037
Long-term loans	79	198	317
Deferred tax liabilities	-	137	267
Foreign currency denominated accounts	7,943	7,528	4,831
Other liabilities	9,635	8,999	2,047
Income tax payable	-	-	645
Total liabilities	**79,850**	**72,858**	**56,628**
Equity			
Share capital	364	364	364
Share premium	2,324	2,324	2,324
Revaluation reserve	552	552	552
Accumulated losses/retained earnings	(6,481)	(1,549)	6,408
Loan loss reserve	10,048	9,446	2,085
Total equity	**6,807**	**11,137**	**11,732**
Total liabilities and equity	**86,657**	**83,995**	**68,361**

Summary consolidated statements of cash flows

K'million	**Year to December 2016**	**Year to December 2015**	**Year to December 2014**
Net cash (used in)/from operating activities	(1,327)	13,752	4,672
Net cash used in investing activities	(918)	(5,494)	(1,118)
Net cash from/(used in) financing activities	966	(2,381)	2,030
Net (decrease)/increase in cash and cash equivalents	(1,279)	5,877	5,584
Cash equivalents at January 1	24,889	19,012	13,428
Cash and cash equivalents as at 31 December	**23,611**	**24,889**	**19,012**

7. **Dividends and dividend policy**

The Company will maintain a policy of paying a dividend of up to 55% of profits after tax, adjusting for (i) any revaluation surplus which will be retained as part of non-distributable reserves and (ii) any profit realised on the sale of fixed assets subject to meeting regulatory capital and liquidity ratios. This profit retention policy will enable the Company to grow organically. The dividend will be paid in two instalments based on actual cumulative profit, cash flow permitting. The first instalment (interim dividend) will be paid based on interim results after the interim audit. The final instalment (final dividend) will be paid after adoption of the Company's audited financial statements by the shareholders at the Company's annual general meeting. The Company is unlikely to declare dividend for the year ending 31 December 2017. Nevertheless a dividend payment is expected in 2018 and onwards.

8. **Current trading and prospects**

8.1 For the year 2016 the Company recorded a loss after tax of K4.33 billion (2015: K0.195 billion) representing a 2,121% loss exacerbation from the corresponding period in the previous year. The performance was attributed largely to:-

8.1.1 A number of loans becoming non-performing and had to be fully provided for in order to comply with the Financial Services (Financial Asset Classification) Directive. The Company made a loss before impairment of K2.987 billion. A provision of K1.868 billion was made resulting in a loss of K4.33 billion after a tax credit of K0.524 billion.

8.1.2 Foreign currency transactions made in 2012 that resulted in litigation that was decided against the Company in 2015 and 2016. A sum of K1.3 billion was paid out to claimants in damages.

8.1.3 Operational losses in the sum of K1.3 billion had to be provided for. This relates to balances on suspense and clearing accounts which the Company uses in clearing transactions and were not yet processed as at the end of the year. Some of these transactions have been identified as fraudulent and have been written off. They are included in the provision for operational losses in the Company's audited financial statements for the year ended 31 December 2016. A recovery effort against external parties involved is afoot.

8.1.4 Low interest income due to reduced lending activities as a result of the Company's inadequate capital and focus on reduction of credit losses.

8.2 For the quarter ended 31 March 2017 the Company made a loss before tax of K0.822 billion (K0.568 billion - 2015) which was below the budgeted profit before tax of K0.325 billion. This performance is attributed to:-

8.2.1 Low net interest revenue as a result of limited lending. The Company did not create loan assets during the review period due to its capital inadequacy position.

8.2.2 Lower margins on foreign exchange trading. The Company earned a trading margin of 1% on its foreign exchange trading transactions against a budgeted margin of 2.5%. This is despite the Company trading higher foreign exchange volumes above budget by US$20.8 million as at 31March 2017.

8.2.3 Under collection of fees and commissions.

8.2.4 Focus on cleaning up the loan book.

8.3 The Company is in the process of implementing a turn-around strategy which is embodied in the Company's 2017 to 2021 business plan. It is transforming itself into a leaner (staff reduction is ongoing), innovative, customer centric bank offering the best breed of retail banking services in Malawi. To shorten the journey of transformation the Company has entered into a technical partnership arrangement with Rabobank. It is also strengthening management. In that regard it has recruited a new Chief Executive Officer from 1 April 2017 to champion the change into a new performance culture at all levels of the Company: It is reorganising senior management. It is separating with a number of senior managers - some through voluntary exit and others may be asked to reposition or leave if necessary. Replacement senior managers are being recruited on the basis of possession of talent and skills best suited to the new performance culture. It is expected that the Company will be profitable from 2017 onwards, generating sufficient capital from its own operations and delivering a decent return for shareholders of the Company.

9. Summary of risk factors

Shareholders and investors should consider the following key risks:-

Risks related to the Company and its subsidiary

9.1 *Changes in law or regulations* – Changes in the law and decisions by the RoFI and other governmental bodies or regulators could have a material effect on the Company's results.

9.2 *Credit risk* - Risk of financial loss to the Company and its subsidiary if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises from the Company's loans and advances to customers and investment in money market securities. Failure of customers and counterparties to meet their obligations may negatively impact the Company's results.

9.3 *Liquidity risk* - The risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or financial instruments. Such difficulty may result in breach by the Company of its obligations and may result in closure or loss of facilities afforded to the Company and even legal suits and thereby negatively impacting the Company's results.

9.4 *Market risk* - The risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Company's income or the value of its holding of financial instruments. A change in market prices may impact the Company's results.

9.5 *Operational risk* - The risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and, from external factors other than credit, liquidity and market risks. This includes risk of loss from litigation.

9.6 *Conduct and reputation risk*- The risk that the Company's attractiveness to customers, counterparties and investors may be negatively impacted as a result of the Company's inappropriate or unethical execution of business activities or the Company's corporate governance failures, real or perceived.

Risks related to the Rights Issue and the Rights Shares

9.7 The market price of the Company's shares may fluctuate in response to factors that are outside the Company's control.

9.8 Shareholders who do not, or are unable to, acquire the Rights Shares in the Rights Issue will experience dilution in their ownership of the Company.

9.9 If an active trading market in the Nil Paid Rights or the Fully Paid Rights does not develop their market price may be adversely affected.

9.10 Any future issues of the Company's shares will further dilute the holdings of the Company's current shareholders and could adversely affect the market price of the Company's shares.

9.11 Shareholders outside Malawi may not be able to subscribe for or receive the Rights Shares in the Rights Issue or any future issue of shares carried out by the Company as a result of restrictions in laws of their respective jurisdictions.

9.12 The ability of Non-Resident Shareholders to bring actions or enforce judgments against the Company or the Directors may be limited if not based on Malawi law.

10. Action required to be taken by the Entitled Shareholders

10.1 If you are in any doubt as to the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, legal practitioner, accountant, investment advisor, investment banker or other appropriate independent financial advisor who is authorised under the Securities Act as read with the MSE Listings Requirements to render financial advisory services with regard to listed securities if you are resident in Malawi or, if not a resident of Malawi, from another appropriately authorised investment advisor.

10.2 An Entitled Shareholder is a person who was registered in the Company's register of members at close of business on 26 May 2017 ("Record Date").

10.3 If you are an Entitled Shareholder, a Letter of Allocation which includes a Form of Subscription Instructions for completion by Entitled Shareholders is enclosed with this prospectus and the relevant procedure for participation in the Rights Issue is set out in paragraph 2 of Part III of this prospectus: "Terms and conditions of the Rights Issue".

10.4 If you wish to subscribe for all of your rights you must follow the procedure set out in paragraph 2.2.3 of Part III of this prospectus: "Terms and conditions of the Rights Issue" and paragraph 3 of the Letter of Allocation.

10.5 If you wish to apply for additional Rights Shares you must follow the procedure set out in paragraph 2.2.4 of Part III of this prospectus: "Terms and conditions of the Rights Issue" and paragraph 5 of the Letter of Allocation.

10.6 If you wish to sell all or part of your rights you must follow the procedure set out in paragraph 2.2.5 of Part III of this prospectus: "Terms and conditions of the Rights Issue" and paragraph 4.3 of the Letter of Allocation.

10.7 If you wish to renounce your rights in favour of any named person (renouncee) you must follow the procedure set out in paragraph 2.2.6 of Part III of this prospectus: "Terms and conditions of the Rights Issue" and paragraphs 4.1 and 4.2 of the Letter of Allocation.

10.8 If you wish to subscribe for only some of the Rights Shares and transfer the remainder to different persons you must follow the procedure set out in paragraph 2.2.7 of Part III of this prospectus: "Terms and conditions of the Rights Issue" and paragraph 4.4 of the Letter of Allocation.

10.9 Rights Shares comprised in several renounced Letters of Allocation may be registered in the name of one holder (or joint holders) by following the procedure set out in paragraph 2.2.8 of Part III of this prospectus: "Terms and conditions of the Rights Issue" and paragraph 4.5 of the Letter of Allocation.

10.10 If the required documentation and payment has not been received in accordance with the instructions contained in the Subscription Instructions (either from the Entitled Shareholder or from any person in whose favour the rights have been renounced) by 3 pm on 23 June 2017, then the rights to those and subscribed for Rights Shares will be deemed to have been declined and the offer to such Entitled Shareholder(s) will have lapsed.

11 Important dates and times

11.1	Last day for trading in the Company's Shares in order to participate in the Rights Issue (Record Date)	26 May 2017
11.2	Opening of Rights Offer, listing of the Rights Shares ex-rights and commencement of trading in Letters of Allocation on the MSE at 10:00am	29 May 2017
11.3	Last day for trading in Letters of Allocation on the MSE	21 June 2017
11.4	Rights Offer closes at 3:00 pm	23 June 2017
11.5	Allotment of the Rights Shares to the subscribers therefor and issue and despatch of share certificates for Rights Shares	29 June 2017
11.6	Public announcements of the results of the Rights Issue and listing of the Rights Shares on the MSE (if granted)	3 July 2017

12 Share capital structure of the Company before and after the Rights Issue

Share capital before the Rights Issue

12.1	Authorised share capital (nominal value)	K2,000,000,000
12.2	Authorised share capital (number of Ordinary Shares)	4,000,000,000
12.3	Nominal value of each Ordinary Share	K0.50
12.4	Current issued and fully paid ordinary share capital (number of shares)	727,643,339
12.5	Current issued and fully paid share capital (nominal value)	K363,821,670

Share capital after the Rights Issue

12.6	Authorised share capital (nominal value)	K2,000,000,000
12.7	Authorised share capital (number of Ordinary Shares)	4,000,000,000
12.8	Nominal value of each Ordinary Share	K0.50
12.9	Number of Ordinary Shares to be issued in the Rights Issue	2,182,930,017
12.10	Total issued share capital after the Rights Issue (number of shares)	2,910,573,356
12.11	Total issued share capital after the Rights Issue (nominal value)	K1,455,286,678

13. **Shareholders resident outside Malawi**

If you are resident outside Malawi, your attention is drawn to paragraph 7 of Part I of this prospectus: "Letter from the Chairman of the Company" and paragraph 2.12 of Part III of this prospectus: "Terms and conditions of the Rights Issue".

14. **Information from other persons**

No person has been authorised to give any information or make any representations other than those contained in this prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or the Advisors.

15. **Limitation**

Neither the delivery of this prospectus nor any subscription or sale made hereunder shall, under any circumstances create any impression that there has been no change in the affairs of the Company since the date of this prospectus or that the information in this prospectus is correct as at any time subsequent to its date.

16. **Reliance**

In making an investment decision each investor must rely on his own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and demerits and the risks involved.

17. **Contents of the website**

The contents of the websites of the Company and its group companies do not form part of this prospectus. Certain information about the Company and the group is incorporated by reference as set out in Part XII of this prospectus: "Documents incorporated by reference".

18. **Interpretation**

Unless the context otherwise requires, capitalized terms used in this prospectus have the meanings ascribed to them in Part XIII of this prospectus: "Definitions and interpretation".

19. **Reproduction of the prospectus**

Any reproduction or distribution of this prospectus, in whole or in part, any disclosure of its contents or use of any information contained in this prospectus for any purpose other than considering an acquisition of the Rights Shares is prohibited.

20. **Where to find help**

If you have questions regarding the Rights Issue, please telephone the Shareholder Helpline on the numbers set out below. The Shareholder Helpline is available from 8:30 am to 5:00 pm Monday to Friday (except Malawi bank holidays) and will remain open until 3 July 2017. Please note that, for legal reasons, the Shareholder Helpline will only be able to provide information contained in this prospectus and information relating to Company register of members and will be unable to give advice on the merits of the Rights Issue or provide financial, investment, legal, or tax advice. The Shareholder Helpline has the following numbers:-

+ 265 (0) 888 235 577
+ 265 (0) 993 365 577

You also can send your enquiry by *whatsapp* to either of the said numbers.

Risk factors

This section addresses the existing and future material risks to the Company's business. The risks below are not the only ones that the Company will face. Some risks are not yet known and some that are not currently deemed material could later prove to be material. All these could materially adversely affect the Company, its reputation, business, results of operations and overall financial condition. In such a case, the market price of Ordinary Shares may fall and shareholders could lose all or part of their investment. Shareholders should read this section in conjunction with the Letter from the Chairman of the Company contained in Part I of this prospectus.

Risks related to the Company

Risk 1. Changes in law and regulations and regulatory decisions

Changes in law or regulations and decisions by the RoFI and other governmental and regulatory bodies could impact the Company's results.

All of the Company's business and that of its Subsidiary are subject to the financial services law and regulation by the RoFI and other authorities. Consequently, changes in the Financial Services Law or regulations or regulatory policy could materially adversely affect the Company and its Subsidiary.

Decisions or rulings concerning approvals or agreements to carry out certain transactions and the time it takes to receive such approvals could have a material adverse impact on the Company's results, cash flows, the financial condition of the Company's business and the ability to develop those businesses in the future - see Part V of this prospectus: "Regulatory environment," for further details on the Company's regulatory environment and factors that impact the Company's regulatory arrangements.

Risk 2. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises from the Company's loans and advances to customers, loans and advances to other banks, and investment in securities. The Company has a separate credit department which reports to the Board Credit Committee responsible for oversight of the credit risk management. This includes: (i) 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; (ii) 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 Board Credit Committee or the Board of Directors as appropriate; (iii) 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; (iv) Limiting concentrations of exposure to counterparties, geographical location and industries (for loans and advances), and by issuer, credit rating band and market liquidity; (v) Developing and maintaining the Company's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment may be required against specific credit exposures; (vi) 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 taken; (vii) Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Although the Company has taken all the above measures to manage and mitigate against credit risk there is always a possibility of loss from loans and advances to customers, other banks and investment in securities, for example, if the collateral cannot be realised due to depressed market conditions amongst other possibilities.

Risk 3. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets and regulatory liquidity reserve ratios. The Company's approach to managing liquidity risk 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 loses or risking damage to the Company's reputation. The key measure used by the Company 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 customers, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation, is used to measure the Company's compliance with regulatory liquidity reserve ratios stipulated by the RoFI. Although the above measures are put in place by the Company to manage liquidity risk, there is still always a possibility that the Company may not have the required liquidity to meet its contractual or regulatory obligations due to factors beyond the Company's control. For example, with respect to contractual obligations, while the Company may have sufficient liquidity in local currency the Company may not have sufficient liquidity in foreign currency to meet contractual obligations denominated in foreign currency due to the general acute shortage of foreign exchange in the country or unforeseen adverse changes in exchange control regulation. With respect to compliance with regulatory requirements, due to inadequate notice being given by the RoFI as to changes in the required liquidity reserve ratios.

Risk 4. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not related to changes in the obligor's/issuer's credit rating) will affect the Company's income or the value of its holdings of financial instruments. The Company has put in place measures for managing and controlling market risk within acceptable parameters while optimising the return on risk. The Company separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. There is a Board Risk Committee that oversees management and control of market risk. The committee develops detailed market risk management policies and reviews the day-to-day implementation of those policies. Non-trading portfolio's exposure to risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of changes in market interest rates is managed through monitoring interest rate gaps and having pre-approved limits for re-pricing bands. This is supplemented by periodic monitoring of the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios. These measures only go to mitigate the impact of changes in market prices. In cases of adverse changes there will always be a negative impact on the Company's income.

Risk 5. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, litigation against the Company, technology and infrastructure and from external factors other than credit, liquidity and market risks. Operational risk may arise from legal and regulatory requirements and generally accepted standards of corporate behaviour and can be countenanced from all of the Company's operations. The Company manages operational risk by balancing the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and 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 is supported by the Company's overall standards comprised in (i) requirement for appropriate segregation of duties, including independent authorisation of transactions; (ii) requirements for the reconciliation and monitoring of transactions; (iii) compliance with regulatory and other legal requirements; (iv) requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified; (v) requirements for the reporting of operational losses and proposed remedial action; (vi) development of contingency plans; (vii) training and professional development; (viii) ethical and business standards; and (ix) risk mitigation, including insurance where this is effective.

Risk 6. Conduct and Reputation risk: Damage to the Company's reputation could damage its businesses

Conduct risk is the risk that detriment is caused to the Company's customers, clients or counterparties or the Company and its employees because of inappropriate execution of the Company's business activities. Reputation risk is the risk of damage to the Company's brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical. Reputation risk may also arise from past, present or potential failures in corporate governance or management (for example, if the Company were to provide funding or services to clients without fully implementing anti-money laundering, anti-bribery or similar precautions). In addition, reputation risk may arise from the actual or perceived manner in which the Company conducts its business activities or in which business activities are conducted in the banking and financial industry generally.

Failure to appropriately manage conduct and reputation risks may reduce — directly or indirectly — the attractiveness of the Company to stakeholders, including customers, and may lead to negative publicity, loss of revenue, litigation, higher scrutiny and/or intervention from regulators, regulatory or legislative action, loss of existing or potential client business, reduced workforce morale, and difficulties in recruiting and retaining talent.

Risks related to the Rights Issue and the Rights Shares

Risk 7. The market price of the Ordinary Shares may fluctuate in response to factors which are outside the Company's control

The market price of the Rights Shares, the Nil Paid Rights, the Fully Paid Rights and/or the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Rights Shares, the Nil Paid Rights, the Fully Paid Rights and/or the Ordinary Shares. The fluctuations could result from national and global economic market and financial conditions, the market's response to the Rights Issue, market perceptions of the Company and various other factors and events, including regulatory changes affecting the Company's operations, variations in the Company's business results, business developments of the Company and/or its competitors and liquidity of financial markets. Furthermore, the Company's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Rights Shares, the Nil Paid Rights, the Fully Paid Rights and/or the Ordinary Shares.

Risk 8. Shareholders who do not, or are unable to, acquire the Rights Shares in the Rights Issue will experience dilution in their ownership of the Company

If Entitled Shareholders do not, or are unable to, take up the offer of the Rights Shares in the Rights Issue, their proportionate ownership and voting interests in the Company will be reduced and the percentage that their Shares will represent of the total share capital of the Company will be reduced accordingly. Even if an Entitled Shareholder elects to sell his unexercised Nil Paid Rights, or such Nil Paid Rights are sold on his behalf, the consideration he receives may be nothing or may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

Risk 9. If an active trading market in the Nil Paid Rights or the Fully Paid Rights does not develop their market price may be adversely affected

Application has been made to admit the Rights Shares (nil and fully paid) for trading on the MSE. It is expected that dealings in the Nil Paid Rights and Fully Paid Rights on the MSE will commence at 10.00am on 29 May 2017.

An active trading market in the Nil Paid Rights or the Fully Paid Rights may not develop on the MSE during the trading period. The Nil Paid Rights are expected to have an initial value that is lower than the Ordinary Shares and will have a limited trading life, which may impair the development of an active trading market. If an active trading market for the Nil Paid Rights does not develop, the limited liquidity may have an adverse effect on their market price. In addition, because the trading price of the Nil Paid Rights and the Fully Paid Rights depends on the trading price of the Ordinary Shares, the prices of the Nil Paid Rights and the Fully Paid Rights may be volatile and subject to the same risks as noted elsewhere herein.

Risk 10. Any future issues of the Company's shares will further dilute the holdings of the Company's current shareholders and could adversely affect the market price of the Company's shares

Other than the proposed issue of shares under the Rights Issue, the Company has no current plans for an offering of the Company's shares. However, it is possible that the Company may decide to offer additional shares in the future either to raise capital or for other purposes. If Entitled Shareholders did not take up such offer of shares or were not invited or eligible to participate in such offering, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their shares would represent in the total share capital of the Company would be reduced accordingly. An additional offering, or significant sales of the Company's shares by major shareholders, could increase volatility of, and could have a material adverse effect on, the market price of the Company's shares as a whole.

Risk 11 Shareholders outside Malawi may not be able to subscribe for or to receive the Rights Shares in the Rights Issue or any future issue of shares carried out by the Company

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by certain Entitled Shareholders in the Rights Issue or any future issue of shares carried out by the Company.

Entitled Shareholders who have a registered address or are resident in, or who are citizens of, countries other than Malawi should consult their professional advisors as to whether they require any governmental or other consents or need to observe any other formalities to enable them to receive Nil Paid Rights, Fully Paid Rights, Letters of Allocation or the Rights Shares in the Rights Issue.

Risk 12 The ability of non-resident Shareholders to bring actions or enforce judgments against the Company or the Directors may be limited.

The ability of Non-Resident Shareholders to bring an action against the Company may be limited under the law. The Company is a public limited company incorporated in Malawi. Most of its assets are located in Malawi. The rights of shareholders are governed by Malawi law and the Memorandum and Articles of Association. These rights differ in certain respects from the rights of shareholders in corporations incorporated under the laws of other countries. A Non-Resident Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers of the Company without first commencing another action in Malawi on such judgement. The majority of the Directors and executive officers are residents of Malawi. Consequently, it may not be possible for a Non-Resident Shareholder to effect service of process upon the Directors and executive officers within the Non-Resident Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Non-Resident Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a Non-Resident Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than Malawi against the Directors or executive officers who are residents of Malawi or countries other than those in which judgment is made. In addition, Malawi courts may not impose civil liability on the Directors or executive officers in any original action based solely on foreign securities law brought against the Company or the Directors in a court of competent jurisdiction in Malawi or other countries.

Rights Issue statistics

Price per Rights Share (Issue Price)	K5.40
Basis of Rights Issue	3 Rights Shares for every 1 existing share[1]
Number of Ordinary Shares in issue at the date of this Prospectus	727,643,339
Number of Rights Shares to be issued by the Company	2,182,930,017
Number of Ordinary Shares in issue immediately following completion of the Rights Issue	2,910,573,356
Rights Shares as a percentage of enlarged issued share capital of the Company immediately following completion of the Rights Issue	75%
Estimated net proceeds receivable by the Company after expenses	K11.07 billion
Estimated expenses of the Rights Issue	K721million

Notes:
[1] Held by Entitled Shareholders on the Record Date

Expected timetable of principal events

Each of the times and dates below is indicative only and may be subject to change.

1.	Record Date for entitlement to participate in the Rights Issue	5:00pm	Friday 26 May 2017
2.	Dispatch of Letters of Allocation and Prospectus to Entitled Shareholders		Friday 26 May 2017
3.	Opening of subscription period		
	- Letters of Allocation listed	10:00am	Monday 29 May 2017
	- Existing Shares marked ex-rights by the MSE	10:00am	Monday 29 May 2017
	- Dealings in Nil Paid Rights and Fully Paid Rights commence on the MSE	10:00am	Monday 29 May 2017
4.	Latest time and date for dealing in Letters of Allocation	3:00pm	Wednesday 21 June 2017
5.	Latest time and date for splitting Letters of Allocation, nil or fully paid	3:00pm	Thursday 22 June 2017
6.	Latest time and date for acceptance, payment in full and registration of renunciation of Letters of Allocation	3:00pm	Friday 23 June 2017
7.	Closing of subscription period	3:00pm	Friday 23 June 2017
8.	Issue and despatch of share certificates in respect of the Rights Shares commences	8:00am	Monday 26 June 2017
9.	Latest time and date for receiving subscription for the Rights Shares made through the post[2]	5:00pm	Wednesday 28 June 2017
10.	Issue and despatch of share certificates in respect of the Rights Shares completed	5:00pm	Thursday 29 June 2017
11.	Rights Shares listed on the MSE (if granted) and trading in Rights Shares commences	10:00am	Monday 3 July 2017
12.	Expected date of announcement of result of the Rights Issue		Monday 3 July 2017

Notes
[2]The letters must have post-marks dated 22 June 2017. Also note that by 5:00pm on Wednesday 28 June 2017 the Bank will have complied with the regulatory capital ratios as by this time all the money for the Rights Shares will have been received even from the Underwriters.

Important information

Presentation of financial information

The financial information presented in a number of tables in this prospectus has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this prospectus reflect calculations based upon the underlying information prior to rounding, and accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

International Financial Reporting Standards

As required by the Companies Act the consolidated financial statements of the Company are prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the Institute of Chartered Accountants in Malawi ("ICAM") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB as adopted by ICAM.

Forward-looking statements

This prospectus also contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements. These statements include information with respect to the Company's financial condition, the Company's results of operations and business, strategy, plans and objectives. Words such as "anticipates", "expects", "intends", "plans", "believe", "seeks", "estimates", "targets", "may", "continue", "project" and similar expressions, as well as statements in the future tense, identify forward-looking statements. These forward-looking statements are not guarantees of the Company'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 facts that are beyond the Company's ability to control or estimate precisely, such as changes in laws or regulations and decision by governmental bodies or regulators; breaches of, or changes in, environmental, climate change and health and safety laws or regulations; performance against regulatory targets and standards, including delivery of costs and efficiency savings; customers and counterparties failing to perform their obligations; and unseasonable weather affecting agricultural production. Other factors that could cause actual results to differ materially from those described in this prospectus include fluctuations in exchange rates, interest rates, commodity price indices and settlement of hedging arrangements; adverse changes and volatility in the national credit markets; deflation or inflation; the loss of key personnel or the inability to attract, train or retain qualified personnel; new or revised accounting standards, rules and interpretations, including changes of law and accounting standards that may affect the Company's effective rate of tax; incorrect assumptions or conclusions underpinning business development activity, and any unforeseen significant liabilities or other unanticipated or unintended effects of such activities and the performance of the Company's subsidiaries. For a more detailed description of some of these assumptions, risks and uncertainties, together with any other risk factors, please see the section titled "Risk Factors". The effects of these factors are difficult to predict. New factors emerge from time to time and the Company cannot assess the potential impact of any such factors on the Company's activities or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

These forward-looking statements speak only as at the date of this prospectus. Except as required by the RoFI, the MSE, the MSE Listings Requirements or applicable law, the Company does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the RoFI, the MSE Listings Requirements or applicable law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

Notice to all investors

Any reproduction or distribution of this prospectus and any Letter of Allocation, in whole or in part, and any disclosure of its contents or use of information in this prospectus for any purpose other than considering an investment in Nil Paid Rights, the Fully Paid Rights or the Rights Shares is prohibited. By accepting delivery of this prospectus you agree with the foregoing.

The distribution of this prospectus and the Letter of Allocation and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and the Rights Shares into jurisdictions other than Malawi may be restricted by law. Persons into whose possession these documents come 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 such jurisdiction.

No action has been taken by the Company or the Advisors that would permit an offer of the Nil Paid Rights, the Fully Paid Rights or the Rights Shares or rights thereto or possession or distribution of this prospectus or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in Malawi.

No person has been authorised to give any information or make any representations other than those contained in this prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or the Advisors. Neither the delivery of this prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this prospectus or that the information in this prospectus is correct as at any time subsequent to its date.

The investors also acknowledge that: (i) they have not relied on the Advisors' or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this prospectus or their investment decision and (ii) they have relied only on the information contained in this prospectus, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Nil Paid Rights, the Fully Paid Rights and the Rights Shares (other than as contained in this prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Advisors.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved.

The contents of the websites of the Company do not form part of this prospectus.

Certain information in relation to the Company is incorporated by reference into this prospectus as set out in Part XII of this prospectus: “Documents Incorporated by Reference”.

Unless the context requires otherwise, capitalised terms used in this prospectus have the meanings ascribed to them in Part XIII of this prospectus: “Definitions and interpretation”.

General notice

Nothing contained in this prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This prospectus is for your information only and nothing in this prospectus is intended to endorse or recommend a particular course of action. None of the Company, the Advisors, or any of their respective representatives is making any representation to any offeree or purchaser of the Nil Paid Rights, the Fully Paid Rights and the Rights Shares regarding the legality of an investment in the Nil Paid Rights, the Fully Paid Rights and the Rights Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

In connection with the Rights Issue, each of the Advisors and any of their respective affiliates, acting as an investor for its own account, may take up Rights Shares and in that capacity may retain, purchase or sell for its own account such securities and any Rights Shares or related investments and may offer or sell such Rights Shares to any of the Advisors or any of their respective affiliates acting in such capacity. None of the Advisors intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

The Nil Paid Rights, the Fully Paid Rights, the Letter of Allocation and the Rights Shares are not transferable except in accordance with the restrictions set out in paragraphs 2.5 and 2.6 of Part III of this prospectus: “Terms and conditions of the Rights Issue”.

Part I

Letter from the Chairman of the Company

Dear Shareholder,

1. Introduction

On 30 November 2016, the Directors resolved to recommend to the shareholders that the Company undertakes a recapitalisation of not less than K10billion. The said capital is to be raised through issue of new shares in the capital of the Company to existing shareholders of the Company as at 26 May 2017. This issue of new shares is referred to in this prospectus 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 actual additional capital required has been computed to be K11.8billion and that is the capital that will be raised.

2. Reasons for the Rights Issue

This Rights Issue is being undertaken to recapitalize your Company 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 RoFI determined that your Company was a significantly undercapitalized bank and instituted the following prompt corrective actions measures ("PCAs") under the Financial Services (Prompt Corrective Action for Banks) Directive:-

i. Your Directors were to submit to the RoFI a capital restoration plan by 31 December 2015. The RoFI was to review and communicate acceptability or disapproval of the capital restoration plan within two weeks after receipt of the submission;

ii. No dividends were to be declared or paid by your Company until after the RoFI determined that the capital position of your Company had been restored;

iii. No new lending or credit concentrations were to be provided by your Company. Where existing concentrations expired, they were not to be renewed until the capital deficiencies of your Company had been fully addressed;

iv. Your Company was to write off all nonperforming loans that were 18 months past due; and

v. No material transactions (including capital expenditure and new branch expansions) were to be undertaken by your Company without the RoFI's approval.

Your Directors and management and the majority shareholder ("NICO") made representations to the RoFI by letters of 14 December 2015 and 21 January 2016 giving the RoFI the proposed capital restoration plan and requesting waivers of application of some of the regulatory requirements. The RoFI considered the representations and by letter of 22 January 2016:-

i. The RoFI refused to accept the proposed capital restoration plan because it failed to address the precarious capital position of your Company quickly enough. The RoFI therefore directed that shareholders of your Company should provide the RoFI with a recapitalization plan within 30 days from 22 January 2016, i.e by 22 February 2016.

ii. The RoFI reiterated the fact that the Financial Services (Financial Asset Classification) Directive could not be waived as a means of addressing the Company's capital position.

iii. The PCA measures instituted by the RoFI through the letter of 30 November 2015 were upheld until such a time that your Company had complied with the regulatory capital requirements. The rationale for the supervisory interventions was to contain and mitigate risks that your Company was exposed to and to prevent further deterioration in your Company's financial condition. Under the Financial Services (Prompt Corrective Action for Banks) Directive, the PCA measures were mandatory and the RoFI was not in a position to grant any dispensation.

Your Directors, management and NICO made further representations to the RoFI through meetings and letters of 20 March 2016 and 11 April 2016 by which it was proposed to recapitalize your Company through a rights issue to existing shareholders. The RoFI responded by the letter of 14 April 2016 and advised that the RoFI had no objection to recapitalizing the Company through a rights issue. Recognizing that the accounts for the year ended 31 December 2015 would only be ready by 30 April 2016, the requirement to recapitalize by 30 June 2016 was relaxed.

For reasons of practicality the deadline of 30 June 2016 for recapitalizing your Company was moved to 30 June 2017 to ensure that all shareholders participate in the making of the decision to recapitalize through a rights issue. Hence the extraordinary general meeting was called for 29 December 2016. To ensure that your Company's capital condition did not worsen, the RoFI directed NICO to inject K2.7 billion as funds awaiting capitalization pending completion of the Rights Issue. NICO duly injected the said K2.7 billion into your Company in December 2016.

The deterioration of the capital position of your Company is mainly due to:

i. A number of loans became non-performing in 2015 and 2016 and had to be fully provided for in order to comply with the Financial Services (Financial Assets Classification) Directives. In 2015 a provision of K6.243 billion was made resulting in a K0.236 billion loss after impairment and a loss after tax of K0.195 billion. In 2016 a provision of K1.868 billion was made resulting in a loss of K4.330 billion after a tax credit of K0.524 billion.

ii. Foreign currency transactions made in 2012 that resulted in litigation that was decided against the Company in 2015 and 2016. Significant sums of money have had to be paid out to the claimants in damages (K1.3 billion was paid in 2016). The Company has appealed against some of the Court's decisions. Adequate provisions have also been made for such on going litigation.

iii. Provision for operational expenses of K1.3 billion. This relates to balances on suspense and clearing accounts which the Company uses in clearing transactions and were not yet processed as at the end of the year. Some of these transactions have since been identified as fraudulent and have been written off and included in the provision for operational losses in the Company's financial statements for the year ended 31 December 2016.

iv. As at 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 were -7.38% and -7.38% respectively.

Your Directors believe that injection of K11.8 billion equity capital into your Company is sufficient to render your Company compliant with the regulatory capital adequacy regulations.

3. **Principal terms of the Rights Issue**

The Company is proposing to offer 2,182,930,017 Rights Shares by way of a Rights Issue. The Rights Shares will be offered to Entitled Shareholders. The Rights Issue is expected to raise approximately K11.07 billion (net of expenses). The Issue Price represents a 10% discount to the volume weighted average price of the Company's shares traded over 30 days immediately prior to 9 May 2017.

The Rights Issue will be made on the basis of 3 Rights Shares at K5.40 per Rights Share for every 1 Existing Share held by Entitled Shareholders on the Record Date (being the close of business on 26 May 2017).

Entitlements to Rights Shares will be rounded to the nearest whole number.

The Rights Issue is underwritten by the Underwriters pursuant to and subject to the terms and conditions of the Underwriting Agreements, the principal terms and conditions of which are summarised in paragraph 16.1 of Part XI of this prospectus: "Additional Information".

The Rights Issue will result in 2,182,930,017 Rights Shares being issued (representing 75% of the enlarged issued share capital immediately following completion of the Rights Issue).

The Rights Issue is conditional, *inter alia*, upon:

(i) the Underwriting Agreements having become unconditional in all respects (save for the condition relating to listing of the Rights Shares on the MSE) and not having been rescinded or terminated in accordance with its terms prior to listing; and

(ii) listing becoming effective by not later than 10:00am on 3 July 2017, (or such later time and date as the Company and the Underwriters may agree).

Application will be made to the MSE for the Rights Shares to be admitted to the MSE's list and to trading on the MSE.

Some questions and answers, together with details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Parts II of this prospectus: "Some questions and answers about the Rights Issue" and III of this prospectus: "Terms and conditions of the Rights Issue" and, where relevant, will also be set out in the Letter of Allocation.

Non-Resident Shareholders should refer to paragraph 2.12 of Part III of this prospectus: "Terms and Conditions of the Rights Issue" for further information on their ability to participate in the Rights Issue.

4. **Financial effects of the Rights Issue**

Entitled Shareholders who take up their pro rata Rights Shares in full will suffer no dilution to their interest in the Company. Entitled Shareholders who do not take up any of their rights to subscribe for the Rights Shares will suffer an immediate dilution of 75% of their shareholding in the Company.

Adjusting for the receipt of the net proceeds from the Rights Issue, the Company's illustrative net assets as at 31 December 2016, on a pro forma basis would have been K18.6 billion - see Part IX of this prospectus: "Unaudited pro forma financial information".

5. **Current trading and prospects**

For the quarter ended 31 March 2017 the Company made a loss before tax of K0.822 billion (profit of K0.568 billion - 2016) which was below the budgeted profit before tax of K0.325 billion.

The Company is in the process of implementing a turn-around strategy which is embodied in the Company's 2017 to 2021 business plan. It is transforming itself into a learner (staff reduction is ongoing), innovative, customer centric bank offering the best breed of retail banking services in Malawi. To shorten the journey of transformation the Company has entered into a technical partnership arrangement with Rabobank. It is also strengthening management. In that regard it has recruited a new Chief Executive Officer from 1 April 2017 to champion the change into a new performance culture at all levels of the Company. The Company is reorganising senior management. The Company is separating with a number of senior managers - some through voluntary exit and others maybe asked to be repositioned or leave if necessary. Replacement senior managers are being recruited on the basis of possession of talent and skills best suited to the new performance culture. It is expected that the Company will be profitable from 2017 onwards, generating sufficient capital from its own operations and delivering a decent return for the shareholders of the Company.

6. Dividends and dividend policy

The Company has not paid a dividend in the years ending 31 December 2015 and 2016. The Company will maintain a policy of paying a dividend of up to 55% of the profit after tax adjusted for (i) any revaluation surplus which will be retained as part of non-distributable reserves and (ii) any profit realised on the sale of fixed assets. The profit retention policy will enable the Company grow organically in the next 5 years without an immediate need of additional capital. The dividend will be paid in two instalments based on actual cumulated profit, the cash flow permitting. The first instalment (interim dividend) will be paid based on interim results after the interim audit. The final instalment (final dividend) will be paid after adoption of the Company's audited financial statements by the shareholders at the Company's annual general meeting. The Company is unlikely to declare a dividend for the year ending 31 December 2017. Nevertheless, a dividend payment is expected from the year ending 31 December 2018 and beyond.

7. Non-Resident Shareholders

The attention of Non-Resident Shareholders who have registered addresses outside Malawi, or who are residents or located in countries other than Malawi, and any person who is holding Ordinary Shares for the benefit of such persons (including, without limitation, a custodian, nominee or trustee) or who has a contractual or legal obligation to forward this prospectus, or any Letter of Allocation, if and when received, or other document to a jurisdiction outside Malawi, is drawn to the information in paragraph 2.12 of Part III of this prospectus: "Terms and Conditions of the Rights Issue".

In particular, Entitled Shareholders who are Non-Resident Shareholders should consult their professional advisors as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements to the Rights Issue.

Rights Shares will be provisionally allotted (nil paid) to all Entitled Shareholders, including Non-Resident Shareholders. However, subject to certain exceptions, the sending of the Letter of Allocation and this prospectus does not constitute an offer to a Non-Resident Shareholder and any such shareholders will not be entitled to take up or transfer rights in the Rights Issue unless such action would not result in the contravention of any legislation or other legal requirement in their respective jurisdictions.

Notwithstanding any other provision of this prospectus or a Letter of Allocation, the Company reserves the right to permit any Entitled Shareholder to take up his rights if the Company in its absolute discretion is satisfied that the transaction in question will not violate applicable laws.

The provisions of paragraph 2.1 of Part III of this prospectus: “Terms and Conditions of the Rights Issue” dealing with rights not taken up by Entitled Shareholders will apply generally to Non-Resident Shareholders who cannot or do not take up the Rights Shares provisionally allotted to them.

8. **Taxation**

Certain information about taxation in relation to the Rights Issue is set out in Part X of this prospectus: “Taxation”. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than Malawi you should consult your own independent tax advisor without delay.

9. **Action to be taken**

9.1 If you are in any doubt as to the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, legal practitioner, accountant, fund manager or other appropriate independent financial advisor, who is authorised under the Securities Act as read with the MSE Listings Requirements to render financial advisory services with regard to listed securities if you are in Malawi or, if not, from another appropriately authorised financial advisor.

9.2 An Entitled Shareholder is a person who was registered in the Company’s register of members as at close of business on 26 May 2017.

9.3 If you are an Entitled Shareholder, a Letter of Allocation with the Form of Subscription Instructions for completion by Entitled Shareholders is enclosed with this prospectus and the relevant procedure for participation in the Rights Issue is set out in paragraph 2 of Part III of this prospectus: “Terms and conditions of the Rights Issue” and the Letter of Allocation.

10. **Further information**

Your attention is drawn to the further information set out in Parts II to XI of this prospectus. Entitled Shareholders should read the whole of this prospectus and not rely solely on the information set out in this letter. Shareholders should consider fully and carefully the risk factors associated with the Company and the Rights Issue set out in the section titled “Risk Factors”.

11. **Directors’ recommendation and intentions regarding the Rights Issue**

The Directors are fully supportive of the Rights Issue. Mr Kumwenda’s family trust, WOP VJ Trust, intends to take up its rights in full under the Rights Issue to the extent possible.

Yours sincerely,

Vizenge Kumwenda
Chairman

Part II

Some questions and answers about the Rights Issue

The questions and answers set out in this Part II are intended to be in general terms only and, as such, you should read Part III "Terms and Conditions of the Rights Issue" of this prospectus for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, legal practitioner, accountant or other independent financial advisor, duly authorised under the Securities Act if you are resident in Malawi or, if not resident in Malawi, from another appropriately authorised independent financial advisor.

This Part II deals with general questions relating to the Rights Issue and more specific questions relating to Ordinary Shares held by persons resident in Malawi only. If you are a Non-Resident Shareholder, you should read paragraph 2.12 of Part III of this prospectus and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights.

If you need more information please call the Shareholder Helpline on 888 235 577 or 993 365 577 (from inside Malawi) or +265 888 235 577 or +265 993 365 577 (from outside Malawi) between 8:30am and 5:00pm on any weekday (excluding Malawi bank holidays). For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Rights Issue or provide financial, investment, legal or tax advice.

1. **What is a Rights Issue?**

   A rights issue is a way for companies to raise money by giving their existing shareholders a right to buy further shares in proportion to their existing shareholding in the Company.

   This Rights Issue is an offer by the Company of 2,182,930,017 Rights Shares at a price of K5.40 per Rights Share. If you hold Ordinary Shares on the Record Date, you will be an Entitled Shareholder. Entitled Shareholders will be entitled to buy Rights Shares under the Rights Issue. If you are an Entitled Shareholder your entitlement will be set out in your Letter of Allocation.

   The Issue Price of K5.40 per Rights Share represents a 10 per centum discount on the volume weighted average price of the Company's shares traded over a 90 day period immediately prior to 9 May 2017.

2. **I hold Existing Shares. How do I know if I am able to acquire Rights Shares under the Rights Issue?**

   If you receive a Letter of Allocation then you should be eligible to participate in the Rights Issue as long as you have not sold all of your Existing Shares before 5.00pm on 26 May 2017.

3. **I hold Existing Shares. What do I need to do in relation to the Rights Issue?**

   If you hold your Existing Shares at the Record Date you will be sent a Letter of Allocation that shows:

   3.1 how many Existing Shares you held at the close of business as at the Record Date.

3.2 how many Rights Shares you are entitled to buy; and

3.3 how much you need to pay if you want to take up your right to buy all the Rights Shares provisionally allotted to you in full.

4. **I am an Entitled Shareholder resident in Malawi. What are my choices and what should I do with the Letter of Allocation?**

4.1 **You must read the Letter of Allocation and the Form of Subscription Instructions therewith carefully.**

If you are an Entitled Shareholder, a Letter of Allocation with the Form of Subscription Instructions for completion by Entitled Shareholders is enclosed with this prospectus and the relevant procedure for participation in the Rights Issue is set out in paragraph 2 of Part III of this prospectus: "Terms and conditions of Rights Issue".

4.2 **You can subscribe for all your rights**

If you wish to subscribe for all of your rights you must complete Part A of the Form of Subscription Instructions in accordance with instructions contained paragraph 3 of the Letter of Allocation and paragraph 2.2.3 of Part III of this prospectus: "Terms and conditions of the Rights Issue".

4.3 **You can subscribe for all your rights and apply for additional Rights Shares**

If you wish to apply for additional Rights Shares, you must complete Part A of the enclosed Form of Subscription Instructions in accordance with the instructions contained in paragraph 5 of the Letter of Allocation and paragraph 2.2.4 of Part III of this prospectus: "Terms and conditions of the Rights Issue".

4.4 **You can sell all or part of your rights**

If you wish to sell all or part of your rights, you must complete Part B of the enclosed Form of Subscription Instructions in accordance with the instructions contained in paragraph 4.3 of the Letter of Allocation and paragraph 2.2.5 of Part III of this prospectus: "Terms and conditions of the Rights Issue".

4.5 **You can renounce your rights in favour of a named person**

If you wish to renounce your rights in favour of any named person (renouncee), you must complete Part C of the enclosed Form of Subscription Instructions and the renouncee must complete Part D in the enclosed Form of Subscription Instructions in accordance with instructions contained in paragraphs 4.1 and 4.2 of the Letter of Allocation and paragraph 2.2.7 of Part III of this prospectus: "Terms and conditions of the Rights Issue".

4.6 **You can take up part of your rights and renounce the remainder in favour of your chosen renouncees (splitting your rights)**

If you wish to subscribe for only some of the Rights Shares provisionally allotted to you and transfer the remainder to different persons, you may apply for split Letters of Allocation, for which purpose you must complete and sign Part C of the enclosed

Form of Subscription Instruction and deliver the whole Letter of Allocation to the Transfer Secretaries for cancellation and exchange for the split Letters of Allocation required. The application must be in the form of a covering letter which must state the number of split Letters of Allocation required in accordance with the instructions contained in paragraph 4.4 of the Letter of Allocation and paragraph 2.2.7 of Part III of this prospectus: "Terms and conditions of the Rights Issue".

4.7 **Non receipt of documents and evidence of payment beyond 23 June 2017, will cause the offer to lapse**

If the required documentation and payment has not been received in accordance with the instructions contained in the enclosed form of subscription instructions (either from the Entitled Shareholder or from any person in whose favour the rights have been renounced) by 3 pm on23 June 2017, then the rights to those unsubscribed for Rights Shares will be deemed to have been declined and the offer to such Entitled Shareholder(s) will have lapsed.

5. **I acquired my Existing Shares prior to the "Ex-Rights Date". What if I do not receive a Letter of Allocation?**

If you do not receive a Letter of Allocation this probably means that you are not eligible to participate in the Rights Issue.

If you do not receive a Letter of Allocation but think that you should have received one, please contact the Shareholder Helpline on 0 999 365 577 or 0 888 235 577 (from inside Malawi) or +265 993 365 577 or +265 888 235 577 (from outside Malawi) between 8:30am and 5:00pm on any weekday (excluding Malawi bank holidays).

6. **If I buy Shares after the Record Date, will I be eligible to participate in the Rights Issue?**

If you bought Shares after the Record Date but prior to 10:00am on 29 May 2017, (the time when the Existing Shares are expected to start trading ex-rights on the MSE), you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial and/or investment advisor, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Shares at or after 10:00am on 29 May 2017, you will not be eligible to participate in the Rights Issue in respect of those Shares.

7. **What if the number of Rights Shares to which I am entitled is not a whole number: am I entitled to fractions of Rights Shares?**

Your entitlement to Rights Shares will be calculated at the Record Date. If the result is not a whole number, you will not receive a fraction of a Rights Share and your entitlement will be rounded to the nearest whole number.

8. **Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?**

Certain information about taxation is contained in Part X of this prospectus: "Taxation". If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than Malawi, you should consult an appropriate professional advisor as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

9. **I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?**

If you do not want to buy the Rights Shares being offered to you under the Rights issue, you can instead sell or transfer your rights (called "Nil Paid Rights") to those Rights Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing "nil paid". This means that, during the Rights Issue offer period, a person can either purchase Ordinary Shares (which will not carry any entitlement to participate in the Rights Issue) or can purchase the Nil Paid Rights.

10. **What if I want to sell the Rights Shares which I have paid for?**

Provided the Rights Shares have been paid for and you have requested the return of the receipted Letter of Allocation, you can transfer the Fully Paid Rights by completing Part C of the Form of Subscription Instructions on the receipted Letter of Allocation in accordance with the instructions contained in paragraphs 4.1 and 4.2 of the Letter of Allocation and paragraph 2.2.6 of Part III of this prospectus: 'Terms and conditions of the Rights Issue' not later than 3:00 pm on 21 June 2017. After that time, you will be able to sell your Rights Shares in the normal way. The share certificate relating to your Rights Shares is expected to be dispatched to you by no later than 29 June 2017.

11. **What should I do if I live outside Malawi?**

Your ability to take up rights to Rights Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Your attention is drawn to the information in paragraph 2.1.2 of Part III of this prospectus: "Terms and conditions of the Rights Issue".

12. **Will the Rights Issue affect the future dividends that the Company pays?**

The Company will maintain a policy of paying a dividend of up to 55% of the profit after tax adjusted for (i) any revaluation surplus which will be retained as part of non-distributable reserves and (ii) any profit realised on the sale of fixed assets subject to meeting regulatory capital and liquidity ratios. The higher profit retention policy is to enable the Company grow organically in the next 5 years without an immediate need of additional capital. The dividend will be paid in two instalments based on actual cumulated profit, the cash flow permitting. The first instalment (interim dividend) will be paid based on interim results after the interim audit. The final instalment (final dividend) will be paid after adoption of the Company's audited financial statements by the shareholders at the Company's annual general meeting.

13. **What should I do if I think my holding of Shares is incorrect?**

If you have bought or sold Ordinary Shares shortly before 26 May 2017 your transaction may not be entered on the register of members in time to appear on the register at the Record Date. If you are concerned about the number of Ordinary Shares attributed to you as shown in the Letter of Allocation or otherwise concerned that your holding of Ordinary Shares is incorrect, please contact the Transfer Secretaries.

14. **Where can I find further information on the Rights Issue?**

For further information on the Rights Issue please contact the Shareholder Helpline on 0993 365 577 or 0888 235 577 (from inside Malawi) or +265 993 365 577 or +265 235 577 (from outside Malawi) between 8:30am and 5:00pm on any weekday (excluding Malawi bank holidays). For legal reasons, the Shareholder Helpline will only be able to provide information contained in this prospectus (and, in addition, information relating to the Company's register of members) and will be unable to give advice on the merits of the Rights Issue or to provide financial, investment, legal or tax advice.

Part III

Terms and conditions of the Rights Issue

1. **Introduction**

The Company is proposing to raise proceeds of approximately K11.8 billion by way of a rights issue of 2,182,930,017 Rights Shares. Subject to the fulfilment of the conditions of the Underwriting Agreements, the Rights Shares will be offered by way of rights at K5.40 per Rights Share, payable in full on acceptance by Entitled Shareholders on the basis of 3 Rights Shares for every 1 Existing Share held on the Record Date (and so in proportion for any other number of Existing Shares then held) and otherwise on the terms and conditions as set out in this prospectus and the Letter of Allocation.

Entitled Shareholders are holders of Ordinary Shares appearing on the Company's register of members at close of business on the Record Date. Entitled Shareholders will be entitled to take up the Rights Shares represented by their entitlements to Nil Paid Rights.

Timetable dates in this Part III have been included on the basis of the Expected Timetable set out in the section titled "Expected timetable of principal events".

The Issue Price of K5.40 per Rights Share represents a 10% discount to the volume weighted average price of the Company's shares traded over 30 days immediately prior to 9 May 2017. The Issue Price also entails a premium of K4.90 per share over the nominal value of 50tambala per share.

Entitled Shareholders who do not take up entitlements to Rights Shares will have their proportionate shareholdings in the Company diluted by up to a maximum of 75%. Those Entitled Shareholders who take up their rights in full will, subject to rounding of fractions, have the same proportionate voting and distribution rights as held on the Record Date.

The Nil Paid Rights, also described as Rights Shares (nil paid), are entitlements to acquire the Rights Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the Rights Shares for which a subscription and payment has already been made.

Entitlements to Rights Shares will be rounded down or up to the nearest whole number and no fractions of Rights Shares will be allotted to Entitled Shareholders.

This prospectus constitutes the offer of Rights Shares to all Entitled Shareholders resident in Malawi and all Non-Resident Shareholders for whom this prospectus and the Letter of Allocation do not constitute a violation of the laws of their jurisdiction.

The attention of Non-Resident Shareholders or any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this prospectus outside Malawi is drawn to paragraph 2.12 of this Part. The offer of Rights Shares and the Rights Issue may not be legal in certain jurisdictions.

The Rights Issue is conditional, *inter alia*, upon:

(i) the Underwriting Agreements having become unconditional in all respects (save for the condition relating to listing of the Rights Shares on the MSE) and not having been rescinded or terminated in accordance with their terms prior to listing; and

(ii) listing becoming effective by not later than 10:00am on Monday, 3 July 2017, (or such later time and date as the Company and the Underwriters may agree).

The Underwriting Agreements are conditional upon certain matters being satisfied or not breached prior to listing and may be terminated by the Underwriters prior to listing upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriting Agreements are not capable of termination following listing. A summary of certain terms and conditions of the Underwriting Agreements is contained in paragraph 16.1 of Part XI of this prospectus: "Additional information". The Underwriters (except NICO) will be paid underwriting fees.

The Underwriters may engage in trading activity in connection with their role under the Underwriting Agreements and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in shares of the Company and related or other securities and instruments (including Ordinary Shares, Nil Paid Rights and Fully Paid Rights). Except as required by the Applicable Law, The Underwriters do not propose to make any public disclosure in relation to such transactions.

The Company will not proceed with the Rights Issue if any of the Underwriting Agreements is terminated at any time prior to listing and commencement of dealings in the Nil Paid Rights.

Subject, inter alia, to the conditions referred to above being satisfied (other than the condition relating to listing) and save as provided in paragraph 2.1.2 of this Part, it is intended that:

(i) Letters of Allocation in respect of Nil Paid Rights will be despatched to Entitled Shareholders on or about 26 May 2017.

(ii) Share certificates for the Rights Shares will be dispatched to Entitled Shareholders who validly take up their rights by no later than 29 June 2017.

The Rights Shares will, when issued and fully paid, rank pari passu in all respects with the Existing Shares.

All documents including Letters of Allocation (which constitute temporary documents of title) and cheques and certificates posted to, by or from Entitled Shareholders and/or their transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

2. Action to be taken

2.1 General

Letters of Allocation are expected to be dispatched to Entitled Shareholders on or about 26 May 2017. Each Letter of Allocation will set out:-

2.1.1 the holding at the Record Date of Existing Shares on which an Entitled Shareholder's entitlement to Rights Shares has been based;

2.1.2 the aggregate number and cost of the Rights Shares which have been allocated to that Entitled Shareholder;

2.1.3 the procedures to be followed if an Entitled Shareholder wishes to dispose of all or part of his entitlement; and

2.1.4 instructions regarding acceptance of, and payment, for the Rights Shares, the additional Rights Shares and instructions for splitting the entitlement to the Rights Shares and registration of renunciation of the Rights Shares to a named nominee.

If the Rights Issue is delayed so that Letters of Allocation cannot be dispatched on 26 May 2017, the expected timetable, will be adjusted accordingly and the revised dates will be set out in the Letters of Allocation and public announcements approved by the MSE. All references in this Part III should be read as being subject to such adjustment.

2.2 Procedure for acceptance and payment

2.2.1 If you are in any doubt as to the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, legal practitioner, accountant, fund manager, investment bank or other appropriate independent financial advisor, who is authorised under the Securities Act as read with the MSE Listings Requirements to render financial or investment advisory services with regard to listed securities if you are in Malawi or, if outside Malawi, from another appropriately authorised financial advisor.

2.2.2 If you are an Entitled Shareholder, a form of subscription instructions for completion by Entitled Shareholders is enclosed with this prospectus. The relevant procedure for participation in the Rights Issue is set out in paragraph 2.2.3 to 2.10.2 of this Part.

2.2.3 If you wish to subscribe for all of your rights in terms of the enclosed Form of Subscription Instructions, you must complete boxes 5, 6, and 9 of Part A of the Form of Subscription Instructions in accordance with instructions contained therein and lodge the completed form, together with a deposit slip showing that the amount due in Kwacha in respect of the Rights Shares has been deposited to the Receiving Bank Account or a bank cheque or bank draft drawn in favour of the Company Rights Issue, with your stockbroker or the Transfer Secretaries or with any branch or agency of The Company as follows:-

2.2.3.1 If by hand to:-

NICO Asset Managers Limited
Chibisa House
19 Glyn Jones Road
P O Box 3173
Blantyre, Malawi
Tel: +265 (0) 1 832 085/086
Fax: +265 (0) 1 821 617
E-mail: emasautso@nicoassetmanagers.com

or

at any branch or agency of the Company

2.2.3.2 If by post to:
NICO Asset Managers Limited
P O Box 3173
Blantyre, Malawi
Attention: Mr Elias Masautso

or

The Company Secretary
NBS Bank Plc
Corner Masauko Chipembere Highway
Johnston Road
P O Box 32251
Chichiri, Blantyre 3, Malawi
Attention: Mr Marsha Machika

so as to reach the Transfer Secretaries or the Company Secretary by no later than 3:00 pm on 23 June 2017.

The particulars of the Receiving Bank Account are as follows:

Local account

Account number	:	17362771
Account name	:	NBS Bank Rights Issue
Branch	:	Ginnery Corner
Bank	:	NBS Bank

International account

Account number	:	36246192
Account name	:	NBS Bank (NBSTMWMW)
Bank	:	Citibank N.A. 111 Wall Street New York, USA
Swift code	:	CITI US 33

2.2.4 If you wish to apply for additional Rights Shares, you must complete boxes 7, 8 and 9 in Part A of the enclosed Form of Subscription Instructions and return it to your stockbroker or the Transfer Secretaries or any branch or agency of the Company together with a deposit slip showing that the amount payable in respect of all the additional Rights Shares you have applied for has been deposited to the Receiving Bank Account or a bank cheque or bank draft drawn in favour of the NBS Bank Rights Issue so as to reach the Transfer Secretaries no later than 3:00 pm on 21 June 2017. Note that the number of additional Rights Shares to be allocated to you is at the absolute discretion of the Directors and dependent on some Entitled Shareholders not taking up their rights. Any sum of money paid in respect of additional Rights Shares that are not ultimately allotted to you will be refunded to you by the Company by 31 July 2017 without interest.

2.2.5 If you wish to sell all or part of your rights, you must complete Part B in the enclosed Form of Subscription Instructions and return it to your stockbroker or the Transfer Secretaries or any branch or agency of NBS Bank to be received by the Transfer Secretaries not later than 22 June 2017. Note that your stockbroker or the Transfer Secretaries will endeavour to procure the sale of your rights on the MSE on your behalf and remit the net proceeds therefor in accordance with your instructions. In this regard, none of your stockbroker, the Transfer Secretaries and the Company will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to procure the sale of the rights.

2.2.6 If you wish to renounce your rights in favour of any named person (renouncee), you must complete Part C in the enclosed Form of Subscription Instructions and the renouncee must complete boxes 5,6 and 9 in Part A as well as Part D in the enclosed Form of Subscription Instructions and return it to your stockbroker or the Transfer Secretaries or to any branch or agency of the Company not later than 23 June 2017, together with a deposit slip showing that the amount due in Kwacha in respect of the Rights Shares has been deposited to the Receiving Bank Account or a bank cheque or bank draft drawn in favour of the NBS Bank Rights Issue.

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements.

2.2.7 If you wish to subscribe for only some of the Rights Shares and to transfer the remainder to different persons, you may have the Letter of Allocation split. For the purpose of splitting your Letter of Allocation you must complete and sign Part C in the Form of Subscription Instructions. The Letter of Allocation with Part C so completed in the Form of Subscription Instructions must be delivered to the Transfer Secretaries by not later than 3:00pm on Thursday, 22 June 2017, to be cancelled and exchanged for the split Letters of Allocation required. The number of split Letters of Allocation required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split letter should be stated in an accompanying letter. Part C on the split Letters of Allocation will be marked 'Original Duly Renounced' before issue.

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements.

2.2.8 Rights Shares comprised in several renounced Letters of Allocation may be registered in the name of one holder (or joint holders) if the Part E in the Form of Subscription Instructions is completed on one Letter of Allocation (the 'Principal Letter') and all the Letters of Allocation are delivered in one batch. Details of each Letter of Allocation (including the Principal Letter) should be listed in Part E and the allotment number of the Principal Letter should be entered in the space provided on Part E on each of the other Letters of Allocation.

2.2.9 If the required documentation and payment has not been received in accordance with the instructions contained in the enclosed form of subscription instructions (either from the Entitled Shareholder or from any person in whose favour the rights have been renounced) by 3 pm on 23 June 2017, then the rights to those unsubscribed for Rights Shares will be deemed to have been declined and the offer to such Entitled Shareholder(s) will have lapsed.

2.3 Payments

All payments made by Malawi residents must be in Kwacha and made by bank cheque or banker's draft payable to NBS Bank Rights Issue a/c and crossed "A/C payee only" drawn on an account where the Entitled Shareholder has sole or joint title to the funds. Cash payments must be deposited directly into the Receiving Bank Account at any branch or agency of NBS Bank Limited. In that event a duplicate copy of the deposit slip duly stamped by the receiving cashier should be despatched together with the subscription forms. Cheques or banker's draft must be drawn on a bank operating in Malawi. Cheques or banker's drafts will be presented for payment upon receipt. No interest will be paid on payments made before they are due. It is a term of the Rights Issue that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender.

Non-Resident Shareholders are required to make their payments in the Dollar equivalent and remit their payments into the international Receiving Bank Account the particulars of which appear in paragraph 2.2.3.2 of this Part.

If the Rights Shares have already been allotted to an Entitled Shareholder prior to any cheque payment not being so honoured upon first presentation or such acceptances being treated as invalid, the Company may, in its absolute discretion as to manner, timing and terms, make arrangements for the sale of such Rights Shares on behalf of such Entitled Shareholder and hold the proceeds of sale on behalf of such Entitled Shareholder (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expense of the sale, including, without limitation, any tax payable on the transfer of such Rights Shares, and of all amounts payable by such Entitled Shareholder pursuant to the terms of the Rights Issue in respect of the acquisition of such Rights Shares). Neither the Company nor the Transfer Secretaries nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Entitled Shareholder as a result.

2.4 Anti-money Laundering Regulations

It is a term of the Rights Issue that, to ensure compliance with provisions of the Financial Crimes Act ("Anti-Money Laundering Regulations"), the Receiving Bank may require verification of the identity of the person by whom or on whose behalf a Letter of Allotment is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). The person(s) (in this paragraph 2.4, the "acceptor(s)") who, by lodging a Letter with payment, as described above, accept(s) the allotment of the Rights Shares (in this paragraph 2.4, the "relevant shares") comprised in such Letter of Allocation) shall thereby be deemed to agree to provide the Transfer Secretaries or the Receiving Bank with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements.

If the Transfer Secretaries or the Receiving Bank determines that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which the Transfer Secretaries or the Receiving Bank shall in their absolute discretion determine) by 10:00am on 23 June 2017, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance as invalid or may confirm the allotment of the relevant shares to the acceptor but (notwithstanding any other term of the Rights Issue) such shares will not be issued to him or registered in his name until the verification of identity requirements have been satisfied (which the Transfer Secretaries or the Receiving Bank shall in their absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is dispatched to the acceptor, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Anti-money Laundering Regulations. The Transfer Secretaries or the Receiving Bank are entitled in their absolute discretion to determine whether the verification of identity requirements apply to any acceptor and whether such requirements have been satisfied. The Company will not be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

Return of a Letter of Allocation with the appropriate remittance will constitute a warranty from the acceptor that provisions of the Anti-money Laundering Regulations will not be breached by acceptance of such remittance. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in the acceptor's acceptance being treated as invalid or in delays in the dispatch of a receipted fully paid Letter of Allocation or a share certificate.

The verification of identity requirements will not usually apply:

2.4.1 if the acceptor is a stockbroker or other intermediary financial institution which is itself required to comply with provisions of the Anti-money Laundering Regulations on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; or

2.4.2 if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or

2.4.3 if the aggregate subscription price for the relevant shares is less than K1million.

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:-

(a) if payment is made by bank cheque or banker's draft in Kwacha drawn on a bank in Malawi, the bank cheques should be made payable to NBS Bank Rights Issue a/c and crossed "A/C payee only". Third party cheques will not be accepted with the exception of bank cheques or banker's drafts where the bank has confirmed the name of the account holder by stamping or endorsing the bank cheque or banker's draft to such effect. The account name should be the same as that shown on the Letter of Allocation;

(b) if the Letter of Allocation is lodged with payment by an agent which is an organisation of the kind referred to in paragraph 2.4.1 above or which is subject to Anti-money Laundering Regulations, the agent should provide written confirmation with the Letter of Allocation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the RoFI, or the Financial Intelligence Authority ('FIA'), or the relevant authority; or

(c) if a Letter of Allocation is lodged by hand by the acceptor in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport or driver's licence) and evidence of his address.

In order to confirm the acceptability of any written assurances referred to in (c) above or any other case, the acceptor should contact the Receiving Bank.

2.5 Dealings in Nil Paid Rights

Dealings in the Nil Paid Rights on the MSE are expected to commence at 10:00am on 29 May 2017. A transfer of Nil Paid Rights can be made by renunciation of the Letter of Allocation in accordance with the instructions printed on it and delivery of the letter to the transferee. The latest time and date for acceptance, payment in full and registration of renunciation of Letters of Allocation is expected to be 3:00pm on 23 June 2017.

2.6 **Dealings in Fully Paid Rights**

After acceptance of the Letter of Allocation and payment in full in accordance with the provisions set out in this prospectus and the Letter of Allocation, the Fully Paid Rights may be transferred by renunciation of the relevant Letter of Allocation and delivering it, by post or (during normal business hours only) by hand to the Transfer Secretaries or the Receiving Bank not later than 3:00pm on 23 June 2017. To do this, Entitled Shareholders will need to have their fully paid Letters of Allocation returned to them after acceptance has been effected by the Transfer Secretaries. However, fully paid Letters of Allocation will not be returned to Entitled Shareholders unless their return is requested by ticking the appropriate box on the Letter of Allocation. After 29 June 2017, Rights Shares will be in registered and certificated form and transferable in the usual way (see paragraph 2.9 below).

2.7 **Registration in names of persons other than Entitled Shareholders originally entitled**

2.7.1 **Registration in names of Entitled Shareholders**

An Entitled Shareholders who wishes to have all the Rights Shares registered in his name must accept and make payment for the Rights Shares provisionally allotted to him in accordance with the provisions set out in this prospectus and the Letter of Allocation but need take no further action. A share certificate in respect of the Rights Issue subscribed for by him will be despatched to such Entitled Shareholder by no later than 29 June 2017.

2.7.2 **Registration of additional Rights Shares in the name of Entitled Shareholders**

An Entitled Shareholder who wishes to have additional Rights Shares registered in his name must complete boxes 7, 8 and 9 in Part A of the Form of Subscription Instruction on the Provisional Letter of Allocation and make payment for the Rights Shares provisionally allotted to him plus all the additional Rights Shares he has applied for. Note that the number of additional Rights Shares to be allotted to an Entitled Shareholder who has applied and paid for additional Rights Shares is at the absolute discretion of the Directors and dependent on some Entitled Shareholders not taking up their rights. Any sum of money paid in respect of additional Rights Shares that are ultimately not allotted to the Entitled Shareholders will be refunded to him by 31 July 2017.

2.7.3 **Registration in names of persons other than Entitled Shareholders originally entitled**

In order to register Fully Paid Rights in the name of someone other than the Entitled Shareholder(s) originally entitled, the renouncee or his agent(s) must complete Part D of the Form of Subscription Instructions in the Letter of Allocation and deliver the entire Letter of Allocation, when fully paid, by post or (during normal business hours only) by hand to the Transfer Secretaries, by not later than the latest time for registration of renunciations, which is expected to be 3:00pm on 23 June 2017. Registration cannot be effected unless and until the Rights Shares comprised in a Letter of Allocation are fully paid.

2.8 Issue of share certificates for the Rights Shares

Share certificates in respect of the Rights Shares are expected to be dispatched by post by 29 June 2017, at the risk of the Entitled Shareholders or their transferees or renouncees, or in the case of joint holdings, to the first-named Shareholders, at their registered address (unless a different address has been indicated in Part F of the Form of Subscription Instructions). After dispatch of the share certificates, Letters of Allocation will cease to be valid for any purpose whatsoever. Pending dispatch of the share certificates, instruments of transfer of the Rights Shares will be certified by the Transfer Secretaries.

2.9 Procedure in respect of rights not taken up and withdrawal

2.9.1 Procedure in respect of Rights Shares not taken up

If an entitlement to Rights Shares is not validly taken up by 3:00pm on 23 June 2017, in accordance with the procedure laid down for acceptance and payment, then the allocation will be deemed to have been declined and will lapse. The Rights Shares not subscribed for by Entitled Shareholders or their renouncees will be subscribed for by the Underwriters at the Issue Price pursuant to the terms of the Underwriting Agreements.

2.9.2 Withdrawal of rights

Persons who wish to withdraw their acceptance of Rights Shares must do so by lodging a written notice of withdrawal which must include the full name and address of the person wishing to withdraw his acceptance by post or by hand (during normal business hours only) with the Transfer Secretaries or by email to emasautso@nicoassetmanagers.com so as to be received no later than 23 June 2017. Notice of withdrawal given by any other means or which is deposited with or received by the Transfer Secretaries after the expiry of such period will not constitute a valid withdrawal. Furthermore, the Company will not permit the exercise of withdrawal of rights after payment by the relevant Shareholder of its acquisition in full and the allotment of the Rights Shares to such Shareholder becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisors, including their legal advisors, as this may be a matter of law.

Provisional allotments of entitlements to Rights Shares which are the subject of a valid withdrawal notice will be deemed to have been declined.

2.9.3 Effect of transactions undertaken pursuant to 2.9.1 and 2.9.2

Any transactions undertaken pursuant to paragraphs 2.9.1 and 2.9.2 above shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments or other entitlements and none of the Company or the Underwriters or any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms or timing of any such acquisition, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis so described. The Underwriters will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

2.9.4 Allotment of Rights Shares not taken up by Entitled Shareholders and their renouncees

On the 23 June 2017, the Directors shall allot Rights Shares not taken up by Entitled Shareholders to those shareholders as shall have applied for additional Rights Share. If there be an over subscription for such shares the Directors shall decide the manner of allotment at their absolute discretion. In the event that the applications for additional Rights Shares do not exhaust the Rights Shares not taken up by Entitled Shareholders the Underwrites shall subscribe for the said remaining Rights Shares not taken up.

2.10 Taxation

The information contained in Part X of this prospectus: "Taxation" is intended only as a general guide to the current tax position in Malawi and Entitled Shareholders should consult their own tax advisors regarding the tax treatment of the Rights Issue in light of their own circumstances. Entitled Shareholders or other investors who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate advisor as soon as possible.

2.11 Non-Resident Shareholders

This prospectus has been approved by the MSE, being the competent authority in Malawi.

2.11.1 General

The making or acceptance of the proposed offer of Nil Paid Rights, Fully Paid Rights and/or Rights Shares to persons who have registered addresses outside Malawi, or who are resident, or located in, or citizens of, countries other than Malawi, may be affected by the laws of their respective jurisdictions. Those persons should consult their professional advisors as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside Malawi wishing to take up the rights under the Rights Issue or to transfer their rights to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. Any Non-Resident Shareholder who is in doubt as to his position should consult his professional advisor without delay.

Receipt of this prospectus and a Letter of Allocation will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and the Letter of Allocation must be treated as sent for information only and should not be copied or redistributed.

Rights Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Non-Resident Shareholders. However, Letters of Allocation will not be sent to Shareholders with registered addresses outside Malawi or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this prospectus and a Letter of Allocation should not, in connection with the Rights Issue, distribute or send the same or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction where to do so would or might contravene local security laws or regulations. If a Letter of Allocation or a credit of Nil Paid Rights or Fully Paid Rights is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the rights referred to in the Letter of Allocation or in this prospectus or renounce the Letter of Allocation or transfer the Nil Paid Rights or Fully Paid Rights unless such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this prospectus or a Letter of Allocation or transfer Nil Paid Rights or Fully Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 2.12.

The Company reserves the right to treat as invalid and will not be bound to allot or issue any Rights Shares in respect of any acceptance or purported acceptance of the offer of Rights Shares which:

(i) appears to the Company or its agents to have been executed, effected or dispatched from a country where such action would be illegal;
(ii) in the case of a Letter of Allocation, provides an address for delivery of the share certificates in which it would be unlawful to deliver such share certificates; or

Despite any other provision of this prospectus or a Letter of Allocation, the Company reserves the right to permit any Entitled Shareholder to take up rights on the terms and conditions set out in this prospectus if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

Non-Resident Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.2 to 2.9 of this Part.

Non-Resident Shareholders should note that all subscription monies must be paid in US$ electronically into the international Receiving Bank Account details of which appear in paragraph 2.2.3 above.

Non-Resident Shareholders are advised that issue of Rights Shares to Non-Resident Shareholders is subject to Exchange Control Regulations and, therefore, the RBM may decline its approval to issue the Rights Shares to any Non-Resident Shareholder of whom the RBM does not approve.

2.12 Waiver

The provisions of paragraph 2.12 and of any other terms of the Rights Issue relating to Non-Resident Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of paragraph 2.12 supersede any terms of the Rights Issue inconsistent herewith. Reference in paragraph 2.12 to Shareholders shall include references to the person or persons executing a Letter of Allocation and, in the event of more than one person executing a Letter of Allocation, the provisions of paragraph 2.12 shall apply to them jointly and to each of them.

2.13 Times and dates

The Company shall, in its discretion and after consultation with its financial and legal advisors, be entitled to amend the dates that Letters of Allocation are dispatched or dealings in Nil Paid Rights commence or amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this prospectus and in such circumstances shall notify the MSE and make an announcement approved by the MSE and, if appropriate, to Shareholders but Entitled Shareholders may not receive any further written communication.

2.14 Governing law

The terms and conditions of the Rights Issue and any non-contractual obligation arising out of or in relation to the Rights Issue as set out in this prospectus and the Letter of Allocation shall be governed by, and construed in accordance with, the laws of Malawi.

2.15 Jurisdiction

The courts of Malawi are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this prospectus or the Letter of Allocation. By accepting rights under the Rights Issue in accordance with the instructions set out in this prospectus and, in the case of Entitled Shareholders only, the Letter of Allocation, Entitled Shareholders irrevocably submit to the jurisdiction of the courts of Malawi and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

Part IV

Information on the Company

Set out below is a summary of the Company's business. For a detailed description, please refer to the Company's Annual Report for the year ended 31 December 2015, and the Audited Financial Statements for the year ended 31 December, 2016, and the external Auditor's Report for the same periods, which are incorporated by reference into this prospectus as described in Part XII of this prospectus: "Documents incorporated by reference".

1. Overview

The Company's principal business is rendering retail, corporate, and international banking services in the Company and the retail buying and selling of foreign exchange in the Subsidiary. All the business is regulated by Financial Services Legislation and supervised by the RoFI.

2. History

The precursor to the Company was New Building Society. New Building Society was formed in 1964 under the Building Societies Act following the amalgamation of Central Africa Building Society, Commonwealth Century Building Society and First Permanent Building Society. It raised funds from the public and advanced them by way of mortgage loans against the security of land and buildings.

With a view to taking over the assets and liabilities of the New Building Society and operating a fully fledged commercial bank, the Company was incorporated with limited liability on 14 March 2003. It was licensed under the Banking Act to carry on banking business on 1 March 2004. The Company started its operations on 1 July 2004, when the New Building Society was dissolved and its operations taken over by the Company.

At the commencement of its operations the shareholding was as follows:-

Malawi government	=	51%
NICO	=	24.5%
Lonrho Properties Limited	=	24.5%.

NICO increased its shareholding in the Company to 74% in February 2001, by buying off shares from Lonrho Properties Limited and some shares from the Malawi government. The Malawi government also sold some shares to the National Investment Trust Limited ("NITL"). Thus the shareholding by February 2001 was as follows:-

Malawi government	=	16%
NICO	=	74%
NITL	=	10%

In June 2007 the Company raised additional capital to expand its business by issuing shares to the general public and its shares were listed on the MSE. In the process the Malawi government sold off its shareholding to the general public. The resultant shareholding structure after the exercise was as follows:-

NICO	=	60%

NITL	=	8.1%
ESOP	=	3.2%
General public	=	28.7%

In 2010, there were shareholding structure changes that resulted in the following: -

NICO	=	60%
NITL	=	6.6%
ESOP	=	2.0%
General public	=	31.4%

In 2011, another capital raising exercise was finalised during the last quarter and K1.825 billion was raised as additional capital. This resulted in the International Finance Corporation ('IFC') being one of the significant shareholders of the Company. The shareholding is now as follows:-

NICO	=	50.1%
IFC	=	18.1%
NITL	=	5.2%
ESOP	=	0.4%
General public	=	26.2%

It must be mentioned that IFC has indicated its intention to exit the Company by selling off its shareholding within the year. It is expected that IFC will not, therefore, be following its rights in this Rights Offer.

3. Organisational structure

3.1 The Company is a member of the NICO group of companies which comprises the following:

Name of subsidiary	**% Holding**	**Type of business**
NICO Insurance (Zambia) Limited	51.0	Short term insurance
NICO General Insurance Limited	51.0	Short term insurance
SFG Holdings (Zimbabwe) Limited	49.0	Short term insurance (Dormant)
NICO Life Insurance Company Limited	51.0	Life insurance and Pension
NBS Bank Limited	50.1	Banking
NICO Technologies Limited	100.0	Information technology
NICO Asset Managers Limited	100.0	Asset management
Group Fabrications & Manufacturers Limited	100.0	Property holding

Name of the Associated Company	**% Holding**	**Type of business**
Sanlam General Insurance Uganda Limited	20.0	Short term insurance
Sanlam General Insurance Tanzania Limited	20.0	Short term insurance

Sanlam Mocambique Vida Companhia de Seguros (SA) Limitada	34.3	Life insurance and pension
Name of subsidiary of the Company		
NBS Bank Forex Bureau Limited	100	Forex

3.2 The current shareholding in the Company is as follows:-

Shareholder	No. of shares	% of Shareholding
NICO Holdings Limited	364,549,313	50.10
IFC Capitalization Holding Company Limited	131,703,444	18.10
NITL	37,837,454	5.20
General public	190,642,555	26.20
ESOP	6,233,899	0.40
	727,643,339	100%

3.3 The business of the Company is overseen by a board of directors. The composition of the board is as follows:

Name	Occupation	Citizen	Residential or business address
Vizenge Kumwenda	Managing Director	Malawian	Plot LE 53, Newlands, Limbe, PO Box 501, Blantyre
Lucius Mandala	Managing Consultant	Malawian	Plot CH/M/74, Chilomoni Fargo, Blantyre
Chifundo Chiundira	Chief Finance Officer	Malawian	Plot No. NY 277, Nyambadwe, Blantyre
Chadwick Mphande	Retired Executive	Malawian	Plot Number NC 001, Nancholi Road, off Chikhwawa Road
Anurag Saxena	Managing Director	British	Flat 418, Pointwest, London, SW74XD, UK
Matthews Mtumbuka	IT Engineer	Malawian	Plot 175B, Area 10, Lilongwe, Malawi.
Harrison Kalua	Chief Executive Officer	Malawian	Chimaliro/Lunyangwa Residential Area, Off Yohane Jere Road, Opposite Mzuzu Coffee Suites, Mzuzu, Malawi

Zolomphi Nkowani	Managing Partner	Malawian	Area 43, House Number 43/2/138 off Ufulu Road, Lilongwe
Gaffar Hassam	Executive	Malawian	34 Bigini Falls Crescent, Waterfall County Estate, Waterfall, Midrand, South Africa, 1628
Andre Bester	Group Chief Financial Officer	South African	Plot Number 66458, Block A, Fairgrounds Office Park, Gaborone, Botswana

3.4 The Company has a secretary in terms of section 223 of the Companies Act whose particulars are:-

Marsha Machika	Company Secretary &Compliance Officer	Malawian	Plot No. SSO/120, Namiwawa, Blantyre

3.5 The summarised information on the qualifications and experience of the Directors and Secretary of the Company is as follows: -

Vizenge Kumwenda FCCA, CA (M), ACII, MSc (Finance), BCom

Mr Kumwenda is the Chairman of the Board of the Company. He is the Managing Director of NICO Holdings Limited. Mr Kumwenda served as Deputy Managing Director of NICO Holdings Limited from January 2012 to December 2015 and as Finance Director from January 2005 to 31 December 2011 Mr Kumwenda has also worked for Continental Discount House Limited, Continental Asset Management Limited, Deloitte, Malawi College of Accountancy and Malawi Institute of Management. He currently chairs boards of NICO Properties Limited, NICO Asset Managers Limited, NICO Life Insurance Company Limited, NICO General Insurance Company Limited, NICO Insurance Zambia Limited and NICO Technologies Limited. Mr Kumwenda is also a Director of Sanlam Mozambique Vida Limitada, Sanlam General Insurance Tanzania Limited, Sanlam General Insurance Uganda Limited, Millennium Holdings Limited and Investments Alliance Limited. Mr Kumwenda was appointed to the board of the Company on 3 May 2005.

Lucius Mandala MBA, BSoc

Mr Mandala is the Managing Consultant of Capital Partners, a consultancy firm involved in business development and financial advisory services. He has extensive experience in market research, investment appraisal, project management, financial advisory services and management support consultancy services. Prior to setting up his own consultancy firm, he served as a senior officer at the Malawi Export Promotion Council and in senior management positions at MDC Limited and Trust Finance Limited (Formally Nico Corporate

Finance Limited (NICORP)). Mr Mandala serves on the boards of Easy Loans Limited, Millennium Holdings Limited and Ethanol Malawi Limited. Mr Mandala was appointed to the board of the Company on 1 February 2010.

Chifundo Chiundira FCCA, CA (M), Bcom

Mr Chiundira is Group Chief Finance Officer of NICO. He has extensive experience in financial management and accounting. He previously worked for NICO Insurance Zambia Limited and NICO Life Insurance Company Limited as Financial Controller, NICO General Insurance Company Limited as Chief Finance Officer and NICO Holdings Limited as General Manager (Finance). Mr Chiundira is a director of NICO Asset Managers Limited and Millennium Holdings Limited. He is also an alternate Director on the boards of NICO General Insurance Company Limited, NICO Life Insurance Company Limited, NICO Insurance Zambia Limited, and Sanlam Mozambique Vida Limitada and a substantive member on the board of Sanlam General Insurance Uganda. Mr. Chiundira is also Chairman of the boards of Lilongwe City Mall Limited, Chichiri Shopping Centre Limited, Kang'ombe House Limited and Millennium Investments (2015) Limited. Mr Chiundira was appointed to the board of the Company on 1 October 2013.

Chadwick Mphande, BA

Mr Mphande has extensive experience in senior management having served in the Ministries of Finance, Agriculture and Youth. He served on boards of Indebank Limited, Indetrust Limited, Indefund Limited, the Leasing and Finance Company of Malawi Limited, Mchenga Coal Mines Limited, Malawi Environmental Endowment Trust (MEET), Malawi Rural Finance Company Limited, Dulux Limited, CFAO Malawi Limited and the Reserve Bank of Malawi. Mr Mphande was appointed to the board of the Company on 1 January 2008.

Anurag Saxena MBA, FCIM (UK), IIAC

Mr Saxena is the Managing Director of Linkcoz Limited. Previously he served as Chief Operating Officer of First City Monument Bank Plc (now, FCMB Group Plc) from 2007 to 2010. Mr Saxena has over 17 years' experience in all aspects of banking including sales, distribution, marketing, product development, strategy, IT and operations. He has worked with Barclays Bank, Standard Chartered Bank, Mashreq Bank (the largest and leading Private Bank in the UAE) and Citigroup in capacities of Head of Sales, Marketing and Quality, Africa and Gulf Region, Assistant Vice President, Investment and Liability Products and Territory Operations Manager. Mr Saxena is also is Director in NBC bank in Tanzania among other companies. He has also served as an Executive Director of First City Monument Bank Plc (now, FCMB Group Plc). Mr Saxena was appointed to the board of the Company on 1 September 2012.

Matthews Mtumbuka PhD (Engineering Science, Oxford), BSc (Engineering)
Dr Mtumbuka is Cluster IT Governance Lead for Airtel Malawi & Zambia. He is a certified IT Business Analyst. He has been Head of Technical Services at MALSWITCH and has also worked for Shell Energy Europe in IT roles. Dr Mtumbuka is the Regional Head of IT Governance for Airtel covering Malawi, Zambia, Tanzania, Kenya and Rwanda. He sits on several Boards of Directors including NICO Technologies Limited, Pride Malawi Limited and Mzuzu University where he is Vice Chairman for the University Council. Previously, Matthews chaired the Board for the Malawi Scotland Partnership and was President of the Malawi Institution of Engineers (MIE) from 2011 to 2013. An Oxford Rhodes Scholar himself, he sits on the Section Panel for Rhodes Scholarships for Southern Africa. In 2012, Matthews was selected as one of the 25 most promising high potential young African leaders by the African Leadership Institute. He writes two weekly motivational columns in Malawi's leading newspaper The Nation. Dr Mtumbuka was appointed to the board of the Company on 1 June 2015.

Harrison Kalua Msc (Agriculture Economics), Msc (Strategic Business Management)
Mr Kalua is Chief Executive Officer for Mzuzu Coffee Planters Cooperative Union. He has been Chief Executive Officer for Mzuzu Coffee Planters Cooperative Union since 2007. He was Malawi Confederation of Chambers of Commerce and Industry president from 2005 to 2010 and president of Southern African Development Community Chambers of Commerce from 2005 to 2010. He served as directors of Malawi Investment and Trade Centre, Auction Holdings Commodity Exchange Limited, Twin Trading of UK, Mzuzu International Academy, Action Aid International Limited, African Fine Coffee Association, Coffee Association of Malawi and TEVETA. Mr Kalua was appointed to the board of the Company on 1 March 2016.

Zolomphi Nkowani PhD (International Economic Law), LLM, LLB
Dr Nkowani is managing partner at Zolomphi& CO Attorneys at Law and the Trade Law Consultant at China – Africa Trade Partnership. Previously, he served as Chief State Advocate in the Ministry of Justice and Senior Lecturer in International Law at Chancellor College, University of Malawi. He also served as a PhD examiner in International Trade Law at University of South Africa, Lecture in Law at Aberdeen Business School (UK), Lecture in Law at Lancashire Law School (UK), Lecture in Law at University of Salford (UK), Research fellow at University of Liverpool, Research fellow (Honours) at University of Manchester and a legal practitioner at Savjani& Co. Dr Nkowani was appointed to the board of the Company on 19 December 2016.

Gaffar Hassam MBA, FCCA
Mr Hassam is the Executive for Sanlam Emerging Markets (SEM) South, responsible for Sanlam investments in Botswana, Namibia, Malawi, Zambia and Zimbabwe. He has over 20 years in financial services industry having worked as Group Chief Executive Officer, Group Finance and Operations Officer at BIHL,

Chief Operating Officer at Botswana Life Insurance Limited, Head of Finance and Actuarial Services at Botswana Life, Group Finance Manager and Company Secretary at BIHL. He was previously the Audit Manager, PricewaterhouseCoopers of Botswana and Malawi offices. He is a director on the various companies that SEM has invested in SEM South. Mr Hassam was appointed to the board of the Company on 19 December 2016.

Andre Bester B Comm, B Comm. (Hons), B Compt. (Hons), CIMA
Mr Bester is the Group Chief Financial Officer for Botswana Insurance Holdings Limited (BIHL) since 2013. Before this, he worked for Bank Gaborone Limited as Project Manager and Chief Financial Officer from 2005 to 2013. He has also worked at Ernst & Young as an Assistant Manager, Audit Services, in Wellington, New Zealand from 2000 to 2002 and then joined Old Mutual Namibia Limited from 2002 to 2005 as Enterprise Risk Manager. He has also served as an auditor for an auditing firm known as BDO in Windhoek, Namibia from 1994 to 1997 and later on joined Standard Bank Limited, Windhoek as Financial Manager from 1997 to 2000. Mr Bester was appointed to the board of the Company on 16 March 2017.

Marsha Machika LLB (Hons) (Company Secretary)
Mr Machika, a lawyer admitted to the Malawi bar, is Company Secretary since July 2016. Before this, he has worked for the Company as Legal Services Manager since July 2013. He has also worked for Nicholls & Brookes law firm as legal Practitioner and Mvalo and Company law firm as a legal practitioner.

3.4 The board of the Company has four sub-committees. The names, responsibilities and composition of the committees is as follows: -

3.4.1 **Finance and Audit Committee**

(a) Matthews Mtumbuka	-	Chairperson
(b) Gaffar Hassam	-	Member
(c) Harrison Kalua	-	Member
(d) Andre Bester	-	Member

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. Its responsibilities include:-

(a) Review the audit plan with the external auditors, with specific reference to the proposed audit scope and approach;

(b) 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;

(c) Obtain assurance from the external auditors that adequate accounting records are being maintained;

(d) 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;

(e) 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. Consider the of disclosures in the Consolidated and Separate Annual Financial Statements;

(f) Review the Group's interim and audited annual consolidated and separate annual financial statements and all financial information intended for distribution to the shareholders and the general public, prior to submission to the full Board;

(g) Assess the performance of financial management and review the quality of internal accounting control systems and reports produced by management;

(h) Review the basis on which the Group has been determined as a going concern and make recommendations to the Board;

(i) Review written reports by the internal audit department of the Group to assess 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;

(j) Review the internal audit charter annually, that formally outlines the purpose, authority and responsibility of the internal audit function;

(k) 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;

(l) Consider the development of accounting standards and requirements and review statements on ethical standards and

(m) Review and make recommendations on any potential conflicts of interest relating to situations of a material nature, among others.

3.4.2 Appointments and Remuneration Committee

(a)	Chadwick Mphande	-	Chairperson
(b)	Chifundo Chiundira	-	Member
(c)	Zolomphi Nkowani	-	Member

The Appointments and Remuneration Committee is responsible for reviewing employees' conditions of service, approving recommendations for adjustments to the organisational structure of the Company and the hiring of executive managers.

3.4.3 Credit Committee

(a)	Chifundo Chiundira	-	Chairperson
(b)	Chadwick Mphande	-	Member
(c)	Lucius Mandala	-	Member

The Credit Committee is responsible for the Company's credit policy and credit approvals which are above the mandate of the Company's Management Credit Committee.

3.4.4 **Risk Committee**

(a)	Lucius Mandala	-	Chairperson
(b)	Anurag Saxena	-	Member
(c)	Zolomphi Nkowani	-	Member

The Risk Committee is charged with oversight of the management of all business risks across the Company with particular view to ensuring that mitigating actions are being undertaken and that overall risks are minimized to acceptable limits.

3.5 Management of the Company

3.5.1 The current members of the Company's senior management are as follows:-

Executive management

Kwanele Ngwenya	-	Chief Executive Officer
Martin Siwu	-	Chief Operating Officer & Head of Credit
Dumisani Chatima	-	Chief Finance Officer

Senior management

Patrick Uka	-	Head of Corporate & Institutional Banking
Mercy Mulele	-	Head of Legal Services
Shadrick Chikusilo	-	Head of Operations
Benedicto Nkhoma	-	Head of Treasury
George Chirwa	-	Head of Risk
Christofel Bulawayo	-	Finance Manager
Mapopa Chibambo	-	Head of Treasury - Back Office
Austin Thunde	-	Head of Human Resources
Marsha Machika	-	Company Secretary & Compliance Officer
Harold Phiri	-	Head of Internal Audit
Paul Kanthambi	-	Head of Information &Communications Technology

3.5.2 The summarised information on the qualifications and experience of the members of executive management is as follows:-

Kwanele Ngwenya MA, MBA
Chief Executive Officer

Mr Ngwenya was appointed Chief Executive Officer of the Company on 1stApril, 2017. Before joining the Company, Mr Ngwenya was Chief Executive Officer of Opportunity Bank Malawi, a subsidiary of Opportunity International.

Before joining Opportunity Bank Malawi, Mr Ngwenya was Chief Executive Officer of Steward Bank Limited from February, 2013 to January, 2015. Steward Bank Limited is a vibrant commercial Bank in Zimbabwe, owned by the country's largest telecommunications company called ECONET Wireless Zimbabwe Limited. He was instrumental in the successful exploitation of the synergistic convergence of financial services and telecommunications. He was also a non-executive director for Steward Health (Private) Limited.

Prior to joining Steward Bank Limited, Mr Ngwenya worked with First National Bank in South Africa and Botswana from December, 2001 to December, 2012. During the period, he worked as Client Portfolio Executive (South Africa), Client Portfolio Director (South Africa), Head of

Corporate Banking (Botswana) and Director of Commercial Segment (Botswana).

Mr Ngwenya also worked for Sambou Bank (South Africa) as Area Sales Manager in 2001, Nedbank (South Africa) as Relationship Manager between 1997 and 2001, Old Mutual Limited (South Africa) as Sales Consultant between 1994 and 1997 and Sanlam (South Africa) as a Financial Consultant in 1994.

Mr Ngwenya holds a Master of Arts degree in Strategic Management from University of Derby (2010), a Master of Arts degree in Business Administration from Oxford Brookes University (2004) and diplomas in business management and financial management (1998-1999). He also possesses several advanced professional development certifications from Gibbs and Wits Business Schools in South Africa.

Martin Siwu MA (Finance), Bsoc (Economics)
Chief Operating Officer & Head of Credit

Mr Siwu became Chief Operating Officer & Head of Credit of the Company in May 2015. Before that, he worked with Standard Bank Limited where he served as Head of Credit Division and Head of Corporate Banking. Mr Siwu also worked for Indebank Limited as Project Investigations Executive where he rose to the position of Credit Manager. Before Indebank Limited, he also worked as an Economist for the Reserve Bank of Malawi.

Mr Siwu holds a Master of Science Degree in Finance from London Business School, University of London, London, United Kingdom (1996) and a Bachelor's degree in Social Science (Economics) with credit from the University of Malawi (1990).

Dumisani Chatima BACC, CA (M), FCCA
Chief Finance Officer

Mr Chatima is Chief Finance Officer of the Company since 5 February 2013.

Before this position, he worked as the Head of Internal Audit for the Company.

Before joining the Company, Mr Chatima worked with Deloitte from 1998 to 2004 where he joined as an Audit Trainee and rose through the ranks to the position of Audit Manager. During the same period, he was also attached to Deloitte, Dallas, USA.

Mr Chatima is a chartered accountant (FCCA). He is also a Chartered Accountant (Malawi). He also holds a Bachelor's degree in Accountancy from the University of Malawi.

Patrick Uka MA (Economics), Bsc (Economics)
Head Corporate and Institutional Banking

Mr Uka is Head of Corporate and Institutional Banking for the Company since August, 2016. Before joining the Company, he has worked for Ecobank Malawi Limited as Head of Local Corporate & SME department, Head of Value Chain Department and as Country Treasurer. He also worked for the Reserve Bank of Malawi for 13 years in the capacity of Senior Economist in the Public Finance Department, Dealer and Senior Dealer in the treasury department and Reconciliation Officer in the International Operations Department.

Mr Uka holds a Master of Arts degree in Economics and a Bachelor's degree in Social Science (Economics) both from the University of Malawi.

Mercy Mulele LLB (Hons)
Head of Legal Services

Mrs Mulele, a lawyer admitted to the Malawi bar, is Head of Legal Services since September, 2013. Before this, she also worked as the Company's Legal Services Manager for 3 years. She had worked as a Partner in her own Law firm known as MTM Law Chambers since 2009. She also worked for Malawi Telecommunication Limited as Controller of Legal Services for 2 years from 2004 and as Legal Practitioner for Racane Associates for 5 years since 1999.

Mrs Mulele is a licenced legal practitioner and holds a Bachelor of Law (Honours) degree from Chancellor College, University of Malawi which she obtained in 1999.

Shadrick Chikusilo BACC, ACMA, CGMA, CBCIB, MBA, RIMB
Head of Operations

Mr Chikusilo is the Head of Operations for the Company since 2010. Before this, he had served the Company for 20 years in capacities of Project Director – Core Banking Transformation project, Project Director – Restructuring and Rationalisation project, Senior Service Centre Manager, Deputy Head of Audit, Senior Auditor and Internal Auditor. Before joining the Company, Mr Chikusilo served as the Assistant Internal Auditor for Agricultural Development and Marketing Corporation (ADMARC).

Mr Chikusilo is a Chartered Banker and an Associate Member of Chartered Institute of Management Accountants (ACMA), UK and a Chartered Global Management Accountant. He holds a Bachelor of Accountancy Degree from the University of Malawi and Master of Business Administration in Banking and Finance from Bangor Business School (Wales).

Benedicto Nkhoma ACB, MBA (Banking and Finance), MBA (General Management), SIRM, ACMA, CA (M), BACC, Dip in Business Studies
Head of Treasury

Mr Nkhoma is the Head of Treasury for the Company since March 2014. Mr Nkhoma has served the Company for over 20 years out of which 15 years as a senior Manager. Prior to this he was Head of Risk and Compliance where he was responsible for setting up of Enterprise Wide Risk Management (ERM) framework and Basel II implementation. Mr Nkhoma has also worked also as Management Accountant, Treasury Manager, Funds Manager, Branch Operations Manager, Branch Accounts Officer and Mortgage Officer. He was attached to ABSA Bank Treasury Division in RSA in 1999 and 2005.

Mr Nkhoma is a chartered banker – Chartered Institute of Banking (Scotland). He is also a Certified Public Accountant (Malawi) and an Associate Member of Chartered Institute of Management Accountants (ACMA), UK and a Chartered Global Management Accountant. He holds a Diploma in Business Studies and Bachelor of Accountancy Degree both from the University of Malawi, Masters of Business Administration in General Management from Graduate School of Management, University of Pretoria, and a Masters of Business Administration in Banking and Finance from Bangor Business School (Wales).

Paul Kanthambi MBA, Bsc (Computer Science and Statistics)
Head of Information and Communications Technology

Mr Kanthambi is Head of ICT for the Company since January 2010. Before this, he worked as Manager of Systems Administration for the Company for 8 years. Before joining the company, Mr Kanthambi worked for ICL Malawi Limited for 4 years as Branch Manager, Services Business Development Manager and Software Support Executive.

Mr Kanthambi holds a Master of Business Administration from Eastern and Southern African Management Institute which he obtained in 2012 and a bachelor's degree in Science (Computer Science and Statistics) from Chancellor College, the University of Malawi which he obtained in 1997.

Harold Phiri, BAcc, ACCA
Head of Internal Audit

Mr Phiri is the Head of Internal Audit for the Company since August 2013. Before this, he worked for the Company as Audit Manager and the Acting Head of Audit for 1.5 years. He also worked with CUMO Microfinance Limited as Internal Audit Manager for 3 years; Internal Auditor for the Company for a yea;, Inspection, Monitoring, and Examination Officer for Malawi Union of Savings and Credit Cooperatives (MUSCCO) Limited for 3 years; and an Accountant Trainee at Air Malawi for a year.

Mr Harold Phiri is a chartered accountant (ACCA), a qualification which he obtained in 2012. He also holds a bachelor's degree in Accountancy from the University of Malawi.

Austin Thunde BA (Public Administration)
Head of Human Resources

Mr Thunde is the Head of Human Resources for the Company since April, 2016. Before this, he worked for JTI Leaf Malawi Limited for 5 years as Human Resources Manager (Training & Industrial Relations) and as Human Resources Operations Manager. Before JTI Leaf Malawi Limited, Mr Thunde worked for Limbe Leaf Tobacco Company Limited for 7 years as Human Resources Manager (Training & Development), Human Resources Manager Factory Operations for Lilongwe and Mzuzu, Human Resources Manager – Agronomy Division and Assistant Human Resources Manager – Factory and Agronomy.

Mr Thunde holds a Bachelor of Arts degree (Public Administration) from the University of Malawi.

Marsha Machika LL.B (Hons)
Company Secretary & Compliance Officer
See above (paragraph 3.5 of this section)

Mapopa Chibambo FCCA, CA (M)
Head of Treasury – Back Office

Mr Chibambo is Head of Treasury – Back Office for the Company since January, 2015. Before this, he was Treasury Back Office Manager, Money Market Dealer/Treasury Accountant and Project accountant. Before joining the Company, he worked for Rutherford and Company (Public Accountants) as the Senior Accounts /Audit Assistant for 3 years.

Mr Chibambo is a Fellow of the Association of Chartered Certified Accountant (FCCA. He is also a Chartered Accountant (Malawi).

Cristofel Mtenda Bulawayo FCCA, CA (M)
Finance Manager

Mr Bulawayo is Finance Manager of the Company since 2004. He joined the Company (then New Building Society) in 1996 as an accountant, and has served as the Company's Branch accountant, Treasury Officer, Chief Accountant and Financial Accountant. Before joining the Company he worked as an assistant accountant for PEW Limited and Blantyre Netting Company Limited.

He holds qualifications in dealing (ACI) and credit management. He is a Fellow of the Association of Chartered Certified Accountants (U.K), and is a Chartered Accountant(Malawi).

George Chirwa MCIBS, MBA (Chartered Banker), MBA (Banking and Finance), BACC, Advanced Diploma in Management Accounting
Head of Risk

Mr Chirwa is Head of Risk since October, 2015. Before this position he worked for the Company in the following capacities; Manager, Portfolio Monitoring in the credit division for 2 years, Risk and Compliance Manager for 4 years, Assistant Head of Internal Audit for 4 years, Senior Accounts Officer at Head Office for 2 years, Projects Officer for 1year and Service Centre Operations and Accounts Officer for 3 years. Before joining the Company, Mr Chirwa worked as an Audit Semi Senior at Kharodia and Company, Certified Public Accountants for over a year.

Mr Chirwa is a Member of the Chartered Institute of Bankers in Scotland (MCIBS), UK. He holds a Bachelor of Accountancy degree from the University of Malawi, Masters of Business Administration in Banking and Finance from the University of Wales, Bangor (UK) and Advanced Diploma in Management Accounting (CIMA).

Shareholders are hereby informed that the Company is undergoing restructuring entailing changes in the senior management. Some of the senior managers mentioned above may not be with the Company post the Rights Issue.

Part V

Regulatory environment

1. **Overview**

The Company is a bank and operates in a highly regulated environment. This means that compliance with regulations is essential. The regulations set the framework within which the Company's business is carried out. The legislation that regulates the Company's business includes (i) the Financial Services Act, (ii) the Banking Act, (iii) the Securities Act, (iv) the Companies Act, (v) the Exchange Control Act, (vi) Bills of Exchange Act, (vii) the Reserve Bank of Malawi Act, (viii) Consumer Credit Act, (ix) Financial Crimes Act (x) the Loans Recovery Act and. (xi) Financial Crimes Act

2. **Regulation under the Financial Services Act, Banking Act, and the Reserve Bank of Malawi Act**

Banking and other financial services institutions are primarily regulated under the Financial Services Act, the Banking Act and the Reserve Bank of Malawi Act.

Carrying on banking business needs a licence – see section 4 of the Banking Act and section 4 of Financial Services Act. Matters to be taken into account by the RoFI when considering whether or not to grant a banking licence are stipulated in section 5 of the Banking Act.

The freedom to hold shares in a bank is limited. Only fit and proper persons can hold more than 10% of shares in a bank – section 6 of the Banking Act and section 53 of the Financial Services Act. Further, save with the prior permission of the RoFI no one shareholder can hold more than 49% of the issued share capital of a bank – section 53(4) of the Financial Services Act. Holders of more than 10% shareholding in a bank cannot transfer their shareholding without the prior permission of the RoFI. The Registrar of Companies is enjoined not to register a transfer of shares constituting more than 10% of a bank's shareholding without first receiving a notice of no objection from the RoFI – section 6(3) of the Banking Act.

In terms of section 7 of the Banking Act a bank must always have at least two (2) executive officers and is not allowed to engage in any business other than that designated in its licence.

A bank is subject to both prudential and monetary supervision. Prudential supervision is covered by Part III of the Banking Act as read with the Financial Services Act. Monetary supervision is covered in Part V of the Banking Act as read with the Financial Services Act.

Prudential supervision includes stipulations of continuing obligations for a bank, structural matters and limitations for a bank as well as, enforcement and remedial measures. Thus Part III of the Banking Act requires a bank to maintain adequate capital for the conduct of its business and gives the RoFI power to prescribe higher on-going capital requirements for a specific bank should existing risks in such a bank warrant such a measure – section 10 of the Banking Act. The part also empowers the RoFI to issue directives with respect to (i) valuation of assets and liabilities, (ii) depreciation of assets, (iii) impairment of assets, (iv) provision for contingent losses and litigation, (v) provision for tax payable, (vi) amortization of goodwill, (vii) net positions on foreign currencies, (viii) foreign currency loans, (ix) recognition of income and expenses, (x) amortization of pre incorporation expenses, among other things – section 11 of the Banking Act. Further areas in which the RoFI is empowered to issue directives are stipulated in section 34 of the Financial Service Act.

Prudential supervision also entails that a bank is to submit periodic returns about itself and its qualifying subsidiaries, affiliates, associates and holding companies to the RoFI over and above being subjected to periodic physical inspection and supervision by the RoFI – section 13 of the Banking Act as read with section 36(2) of the Financial Services Act.

Under prudential requirements a bank is required to have an external auditor who has extra statutory responsibility to the RoFI and to the directors of the bank – section 16 and 17 of the Banking Act as read with Part VI of the Financial Services Act. The records and books of accounts for the bank are to be kept for at least 7 years.

On structural matters and limitations Part III of the Banking Act prohibits a bank from (i) purchasing its own shares or using its own shares as security for advances or loans it has made, and (ii) holding shares in a company that is a controlling party of the bank irrespective of whether the shares are to be held for trading or equity investment – section 20 of the Banking Act. Except with the prior special approval of the RoFI, a bank cannot (i) engage on its own account in wholesale or retail trading including import and export trading except in so far as may be necessary in the course of recovering a debt due to it, (ii) purchase, acquire or hold immovable property other than for the purpose for conducting its business or providing housing or amenities for its staff, (iii) have investments in land, buildings and other immovable property which in the aggregate exceeds the sum of its capital and reserves (except while realising its security and in that case the property is to be disposed off within 2 years), and (iv) own shares in the capital of any company, firm or enterprise the aggregate value of which is more than the percentage of the bank's core capital specified in the RoFI's directives – section 22 of the Banking Act. With a view to ensuring that a bank maintains a sound financial position and does not cause or promote instability in the financial system Part III also empowers the RoFI to issue directives with respect to any of the following matters, namely, (i) the solvency, liquidity and sound operating practices of banks (including minimum liquidity requirements, minimum capital requirements, minimum and maximum ratios to be maintained between specified classes of assets and liabilities as well as commitments to provide loans, advances and credit facilities), and (ii) prohibiting or restricting (a) specified classes of loans, advances, credit facilities, investments and risk bearing commitments, (b) uncovered positions in foreign currency and (c) other specified positions that may affect insolvency or liquidity of the bank – section 23 of the Banking Act as read with section 34 of the Financial Services Act.

Also with respect to structural matters and limitations, a bank is prohibited from granting or permitting to be outstanding a loan or credit accommodation to any of its shareholders, directors, executive officers, employees or to any related parties except on terms which are non-preferential in all respects including creditworthiness, term, interest rate and the value of the collateral. Further, in every situation where such a loan or credit accommodation is to be granted by a bank to the above mentioned persons unanimous approval of the board shall be required – section 24 of the Banking Act as read with section 32 of the Financial Services Act.

In terms of section 25 of the Banking Act a bank needs the prior written approval of the RoFI in order to (i) grant a loan credit facility in excess of 25% of its core capital, (ii) reduce its capital base by repayment of capital or distribution of reserves; (iii) open and close branches and static or mobile agencies; (iv) open an establishment outside Malawi; (v) introduce a new product; (iv) participate as a controlling shareholder in any company; (vii) go into restructuring, (viii) go into liquidation, (ix) arrange for transfer or sale or disposal of its shares or business, (x) enter into a management agreement with any party, or (xi) amalgamate or merge with any other institution.

As part of prudential supervision of banks the RoFI is given power by sections 26 to 28 of the Banking Act to institute enforcement actions and take remedial measures against a bank once he determines that the bank or its affiliate has violated any law, prudential rules, or the Registrar's directives applicable to the bank or has engaged in a practice that is unsafe or unsound or threatens the interest of the bank, its depositors, or its creditors, or the public, or when the bank is significantly under-capitalised or is insolvent. The type of enforcement and remedial measures include (i) an order to close and desist; (ii) an order severing affiliation; (iii) an order requiring the payment of a monetary penalty; (iv) placing a bank under statutory management; and (v) closing a bank.

As regards monetary supervision, section 38 of the Banking Act as read with the Reserve Bank of Malawi Act, with a view to protect the external value of the national currency, the monetary equilibrium and other economic objectives, gives the RoFI power to issue and amend directives and regulations to banks regarding:-

i. Liquidity reserve requirements to be met by banks;

ii. Minimum liquidity requirements as a percentage of the liabilities to the public to be maintained at all times;

iii. Ceilings for loans and advances and other restrictions and conditions for specific categories of loans, guarantees and other commitments to banks;

iv. Foreign assets and foreign liabilities of banks; and

v. Interest rates, charges, commissions and other conditions to be observed by banks in relation to customers.

With regard to governance the directors of a bank can only be appointed with the approval of the RoFI and the RoFI can for sufficient cause shown, remove a director of a bank or the whole board of directors of a bank - section 29 of the Financial Services Act as read with section 48 of the Banking Act. In terms of section 48 of the Banking Act directors of a bank have additional reporting duties to the RoFI anytime they collectively or individually have reason to believe that the bank may not be able to properly conduct its business as a going concern or does not or may not be able to meet its capital requirements prescribed by the Banking Act.

Directives under Financial Services Act

Pursuant to the power given to him by section 34 of the Financial Services Act the RoFI has issued a number of directives and regulations including: (i) Financial Services (Capital Adequacy for Banks) Directive; (ii) Financial Services (Financial Asset Classification for Banks) Directive; (iii) Financial Services (Fit and Proper Requirements for Shareholders, Directors and Senior Management Officials of Banks) Directive; (iv) Financial Services (Large Exposures and Credit Concentration Limits for Banks) Directive; (v) Financial Services (Licensing of Banks) Directive; (vi) Financial Services (Transaction of Banks with Related Parties) Directive; (vii) Banking (Foreign Currency Exposure Limits) Directive; (viii) Liquidity Reserve Requirements Directive; (ix) Banking (Premises Inspection) Directive; (x) Financial Services (Agent Banking) Regulation; (xi) Financial Services (Annual Audits of Banks) Directive; and (xii) Financial Services (Prompt Corrective Action for Banks) Directive. Of particular relevance to the present transaction are the Financial Services (Capital Adequacy for Banks) Directive and the Financial Services (Prompt Corrective Action for Banks) Directive.

Financial Services (Capital Adequacy for Banks) Directive

The objectives of this directive are to – (a) ensure that banks have an adequate cushion of capital to absorb losses; (b) protect the interests of depositors, creditors and the general public; (c) ensure that banks maintain internationally recognized prudent capital requirements; and (d) promote self-discipline in the management of banks.

Paragraph 4 of the directive prescribes the board of directors the following responsibilities for the board of directors – (a) ensure that a bank is well capitalized and meets the regulatory requirements prescribed in the directive at all times, (b) adopt a capital plan that outlines, among other things, the bank's dividend policy, bonus and incentives policy, sources of capital augmentation, capital allocation and expansion strategy; and (c) develop a comprehensive Internal Capital Adequacy Assessment Process commensurate with the risk profile of the bank.

Paragraph 5(1) of the directive requires a bank to maintain a minimum capital of Malawi Kwacha equivalent of five million United States Dollars (USD5,000,000) at all times, in form of paid-up capital and share premium. Paragraph 5(3) requires a bank to maintain a minimum core capital ratio of 10% of the Capital Requirement Basis and paragraph 5(4) requires a bank to maintain a minimum total capital of 15% of the Capital Requirement Basis.

In terms of paragraph 9(1) of the directives where the capital ratios of a bank fall below prescribed ratios, shareholders shall inject additional capital in the amounts prescribed by the RoFI within the prescribed time. Failure to comply with the capital requirements prescribed by the directive renders the bank liable to administrative penalties and enforcement action as provided for under the Financial Services Act and the Banking Act.

Financial Services (Prompt Corrective Action for Banks) Directive

The objectives of this directive are to-

(a) Establish corrective actions that the RoFI may take or impose on banks (while the bank is still under the control of its owners) and the circumstances under which such actions may be taken; and to

(b) Prescribe the circumstances under which the RoFI or his agent may exercise powers under existing legal framework to resolve banks (while suspending the rights of the owners and management) before a bank reaches actual insolvency.

Under this directive, the RoFI has power to take prompt corrective actions against the following categories of banks: -

(a) **Undercapitalized banks**: these are banks with core capital ratio of greater than 8.0% but less than 10.0% in any one quarter, or banks who, given their financial developments (e.g. worsening asset quality) are expected to breach the minimum requirement on a short horizon.

(b) **Significantly undercapitalized banks**: these are banks with core capital ratio of equal to or greater than 5% but less than 8.0%.

(c) **Critically underutilized banks**: these are banks with a core capital ratio of more than 2.0% but less than 5.0%.

(d) **Failed bank**: this is a bank with a Core Capital Ratio of less than or equal to 2.0%. The mandatory supervisory action is to revoke a banking license. The Registrar is also empowered to immediately initiate procedures for liquidation of the bank in accordance with the provisions of the Financial Services Act and the Banking Act.

The same directive also gives power to the RoFI to take prompt corrective actions against illiquid banks. These are: -

(a) A bank with a liquidity ratio of between 22.5% and 30.0% (bank with weak liquidity);

(b) A bank that records a liquidity ratio of between 15.5% and 22.5% (significantly illiquid banks); and

(c) A bank that records a liquidity of below 15.0% (critically illiquid banks).

The mandatory supervisory action for a critically illiquid bank is change of management or directors. The RoFI is also empowered to immediately place the bank under statutory management if the bank is unable or unlikely to meet maturing obligations for 5 days.

3. **Regulation under the Companies Act and the Securities Act**

Companies Act

In terms of section 24 of the Companies Act, a bank that is a public limited liability company is required to have at least three (3) shareholders.

In terms of sections 33 and 34 of the Companies Act as read with section 7(2) of the Banking Act the memorandum of association of bank must state (i) the name of the bank; (ii) the restrictions upon the business to be carried on by the bank; (iii) the amount of share capital with which the bank is registered, and the division thereof into shares of a fixed amount; (iv) if there are two or more classes of shares, the rights, privileges, and restrictions and conditions at banking to each class of shares; (v) that the bank is a public or private company, as the case may be; and (vi) that the liability of the bank's shareholders is limited.

Subject to obtaining approval of the RoFI (and if, a public company, approval of the MSE) the amendment of a bank's memorandum of association, requires a special resolution of the bank's shareholders – section 35(1)(b) of the Companies Act. If the amendment includes the change of the bank's name section 19 of the Companies Act has to be complied with and the Registrar of Companies has power reject a name that he thinks is misleading or undesirable. An amendment involving reduction of capital will require compliance with section 100 of the Companies Act and publication of public notices. Where the amendment involves the alterations of rights attaching to any class of shares, the amendment requires the consent of the members, or the sanction of the High Court, if the alteration is pursuant to a scheme of arrangement.

Alteration of a bank's articles of association can only be done with a special resolution of the shareholders.

Part VIII (i.e. sections 135 to 157) of the Companies Act regulates share certification and share transfers. Division I covers securities by written instrument. Division II covers securities without written instrument.

Part IX (i.e. sections 158 to 228) of the Companies Act regulates officers of a company. Division I and III defines directors and the board of directors. It also prescribes powers of directors as to management of the company, substantial transactions and delegation of powers. Division II regulates appointments and removal of directors. Division IV and V prescribe standards for disclosure obligations in transactions involving directors' safe interests. Division VII prescribes directors liabilities and Division VIII deals with appointment and qualifications for secretaries for public companies.

Part X (i.e. sections 229 to 255) of the Companies Act deals with accounting requirements for companies. The sections cover (i) requirements to keep accurate and complete records, (ii) place where accounting records shall be kept, (iii) appointment of auditors, (iv) auditor's fees and expenses, (v) appointment of a partnership as auditors, (vi) qualifications of auditors, (vii) approval of auditors, (viii) automatic reappointment of auditors, (ix) appointment of first auditor, (x) replacement of auditors, (xi) auditor not seeking reappointment or giving notice of resignation, (xii) conflict of interest regarding auditors, (xiii) auditor's report, (xiv) auditor's access to information, (xv) auditor's attendance at shareholders' meetings (xvi) content and form of financial statements, (xvii) financial statements to be presented, (xxviii) presentation of group financial statements, (xix) content and form of group financial statements, (xx) right of debentureholder of a public company to copies of financial statements and reports, (xxi) obligation to prepare an annual report and accounts, and (xxii) sending to shareholders, (xxiii) consequences of failure to send an annual report and accounts and (xxiv) filing of annual report and accounts. Further section 252 of the Companies Act provides that a director's report is required for all public companies. The report must be in writing and should set out so far as the board reasonably believes is material for the shareholders to have an appreciation of the state of the company's affairs and is not harmful to the business of the company or of any of its subsidiaries, any change during the accounting period in the nature of the business of the company or any of its subsidiaries; or the classes of business in which the company has an interest, whether as a shareholder of another company or otherwise; and the names of the persons who, at any time during the financial year, were directors of the company; particulars of entries in the register of interests made during the accounting period: with respect to the accounting period, the amount which represents the total of the remuneration and benefits received, or due and receivable, from the company by:

(i) executive directors of the company engaged in the full-time or part-time employment of the company including all bonuses and commissions receivable by them as employees; and
(ii) in a separate statement, non-executive directors of the company.

In the case of a holding company, with respect to the accounting period, the amount which represents the total of the remuneration and benefits received, or due and receivable, from the parent company and from its subsidiaries by:-

(i) executive directors of the parent company engaged in the full-time or part-time employment of the holding company, including all bonuses and commissions receivable by them as employees; and
(ii) in a separate statement, non-executive directors of the holding company;

state the total amount of donations made by the company and any subsidiary during the accounting period;

state the amounts payable by the company to the person or firm holding office as auditor of the company as audit fees and, as a separate item, fees payable by the company for other services provided by that person or firm; and be signed on behalf of the board by two directors of the company or, where the company has only one director, by that director.

(1) The information to be disclosed under subsection (1) (b) shall be:-
  a) the term of the director's service contract with its date of expiry;
  b) any notice period for termination of the contract;
  c) particulars of any provisions for predetermined compensation on termination exceeding one year's salary and any benefits including benefits in kind.

(2) A company that is required to include group financial statements in its annual report shall include, in relation to each of its subsidiaries, the information specified in paragraphs (b) to (e) of subsection (1).

Part XI (i.e. sections 257 to 260) of the Companies Act deals with public offering of securities. Section 260 requires a prospectus to contain all such necessary information as investors and their professional advisors would reasonably require and reasonably expect to find there, for the purpose of making an informed assessment of (a) the assets and liabilities, financial position, profits and losses, and prospectus of the issuer of the securities; and (b) the rights attaching to the securities, and "necessary information" means information which a person considering acquiring the securities of the kind in question would be likely to need in order not to be misled about any material facts which it is essential for him to know to make an informed assessment. The prospectus has to contain information or documents as may be necessary in respect of: (i) the terms of the offer including, the identity of any underwriter and the method of the offer, (ii) information about the business and operations of the issuer, (iii) the identity of directors, senior management, promoters and auditors, (iv) capitalisation and indebtedness of the issuer, (v) risk factors, (vi) securities market data regarding any trading history of the issuer's shares; (vii) use of the proceeds of the offer; (viii) details of pending litigation; (ix) management discussion and analysis of the financial condition and results of the company's business operations, (x) a forecast of estimated profit or loss for the year ending immediately after the date of the prospectus; (xi) a certificate from the issuer's auditor stating any changes in directors and auditors during the last three years indicating the reasons for any changes; and (xii) audited financial statements for the years and periods as required by the Registrar of Financial Institutions. It also requires that the prospectus is signed by the company's senior management or persons permitted similar functions accompanied by a duly verified resolution on the board of directors. Any written consent of an expert named as having certified any part of the prospectus or any document used in that connection must also be delivered to the Registrar of Financial Institutions.

Part XII (i.e. sections 261 to 328) of the Companies Act deals with arrangements, compromises and reconstructions, and mergers and takeovers.

Part XIII (i.e. sections 329 and 330) of the Companies Act deals with winding up of companies.

Part XIV (i.e. sections 331 to 356) of the Companies Act deals with remedies and enforcement.

Part XV (i.e. sections 357 to 371) of the Companies Act deals with foreign companies.

Part XVI (i.e. sections 372 to 377) of the Companies Act deals with service of documents.

Part XVI (i.e. sections 378 to 383) of the Companies Act has miscellaneous provisions.

Securities Act

The Securities Act provides for the regulation of capital and securities markets and persons transacting business in or through the capital and securities markets. Section 28 (1) of the Act states that no person shall sell, offer to sell or enter into a contract to sell any security required to be registered under section 27 unless such sale, offer or contract is preceded or accompanied by a prospectus, containing the information required to be contained in a prospectus. Section 260(1) of the Companies Act outlines the information that has to be contained in a prospectus. In order to be compliant a prospectus must contain all such necessary information as investors and their professional advisors would reasonably require and reasonably expect to find in a prospectus for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the issuer of the securities; and the rights attaching to the securities and "necessary information" means information which a person considering acquiring the securities of the kind in question would be likely to need in order not to be misled about any material facts which it is essential for him to know to make an informed assessment.

Securities (Registration Requirements for Securities) Directive

The objectives of the directive are to (i) promote transparency in the issuance of securities so as to enable an investor to make an informed investment decision; and (ii) protect the interest of investors and the public, in general. As regards registration of securities, paragraph 4 of the directive provides:

(1) An application for registration of securities shall be made by an issuer and consist of the following:- (a) a formal letter of application to the Registrar signed by duly authorised officer of the issuer whose securities are subject of the application for registration, in the form set out in the First Schedule hereto; and (b) in the case of a public offer, a prospectus that complies with the content requirements set out in the Second Schedule hereto.

(2) A letter of application shall include a declaration, stated to be to the best of the issuer's knowledge, information and belief that: (a) in cases where a prospectus is required, all information required to be included in the prospectus in the form set

out in the Second Schedule hereto, has been included; and (b) there are no other facts bearing on the issuer's application for registration which, in the issuer's opinion, should be disclosed to the Registrar.

In addition to the letter of application in terms of paragraph 4, and at the same time of the submission of the letter, the following documents must be lodged with the RoFI in terms of paragraph 5 of the directive (a) a certified copy of its certificate of incorporation, (b) a certified copy of its current memorandum of association and articles of association, (c) the annual report and accounts for three completed financial years of the issuer and its subsidiaries, if any, immediately preceding the application or such shorter period as may be accepted by the Registrar, (d) a certified copy of (i) the resolution of the issuer in general meeting authorising the issue of all securities for which registration is sought; and (ii) a resolution of the board of directors authorising the issue and allotment of such securities, the making of the application for registration, and approving and authorising the issue of the prospectus, where a prospectus is required; (e) a certified copy of any resolution of the issuer in a general meeting, and of the board of directors, authorising any alterations in the share capital of the company, or any mergers or amalgamations, within the period of five years preceding the date of the application for registration, (f) in the case of debt securities, a copy of the trust deed or other document securing or constituting the debt securities; and (g) such other documentation as may be required by the Registrar.

Directives under the Securities Act

Additionally paragraph 6 of the Securities (Registration Requirements for Securities) Directive prescribes minimum information to be contained in a prospectus. It provides:-

A prospectus shall contain the specific items of information specified in the Second Schedule hereto.

In the Second Schedule to the Securities (Registration Requirements for Securities) Directive the minimum information requirements for equity securities are contained in Section A.

4. **Regulation under the Consumer Protection Act and the Loans Recovery Act**

These Acts outlaw harsh and unconscionable interest rate and other contractual terms between banks and their customers. Under the Loans Recovery Act the High Court has power to reopen an agreement between a bank and a customer in a money lending transaction to relieve the customer from harsh terms including interest rates. Similarly a contract with harsh terms can be challenged under the Consumer Protection Act.

Consumer Protection Act

The Consumer Protection Act protects consumer rights. Of relevance to banks, section 28 (1) provides for a consumer's access to banking and financial services including opening and operating accounts, loans, mortgages and other services at affordable or lowest possible rates. Section 28 (2) provides that contracts governing financial transactions shall be interpreted, implemented and enforced: (i) in good faith; (ii) consistent with the instrument embodying the contract between the parties; and (iii) in a manner consistent with the laws governing or regulating financial transactions.

Further, section 26(1) of the Consumer Protection Act requires standard form contracts: (i) to be drafted in terms which are clear and understandable to a consumer; (ii) documents referred to in the contract must be made available to the consumer prior to execution of the contract; (iii) to be in the official language (English) and in characters readable at single sight by any normal sighted person; (iv) to be translated into the national local language (Chichewa) if entered into in Malawi; and (e) to be read out and explained to any illiterate, blind, mute and similarly disabled consumer in a language he understands.

Loans Recovery Act

The Loans Recovery Act gives the High Court and any court subordinate thereto jurisdiction to reopen a money lending transaction in order to relieve a borrower from harsh, unconscionable and excessive terms. Section 3(1) and (2) of the Loans Recovery Act provides:-

1. **Where proceedings are taken in any court for the recovery of any money lent after the commencement of this Act, or the enforcement of any agreement or security made or taken after the commencement of this Act, in respect of money lent either before or after the commencement of this Act, and there is evidence which satisfies the court that the interest charged in respect of the sum actually lent is excessive, or that the amounts charged for expenses, inquiries, fines, bonus, premium, renewals or any other charges, are excessive, and that, in either case, the transaction is harsh and unconscionable, or is otherwise such that a court of equity would give relief, the court may reopen the transaction, and take an account between the lender and the person sued, and may, notwithstanding any statement or settlement of the account or any agreement purporting to close previous dealings and create a new obligation, reopen any account already taken between them, and relieve the person sued from payment of any sum in excess of the sum adjudged by the court to be fairly due in respect of such principal, interest, and charges, as the court having regard to the risk and all the circumstances, may adjudge to be reasonable; and, if any such excess has been paid, or allowed in account, by the debtor, may order the creditor to repay it; and may set aside, either wholly or in part, or revise, or alter, any security given or agreement made in respect of money lent by the lender, and if the lender has parted with the security may order him to indemnify the borrower or other person sued.**

2. **Any court in which proceedings might be taken for the recovery of money lent by a lender shall have and may, at the instance of the borrower or surety or other person liable, exercise the like powers as may be exercised under this section where proceedings are taken for the recovery of money lent; and the court shall have power, notwithstanding any provision or agreement to the contrary, to entertain any application under this Act by the borrower or surety, or other person liable, notwithstanding that the time for repayment of the loan, or any instalments thereof, may not have arrived.**

5. **Other**

The other legislation that applies to banking business are the Financial Crimes Act, Competition and Fair Trading Act, Building Societies Act, Registered Land Act, Personal Property Security Act, Bills of Exchange Act, Exchange Control Act, Taxation Act, Stamp Duties Act and Value Added Tax Act.

Deloitte.

Part VI

Reporting Accountant's report

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22 May 2017

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Chichiri
Blantyre 3

Members of the Board

ACCOUNTANT'S REPORT ON RIGHTS OFFER TO THE SHAREHOLDERS OF NBS BANK LIMITED

Pursuant to paragraphs 8.1.1 and 8.1.2 of the Malawi Stock Exchange Listing Requirements ("MSE Listings Requirements" or "LR"), section 260 of the Companies Act and the Third Schedule to the Securities (Registration Requirements for Securities) Directive ("RRSS"), paragraph 11 of section A of the Second Schedule, we report hereunder on the results of the Company in respect of each of the three financial years ended 31 December 2014, 2015 and 2016 and on its assets and liabilities as at 31 December 2016 being the date to which the last audited financial statements were drawn.

The Directors of NBS Bank Limited (the "Company" or "Bank") are responsible for the financial statements (paragraph 8.1.2) from which the accountants' report has been prepared on the basis of the applicable criteria specified in the MSE Listings Requirements and described in paragraph 8.1.2.

1. **Introduction**

KPMG have been the auditors for the Company, and have reported on the annual consolidated financial statements of the Company without qualification, throughout the period covered by this report. However, the audit report in respect of the financial statements for the year ended 31 December 2015 and 2016 included a note on the material uncertainty regarding the going concern status of the Company. The note read as follows *"We draw attention to Note 39 of the consolidated and separate financial statements which indicates that the Group and Company incurred a loss of MK4.330 billion for the year ended 31 December 2016 (2015: loss of MK0.195 billion) and that the Group and Company has not met the banking minimum capital requirements per Basel II Capital Adequacy Directive (sic) as at 31 December 2016 as per the Reserve Bank of Malawi directive. The note also indicates that the ability of the Group and Company to continue as a going concern is dependent on the successful conclusion of the rights issue and implementation of the strategies highlighted in note 39. As stated in Note 39, these events or conditions, along with other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and Company to continue as a going concern. Our opinion is not modified in respect of this matter". **In this report the note is reproduced as Note 37.***

The Company did not meet the minimum capital requirements per the Financial Services (Capital Adequacy for Banks) Directive, as at 31 December 2015 and 2016. The Directive requires Tier 1 and Total Capital ratios to be a minimum of 10% and 15% respectively, of the bank's risk bearing assets and contingent liabilities.

As at 31 December 2015, the Bank's available capital was 2% for Tier 1 ratio and 4% of the Total Capital ratio of all its risk bearing assets and liabilities. In April 2016 the RoFI gave the Bank a waiver from meeting the capital requirements until the planned capital restoration was concluded by the year ended 31 December 2016.

As at 31 December 2016, the Bank's available capital was -6.7 % for both Tier 1 and Tier 2 of all its risk bearing assets and contingent liabilities. The RoFI also waived the Bank from meeting the capital requirements until the planned capital restoration is concluded by 30 June 2017.

The financial information set out in this report is compiled by reference to the audited consolidated financial statements of the Company and its subsidiary NBS Forex Bureau Limited for the three years ended 31 December 2014, 2015 and 2016 after making such adjustments as we consider necessary for the purpose of the prospectus.

Country of incorporation and principal activities

The Company is a public limited liability company incorporated in Malawi under the Malawi Companies Act, 2013 and is a licensed financial institution under the Banking Act, 2010. The Bank is principally 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). The Group is listed on the Malawi Stock Exchange.

The Group provides retail and corporate banking services through its 37 service centers across Malawi. 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 The Company whose line of business is foreign exchange trading. NBS Forex Bureau Limited started operations in January 2010 and has been dormant since 2012. Accordingly the accountant's report only includes the group financial statements as these are representative of the bank's activities.

2. **Currency**

The consolidated financial statements on which the accountant's report is drawn are expressed in millions of Malawi Kwacha.

3. **Three year summary of consolidated financial statements**

The history of financial results for The Company and its subsidiary NBS Forex Bureau Limited included in this accountants' report has been drawn up in conformity with International Accounting Standards.

Consolidated statements of profit or loss and other comprehensive income for the three years ended 31 December 2016, 2015 and 2014.

K'million

	Note	2016	2015	2014
INCOME				
Interest on loans and advances		4 993	10 397	12 242
Interest on placements with other banks		880	134	69
Income from lease financing		239	575	760
Income from money market investments		4 644	3 148	1 441
Total interest income	24	**10 756**	**14 254**	**14 512**
Interest expense		(4 636)	(3 710)	(3 743)
Net interest income	25	**6 120**	**10 544**	**10 769**
Net fees and commission income	25	5 965	4 231	**3 382**
Profit on foreign exchange transactions		1 772	2 142	3 199
Other income		-	-	133
Total operating income		**13 857**	**16 917**	**17 483**
EXPENDITURE				
Personnel expenses	26	(5 928)	(5 037)	(3 703)
Recurrent expenditure on premises and equipment		(1 962)	(1 250)	(1 011)
Depreciation and amortisation	12,13	(779)	(716)	(622)
Other operating costs	27	(8 175)	(3 907)	(3 733)
Operating expenditure		**(16 844)**	**(10 910)**	**(9 069)**
(Loss)/Profit before loan impairment losses		(2 987)	6 007	8 414
Net impairment loss on financial assets	9	(1 868)	(6 243)	(4 349)
(Loss)/profit before income tax expense		**(4 855)**	**(236)**	**4 065**
Income tax expense	28	525	41	(1 373)
(Loss)/profit for the year		**(4 330)**	**(195)**	**2 692**
Total comprehensive (loss)/income for the year		**(4 330)**	**(195)**	**2 692**
Basic and diluted (loss)/earnings per share (MK)		**(5.95)**	**(0.27)**	**3.70**

Summarised consolidated statement of financial position

Consolidated statements of the financial position for the year ended 31 December 2016 has been set out below:

K'millions		2016	2015	2014
Assets	**Note**	**K,000**	**K,000**	**K,000**
Cash and cash equivalents	7	23 611	24 889	19 012
Money market investments	8	17 361	13 786	6 666
Loans and advances to customers	9	29 496	30 140	31 023
Equity investments	10	49	49	49
Property and equipment	12	4 767	4 964	5 088
Intangible assets	13	5 828	5 504	638
Deferred tax asset	18	387	-	-
Other assets	14	4 874	4 386	5 884
Tax recoverable	36	284	277	-
Total assets		**86 657**	**83 995**	**68 361**
Liabilities and equity				
Liabilities				
Current and savings accounts	15	46 865	41 853	35 300
Term deposit accounts	15	11 727	11 507	8 183
Short-term loan	16	3 600	2 635	5 037
Long-term loans	17	79	198	317
Deferred tax liabilities		-	137	267
Foreign currency denominated accounts		7 943	7 529	4 831
Income tax payable				645
Other liabilities	19	9 636	8 999	2 047
Total liabilities		**79 850**	**72 858**	**56 628**
Equity				
Share capital	20	364	364	364
Share premium	21	2 324	2 324	2 324
Revaluation reserve	22	552	552	552
Accumulated losses		(6 481)	(1 549)	6 408
Loan loss reserve	23	10 048	9 446	2 085
Total equity		**6 807**	**11 137**	**11 733**
Total liabilities and equity		**86 657**	**83 995**	**68,361**

Consolidated statements of cash flows for the year ended 31 December 2016

K'million

	2016	2015	2014
Cash-flows from operating activities	**K,000**	**K,000**	**K,000**
Interest income	10 757	14 254	14 512
Fees and exchange gains	7 736	6 373	6 714
Interest paid	(4 636)	(3 710)	(3 743)
Movement on Money Market investments	(3 575)	(7 120)	(1,011)
Cash paid to suppliers and employees	(17 129)	(7 413)	(15,800)
	(6 847)	2 384	992
Movement on loans (Long-term)	(119)	(119)	3 838
Movement on deposits	5 646	12 575	1 134
	(1 320)	14 840	5 964
Income tax paid	(7)	(1 088)	1 292
Net cash (used in)/ from operating activities	**(1 327)**	**13 752**	**4 672**
Cash flows used in investing activities			
Acquisition of shares	-	-	(15)
Acquisition of property and equipment	(596)	(654)	(1,053)
Acquisition of intangible assets	(322)	(4 840)	(50)
Net cash used in investing activities	**(918)**	**(5 494)**	**1 118**
Cash flows from/(used in) financing activities			
Dividend paid	-	(400)	-
Loan receipts/(repayment) (short term)	967	(1 981)	2 030
Net cash from/(used in) financing activities	**967**	**(2 381)**	**2,030**
Net (decrease)/increase in cash and cash equivalents	(1 278)	5 877	5 584
Cash and cash equivalents at 1 January	24 889	19 012	13 428
Cash and cash equivalents at 31 December	**23 611**	**24 889**	**19 012**
Additional statutory disclosure			
Decrease in net working capital	**(148)**	**4 513**	**8 468**

4. Accounting policies

The principal accounting policies of the group, which are set out below, have been consistently followed in all material respects:

4.1 Basis of consolidation

The consolidated financial statements comprise the Bank and its subsidiary, NBS Forex Bureau Limited, which is controlled by the Bank. Under the Companies Act control is presumed to exist where a Company holds more than one half of the nominal share capital directly or indirectly; or the Group can appoint or prevent the appointment of not less than half of the directors of the subsidiary company. Under IFRS 10, consolidated financial statements, control exists when the investor has power over the investee, exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investee's returns. The financial statements of subsidiary are included in the Consolidated Annual Financial Statements from the date that control commences until that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Balances, transactions eliminated on consolidation
Intra-company balances and transactions and any unrealised income and expenses arising from intra-company transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4.2 Foreign currency transactions

Transactions in foreign currencies are translated to 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 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 year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign exchange differences arising on translation are recognised in profit or loss except for differences arising on translation of available-for-sale equity instruments, which are recognized in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss). Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kwacha at foreign exchange rates ruling at the dates the values were determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot rate of exchange at the date of the transaction.

(a) 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 or financial liability.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

Interest on financial assets and financial liabilities at amortised cost on an effective interest basis.

Interest on held-to-maturity money market investments at amortised cost on an effective interest basis.

(b) Fees and commissions

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 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.

(c) Lease payments

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.

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.

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.

The group has 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.

(d) 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

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.

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.

Deferred income tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases 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 the Group is able to control the timing of the reversal of the temporary differences and 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 entity, 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 realised simultaneously.

A deferred tax asset is recognised 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.

(e) 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 liability when its contractual obligations are discharged or cancelled or expired.

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 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, 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.

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.

(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. The Group uses widely recognised valuation models for determining the fair value of common and simpler 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 Group uses proprietary models, which are usually 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 group 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.

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 an event after the impairment was recognized which cause the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale Money market investments are recognised by transferring the cumulative loss that has been recognised 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.

If impairment charges computed under International Financial Reporting Standards (IFRS) are lower than provisions required under the Financial Asset Classification Directive of the Reserve Bank of Malawi, the shortfall in impairment allowance is treated as an appropriation of retained earnings to loan loss reserve.

(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:

a) 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
b) the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

(viii) **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 three months or less from the acquisition date that 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. Money market investments with maturity of less than three months fall under this classification.

(ix) **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. Subsequent to initial recognition, loans and advances are measured at amortised cost using the effective interest method.

(x) **Money market investments**

Money market investments are initially measured at fair value, plus, in the case of Money market investments 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.

(xi) **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).

4.3 **Other assets**

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

4.4 **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 recognised 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.

4.5 **Property and equipment**

(i) **Recognition and measurement**

Items of property are measured at revaluation and equipment is measured at cost. 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. It is the company's policy to revalue properties every 3 years and when economic factors change significantly.

Where parts of an item of property and equipment comprise 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 net proceeds from disposal from the carrying amount of property and equipment and are recognised in profit or loss.

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

(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**

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

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.

4.6 **Other investments**

(i) **Investment in subsidiary**

Investments in subsidiary is recognised at cost in the Group financial statements less any impairment losses.

(ii) **Equity investment**

Equity Investment is measured at cost in the Group financial statements less any impairment losses.

4.7 **Intangible assets**

Software

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated 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. Intangible assets have an estimated useful life of 4 years.

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.

4.8 **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 Annual 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 designates the liabilities at fair value through profit or loss.

4.9 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).

4.10 Employee benefits

Employee entitlements to gratuity and long service awards are recognised when they accrue to employees an 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.

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.

Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

An accrual is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

4.11 **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 is deducted from initial measurement of the equity instrument.

4.12 **Dividends**

Dividends are recognised in the period in which they are declared. Dividends declared after reporting date are disclosed in the dividends note.

4.13 **Earnings per share**

Basic earnings per share is calculated by dividing the profit or loss for the year l2attributable 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.

4.14 **Segment reporting**

An operating segment is a component of the group that engages in business 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.

4.15 **Grants received**

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 allocated to income statement over the useful lives of the related assets while grants related to expenses are treated as other income in the income statement.

4.16 **Other liabilities**

Trade and other payables are initially measured at fair value. Subsequent measurement is at amortised cost using the effective interest rate method.

4.17 **New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements.

Effective for the financial year commencing on or after 1 January 2018.

New standards and interpretations not yet adopted
IFRS 9 Financial Instruments

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard will have a significant impact on the Bank, which will include changes in the measurement bases of the Bank's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Bank. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have a significant impact on the Bank, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Bank will assess the impact of the standard before the effective date.

Effective for the financial year commencing on or after 1 January 2019

IFRS 16 Leases

This standard replaces the existing IAS 17 Leases. The impact will be the on-balance sheet lease accounting model. This is expected not to be significant for the bank as no significant leases are off-balances sheet (operating leases).

4.18 Financial risk management

(a) Introduction and overview

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

I. Credit risk;
II. Market risk; and
III. Liquidity risk;

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.

The Risk Committee is responsible for monitoring compliance with the Group's

i. Market risks; and
ii. Operational 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 framework

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 to, balances due from related parties, other assets (excluding non-financial assets), money market investments, cash and cash equivalents, intercompany receivables, financial guarantees and equity investment. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual default risk, and sector risk).

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:

a) 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;

b) 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;

c) 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;

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

e) 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; and

f) 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.

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:

K'million

Loans and advances to customers		**Money market investments**		
	2016	**2015**	**2016**	**2015**
Carrying amount	29 496	30 140	17 361	13 786
Individually impaired	26 226	27 953	-	-
Allowance for impairment:	(13 260)	(14 217)	-	-
Specific impairment	12 966	(14 056)	-	-
Collective impairment	-	(161)	-	-
Carrying amount	12 966	13 736	17 361	13 786
Individually impaired				
7-12 months	1 938	3 777	-	-
13-24 months	1201	3 798	-	-
> 24 months	23 087	20,378	-	-
Total	26 226	27 953	-	-
Allowance for impairment	(13 260)	(14 217)	-	-
Carrying amount	12,966	13 736	-	-
Past due not impaired	4 821	4 451	-	-
< 3 months				
4-6 months	4 821	4 451	-	-
Carrying amount	4 821	4 451	-	-
Neither past due nor impaired				
Watch list	-	-	-	-
Low risk	11 708	11 953	-	-
Total	11 708	11 953	17 361	13 786
Carrying amount	11 708	11 953	17 361	13 786
Total carrying amounts	29,496	30 140	17 361	13 786

In millions of Kwacha

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 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 Group 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 Money market investments, and no such collateral was held at the period end.

The Group does not use property and equipment that is held as collateral for loans for its operations. In case of default the collateral can be sold to recover the outstanding

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

Loans and advances to customers
K'million

	2016	2015
Against individually impaired property	21 150	25 872
Plant and equipment	823	1 306
Against past due but not impaired property	6 084	9 409
Plant and equipment	702	1 139
Against neither past due nor impaired property	5 942	6138
Plant and equipment	830	1 408
Total collateral held	**35 533**	**45 271**

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:-

K'million	Loans and advances to customers 2016	2015	Money market investments 2016	2015
Carrying amount	29 496	30 140	17 361	13 786
Concentration by sector:				
Retail	14 125	18 943	-	-
Corporate	10 185	11 197	-	-
Banks	5 186	-	17 361	13 786
	29 496	30 140	17 361	13 786
Concentration by location:				
Northern Region	1 037	1 720	-	-
Central Region	5 384	7 870	-	-
Southern Region	23 075	20 550	17 361	13 786
	29 496	30 140	17 361	13 786

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 Assets and Liabilities Committee (ALCO).

(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.

The Group's 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 Money market investments, 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 Money market investments for which there is an active and liquid market less any deposits from companies, 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.

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 2016 to the contractual maturity date.

Financial assets at 31 December 2016 *K'million*	**Up to 1 month**	**1-3 months**	**3-12 months**	**Over 1 month period**	**Total**	**Carrying amount**
Cash and bank balances	23 611	-	-	-	23 611	23 611
Money market investments	-	1 740	15 339	282	17 361	17 361
Loans and advances	14 746	1 577	4 821	8 352	29 496	29 496
Equity investments	-	-	-	49	49	49
Other assets	-	-	-	16 141	16 141	16 141
Total assets	38 357	3 317	20 160	24 824	86 657	86657
Financial liabilities						
Current and savings accounts	46 865	-	-	-	46 865	46 865
Term deposit accounts	2 900	2 860	5 921	46	11 727	11 727
Foreign currency denominated deposits	7 943	-	-	-	7 943	7 943
Long term loan	-	-	-	20	20	20
Short-term loans	-	3 600	-	-	3 600	3 600
Other liabilities	-	-	-	9 695	9 695	9 695
Total financial liabilities	57 708	6 460	5 921	9 762	79 850	79 850
Net liquidity gap	-	-	-			
	(19 351)	(3143)	14 239	15062	6 807	
Cumulative liquidity gap	(19 351)	(22494)	(8 255)	6 807	-	

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 2015 to the contractual maturity date

Financial assets at 31 December 2015 *K'million*	**Up to 1 month**	**1-3 months**	**3-12 months**	**Over 1 month period**	**Total**	**Carrying amount**
Cash and bank balances	22 001	-	-	-	22 001	22 001
Money market investments	16 674	-	-	-	16 674	16 674
Loans and advances	10 456	1 118	3 418	15 148	30 140	30 140
Equity investments	-	-	-	49	49	49
Other assets	-	-	-	14 659	14 659	14 659
Total assets	49 131	1 118	3 418	29 856	83 523	83 523
Financial liabilities						
Current and savings accounts	41 853	-	-	-	41 853	41 853
Term deposit accounts	7 939	36	3 532	-	11 507	11 507
Foreign currency denominated deposits	7 528	-	-	-	7 528	7 528
Long term loan	-	-	-	198	198	198
Short-term loans	-	2 634	-	-	2 634	2 634
Other liabilities	-	-	-	8 859	8 859	8 859
Total financial liabilities	57 320	2 670	3 532	9 057	72 849	72 849
Net liquidity gap	-	-	-			
	(8 189)	(1 552)	(114)	20 799	10 944	
Cumulative liquidity gap	(8 189)	(9 741)	(9 855)	10 944	-	

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 rates, 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.

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.

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).

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.

(e) Interest rate gap analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and financial 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. The following is 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 financial position

The table below summarises the exposure to interest rate risk. Included in the table are the Group's financial assets and 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 millions of Malawi Kwacha.

At 31 December 2016 Assets subject to interest rate adjustment	Zero rate	Floating rate	0-3 months	3-6 months	6-12 months	Over 12 months	Total
K'million							
Loans and advances:	-	29 563	-	-	-	-	29 563
Securities	49		6 950	5 904	-	6 246	19 149
Other	-	12 942	-	-	-	-	12,943
Total rate sensitive assets (RSA)	49	42 505	6 950	5 904	-	6 246	61 655
Liabilities subject to interest rate adjustment:							
Demand accounts	-	22 594	-	-	-	-	22 594
Savings deposits	-	29 019	-	-	-	-	29 019
Term deposits	-	-	11 709	562	5	-	12 277
Other borrowings	-	-	-	3 600	-	-	3 600
Other	-	-	-	-	-	-	-
Total rate sensitive liabilities (RSL)	-	51 613	11 709	4 162	5	-	67,490
Asset /Liability Gap	-	(9 108)	(4 759)	1 742	(5)	6 246	(5 835)
Cumulative Gap	49	(9 059)	(13 818)	(12 076)	(12 081)	5 835	-
Net position as a percent of total assets	79%	14%	8%	3%	0%	10%	(9)%
RSA as a percent of RSL	0%	83%	59%	142%	0%	0%	(92)%

Movement in interest rates	(300bp)	(600bp)	300bp	600bp
Percentage change in net interest income	(1.3%)	(2.0%)	1.35%	2.5%

Management compiled the sensitivity analysis based on the assumption that the interest rates move in the directions indicated above which are movements that managements deems reasonable based on the volatility of the relevant the base rate and the recent global interest rate trends.

The table below summarises the exposure to interest rate risk. Included in the table are the Group's financial assets and liabilities at carrying amounts as at 31 December 2015 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 millions of Malawi Kwacha.

At 31 December 2015 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:	-	31 210	-	-	-	-	31 210
Securities	-	-	2 888	4 591	5 714	3 481	16 674
Other	35 638	-	-	-	-	-	35 638
Total rate sensitive assets (RSA)	35 638	31 210	2 888	4 591	5 714	3,481	83 522
Liabilities subject to interest rate adjustment:							
Demand accounts	-	11 780	-	-	-	-	11 780
Savings deposits	-	24 198	-	-	-	-	24198
Term deposits	-	-	7 975	397	3 135	-	11 507
Other borrowings	198	-	-	2 634	-	-	2 832
Other	22 263	-	-	-	-	-	22 263
Total rate sensitive liabilities (RSL)	22 461	35 978	7 975	3 031	3 135	-	72 580
Asset /Liability Gap	13 177	(4 768)	(5 087)	1 560	2579	3 481	10 942
Cumulative Gap	13 177	8 409	3 322	4 882	7 461	10 942	10 942
Net position as a percent of total assets	16%	10%	(6%)	2%	3%	4%	13%
RSA as a percent of RSL	159%	87%	3%	151%	182%	-%	115%
Movement in interest rates			(300bp)	(600bp)		300bp	600bp
Percentage change in net interest income			(1.12%)	(2.39%)		1.4%	2.79%

Management compiled the sensitivity analysis based on the assumption that the interest rates move in the directions indicated above which are movements that managements deems reasonable based on the volatility of the relevant the base rate and the recent global interest rate trends.

(f) Currency risk

The Group had the following significant foreign currency positions.

At 31 December 2016	USD	GBP	Euro	ZAR	Total
Assets					
Balances with correspondent banks	9 614	436	563	92	10 705
Cash balances	632	9	20	53	714
Loans and advances to customers	1 702	-	4	-	1 706
Total assets	11 948	445	587	145	13 125
Liabilities					
Customer deposits	6 960	387	562	33	7 943
Other liabilities	5 818	-	-	-	5 818
Total liabilities	12 778	387	562	33	13 761
Net position	(830)	58	25	112	(636)
Sensitivity to projected profit on foreign exchange transactions					
Movement in foreign currency rates	(1000bp)	(2000bp)		1000bp	2000bp
Change in net income (K'000)	(46 603)	(93 206)		46 603	93 206

Management compiled the sensitivity analysis based on the assumption that the market moves in the directions indicated above which are movements that managements deems reasonable based on the volatility of the relevant economic climate and the Kwacha.

At 31 December 2015	**USD**	**GBP**	**Euro**	**ZAR**	**Total**
Assets					
Balances with correspondent banks	10 553	772	624	142	12 091
Cash balances	516	11	20	79	627
Loans and advances to customers	2 430	1	2	-	2 432
Total assets	13 499	784	646	221	15 150
Liabilities					
Customer deposits	6 003	689	549	5	7 247
Short-term loans	2 634	-	-	-	2 634
Other liabilities	5 149	-	-	-	5 149
Total liabilities	13 786	689	549	5	15 030
Net position	(287)	95	97	116	(120)

Sensitivity to projected profit on foreign exchange transactions

Movement in foreign currency rates	(1000bp)		(2000bp)	1000bp	2000bp
Change in net income (K'000)	(12 002)		(24 004)	12 002	24 004
Change in equity (K'000)	(8 402)		(16 804)	8 402	16 804

(g) **Equity price risk**

The bank is not exposed to any equity price risk as none of the equity investments that are held by the bank are traded on any securities market.

(h) **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:

i. Requirement for appropriate segregation of duties, including independent authorisation of transactions;

ii. Requirements for the reconciliation and monitoring of transactions;
iii. Compliance with regulatory and other legal requirements;
iv. Documentation of controls and procedures;
v. Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
vi. Requirements for the reporting of operational losses and proposed remedial action;
vii. Development of contingency plans;
viii. Training and professional development;
ix. Ethical and business standards; and
x. Risk mitigation, including insurance where this is effective.

(i) Capital management

Regulatory capital

The RoFI 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 4(k).

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

a) 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.; and

b) 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 Bank 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 Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the year.

(j) The Bank's regulatory capital position as at 31 December 2016

The Bank's available Tier 1 and Total Capital is required to be a minimum of 10% and 15% respectively, of its risk bearing assets and contingent liabilities. At 31 December 2016, the Bank's available capital was -6.7 % for tier 1 and -6.7 % of all its risk bearing assets and contingent liabilities.

K'million

Capital management	**2016**	**2015**
Paid up share capital	364	364
Share premium	2 324	2 324
Retained earnings prior periods	(2 121)	(1 153)
(Loss)/Net profit – current year (100%)	(4 330)	(195)
Core capital (Tier 1 Capital)	(3 763)	1 340
Loan loss reserve	10 048	9 446
Revaluation reserves	552	552
Total capital (Tier 2 Capital)	6 837	11 338

(k) Prudential aspects of a 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 2016, the Bank's liquidity Ratio 1 was 42% (2015– 66%)
- 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 2016, the Bank's Liquidity Ratio 2 was 38% (2015 – 62%).

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 Bank is required to maintain a liquidity reserve amount with the 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 Bank complied with this directive throughout the year 2016.

5. Use of estimates and judgments

Management discusses with the Finance and Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.
These disclosures supplement the commentary on financial risk management.

(a) Key sources of estimation uncertainty
Allowances for credit losses
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 judgments 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 modelled 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, use of estimates and judgments.

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 4.7(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 judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(b) **Critical accounting judgments in applying the Group's accounting policies**

Critical accounting judgments made in applying the Bank's accounting policies include:

Financial asset and financial liability classification
The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

In designating financial assets or financial liabilities at fair value though profit or loss, the Bank has determined that it has met one of the criteria for this designation set out in accounting policy 4.7 (vii).

6. **Accounting classifications and fair values of financial instruments**

The Bank 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.

Financial instruments measured at fair value-fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position

K'million

31 December 2016 **Financial assets**	**Level 2**	**Level 3**	**Total**
Money market investments	17 361	-	17 361
Equity investment	-	49	49
	17 361	49	17,410

31 December 2015 **Financial assets**	**Level 2**	**Level 3**	**Total**
Money market investments	13 786		13 786
Equity investment	-	49	49
	13 786	49	13 835

The following table sets out the financial instruments at amortised cost where the Directors believe that the carrying amounts approximate their amortised costs

K'million	**Loans and receivables**	**Other amortised cost**	**Total carrying amount**	**Fair value**
31 December 2016				
Financial assets				
Cash and cash equivalents	-	23 611	23 611	23 611
Loans and advances to customers	29 496	-	29 496	29 496
Total	29 496	23 611	53 107	53 107
Financial liabilities				
Current and savings accounts	-	46 865	46 865	46 865
Term deposit accounts	-	11 727	11 727	11 727
FCD Accounts	-	7 943	7 943	7 943
Short term loan	-	3 600	3 600	3 600
Long term loan	-	79	79	79
Total	-	70 214	70 214	70 214

	Loans and receivables	**Other amortised cost**	**Total carrying amount**	**Fair value**
31 December 2015				
Financial assets				
Cash and cash equivalents	-	24 889	24 889	24 889
Loans and advances to customers	34 140	-	30 140	30 140
Total	30 140	24 889	55 029	55 029
Financial liabilities				
Current and savings accounts	-	41 853	41 853	41 853
Term deposit accounts	-	11 507	11 507	11 507
FCD Accounts	-	7 528	7 528	7 528
Short term loan	-	2 634	2 634	2 634
Long term loan	-	198	198	198
Total	-	63 720	63 720	63 720

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 amortised cost is estimated as the present value of the future cash flows, discounted at effective interest rates. These bills are held by the bank up to maturity date.

- 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 market 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

	2016	2015
Cash balances	5 014	3 332
Balance with Reserve Bank of Malawi	5 438	5 925
Balances due from other banks	11 419	12 744
Money market investments due within 3 months	1 740	2 888
Cash and cash equivalents	23 611	24 889

Balances with reserve Bank of Malawi are held at a zero interest rate, balances with other banks relate to bank balances with correspondent banks on which interest at a rate of .5% per annum is earned.

8. Money market investment

	2016	2015
Government of Malawi and Reserve Bank of Malawi bills	10 320	7 062
Government of Malawi Promissory Note	4,981	6 309
Government of Malawi Local Registered Stocks	3,800	3 303
Total investments	19 101	16 674

The investments are due to mature as follows:		
Within three months (Note 7)	1 740	2 888
Between three months and one year	17 361	13 786
	19 101	16 674

Money market investments with maturity of less than three months are classified as cash and cash equivalents. The yield on money market investments ranged from **13% to 29%** in both years, 2016 and 2015.

9. Loans and advances to customers

K'million	**2016**	**2015**
i) Loans and overdrafts	29 925	31 681
Lease contracts (See note 9(iv))	1 016	2 507
Mortgage advances	11 815	10 168
Total gross loans and advances	42 756	44 357
Allowance for impairment	(13 260)	(14,217)
Net loans and advances	29 496	30 140

Net loans and advances are due to mature as follows:

ii) Within one year	16 006	12 113
After one year	13 490	18 027
	29 496	30 140
iii) Allowance for impairment:		
At beginning of year	14 217	9 456
Amounts written-off/recovered	(2 825)	(2 116)
Increase in impairment net of recoveries	1 868	6 877
Balance at end of year	13 260	14 217

The bank applies risk based pricing on its products. The price is linked to the base lending rate with an interest spread of minus 200 to plus 1000 basis points. The applicable lending rates were 36% and 33% for 2015 and 2016, respectively. During the year the bank upgraded its T24 core banking system from version R08 to R14 to improve the delivery of service and the equality of information or reporting purposes. As part of the migration process, the bank is still in the process of fine tuning the system to ensure the loan balances are correct. A reconciliation process was performed to reconcile the pre and post migration of the loan book where differences are being investigated. Meanwhile the difference have been fully provided for.

iv)**Finance lease receivables:**

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

K'million	**2016**	**2015**
Less than one year	418	1 361
More than one year	1 668	2 722
	2 086	4 083
Unearned finance income	(1 070)	(1 576)
Net investment in finance leases	1 016	2 507
Net investment in finance lease receivables		
Less than one year	96	569
More than one year	920	1 938
	1 016	2 507

General terms

NBS Bank offers asset finance for both new and used assets, the finance period being a minimum of 6 months and maximum of 60 and 36 months respectively. The interest rate charges are risk based and the facility is secured through the financed assets and in some occasions additional security is required.

10. **Equity investments**

K'million	**2016**	**2015**
NICO Properties Limited	34	34
NATSWITCH Limited	15	15
	49	49

The Company holds 2.5% in NICO Properties Limited and 9% in Natswitch Limited.

All these are long term investments.

11. **Investment in subsidiary**

K'million	2016	2015
Investment in NBS Forex Bureau Limited	43	43

The Company owns 100% of the shares in NBS Forex Bureau Limited. NBS Forex Bureau Limited commenced its operations in January 2010 and has been dormant from 2012 to date.

12. Property and equipment

K'million	Owned property	Motor vehicles, fixtures and fittings	Capital work in progress - buildings	Capital work in progress - Equipment	Total
2016					
Cost or valuation					
Balance at 1 January 2016	1 647	6 098	14	731	8 490
Additions during the year	-	539	-	57	596
Disposals during the year	-	-	(12)	-	(12)
Transfers	1	266	-	(397)	(130)
Balance at 31 December 2016	1 648	6 903	2	391	8 944
Comprising of:					
Valuation	552	-	-	-	552
Cost	1 096	6 903	2	391	8 392
	1 648	6 903	2	391	8 944
Accumulated depreciation and impairment losses					
Balance at 1 January 2016	89	3 437	-	-	3 526
Charge for the year	43	608	-		651
Disposals during the year	-	-	-	-	-
Balance at 31 December 2016	132	4 045	-	-	4 177
Carrying amount					
At 31 December 2016	1 516	2 858	2	391	4 767

Property and equipment

K'million	Owned property	Motor vehicles, fixtures and fittings	Capital work in progress - buildings	Capital work in progress - equipment	Total
2015					
Cost or valuation					
Balance at 1 January 2015	860	4 507	737	1 941	7 977
Additions during the year	2	380	-	273	654
Disposals during the year		(68)	-	(36)	(104)
Transfers	785	1 278	(723)	(1,448)	(107)
Balance at 31 December 2015	1 647	6 097	14	731	8 420
Comprising of:					
Valuation	552	-	-	-	552
Cost	1 095	6 097	14	731	7 937
	1 647	6 097	14	731	8 489
Accumulated depreciation and impairment losses					
Balance at 1 January 2015	47	2 911	-	-	2 958
Charge for the year	42	592	-	-	634
Disposals during the year	-	(67)	-	-	(67)
Balance at 31 December 2015	89	3 437	-	-	3 526
Carrying amount					
At 31 December 2015	1558	2660	14	731	4963

Register of land and building giving details as required under the Companies Act 2013, Schedule 3, Section 16 are maintained at the registered office of the Group and company and are open for inspection by members or their duly authorized agents.

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

Categories:

Owned property includes freehold and leasehold properties and leasehold improvements Motor vehicles, fixtures and fittings include computer hardware, other office equipment, motor vehicles, furniture and other equipment and auto teller machines.

Measurement of fair values

Land and buildings were valued as at 31 December 2012 by independent valuers, MPICO Limited, Valuation and Property Consultancy Services Providers on a current and open market value. MPICO Limited have experience in the location and category of Land and buildings. The independent valuers provide the fair values of the Institution's Land and buildings every 3 years and when economic factor change significantly. Due to the varied nature of the Institutions properties, two methods are used to determine fair values namely:

2. The Depreciated replacement cost which is used for all properties which do not have a ready and active market such as remote and purpose built properties.

3. The Comparative and investment method which is used for all properties that have a ready and active market such as all residential and commercial properties in the urban and trading centres.

The fair value measurement for all of the Land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of land and buildings, as well as significant unobservable inputs used.

Valuation method adopted	Observable inputs	Unobservable input
Comparative and investment method	Adjusted sales comparables.	Professional judgement in adjusting inputs.
	Adjusted market rentals comparables	Expected level of rental escalation.
		Estimated capitalisation rate.
		Perceived market conditions
Depreciated replacement cost	Building cost information sourced from quantity surveyors	Estimated depreciation rates based on location and obsolescence

13. **Intangible assets - Software**

K'million	**Software**	**2016 Software in progress**	**Total**	**Software**	**2015 Software in progress**	**Total**
Cost						
Balance at 1 January	542	5 305	5 847	377	523	900
Additions	321	-	321	58	4 782	4 840
Disposals	-	-	-	-	-	-
Transfers within classes	130	-	130	107	-	107
Balance at 31 December	993	5 305	6 298	542	5 305	5 847
Accumulated amortization and impairment						
Balance at 1 January	343	-	343	261	-	261
Amortisation for the year	127	-	127	82	-	82
Transfers within classes	-	-	-	-	-	-
Balance at 31 December	470	-	470	343	-	343
Carrying amount						
At 31 December	523	5 305	5 828	199	5,305	5 504

Intangible assets relate to purchased software

14. **Other assets**

K'million		
Consumable stationery	242	195
Prepayments and sundry debtors	2 055	1 513
Cheques in course of collection	2 577	2 678
	4 874	4 386

Included in sundry debtors are balances on suspense and clearing accounts amounting to K1.3 billion that the bank uses in the clearing of transactions which, at the end of the year, have not yet been processed to their relevant accounts. The transactions mostly relate to transactions with customers, hence the inclusion in other assets. At the reporting date these accounts were analysed and where the recoverability of the balances was doubtful appropriate provisions were made. Certain transactions that were processed through these accounts were identified as fraudulent during the year. These transactions were written off and included in the provision for operational losses in note 27.

All these other assets are consumable or recoverable within one year.

15. Customer deposits

K'million	**2016**	**2015**
Current accounts	14 351	11 780
Savings accounts	29 079	24 198
Investment accounts	3 435	5 875
	46 865	41 853
Term deposit accounts		
K'million		
Maturing within 3 months	5 761	7 975
Maturing between 3 and 12 months	5 966	3 532
	11 727	11 507

Foreign Currency Denominated Accounts

Currency	Amount	*K'000* Kwacha Equivalent	Amount	*K'000* Kwacha equivalent
	2016	2016	2015	2015
US dollar	9 636	6 960	9 450	6 284
British pound	436	387	700	690
Euro Dollar	738	562	756	549
South African Rand	634	33	124	5
Total		7 943		7 528

Deposits from customers on savings investment and term deposit accounts carried an interest rate ranging from 8.5% to 19% current accounts earn .5% when the balance is above K500, 000, for both years 2015 and 2016. Interest rates applicable for 2016 and 2015 on foreign currency denominated accounts were 2%, 2.25%, 3%, and 1.5% for US dollar, British Pound, Euro and South African Rand deposits, respectively.

The term deposit balance maturing between 3 and 6 months include funds deposited by NICO Holdings awaiting capitalization. The funds received were invested on the money market.

Included in deposits is an amount of K2.7 billion payable to NICO Holdings Limited. NICO Holdings Limited holds 50.1% of the equity of the Bank. At the reporting date, the Reserve Bank requested that NICO Holdings Limited should lead in the capitalisation of the Bank which has been falling below the minimum capital requirement as required by the Regulator in line with Basel II capital requirements. On 29 December 2016, at a special general meeting of the shareholders they passed a resolution for a rights issue to raise the required capital to meet the minimum capital. The amount payable to NICO is as such capital awaiting capitalisation. NICO Holdings Limited has no intention to recall the above amount together with interest that continues to accrue on it until the issuance of the right shares.

16. Short-term loan

K'million	2016	2015
OML Loan	3 600	
Interbank	-	-
NORSAD Finance Limited (Norsad)	-	2 634
	3 600	2 634
NORSAD and OML loan is analysed as follows:		
Balance at 1 January 2015	2 634	3 036
Additions during the year	3 600	-
Interest charges	-	254
Exchange losses	-	1 325
Repayment during the year	(2 634)	(1 980)
Balance at 31 December 2016	3 600	2 635

NORSAD approved a loan of US$5 million to The Company on 23 January 2007 at an agreed fixed rate of 6.5% per annum out of which US$4.5 million had been drawn. This loan was fully repaid.

The bank entered into a sale of part of its loan book with Old Mutual Limited for K3.6 billion. Under the agreement the bank is to remit all the cash flows from the sold book to OML. CDH Investment Bank provided a guarantee on the sale. OML earns guaranteed interest of 5% above the 90-day Treasury Bill yield on the amount paid.

17. Long-term loans

K'million	2016	2015
Malawi Government	20	20
NICO Life Insurance Company Limited	59	178
	79	198

Malawi Government loan

The Malawi Government loan represents an International Development Association (a World Bank fund) credit which was loaned to Malawi Housing Corporation (MHC) 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 and has no redemption date under the varied terms of the contract. The loan is secured through a guarantee by the Malawi Government.

NICO Life Insurance Company Limited loan

This is part of the syndicated loan to MHC on which the Malawi Government issued a Promissory Note. The balance on this loan represents the portion of the promissory note that relates to NICO Life Insurance Company Limited. It is a pass-through arrangement where the repayments from Malawi Government on the promissory note will be channelled to this loan proportionately. The interest is linked to the 91-day treasury bill rate, payable by the Malawi Government. The first repayment was in September 2013 and quarterly thereafter. The term of the loan is 5 years.

18.Deferred tax assets and liabilities

(a) Deferred tax assets and liabilities

Consolidated	2016			2015		
K'million	Assets	Liabilities	Net	Assets	Liabilities	Net
Tax losses	892	-	892	-	-	-
Capital allowances on property and equipment		(545)	(545)	-	(182)	(182)
Provisions	40	-	40	45	-	45
	932	(545)	387	45	(182)	(137)

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

	As at 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 December 2016
Tax losses	-	892 114	-	892 114
Property and equipment	(182)	(363,006)	-	(545,466)
Provisions	45	(4,393)	-	40,721
	(137)	524,175	-	387 369

(a) Unrecognised deferred tax assets and liabilities

The subsidiary which has since filed for dormancy has a deferred tax asset of K26.8 million in respect of losses carried forward which is subject to agreement with Malawi Revenue Authority. In addition, the Bank has a deferred tax asset of K30.3 million which has not been recognised as it represents the deferred tax effect of the unrealised loss of investment in the subsidiary company.

19. Other liabilities

K'million	**2016**	**2015**
Unpresented cheques	193	153
Accruals	9 085	8 588
PAYE and other taxes	358	258
	9 636	8 999

20. Share capital

	2016	2015
Authorised share capital	500,000	500,000

1,000,000,000 *(2015: 1,000,000,000) 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	727 643
Weighted average number of shares as at 31 December	727 643	727 643

The movement in share capital during the year was as follows
K'million

At 1 January issued and fully paid shares of 50t each	364	364
Total share capital issued at end of year	364	364

21. Share premium

K'million		
Share premium	2 324	2 324

Share premium arose from the excess of share issue price over par value on listing, private placement, rights issue and on issue of bonus shares net of issue costs as follows:

K'million		
Balance pre-listing	165	165
Share issue on listing	150	150
Share issue	1 721	1 721
Bonus issue	288	288
Total	2 324	2 324

22. Share premium	*(K'million)*	552	552

The revaluation reserve relates to the surplus arising on the revaluation of properties. This is not available for distribution to owners until when it gets realized.

23. Loan loss reserve	*(K'million)*	10 048	9 446

Loan loss reserve represents an appropriation from retained earnings as additional provision above those required by the International Financial Reporting Standards, to meet the requirements of the Reserve Bank of Malawi. The directors are of the opinion that the loan loss reserve is in accordance with the requirements of the Reserve Bank of Malawi.

24. Net interest income

K'million

Interest income	2016	2015
Corporate loans	1 191	3 222
Interbank loans	880	134
Lease contracts	239	575
Money market investments	4 644	3 148
Mortgage loans	1 526	2 828
Overdrafts	1 410	2 364
Personal loans	558	1 409
Short-term loans	91	96
SME loans	181	419
Agri-business loans	36	59
Total interest income	10 756	14 254
Interest expense		
Current accounts	12	14
FCD accounts	59	19
Fixed deposits	2 127	1 512
Inter-bank – borrowing	164	94
Interest – Norsad//OML loans	731	260
Investment deposits	323	552
Savings deposits	1 220	1 259
Total interest expense	(4 636)	(3 710)
Net interest income	6 120	10,544

During the year the bank upgraded its T24 core banking system from version R08 to R14 to improve the delivery of service and the quality of information or reporting purposes. As part of the migration process, the bank is still in the process of fine tuning the system to ensure the upgrade calculates the interest correctly based on the set parameters.

A reconciliation process was performed to reconcile the pre and post migration of the loan book where differences are being investigated. Meanwhile the differences have been fully provided for.

25. Net fees, commission and other charges

K'million

Income	**2016**	**2015**
Bank charges and commission	4 287	3 790
Other income	1 288	-
Income from ATM transactions	445	483
Expense	6 020	4 273
Bank charges	**(55)**	(41)
Net fees and commission income	5 965	4 232

26.**Personnel expenses**

K'million	2016	2015
Salaries and wages	3 717	2 900
Leave pay provision	(14)	186
Severance pay provision	1	150
Pension contribution	429	322
Life insurance	176	133
MASM contribution	150	111
School fees	290	223
Meal allowances	141	113
Other expenses	174	211
Mortgage loan subsidy	518	389
Christmas pay expenses	41	36
Training expenses	54	69
Management car scheme	251	194
	5 928	5 037

27.**Other operating expenses**

K'million		
Accommodation costs	1 158	832
Advertising costs	555	332
Auditors' remuneration	46	38
Cash collection expenses	278	168
Communication costs	504	427
Company shared expenses	13	23
Data lines	605	421
Directors' expenses	43	38
Directors' remuneration	10	11
General expenses	267	204
Legal and professional fees	1 902	204
Malawi Stock Exchange listing fees	17	15
Motor vehicle costs	627	490
NICO put option commission	59	71
Projects and conferences expenses	38	21
Provision for operational losses	1 288	-
Security expenses	243	193
Sundry business charges	255	171
Telephones	254	230
Transfer Secretarial Expenses	13	15
	8 175	3 907

28. **Income tax expense**

K'million		
Current tax expense	-	89
Deferred tax (Note 18)	(525)	(130)
Total income tax charge	(525)	(41)

Reconciliation of tax charge		
(Loss)/profit before tax	(4 855)	(236)
Income tax using corporate tax rate @ 30% (2015: 30%)	(1 456)	(71)
Non-deductible expenses	564	160
Temporary differences	367	(130)
	(525)	(41)

29. 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:-

	2016	2015
Net loss attributable to ordinary shareholders(*K'million*)	(4 330)	(195)
Weighted average number of Ordinary Shares (note 20)	727 643	727 643
Basic (loss)/earnings per share (K)	(5.95)	(0.27)
Diluted (loss)/earnings per share (K)		

30. Capital commitments

As at 31 December 2016, the contracted but not yet incurred capitalcommitmentswere K1 billion (2015: K2 billion).

The authorised but not yet contracted for commitments as at 31 December 2016 were K3.2 billion (2015: K2.4 billion).

These commitments are to be funded from internal resources.

31. 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 Bank would pay the claims estimated at **K3.6 billion** (2015: MK 663.5 million).

32. Guarantees

The Bank guarantees repayment of mortgage loans to NICO Life Insurance Company for its staff. Staff mortgages and all mortgage securities are registered in the Bank's favour. The Bank 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 2016 guaranteed staff mortgages were K1,262 million (December 2015: K1,125 million).

33. Related party transactions

Identity of related parties

The bank has control relationship with parent company and fellow subsidiaries. All transactions were at arm's length. During the year and at year end, the following transactions and balances, respectively, were made:

Related Party	Type of Transaction	Value of Transaction MK'000 December. 2016	Balance of Transaction MK'000 December. 2016	Value of Transaction MK'000 Dec. 2015	Balance of Transaction MK'000 Dec. 2015
NICO Holding	Company account interest	497	-	218	-
Limited	income	3,050	-	13,048	-
(Holding)	Loan interest income	(137)	-	(953)	-
	Company account interest	-	2,574	(200,486)	-
	Dividend	-	-	-	(90,052)
	Bank Account	-	-	(10,769)	-
	Fixed deposit interest	(374)	(42,720)	(7,247)	-
	Shared expenses	-	-	-	(27,027)
	Fixed deposit	-	-	-	136,280
	Loan	-		-	-
	Directors fees	10,450			-
NICO Life	Management fees	12.346	-	10,250	-
Insurance	Bank account	-	(4,814)	-	(239,279)
Limited	Bank account Interest Income	8,267	-	4,581	-
(Fellow	Bank account Interest	5,010	-	(11,363)	-
subsidiary)	expense	-	(223,212)	-	-
	Fixed deposit	-	-	-	(3,180)
	Fixed deposit Interest	341,487	-	(89,203)	-
	Expense	-	-	-	-
	Rent Expense	-	-	(21,768)	-
	Pension Contribution	(429,053)			-
				(631,082	
NICO	Bank account Interest Income	5,242	-	3,983	-
General	Bank account Interest	-	-	(22,520)	-
Insurance	Expense	(9,292)	-	-	-
Limited	Fixed deposit	-	-	-	(172)
(Fellow	Fixed deposit interest		-	(24,387)	-
subsidiary)	expense	(270,732)	-	-	-
	General insurance premiums	(256,666)	-	(64,109)	-
	Bank account	-	-	-	(547,534)
NICO	Technical support	(468,054)	-	(7,722)	-
Technologies	Bank account	33,402	(7,163)	-	44,325
Limited	Bank account interest income	-	4,993	12,268	-
(Fellow	Fixed deposit	-	-	-	(1,276)
subsidiary)	Expense	-	-	-	-
	Fixed deposit interest	933	-	(99)	-
	Directors fees				-
		-	-	-	-
NICO Asset	Bank account	-	895	-	(67,394)
Managers	Bank account interest income	11,001	-	5,097	-
Limited	Bank account interest	(6,104)	-	(790)	-
(Fellow	Expense	-	(309,049)	-	-
subsidiary)	Fixed deposit	(6,156)	-	-	-
	Fixed deposit interest	(14,534)	-	(57,344)	-
	Management Fees			(8,611)	-
Directors and	Directors remunerations	(10,450)	-	(11,424)	-
Executive	Executive managers			-	-
Officers	remunerations	(207,241)	-	(148,649)	-
	Interest on Directors and	-	71,676	-	-
	Executive Managers Loans	16,379	-	27,295	-
	Loans	-	-	-	86,509

Transactions with key management personnel

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

	Directors and their related parties	Employees	Directors and their related parties	Employees
K'million	2016	2016	2015	2015
Advances	97	654	87	508
Deposits	40	-	10	-
Net balances	137	654	97	508

Advances to directors and parties related thereto are conducted at arm's length and deemed to be adequately secured. Advances to staff comprise K87 million (2015: K117 million) interest free loans and K567 million (2015: K391 million) at an interest rate of 9% the remaining balance carries interest at commercial 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 K276 million (2015: K154 million) has been made against low interest advances to related employees. No other impairment losses have been recorded against loans to related parties.

Directors' and key management personnel compensation for the period comprised

	2016	2015
Short term benefits:		
Executive Managers' short-term benefits	207	149
Executive Directors' remuneration	10	11

All loans and advances to related parties are secured. The Bank guarantees repayment of mortgage loans to NICO Life Insurance Company for its staff. Staff mortgages and all mortgage securities are registered in the Bank's favour. At 31 December 2016 guaranteed staff mortgages were K1, 262 million (December 2015: K1,125 million

34. ***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.

K'million

Segment reporting 2016	**Northern Region**	**Central Region**	**Southern Region**	**Shared services**	**Total**
Interest income	176	663	3 219	6,698	10,757
Interest expense	(285)	(1,071)	(1 241)	(2,040)	(4,636)
Net interest income	(109)	(408)	1 978	4,658	6,120
Other operating income	630	600	1 548	4,957	7,736
Operating expenses	(857)	(2,090)	(2 137)	(11,760)	(16,844)
Total Segment Revenue	(336)	(1,897)	1 390	(2,145)	(2,987)
Segment contribution	(336)	(1,897)	1 390	(2,145)	(2,987)
Impairment losses on financial assets	-	-	-	(1,868)	(1,868)
Reportable profit for the year before income tax	-	-	-	-	(4,855)
Reportable segment assets	1,489	7 173	19,241	59,258	87,162
Total assets	,489	7,173	19,241	59,258	87,162
Reportable segment liabilities	6,752	25,021	21,678	26,904	80,355
Depreciation and amortization				-	**779**
Capital expenditure				-	**918**

2015	**Northern Region**	**Central Region**	**Southern Region**	**Shares services**	**Total**
Interest income	317	2,258	3,952	7,727	14 254
Interest expense	(289)	(1,347)	(1,369)	(704)	(3,710)
Net interest income	28	911	2,583	7,023	10,544
Other operating income	603	1,574	1,355	2,841	6,373

Operating expenses	(1,570)	(1,503)	(641)	(7,196)	(10,910)
Total Segment Revenue	(939)	982	3,297	2,668	6,007
Segment contribution	(939)	982	3,297	2 668	6,007
Impairment losses on financial assets	-	-	-	(6 243)	(6,243)
Reportable profit for the year before income tax	-	-	-	-	(236)
Reportable segment assets	1,277	7,646	20,257	54,538	83,718
Total assets	1,277	7,646	20,257	54,538	83,718
Reportable segment liabilities	5,611	23,562	23,812	19,595	72,581
Depreciation and amortization				716	716
Capital expenditure				5,458	5 458

The Group segments its business by the regions in which it operates as a result 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.

35. Tax recoverable

K'million	**2016**	**2015**
Balance at 1 January	(277)	645
Prior year under provision	-	76
Charge for the year	-	89
Tax paid	(7	(1 088)
Balance at 31 December	**(284)**	**(277)**

Prior year under provision represents an additional liability for prior year as assessed by the Malawi Revenue Authority (MRA) which was settled in the period under review.

36. Inflation and exchange rates

Exchange rates as at 31 December		
	2015	**2016**
United States Dollar (USD)	722.32	664.45
British Pound (GBP)	887.30	984.91
South African Rand (ZAR	52.61	42.73
Inflation rates as at 31 December	**20%**	**24.9%**

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

37. **Going concern and subsequent events**

The Bank did not meet the Capital Adequacy Requirements as at 31 December 2016 per the Reserve Bank of Malawi (RBM) directive. The Directive requires Tier 1 and Tier 2 ratios to be a minimum of 10% and 15% respectively of all risk bearing assets and contingent liabilities. At 31 December 2016 the Bank's available capital was -6.7% for both tier 1 and tier 2 of all its risk bearing assets and contingent liabilities.

The Bank is undercapitalized with a capital shortfall of **K11.8 billion** as at December 2016 and K5.1 billion as at December 2015.

On 13 May 2016, the Reserve Bank of Malawi waived the Bank from meeting the capital requirements until the planned capital raising exercise is concluded by June 2017.

These accounts have been prepared on a going concern basis because of the following steps being taken by the Shareholders, the Directors and key management to address the situation:

(a) **Re-capitalisation;**

i. On 29 December 2016 the shareholders of the Bank passed a resolution to recapitalise the bank through a rights issue for MK11.8 billion in order to achieve compliance with minimum capital requirements per Basel II Capital Adequacy Directive. The processes for the rights issue are now at an advanced stage.

ii. The Board of Directors of NICO Holdings Limited (the parent company) issued a resolution dated 18 March 2016 to support the Bank in a rights issue option to recapitalize. Arising from this resolution, NICO Holdings Limited deposited with the Bank K2.7 billion as a non- refundable advance payment for the rights issue.

iii. Subsequent to the year-end, the Rights Issue process has progressed and is at an advanced stage. The Bank has appointed CDH Investment Bank as the Lead Advisors on the Rights Offer; Wilson and Morgan as the Transaction Legal Advisors and Deloitte as the Reporting Accountants. A timetable for the process has been agreed by the members and a list of proposed underwriters is in place.

(b) **Future strategies;**

i. The Bank has engaged the services of a Consultant, Rabo International Advisory Services (RIAS) in an agreement to cooperate on a technical assistance project where RIAS will offer advisory support to NBS in their transition into a healthy, well capitalised universal retail Bank.

ii. The Bank has reforecast its performance to December 2021 and has come up with revised strategies and budgeting. The Bank has set up cost management measures projecting total costs savings of K1.4 billion to June 2017.

The ability of the Group and Company to continue as a going concern is dependent on the successful conclusion of the rights issue and implementation of the strategies described above. These conditions indicate that there is a material uncertainty that may cast significant doubt on the ability of the Group and Company to continue as a going concern and, therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business.

Subsequent events

Subsequent to the year ended 31 December 2016, Rabobank through their subsidiary Rabo International Advisory Services, and NBS Bank signed a 3-year strategic partnership agreement focused on improving financial services and strengthening NBS operations and outreach. Rabobank will support NBS Bank by providing access to its Agri-Banking knowledge, experience and networks.

Rabobank is a Dutch corporative bank founded by farmers in the 19th century. In the Netherlands, Rabobank is an all finance bank with strong local presence serving various products to all market segments. The bank has 6.8 million clients in the Netherlands and 8.7 million customers globally.

We consent to the inclusion of this report which forms part of the prospectus dated 26 May 2017 in the form and content in which it appears.

Yours faithfully,

Deloitte

Deloitte
Chartered Accountants

Nkondola Uka
Partner

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NTU/KB/cb

22 May 2017

The Board of Directors
NBS Bank Limited
Corner Masauko Chipembere Highway/Johnston Road
P O Box 32251
Chichiri
Blantyre 3

Members of the Board

PROFIT FORECASTS FOR THE YEAR ENDING 31 DECEMBER 2017 AND 2018

We have reviewed the accounting bases, policies and calculations of the profit forecast of the Company for the year ending 31 December 2017 and 2018in accordance with the International Standard on Assurance Engagements ISAE 3400 applicable to the examination of prospective financial information, as set out in Part IX: Unaudited proforma financial information of this prospectus. Management is responsible for the forecast including the assumptions on which it is based for which you as directors are solely responsible.

Our responsibility is to express an opinion on the reasonableness of the forecast. Since the forecast relates to the future, actual results are likely to be different from the forecast results because events and circumstances frequently do not occur as expected, and the differences may be material.

We report that nothing has come to our attention, which causes us to believe that the underlying assumptions do not provide a reasonable basis for the forecast. We have not undertaken to update this report for the events and circumstances occurring subsequent to the date of this report.

On the basis of our view we report in our opinion, the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors and is presented on a basis consistent with the accounting policies normally adopted by the Company.

We consent to the inclusion of this letter which forms part of the prospectus dated 26 May 2017 in the form and context in which it appears.

Yours faithfully

Deloitte

Chartered Accountants

Nkondola Uka
Partner

Profit forecasts for the year ending 31 December 2017 and 2018

The profit forecast of NBS Bank Limited for the year ending 31 December 2017 and 2018 is set out below, based on management's best estimates of the Banks performance.

K' millions

INCOME	**2017**	**2018**
Total interest income Treasury Bills (Money market)	8 855	14 711
Total interest income Loans and overdrafts (MKW)	5 942	8 015
Total interest Forex loans	320	242
Interest expenses	(4 548)	(6 043)
Net interest income	**10 569**	**16 925**
Net fees and commission income	5 791	8 427
Profit on forex transactions	2 116	2 647
Total operating income	**18 476**	**27 999**
EXPENDITURE		
Personnel expenses	(6 766)	(8 186)
Recurrent expenditure on premises and equipment	(3 508)	(4 245)
Depreciation and amortization	(1 969)	(2 383)
Rabo Bank technical support costs	(400)	(521)
Re-organisation Expenses	(1 098)	-
Other operating costs	(5 500)	(7 793)
Operating expenditure	**(19 241)**	**(23 128)**
(Loss)/profit before loan impairment write back(loss)	**(765)**	**4 871**
Net impairment write-back (loss) on financial assets	1 581	(1 683)
Profit before tax	**816**	**3 188**
Tax	(270)	(956)
Net profit	**546**	**2 232**
Other comprehensive income	-	-
Total comprehensive income	546	2 232
Dividends	-	(900)
Retained earnings for the year	**546**	**1 332**

Assumptions

NBS Bank Limited has prepared the above profit forecasts for 2017 based on the following assumptions

1. The bank is expected to have a very slow loan book growth to depict clean up strategy up to 2018 and will focus on increasing investment in money market from 2017.

2. Interest income is expected to grow in line with average increase in loans and advances and money market investments.

3. With a cost of funding currently at 7.6%, the bank will focus on retail banking as a way of raising low cost deposits and that will lead to reduction of funding to below 5%.

4. Impairments to slowly improve from 10% of loan book to below 5% going forward.

5. Efficiencies on automation and business rationalization will result in modest growth of operational expenses.

6. The bank will focus on growing the retail customer base which will result in growth of non interest income.

7. Enhancement of the risk management framework to reduce operational losses.

Part VII

Financial information on the Company

The consolidated financial statements of the Company and its Subsidiary included in the Annual Reports and Accounts for the years ended 31 December 2015 and 2016 respectively together with the audit reports thereon are incorporated by reference into this prospectus. KPMG issued unqualified audit opinions on the consolidated financial statements of the Company and its subsidiaries included in the Annual Reports and Accounts. The audit opinion for the accounts ended 31 December 2016 is set out on pages 8 of the Accounts. See Part XII "Documentation Incorporated by Reference" of this prospectus for further details about information that has been incorporated by reference into this prospectus.

The tables below set out selected Company audited financial information for the year ending 31 December 2016. The data for the two years ended and as at 31 December 2015 and 2014 has been extracted without material adjustment from, and should be read together with, the relevant financial statements incorporated by reference into this prospectus.

Consolidated statements of comprehensive income

K'million	**Year to December 2016**	**Year to December 2015**	**Year to December 2014**
Income			
Total interest income	10,757	14,254	14,512
Interest expense	(4,636)	(3,710)	(3,743)
Net interest income	6,120	10,544	10,769
Net fees and commission income	5,965	4,231	3,381
Profit on foreign exchange transactions	1,717	2,142	3,199
Other operating income	-	-	133
Total operating income	**13,857**	**16,917**	**17,483**
Expenditure			
Operating expenditure	(16,844)	(10,910)	(9,069)
Profit before impairment losses	(2,987)	6,007	8,414
Net impairment (loss)/profit on financial assets	(1,868)	(6,243)	(4,349)
Loss before income tax expense	(4,858)	(236)	(4,065)
Income tax credit (expense)	525	41	(1,373)
(Loss)/profit for the year	(4,330)	(195)	2,692
Other comprehensive income	-	-	+10
Total comprehensive income for the year	**(4,330)**	**(195)**	**2,702**
Earnings per share			
Basic and diluted (loss)/earnings per share (K)	(5.95)	(0.27)	3.70

Consolidated statements of financial position

K'million	Year to December 2016	Year to December 2015	Year to December 2014
Assets			
Cash and cash equivalents	23,611	24,889	19,012
Money market investments	17,361	13,786	6,666
Loans and advances to customers	29,496	30,140	31,023
Equity investments	49	49	49
Property and equipment	4,767	4,964	5,089
Intangible assets	5,828	5,504	638
Deferred tax assets	387	-	-
Other assets	4,874	4,386	5,884
Tax recoverable	284	277	-
Total assets	**86,657**	**83,995**	**68,361**
Liabilities and equity			
Liabilities			
Current and savings accounts	46,865	41,853	35,300
Term deposit accounts	11,727	11,507	8,183
Short-term loans	3,600	2,634	5,037
Long-term loans	79	198	317
Deferred tax liabilities	-	137	267
Foreign currency denominated accounts	7,943	7,528	4,8301
Other liabilities	9,636	8,999	2,047
Income tax payable	-	-	645
Total liabilities	**79,850**	**72,858**	**56,628**
Equity			
Share capital	364	364	364
Share premium	2,324	2,324	2,324
Revaluation reserve	552	552	552
Accumulated losses	(6,481)	(1,549)	6,407
Loan loss reserve	10,048	9,446	2,085
Total equity	**6,807**	**11,137**	**11,732**
Total liabilities and equity	**86,657**	**83,995**	**68,361**

Statement of cash flows
See pages 17 of the Accounts

Significance accounting policies and notes to the Accounts
See paragraph 4 of Part VI of this prospectus: "Reporting Accountant's Report."

Retirement benefits information
The Company operates a defined contribution contributory pension fund. It does not have retirement benefit liability except to the extent of employer contributions due but not yet remitted for the time being. The Company is up-to-date with remittance of employer contributions to the pension fund.

Auditor's opinion whether qualified or not
The opinion of KPMG, external auditors of the Company, on the consolidated financial statement of the Company for the year ended 31 December 2016 was not qualified. The opinion is on page 8 of the audited consolidated and separate annual financial statements for the year ended 31 December 2016 incorporated into this prospectus by reference.

Dividend policy
See page paragraph 7 of the Summary in this prospectus and paragraph 6 of Part I of this prospectus: "Letter from the Chairman.

Proforma balance sheet prior to and immediately after the Rights Issue
See part IX of this prospectus: " Unaudited pro-forma financial information".

Effect of the Rights Issue on the net asset value per share
See an audited proforma financial information in Part IX of this Prospectus.

Particulars of investments exceeding 10% of the total assets of the Company
There are no investments which each exceed 10% of the total assets for the Company.

Statement as to adequacy of capital
See paragraph 2 of Part I of this prospectus: Letter from the Chairman of the Company.

Management discussion and analysis of the financial condition and results of the Company's business operation
For the year ended 31 December 2016 the Company made a loss after tax of K4.330billion (2015: K0.195billion) representing a 2,121% loss exacerbation from the corresponding period in the previous year. The performance was attributed largely to:-

i. A number of assets becoming non-performing in the course of the year and had to be provided for fully.
ii. Significant sums of money have had to be paid out to the claimants in damages (K1.3billion) after litigation emanating from foreign currency transactions made in 2012.

iii. Losses due to fraud were discovered during the year and a provision for operational expenses in the sum of K1.3 billion had to be made.

iv. Low interest income due to reduced lending activities as a result of the Company's inadequate capital.

For the quarter ended 31 March 2017 the Bank made a loss before tax of K0.822 billion (K0.568 billion - 2016) which was below the budgeted profit before tax of K0.325 billion. This performance is attributed to:-

i. Low net interest revenue as a result of limited lending due to its capital inadequacy position.

ii. Lower margins on foreign exchange trading. The Bank earned a trading margin of 1% on its foreign exchange trading transactions against a budgeted margin of 2.5%. This is despite the Bank trading higher foreign exchange volumes above budget by US$20.8 million as at 31March 2017.

iii. Under collection of fees and commissions from auto-teller machine services, value added services and salary processing services.

Part VIII

Capitalisation and indebtedness

The following table shows the consolidated capitalisation and indebtedness of the Company as at 31 December 2016, and has been extracted, without material adjustment, from the accounting records underlying the audited financial statements for the period ended 31 December 2016 which are incorporated by reference into this prospectus as set out in Part XII of this prospectus: "Documentation Incorporated by Reference".

The following table shows the capitalisation and gross indebtedness of the Company as at 31 December 2016.

	As at 31 December 2016
K'million	
Total current debt	
Secured	3,600
Unsecured	-
Total	**3,600**
Total non-current debt	
Secured	20
Unsecured	59
Total	**79**
Total gross indebtedness	**3,679**
Shareholder's equity	
Share capital	364
Revaluation reserve	552
Loan loss reserve	10,048
Share premium	2,324
Accumulated losses	(6,481)
Total shareholders' equity	**6,807**

The total non-current debt is comprised as follows: -

	31 December 2016	**31 December 2015**
K'million		
Malawi Government loan	20	20
NICO Life Insurance Company Limited	59	178

Notes:

1. The Malawi Government loan represents an International Development Association (a World Bank fund) credit which was loaned to Malawi Housing Corporation ("MHC") 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 and has no redemption date under the varied terms of the contract. The loan is secured through a guarantee by the Malawi Government.

2. NICO Life Insurance Company Limited represents part of the syndicated loan to MHC on which the Malawi Government issued a Promissory Note. The balance on this loan represents the portion of the promissory note that relates to NICO Life Insurance Company Limited. It is a pass-through arrangement where the repayments from Malawi Government on the promissory note will be channelled to this loan proportionately. The interest is linked to the 91-day treasury bill rate, payable by the Malawi Government. The first repayment was in September 2013 and quarterly thereafter. The term of the loan is 5 years.

3. The secured loan of K3.6 billion is from Old Mutual. It relates to funds received in an asset securitization transaction. This agreement had an agreed yield of 5% above the Reserve Bank of Malawi 364 day treasury bill yield, subject to a minimum of 5%. CDH Investment Bank provided guarantee on the minimum return on behalf of the Company. This has been paid off subsequent to year end.

Part IX

Unaudited pro forma financial information

Unaudited Pro Forma Statement of Net Assets of the Company

The unaudited pro forma statement of net assets of the Company set out below has been prepared to illustrate the effect of the Rights Issue on the assets and liabilities of the Company as if the Rights Issue had taken place as at 31 December 2016. The unaudited pro forma statement of net assets, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results. The unaudited pro forma statement of net assets has been prepared on the basis set out in the notes below:-

	Balance to 31December 2016		
	Actual	**Adjustment**	**Proforma Total**
K'million	**31-Dec-16**		**31-Dec-16**
Equity			
Share capital	364	1,091	1,455
Revaluation reserve	552	-	552
Fair value adjustment	-	-	-
Loan loss reserve	10,048	-	10,048
Share premium	2,324	10,709	13,033
Accumulated losses	(6,481)	-	(6,481)
Capital & Reserves	**6,807**	**11,800**	**18,607**
Liabilities			
Current and savings accounts	46,865	-	46,865
Term deposit accounts	11,727	-	11,727
Short term loans	3,600		3,600
Long term loans	79		79
Foreign currency denominated a/cs	7,943	-	7,943
Other liabilities	9,636	-	9,636
Total liabilities	**79,850**	**-**	**79,850**
Total liabilities and equity	**86,657**	**11,800**	**98,457**
Assets			
Cash and cash equivalents	23,611	11,800	35,411
Money market investments	17,361	-	17,361
Loans and advances to customer	29,496	-	29,496
Equity investments	49	-	49
Property and equipment	4,767	-	4,767
Intangible assets	5,828	-	5,828
Deferred tax assets	387	-	387
Other assets	4,874	-	4,874
Tax recoverable	284	-	284
Total assets	**86,657**	**11,800**	**98,457**
Number of ordinary shares	727		
Net asset value per share	9.36		6.39

Notes

(1) The financial information has been extracted, without material adjustment, from the audited consolidated financial statements of the Company for the period ended 31 December 2016, which are prepared in accordance with IFRS.

(2) The adjustments reflect the net proceeds of the rights issue receivable by the Company of K11.8billion being the gross proceeds on the basis that the Company issues 2,182,930,017 new ordinary shares at the issue price of K5.40 per share for the issue.

(3) The adjustment reflects the application of the net proceeds of the rights issue against the cash and cash equivalents balance as at 31 December 2016.

(4) No adjustment has been made to reflect the trading results of the Company since 31 December 2016.

(5) The pro forma financial information does not constitute statutory accounts within the meaning of section 229 of the Companies Act.

Part X

Taxation

The comments set out below are based on current Malawi law as at the date of this prospectus, which is subject to change, possibly with retrospective effect. They are intended as a general guide and apply only to Shareholders resident and, in the case of individuals, ordinarily resident, for tax purposes in Malawi (except insofar as express reference is made to the treatment of non-residents), who hold Shares in the Company as an investment and who are the absolute beneficial owners thereof. The discussion does not address all possible tax consequences relating to an investment in the Shares. Certain categories of Shareholders, such as traders, brokers, dealers, banks, financial institutions, insurance companies, investment companies, collective investment schemes, tax-exempt organisations, persons connected with the Company, Shareholders who are not domiciled or not ordinarily resident in Malawi, Shareholders who have (or are deemed to have)acquired their Shares by virtue of an office or employment, and Shareholders who are or have been officers or employees of the Company, may be subject to special rules and this summary does not apply to such Shareholders. Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside Malawi, should consult their own professional advisors immediately

Capital gains tax

For the purposes of Malawi taxation of capital gains, the issue of the Rights Shares should be regarded as a reorganization of the share capital of the Company. Accordingly, you should not be treated as making a disposal of all or part of your holding of existing Ordinary Shares by reason of taking up all or part of your rights to Rights Shares. No liability to Malawi tax on capital gains in respect of the Rights Shares should arise if you take up your entitlement to Rights Shares in full.

If you sell all or some of the Rights Shares allotted to you, or your rights to subscribe for them, or if you allow or are deemed to have allowed your rights to lapse and receive a cash payment in respect of them, you may, depending on your circumstances, incur a liability to tax on any capital gain realised.

Taxation of dividends

The Company will as usual withhold tax at source when paying dividends on the Rights Shares unless a shareholder is exempted under the Taxation Act.

Stamp duty

a. No stamp duty will be payable on the issue of Letters of Allocation or split Letters of Allocation.

b. The purchase of rights to Rights Shares represented by Letters of Allocation or split Letters of Allocation (whether nil paid or fully paid) on or before the latest time for registration or renunciation will not be liable to stamp duty.

c. No stamp duty will be payable on the registration of Letters of Allocation or split Letters of Allocation, whether by the original holders or their renouncees.

Part XI

Additional information

1. Announcement of results

The Company will make an appropriate announcement giving details of the results of the Rights Issue on or about Monday 3 July 2017.

2. Articles of association

The summary or extracts of relevant articles of associations is as follows:-

2.1 Shares

2.1.1 Alteration of capital: Power to increase – Article 46

The Company may from time to time by ordinary resolution increase the share capital by additional shares of such sum, to be divided into shares of such amount and of such class as the resolution shall prescribe.

2.1.2 Alteration of capital: Increase to be offered to Existing Members – Article 47

New shares shall be offered in the first instant, either at par or at a premium, to all the existing holders of that class of shares, in proportion as nearly as is possible to the amount of the capital or the number of shares of such class held by them respectively, unless the Company shall by ordinary resolution before the issue of any new shares make any provisions as to the issue and allotment of the new shares. Where the Company by ordinary resolution specifically authorises the directors to issue of the new shares as the directors, in their discretion may think fit, such shares shall be issued within 12 (twelve) months of such resolution.

2.2 Voting matters:

2.2.1 Right to vote – Article 70

Subject to any rights or restrictions for the time being attached to any classes of shares, on a show of hands every member present in person or represented by proxy shall have one (1) vote, and on a poll every member present or represented by proxy shall have one (1) vote for each share of which he is the registered holder.

Provided that for so long as the IFC Parties directly and collectively hold ten percent (10%) of the shares in the Company or Share Equivalents, NICO shall not exercise any vote in respect of the shares in the Company held by it without the prior written consent of the IFC Parties if any of the following decisions or actions are proposed by the Company, namely:-

(a) amend or repeal these articles and the memorandum of association of the Company (i) in any material manner; (ii) in any way which may alter or change the rights, privileges or preferences of the IFC Shares; or (iii) in contravention of the terms of the Shareholders Agreement;
(b) change the designations, powers, rights, preferences or privileges, or the qualifications, limitations or restrictions of the IFC Shares;
(c) create, authorize or issue any shares in the capital of the Company, Share Equivalents or other equity security in the Company having a structural or legal preference over, or ranking *pari passu* with, the IFC Shares with respect to any matter, including, without limitation, dividend rights, voting rights or liquidation preference;
(d) authorize or undertake any arrangement for the disposal of all or substantially all of the assets of the Company, whether in one or a series of transactions;
(e) any amalgamation, merger, consolidation, reconstitution, restructuring or similar transaction that results in a change in control of the Company; authorize or undertake any Liquidation Event;
(f) authorize or undertake any Listing, any Offering, or any delisting of the shares of the Company (and/or Share Equivalents);
(g) authorize the Company to enter into material transactions with any Related Party which are not at arms' length;
(h) authorize the Company to undertake any obligation outside the normal course of business which could involve the payment of amounts in excess of five hundred thousand United States Dollars (US$500,000.00); and
(i) declare or pay any management fees, dividend, distribution or redemption inconsistent with these articles and the memorandum of association of the Company, or the Dividend Policy of the Company, other than the reduction of capital or repurchase of shares under certain employee stock plan.

2.2.2 Voting shares in different ways – Article 71 RRSS 6

On a poll, votes may be given either personally or by proxy. A member having more than one (1) share carrying voting rights may appoint separate proxies to represent respectively such number of shares held by him as may be specified by him in their instruments of appointment.

2.2.3 Joint holders – Article 72 RRSS 6

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which their names stand in the register of members.

2.2.4 **Calls on arrears – Article 73**

No member having the right to vote shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

2.2.5 **Objection to vote – Article 74**

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

2.2.6 **Votes by proxy – Article 75**

On a poll, votes may be given either personally or by proxy.

2.3 **Transfer of shares:**

2.3.1 **Execution of transfer - Article 26**

Subject to these articles, any member may transfer all or any of his shares by instrument in writing in the form of the Sixth Schedule to the Act or in such other common form as the directors may approve. The instrument of transfer of any share shall be executed by or on behalf of the transferor and the transferee and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

2.3.2 **Restriction of Member – Article 25**

Whilst any call or other sum shall be due and payable to the Company in respect of any of the shares held by him, whether alone or jointly with any other person, that member shall not be entitled, in respect of those shares, to receive any dividend or to be present or to vote on any question, either personally or by proxy, at any general meeting, or upon a poll, or to be recognized in a quorum.

2.3.3 **Directors may decline to register transfers – Article 27**

The directors may decline to register the transfer of a share which is not a fully paid share and they may also decline to register the transfer of a share on which the Company has a lien.

2.3.4 **Non-recognition of instrument of transfer – Article 28**

The directors may also decline to recognize any instrument of transfer unless –

a. the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer; and

b. the instrument of transfer is in respect of only one class of share; and

c. it is in favour of a maximum of four (4) joint transferees.

2.3.5 Notice of refusal – Article 29

If the directors refuse to register a transfer they shall within two (2) months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal together with the reason justifying such refusal.

2.3.6 Register may be closed – Article 30

The registration of transfers may be suspended at such time and for such periods not exceeding thirty (30) days in any year as the directors may from time to time determine.

2.4 General meetings

2.4.1 Notice of agenda – Article 55

At least twenty-one (21) days written notice shall be given of any general meeting of the Company. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business shall be given, in such manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under the Act or articles of the Company entitled to receive such notices from the Company.

An agenda and accompanying materials setting out the business proposed to be transacted at a general meeting shall be circulated to all persons entitled to attend the meeting at the same time as the notice of the meeting. No business shall be transacted at any general meeting of the Company duly convened and held other than that specified in the notice without the prior consent of all members entitled to attend and vote thereat.

Notwithstanding article 55.2 the Company's previous financial year's audited financial statement shall be sent to all members entitled to attend and vote at least thirty (30) days before the general meeting which is held to approve and adopt such audited financial statements.

2.4.2 Short notices – Article 56

A meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in these articles, be deemed to have been duly called if it is so agreed:-

a. in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and

b. in the case of any other meeting, by a majority in numbers of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per centum (95%) in nominal value of the shares giving that right.

2.4.3 **Quorum – Article 60**

No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as otherwise provided in these articles, a quorum shall be two (2) members present in person or by proxy and having the right to attend and vote upon the business to be transacted.

2.5 Directors

2.5.1 Number – Article 83

For as long as IFC Parties are members in the Company the number of directors comprising the board of the Company shall not be less than six (6) nor more than ten (10) and shall be fixed by the board of directors within this limit from time to time.

At all times at least sixty (60) per centum of the directors shall be Independent Non Executive Directors.

Subject to applicable written law any member who holds ten percent (10%) or more in nominal value of the issued share capital of the Company shall be entitled to appoint, remove and/or replace one (1) director in respect of his/its every ten percent (10%) holding in the equity shares of the Company (with no rounding up).

2.5.2 Qualification of directors - Article 86

The shareholding qualification of a director may be fixed by the Company in general meeting and unless and until so fixed, no qualification shall be required.

2.5.3 Disqualification of directors - Article 102

The office of a director shall be vacated if a director: -

i. ceases to be a director by virtue of the Companies Act; or

ii. becomes bankrupt or makes any arrangement or composition with his creditors generally, or assigns his estate; or

iii. becomes prohibited or disqualified from being a director by virtue of the Companies Act, the Banking Act, the Financial Services Act, or by reason of any order made under the Companies Act; or

iv. is lawfully declared to be determined to be unfit or proper to hold such office in terms of the RBM Directives; or

v. becomes of unsound mind; or

vi. resigns his office by notice in writing to the Company; or

vii. has been convicted of an offence involving dishonesty or fraud (including forgery, perjury, money laundering or any similar offence);

viii. has been removed from office at a licensed institution pursuant to a directive by Reserve Bank of Malawi of the Banking Act;

ix. is disqualified or suspended from practising any profession on the grounds of professional misconduct;

x. subject to Article 102.13, serves as a director and/or audit committee member of or is employed (directly or indirectly) by an institution licensed under the Banking Act (other than the Company, the Company's subsidiaries or associates);

xi. who was appointed by virtue of being an executive pursuant to article 126 and ceases to hold such executive office for any reason whatsoever; or

xii. shall have been absent for more than three (3) consecutive meetings of the directors without permission or without a reasonable explanation.

xiii. Section 102.10 will only apply to existing directors sixty (60) days after the date of adoption of these articles by the Company.

2.5.4 **Remuneration of directors - Article 84**

The remuneration of non-executive directors of the Company shall be such sum as shall be decided by the Company in general meeting and such remuneration shall be deemed to accrue from day to day.

Executive directors of the Company shall receive such remuneration (whether by way of salary, commission or participation in profits, pensions or otherwise) as the board of directors may determine. Such remuneration shall be confirmed by the Company in general meeting.

The Company shall reimburse any director reasonable travelling, hotel and other expenses properly incurred by the director in attending and returning from meetings of the directors or any committee of the directors or general meeting of the Company or in connection with the business of the Company.

2.5.5 Special remuneration of directors - Article 85

Any director who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of a disinterested quorum of directors are outside the scope of the ordinary duties of a director, may be paid such extra remuneration as a disinterested quorum of the directors may determine.

2.5.6 Remuneration of managing director and executive directors - Article 127

The remuneration of the managing director and executive directors shall be fixed in accordance with article 84.2.

2.5.7 Pensions - Article 128

The directors, on behalf of the Company, may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company, or to his widow or dependents, and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

2.5.8 Proceedings of the board - Article 114

The directors may decide on when to have meetings, on how the meetings would be conducted, and on the quorum (and unless so fixed the quorum shall be five (5) directors). They may also adjourn their meetings.

2.5.9 Contracts – Article 95

A director who is in any way, whether directly or indirectly, interested in any contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the directors, in accordance with Section 150 of the Act.

Subject to the other provisions of these articles, a director shall not vote in respect of any contract or arrangement in which he is interested, and if he shall do so, his vote shall not be counted, nor shall he be counted in computing the quorum present at the meeting, but neither prohibitions shall apply to: -

(1) any arrangement for giving director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or

(2) any contract by a director to subscribe for or underwrite shares or debentures of the Company; or

(3) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by deposit of a security;

and these prohibitions may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract arrangement or transaction by the Company in a general meeting.

2.5.10 **Borrowing powers of directors - Article 88**

The directors may from time to time at their discretion and in accordance with the Financial Services Act and the Banking Act, raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company's business. Save that the directors shall procure that the aggregate amount for the time being remaining undischarged of monies borrowed by the Company and its subsidiaries (exclusive of intercompany borrowing and apart from temporary loans obtained from the Company's bankers and deposits received from the public in the ordinary course of banking business) shall not, without the sanction of the Company in a general meeting by ordinary resolution, exceed a reasonable fixed amount or percentage of the paid up share capital of the Company for the time being issued and reserved.

2.5.11 **Power to delegate powers of directors - Article 121**

The directors may from time to time delegate any of their powers or discretions to committees of one (1) or more directors.

2.5.12 **Directors' liabilities - Article 158**

Every director for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in his representative capacity in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, or in connection with any application under Section 341 of the Companies Act in which relief is granted to him by the court.

2.5.13 **Retiring directors eligible for re-election – Article 103**

At the annual general meeting of the Company in every year one third (1/3) of the directors, or, if their number is not a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office.

2.5.14 **Directors to retire – Article 104**

The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who become directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

2.5.15 **Retiring director eligible for re-election – Article 105**

A retiring director shall be eligible for re-election.

2.5.16 **New directors to be approved in terms of the Reserve Bank of Malawi directives – Article 108**

Notwithstanding anything contained in these articles, where a new director is appointed by the Company, such a person shall not serve as a director until and unless prior written approval has been obtained from the RBM in terms of the Banking Act, the Financial Services Act, and relevant RBM Directives. Where such approval is not obtained within sixty (60) days then the director shall be deemed to have been disqualified and a casual vacancy shall be deemed to have arisen.

2.6 **Dividends**

2.6.1 **Declaration of dividends - Article 133**

The final dividends may only be declared by the Company in general meeting on the recommendation of the directors, but no dividend shall exceed the amount recommended by the directors.

2.6.2 **Directors' power to declare interim dividends - Articles 134 and 135**

The directors may from time to time declare and pay to the members such interim dividends as appear to the directors to be justified by the profits of the Company. If an interim dividend is paid prior to the publication of the annual accounts, the dividend notice given to members will contain a statement of the ascertained or estimated combined net trading profits of the Company or group for the year, and any abnormal receipts or payments, detail appropriation of those profits and also particulars of any amounts appropriated from reserves, capital profits, accumulated profits of the past years or other special source, to provide wholly or partly for the dividend.

If the directors do not recommend a dividend on any class of quoted shares for any year, then the directors shall notify the secretary to the MSE.

2.6.3 **Payment of dividends - Articles 136 and 137**

No dividend shall be paid otherwise than out of profits and in accordance with the provisions of the Companies Act.

Any dividend or interim dividend shall be expressed to be payable to persons registered at a date subsequent to the date of declaration or date of confirmation of the dividend, whichever is the later, as the holders of the shares in respect of which the dividend is declared, notwithstanding that such persons may not be so registered on the date of the declaration. A period of fourteen (14) days at least shall be allowed between the date of declaration or date of confirmation of the dividend, whichever is the later, and the date of the closing of the share registers in respect of such dividend.

2.6.4 **Reserve fund - Article 138**

The directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the directors be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at their discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the directors may from time to time think fit. The directors may also without placing the same to reserve carry forward any profits which they may think prudent not to distribute.

2.6.5 **Right to dividend and apportionment - Article 139**

Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share. All dividends shall be apportioned and paid proportionately to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

2.6.6 **Deduction of debts due to company - Article 140**

The directors may deduct from any dividend or bonus payable to any member all sums of money, if any, presently payable by him to the

Company on account of calls or otherwise in relation to the shares (other than fully paid shares) of the Company.

2.6.7 **Distribution of assets or shares - Article 141**

Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures, or debenture stock of any other company or in any one or more of such ways, and the directors shall give effect to such resolution and where any difficulty arises in regard to such distribution, the directors may settle the same as they think expedient, and in particular may issue and fix the value for fractional certificates and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the directors.

2.6.8 **Payment by post - Article 142**

Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder, or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members or to such person or such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividend, bonuses or other monies payable in respect of the shares held by them as joint holders.

2.6.9 **Interest - Article 143**

No dividend shall bear interest against the Company.

2.6.10 **Unclaimed dividends - Article 144**

Any dividend, interest or other monies payable to a shareholder in cash in respect of shares which shall remain unclaimed for twelve (12) years from the date upon which such monies are payable shall become the property of the Company.

2.7 **Dividends- Articles 136 - 137**

The directors can recommend the amount of any final dividend which the Company, by ordinary resolution, may then declare. However, no dividend shall be declared unless it has been recommended by the directors and does not exceed the amount recommended by the directors. The directors may also pay interim dividend on shares of any class in amounts and on dates and periods as they think fit.

3. **Options attached to shares**

There is currently a put option attached to 102,950,957 Ordinary Shares held by IFC Capitalization Holding Company in the issued share capital of the Company in terms of which IFC Capitalization Holding Company is entitled to sell to NICO in a single tranche, and NICO is obliged to purchase from IFC Capitalization Holding Company upon exercise of such option in a single tranche, all the 102,950,957 Ordinary Shares or such lesser number of shares as IFC Capitalization Holding Company may specify in the put notice in accordance with the terms and conditions of the put option agreement.

On 17 June 2016 IFC gave NICO a notice of its intention to exercise its rights under the Put-Option. For that reason it is expected that IFC Capitalisation Holding copy will not follow its rights under the Rights Issue. Further, it is very likely that NICO will be required to buy off the 102, 950,957 Ordinary Shares from IFC Capitalisation Holding Company after the Rights Issue.

4. **Directors' interests**

Save as set out in paragraphs 4.1 and 4.2 below, no director has any interest (beneficial or non beneficial) in the share capital of the Company or any of its subsidiaries.

4.1 **Directors' shareholdings**

As at 26 May 2017 (being the latest practicable date prior to the publication of this prospectus), the interests (all of which are beneficial unless otherwise stated) of the directors (as well as their immediate families) in the share capital of the Company together with such interests as are expected to be held immediately following completion of the Rights Issue are as follows:-

Director	Number of Existing Shares	Number of shares after Rights Issue
Vizenge Kumwenda*	424 463	1,273,389
Lucius Mandala	0	0
Chifundo Chiundira	0	0
Chadwick Mphande	0	0
Anurag Saxena	0	0
Matthews Mtumbuka	0	0
Harrison Kalua	0	0
Zolomphi Nkowani	0	0
Gaffar Hassam	0	0
Andre Bester	0	0

*These shares are attributed to Mr Kumwenda because they are held by WOP VJ Trust of which members of Mr Kumwenda's family are beneficiaries.

4.2 Directors' options and awards

There are no options and awards to directors.

4.3 Directors' records (criminal, bankruptcy, sanctions, disqualifications)

Within the period of five (5) years preceding the date of this publication, none of the directors:

4.3.1 has any convictions in relation to fraudulent offences;

4.3.2 has been a member of administrative, management, or supervisory bodies or director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of any company at the time of any receivership or liquidation of such company;

4.3.3 has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

4.3.4 **Director's interests in contracts**

No director had any contract or management subsisting at the date this prospectus in which he was materially interested and significant in relation to the business of the Company Save as disclosed above in paragraphs 4.1 and 4.2, none of the directors has any potential conflict of interest between their duties to the Company and their private interest or other duties.

5 Remuneration of directors and director's contracts

For the year ended 31 December 2016, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to the directors by members of the Company was set out on page 57 of the audited financial information for the period ending 31 December 2016, which is incorporated by reference into this prospectus and amounted to K16.9million broken down as follows:-

	Year ended 31 December 2016		
K'million		**Sitting**	**Total**
Director	**Fees**	**allowance**	
Felix Mlusu	0.8	0.2	1.0
Estelle Nuka	0.7	0.5	1.2
Vizenge Kumwenda	1.5	0.7	2.2
Chadwick Mphande	1.4	1.0	2.4
Lucius Mandala	1.3	0.7	1.0
Harrison Kalua	0.7	0.3	1.0
Anurag Saxena	1.3	0.9	2.1
Chifundo Chiundira	1.3	0.8	2.1
Matthews Mtumbuka	1.3	1.0	2.3
Tertius Stears	0.3	0.2	0.5
Zolomphi Nkowani	-	-	-
Gaffar Hassan	-	-	-
	10.6	6.3	16.9

The remuneration of the directors will not change because of the Rights Issue.

6 Employees

As at 5 May 2017, the Company had 767 employees.

	Average number of employees for the period ended		
	December 2016	Dec 2015	Dec 2014
Head office			
Executive management	3	3	3
Senior management	12	12	11
Staff	217	234	215
Branches			
Branch management	52	55	50
Staff	483	486	478
Totals	**767**	**790**	**757**

7 Employee share plans

The Company operates an employee share option plan ("NBS ESOP").

7.1 Outline

7.1.1 The NBS ESOP is a share option plan under which options are granted at the initial public offer price ("IPO Price") subject to a maximum discount of 20% to qualifying employees.

7.1.2 The maximum number of Ordinary Shares that could be issued under the plan is 16 million.

7.1.3 Options in respect of 2 million Ordinary Shares are remaining to be granted to qualifying employees.

7.2 Eligibility

Employees who had completed two years continuous employment with the Company as at 30 June 2007, are eligible to participate in the NBS ESOP provided that no person whose employment was terminated or who was serving a notice of termination of employment as at 30 June 2007, is not eligible to participate in the NBS ESOP or to exercise any option granted to him.

7.3 Grant and exercise of option

7.3.1 Once an option is granted to a qualifying employee it must be accepted within thirty days.

7.3.2 Once the option is accepted the qualifying employee has a maximum of forty-eight months to exercise his option.

7.3.3 If the option is not exercise within the stated period it lapses.

7.4 Leaving employment

7.4.1 Where a qualifying employee leaves the Company's employment his right to exercise an option lapses forthwith unless the employee is retiring by reason of injury, ill health, or disability or with the consent of the Company's board of directors.

7.4.2 Where a qualifying employee dies before exercising his option or before exercising it in full, his lawful successors may exercise his option but only to the extent which the qualifying employee could have exercised by the time of his death. The successors must exercise the option within a period of twelve months from the date of the death of the qualifying employee or within one month from the date of grant of probate or letters of administration whichever is earlier, and in any case not later than forty-eight months from the date of grant of the option.

7.5 **Capitalisation by way of rights offer**

7.5.1 If the Company decides to vary its share capital by way of a rights issue, the Company shall grant additional options to an employee holding options at the time being to acquire additional Ordinary Shares at the rights offer price.

7.5.2 The number of additional shares to be offered to a qualifying employee holding an option at the rights offer price shall be calculated by applying the rights offer ratio to the total number of shares available to be acquired by that employee at that time under the option.

7.5.3 The said additional options may be exercised at the same time and in the same proportions as the option.

8 **Pension benefits**

Substantially all employees of the Company are members of the NBS Pension Fund.

9 **Litigation**

As at 31 December 2016, the Company was involved in various litigation matters. In some of the matters the Company is the plaintiff or applicant. In other matters the Company is the defendant or respondent. A complete list of all matters that are currently in court or before the arbitrators is available and is incorporated by reference into this prospectus. The case that merits special mention is **Oil & Protein -vs- NBS Bank Limited.** In this matter, Oil and Protein Company Limited (the "Plaintiff") is claiming K3.5 billion plus interest thereon at bank lending rate arising from an alleged breach of agreements by the Company to supply the Plaintiff with US$ by 30 April 2012.The Company's lawyers estimate that the Company has a 70% chance of succeeding in its defence. However, should the defence not be successful the Company would suffer a loss of approximately K1.5 billion. The other cases combined, if lost, may lead to a pay out of an aggregate sum of K2.1 billion. This gives a total possible exposure of K3.6 billion. It is important to note that it is impractical that all the cases could be concluded within the next 6 to 12 months. Further, it is also unlikely that all of them would be decided against the Company.

10 Material contracts

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company within two (2) years immediately preceding the date of this prospectus which are, or may be, material to the Company.

10.1 Tenancy agreement with NICO Properties Limited for the occupation Plot Number 4/326 (Lilongwe Service Centre), Plot Number BE243/244 (Head Office and Ginnery Corner Service Centre) and Plot Number MZ1679 (Mzuzu Service Centre). The total rent is K88.7million per annum.

10.2 Loan agreement with Old Mutual Malawi Limited for the sum of K3.6billion secured by part of the Company's loan look. Old Mutual Malawi Limited earns a guaranteed interest of 5% above the 90day Treasury Bill yield on the amount paid. The loan is guaranteed by CDH Investment Bank Limited. The loan was fully repaid in May 2017.

11 Related party transactions

11.1 Transactions with associated companies (see paragraph 34 of the Reporting Accountant's report)

11.2 Loans and advance to directors and senior executives totalling K458million broken down as follows:-

Name of borrower	**Relationship**			**Type of loan**			**Total exposure**
		Home	**Car**	**Overdraft**	**Personal**	**Credit card**	
K'million							
Martin Siwu	EXCO Member-COO	57	24	-	-	0.5	81.5
Dumisani Chatima	EXCO Member - CFO	-	12	-	0.2	0.1	12.3
Shadreck Chikusilo	Senior Management -HOO	13	2	-	-	0.5	15.5
Harold Phiri	Senior Management - HIA	14	6	-	-	-	20
Mercy Mulele	Senior Management HOL	42	9	-	-	-	51
Kenam Siula	Senior Management - SSCM	6	8	-	-	-	14
Cristofel Bulawayo	Senior Management - FM	14	-	-	-	-	14
Tryson Kalanda	Senior Management – SSCM	29	-	0.4	3	-	32.4
Marcus Chigoga	Senior Maagement – HOPBB	15	-	-	-	-	15
Mapopa Chibambo	Senior Management - HOTBO	16	-	-	-	-	16
Paul Kanthambi	Senior Management – HOICT	-	10	-	-	2	12
George Chirwa	Senior Management - HOR	2	-	-	-	-	2
Austin Thunde	Senior Management - HOHR	-	5	-	10	-	15
	Sub total (staff)	**208**	**76**	**0.4**	**13.2**	**3.1**	**300.7**
Vizenge Kumwenda t/a WOPVJ Trust	NBS Bank Board Chairman	-	-	5	-	0	5
Felix Mlusu	Former NBS Bank Board Chairman	-	10	-	23	0.3	33.3
Matthews Mtumbuka	NBS Bank Director	15	-	-	-	-	15
Alex Chitsime t/a Magnum Shoe Co.	Former NICO Tech Director	-	-	-	-	38	38
NBS Bank ESOP		-	-	-	-	4	4
Donbell Mandala	Nico General-CEO	**62**	-	-	-	-	62
	Sub total (directors)	**77**	**10**	**5**	**23**	**42.3**	**157.3**
	TOTAL	**285**	**86**	**5.4**	**36.2**	**45.4**	**458.0**

Loans and advances are above 20% of Tier 1 capital

12 Dividends

The following table sets out the dividend per ordinary share paid in respect of each financial years ended 31 December 2016, 2015, 2014 and 2013.

	For the year ended December 31			
Dividend per Ordinary Share	**2016**	**2015**	**2014**	**2013**
Interim	K0.00	K0.00	K0.00	K0.00
Final	K0.00	K0.00	K0.55	K0.00
Total	K0.00	K0.00	K0.55	K0.00

13 Working capital and cash flows

The Directors are of the opinion that, after taking into account the existing available bank and other facilities and the net proceeds of the Rights Issue, the Company has sufficient working capital for its present requirements, that is, for at least the next eighteen (18) months from the date of this prospectus.

14 Material changes

There has been no significant change in the trading or financial position of the Company since 31 December 2016, (the date to which the latest consolidated financial information of the Company was prepared).

15 Consents of experts

15.1 CDH Investment Bank Limited have given at the date of issue of this prospectus their consent to the inclusion of their name as lead advisor to the transaction.

15.2 Wilson and Morgan have given at the date of issue of this prospectus their consent to the inclusion of their name as legal advisors to the transaction.

15.3 Continental Capital Limited have given at the date of issue of this prospectus their consent to the inclusion of their name as sponsoring broker to the transaction.

15.4 Deloitte whose report on the balance sheet and profit and loss accounts of the Company, after the issue, is reproduced in Part IX of this prospectus, have given at the date of issue of this prospectus their consent to the inclusion of their report and the reference to their name as auditors to the transaction.

16 General

16.1 The Rights Issue is being underwritten in full by the Underwriters pursuant to the Underwriting Agreements. The Underwriting Agreements have been entered into between the Company of the one part and NICO Holdings Limited (1,309,758,011 Rights Shares), Continental Holdings Limited (436,586,003 Rights Shares), National Bank of Malawi Limited (218,293,002 Rights Shares) and Alliance Capital Limited (218,293,002 Rights Shares) of the other part.

16.1.1 The Company's obligations under the Underwriting Agreements are as follows:

16.1.1.1 On the Offer Date, the Company shall offer the Rights Shares to Entitled Shareholders at the Underwritten Price on the basis of 3 Rights Shares for every 1 ordinary share held by Entitled Shareholders;

16.1.1.2 At its own expense and in accordance with Applicable Laws, the Company shall advertise the Rights Issue in reputable newspapers and other financial media in Malawi;

16.1.1.3 The Company shall accept all correctly completed applications received in response to the Rights Issue, provided that the Rights Shares applied for are fully paid for by the applicants prior to the Closing Date.

16.1.2 The Underwriter's obligations under the Underwriting Agreements are as follows:-

16.1.2.1 The Underwriters agree to subscribe for up to 2,182,930,017 Take-up Shares and to pay for the same at the Underwritten Price.

16.1.2.2 If on the Closing Date 2,182,930,017 ordinary shares of the Rights Issue are *bona fide* and duly applied for by Entitled Shareholders in pursuance of the Prospectus, then no allotment of any portion of the Take-up Shares will be made to the Underwriters in respect of this Agreement.

16.1.2.3 If on the Closing Date NICO subscribes for1,093,647,939Rights Shares but in total the shares subscribed for by Entitled Shareholders is less than 2,182,930,017, then NICO will not be allotted any Take-up Shares. All the Take-up Shares will then be allotted amongst the rest of the Underwriters.

16.1.3 The Underwriting Agreements are conditional upon:-

16.1.3.1 The MSE granting approval to list the ordinary shares proceeding from the Rights Issue for public trading; and

16.1.3.2 The Company being in compliance with all the relevant covenants and undertakings under the Shareholders Agreement and satisfying the conditions of subscription under the Subscription Agreement to the satisfaction of the IFC Parties.

16.2 The total costs, charges and expenses payable by the Company in connection with the Rights Issue are estimated to be K721 million.

No	**Description**	**Amount (K'million)**
1	Transaction legal advisors – Wilson and Morgan	80
2	Sponsoring stockbrokers – Continental Capital Limited (CCL)	6
3	Transfer secretaries – NICO Asset Managers Limited (NHL)	4
4	Receiving bank - NBS Bank Limited (NBS)	0
5	Regulator's fees and expenses - Malawi Stock Exchange	19
6	Lead advisors – CDH Investment Bank (CDHIB)	428
7	Underwriters – NICO, ACL, NBM and CHL	125
8	Reporting accountants – Deloitte	16
9	Printing and public relations – Business Advertising Agency Limited (BAA)	43
	Totals	**721**

16.3 The Rights Shares will be issued at K5.40 per share. This represents a premium of K4.90 per Ordinary Share to the nominal value of K0.50 per Ordinary Share. It also represents a 10% discount on the weighted traded price of the Company's shares on the MSE over 30 days prior to 9 May 2017 being the date of the last meeting of the Directors of the Company could set the Issue Price.

17 Authorisations

17.1 At the recommendation of the Directors the shareholders approved this Rights Issue by ordinary resolution on 29 December 2016. The full text of the resolution is set out herebelow:-

At an extra ordinary general meeting of the members of the Company, duly convened and held at Ryalls Hotel in the City of Blantyre on 29 December 2016, it being reported that the Company needed to raise further capital in the region of not less than K10billion in order to comply with the regulatory minimum capital requirements for banks in Malawi and also to meet the desired growth goals and competitiveness in the market and the Directors of the Company (the "Directors") having recommended that the said further capital be raised by way of a rights issue to all shareholders of the Company, ***RESOLVED****:-*

1. ***THAT*** *a renounceable underwritten rights issue ("Rights Issue") of up to* ***3,000,000,000*** *new ordinary shares or thereabouts of 50 tambala each in the capital of the Company ("Rights Shares"), at such price and discount as the directors may find appropriate at the time of issue of the prospectus ("Issue Price") in accordance with paragraph 5.84 of the MSE Listings Requirements, on the basis of such number of Rights Shares as the Directors shall decide for every one (1) existing ordinary share of the Company ("Share") held by shareholders of the Company ("Shareholders") who are eligible to participate in the Rights Issue ("Entitled Shareholders") as at a books closure date announced by the Company ("Books Closure Date"), be and is hereby approved.*

2. ***THAT FURTHER*** *authority be and is hereby given to the Directors to: -*

   a) *issue such number of Rights Shares as the Directors may determine up to* ***3,000,000,000*** *Rights Shares at the Issue Price;*

   b) *provisionally allot and issue up to* ***3,000,000,000*** *Rights Shares at the Issue Price for each Rights Share on the basis of such number of Rights Shares as the Directors shall decide for every one (1) Share held by Entitled Shareholders as at the Books Closure Date;*

   c) *allot and issue the Rights Shares on the terms and conditions set out below and/or otherwise on such terms as the Directors may think fit, namely:-*

      i) *the provisional allotment of the Rights Shares pursuant to the Rights Issue shall be made on a renounceable underwritten basis to Shareholders whose names appear in the Register of Members of the Company as at the Books Closure Date on the basis of such number of Rights Shares as the Directors shall decide for every one (1) Share.*

      ii) *to aggregate and allot the provisional allotment of the Rights Shares not taken up or allotted for any reason to satisfy excess applications for the Rights Shares or otherwise dispose of or to deal with such provisional allotment of the Rights Shares and requests for splits in such manner and on such terms and conditions as the Directors may in their absolute discretion deem fit.*

      iii) *the Rights Shares when issued and fully paid up will rank pari passu in all respects with the then Shares save for any dividends, rights, allotments or other distribution, the record date for which falls before the date of the allotment and issue of the Rights Shares;*

      and

   d) *make decisions on matters left for Directors' decision in resolutions 1, 2(ii) and 2(iii).*

3. ***THAT*** *the Directors be and are hereby authorised to take such steps, do all such acts and things, including but not limited to finalising, approving and executing all such documents as may be required in connection with the Rights Issue and the issue of the Rights Shares, and making amendments to the terms and conditions of the Rights Issue (including the Issue Price) and obtaining approvals and waivers of the Malawi Stock Exchange and the Reserve Bank of Malawi as may be necessary and to list the Rights Shares with the Malawi Stock Exchange and to exercise such discretion as the Directors may in their absolute discretion deem fit or advisable to give full effect to the resolutions herein, to the Rights Issue and the allotment and issue of the Rights Shares.*

Certified true extract of the resolution

Marsha Machika
Company Secretary
29 December 2016

17.2 The MSE has approved to list the shares proceeding from the Rights Issue and also to allow trading in Nil Paid Rights and Fully Paid Rights between 29 May 2017 and 22 June 2017.

18 Market value of the Company's shares

As at close of business on 8 May 2017, the shares of the Company were trading at K6.00 per share. The trading history for the past 4 years from 2013, is as follows:-

Yearly	Lowest (price) tambala	Highest (price) tambala	Average price tambala	Aggregate volumes
2013	7.00	16.00	10.86	20,430,421.00
2014	15.50	27.00	18.01	19,480,249.00
2015	23.00	31.00	28.93	15,725,189.00
Year 2015				
1st quarter	27.00	30.51	29.68	1,756,072.00
2nd quarter	30.51	31.00	30.91	12,235,327.00
3rd quarter	26.35	31.00	30.07	1,525,765.00
4th quarter	23.00	26.35	25.22	208,025.00
Year 2016				
1st quarter	18.00	23.00	20.48	104,640.00
2nd quarter	7.00	18.00	11.70	1,477,903.00
3rd quarter	7.00	8.00	7.31	12,203,121.00
4th quarter	6.00	8.00	7.26	540,077.00

Monthly	Lowest price (k)	Highest price (k)	Average price(k)	Aggregate volumes
January	6.00	6.00	6.00	342,925.00
February	6.00	6.00	6.00	52,557.00

Daily	Lowest price	Highest price	Average price	Aggregate volumes
1 March 2017	-	-	6.00	-
2 March 2017	-	-	6.00	-
3 March 2017	-	-	6.00	-
4 March 2017	-	-	6.00	-
5 March 2017	-	-	6.00	-
6 March 2017	-	-	6.00	-
7 March 2017	-	-	6.00	-
8 March 2017	-	-	6.00	-
9 March 2017	-	-	6.00	-
10 March 2017	-	-	6.00	-
11 March 2017	-	-	6.00	-
12 March 2017	-	-	6.00	-
13 March 2017	-	-	6.00	-
14 March 2017	-	-	6.00	-
15 March 2017	-	-	6.00	-
16 March 2017	-	-	6.00	-
17 March 2017	6.00	6.00	6.00	1,619

18 March 2017	-	-	6.00	-
19 March 2017	-	-	6.00	-
20 March 2017	-	-	6.00	-
21 March 2017	-	-	6.00	-
22 March 2017	-	-	6.00	-
23 March 2017	-	-	6.00	-
24 March 2017	-	-	6.00	-
25 March 2017	-	-	6.00	-
26 March 2017	-	-	6.00	-
27 March 2017	-	-	6.00	-
28 March 2017	-	-	6.00	-
29 March 2017	-	-	6.00	-
30 March 2017	-	-	6.00	-
31 March 2017	-	-	6.00	-
1 April 2017	6.00	6.00	6.00	-
2 April 2017	6.00	6.00	6.00	-
3 April 2017	6.00	6.00	6.00	-
4 April 2017	6.00	6.00	6.00	-
5 April 2017	6.00	6.00	6.00	-
6 April 2017	6.00	6.00	6.00	-
7 April 2017	6.00	6.00	6.00	-
8 April 2017	6.00	6.00	6.00	-
9 April 2017	6.00	6.00	6.00	
10 April 2017	6.00	6.00	6.00	1619
11 April 2017	6.00	6.00	6.00	20,000
20 April 2017	5.00	5.00	5.00	1,000
24 April 2017	6.00	6.00	6.00	494,000
26 April 2017	6.00	6.00	6.00	32,372
26 April 2017	6.00	6.00	6.00	626,628
27 April 2017	6.00	6.00	6.00	14,960
2 May 2017	6.00	6.00	6.00	312,397
3 May 2017	6.00	6.00	6.00	-
4 May 2017	6.00	6.00	6.00	-
4 May 2017	6.00	6.00	6.00	-
8 May 2017	6.00	6.00	6.00	16,184

19 Documents available for inspection

Copies of the following documents may be inspected at the registered office of the Company at Corner Masauko Chipembere Highway/Johnstone Road, Ginnery Corner, Blantyre. On any weekday (Saturdays, Sundays and Public holidays excluded) up to and including 23 June 2017:

19.1 Memorandum and articles of association of the Company.
19.2 Memorandum and articles of association of NBS Bank Forex Bureau Limited.
19.3 Letters of consent from experts.
19.4 Annual reports including audited financial statements of the Company for the three (3) financial years ended 31 December 2014, 2015 and 2016.
19.5 List of litigation matters as at 31 March 2017.

20 Table of entitlements

The number of rights offer shares to which qualifying shareholders will be entitled is set out below, based on the assumption that Company's shareholders will be entitled to 3 Rights Shares for every 1 Ordinary Share held. Shareholders' entitlements will be rounded up or down, as appropriate with fractions of 0.5 and above being rounded up, and only whole numbers of rights offer shares will be issued, in accordance with the Listings Requirements.

Number of Ordinary Shares held	Number of Rights Shares to which an Entitled Shareholder is entitled	Number of Ordinary Shares held	Number of Rights Shares to which an Entitled Shareholder is entitled	Number of Ordinary Shares held	Number of Rights Shares to which an Entitled Shareholder is entitled
1	3	35	105	69	207
2	6	36	108	70	210
3	9	37	111	71	213
4	12	38	114	72	216
5	15	39	117	73	219
6	18	40	120	74	222
7	21	41	123	75	225
8	24	42	126	76	228
9	27	43	129	77	231
10	30	44	132	78	234
11	33	45	135	79	237
12	36	46	138	80	240
13	39	47	141	81	243
14	42	48	144	82	246
15	45	49	147	83	249
16	48	50	150	84	252
17	51	51	153	85	255
18	54	52	156	86	258
19	57	53	159	87	261
20	60	54	162	88	264
21	63	55	165	89	267
22	66	56	168	90	270
23	69	67	171	91	273
24	72	58	174	92	276
25	75	59	177	93	279
26	78	60	180	94	282
27	81	61	183	95	285
28	84	62	186	96	288
29	87	63	189	97	291
30	90	64	192	98	294
31	93	65	195	99	297
32	96	66	198	100	300
33	99	67	201		
34	102	68	204		

21. Certificate of KPMG on changes in directors

KPMG
Chartered Accountants and Business Advisors
MASM House, Lower Sclater Road
P O Box 508
Blantyre, Malawi

Telephone: (265) 01 820 744/ 01 820391
Fax: (265) 01 820 575
E-mail: mw-fminformation@kpmg.com
Website: www.kpmg.com/mw

GT/JGS

3 May 2017

Thoko Mkavea
Chief Investment Banking officer
CDH Investment Bank Limited
P O Box 1444
Blantyre

Dear Mr Mkavea

NBS BANK LIMITED CERTIFICATION OF DIRECTORS WHO RESIGNED FROM THE BOARD

Please find below a list of the Board of NBS Limited who left past three years.

NAME OF DIRECTOR	**DATE OF EXIT**	**REASONS FOR EXIT**
Mr Felix Mlusu	16 June 2017	Retirement
Mrs E Nuka	16 June 2016	Retirement
Mr Tertius Stears	1 May 2016	Retirement
Mr Josias Servaas De Kock	1 September 2016	Resignation
Dr Evance Matabwa	3 June 2015	Retirement
Mr Gerrit van Heerde	3 June 2015	Retirement

Yours sincerely,

22. **Statement of management**

We, the undersigned members of management of the Company, collectively and individually accept full responsibility for the accuracy of the information given in this prospectus and certify that, to the best of our knowledge and belief, there are no facts the omission of which would make any statement in this prospectus false or misleading and that we have made all reasonable enquires to ascertain such facts and that this prospectus contains all information required by law.

Kwanele Ngwenya :____________________.
Chief Executive Officer

Martin Siwu :____________________
Chief Operating Officer & Head of Credit

Dumisani Chatima :____________________
Chief Finance Officer

Patrick Uka :____________________
Head of Corporate and Institutional Banking

Mercy Mulele :____________________
Head of Legal Services

Shadrick Chikusilo :____________________
Head of Operations

Benedicto Nkhoma :____________________
Head of Treasury

Paul Kanthambi :____________________
Head of Information and Communications Technology

Harold Phiri :____________________
Head of Internal Audit

Austin Thunde :____________________
Head of Human Resources

Marsha Machika :____________________
Company Secretary and Compliance Officer

Mapopa Chibambo :____________________
Head of Treasury – Back Office

George Chirwa :____________________
Head of Risk

23. **Resolution of the Directors**

The Rights Issue and the various steps to be taken in the process including applications to MSE and the RoFI were approved by the directors of the Company on 9 May 2017. The full text of the extract of the resolution is set here below:-

At a meeting of the directors of the Company held at Chibisa House on Tuesday 9 May 2017 it being reported that by ordinary resolution passed on 29 December 2016 members of the Company approved that the Company undertakes a renounceable underwritten rights issue of up to ***3,000,000,000*** *new ordinary shares or thereabouts of 50 tambala each in the capital of the Company at such price as the Directors may find appropriate at the time of issue of the prospectus, on the basis of such number of Rights Shares as the Directors decide for every 1 existing ordinary share of the Company held by shareholders of the Company who are eligible to participate in the rights issue as at a books closure date to be announced by the Company ("Books Closure Date"). That approval resolution of the Directors was required for the Company to apply to the Malawi Stock Exchange ("MSE") for listing of the Rights Shares and attendant approvals and to apply to the Registrar of Financial Institutions ("RoFI") for approval of the rights shares and registration of the Rights Shares. Further that in terms of the Companies Act when shares are issued at a discount approval of the High Court of Malawi is required*

IT WAS RESOLVED*:-*

1. *That subject and conditional to the RoFI and the MSE granting the requisite approvals, waivers and exemptions, the Company is authorised to undertake a fully underwritten renounceable rights issue (the "Rights Issue") of up to 2,182,930,017 new ordinary shares of 50 tambala each or thereabouts in the capital of the Company ("Rights Shares") on the basis of 3 Rights Shares for every 1 existing ordinary share of the Company held by shareholders of the Company who appear on the register of members of the Company as at a books closure date to be announced by the Company at the price of K5.40 for each Rights Share being 10% below the weighted average traded price of K6.00 per share of the Company on the MSE over 30 days prior to 9 May 2017 (the "Issue Price").*

2. *That the proposed Rights Issue Timetable commencing with the First Public Announcement on 12 May 2017 and ending with the Fourth Public Announcement on 3 July 2017 is hereby approved subject to any necessary changes approved by the MSE and the RoFI.*

3. *That subject only to the approvals of the MSE and the RoFI as the case may be the following documents fair drafts of which have been circulated to the Directors are hereby approved:-*

3.1 *Rights Issue Prospectus.*
3.2 *Letter of Allocation.*
3.3 *First Public Announcement of the Rights Issue.*
3.4 *Second Public Announcement of the Rights Issue.*
3.5 *Third Public Announcement of the Rights Issue.*
3.6 *Application Letter to the RoFI.*
3.7 *Application letter to the MSE.*

4. *That the Company Secretary and Messrs Wilson and Morgan be authorised to file the requisite application with the High Court of Malawi, Commercial Division, for approval of the K5.40 for each Rights Share as it is at a discount to the price of the Company's shares on the MSE on 8 May 2017.*

5. *That the Chairman be and is hereby authorised to agree and finalise terms of underwriting with underwriters for the Rights Issue and to respond to any queries, requests and directions from the RoFI, the MSE, the Registrar of Companies and the Court and to settle any question of difficulty regarding the Rights Issue all to ensure that the Rights Issue is a success.*

6. *That the Company Secretary and any director or either of them as the case may be and the duly appointed representatives of the Company (Wilson and Morgan and CDH Investment Bank Limited) be authorised to do all such acts and things including, but not limited to, finalising, approving, executing, all such documents as may be required in connection with the Rights Issue, and obtaining approvals and waivers of the MSE and the RoFI as may be necessary and filing all such documents with the MSE, the RoFI, the Court and the Registrar of Companies as are necessary or advisable to give full effect to this resolution and ensure the success of the Rights Issue.*

Certified true extract of the resolutions

Marsha Machika
Company Secretary
9 May 2017

24. Director’s responsibility

We, the undersigned directors of the Company, collectively and individually accept full responsibility for the accuracy of the information given in this prospectus and certify that, to the best of our knowledge and belief, there are no facts the omission of which would make any statement in this prospectus false or misleading and that we have made all reasonable enquires to ascertain such facts and that this prospectus contains all information required by law.

Signed on 26 May 2017, by or on behalf of all of the Directors

Vizenge Kumwenda ....

Lucius Mandala ....

Chifundo Chiundira ....

Chadwick Mphande ....

Anurag Saxena ....

Matthews Mtumbuka ....

Harrison Kalua ....

Zolomphi Nkowani ....

Gaffar Hassam ....

Andre Bester ....

Part XII

Documents incorporated by reference

1. Audited financial statements of the Company for the year ending 31 December 2016.

2. Annual reports and accounts of the Company for the year ended December 31, 2015.

3. Annual reports and accounts of the Company for the year ended December 31, 2014.

4. Litigation list as at 31 March 2017.

5. Profile of KPMG, external auditors of the Company.

Part XIII

Definitions and interpretations

In this prospectus and all documents related to this transaction unless the context otherwise requires:-

1. ‘**Accounts**’ means the consolidated and separate audited financial statements of the Company for the year ended 31 December 2016.

2. **‘Advisors’** means CDH Investment Bank Limited, Wilson and Morgan and Continental Capital Limited referred to collectively and/or individually as the context may admit.

3. **‘ALCO’** means the Asset and Liabilities Committee of the Company.

4. **‘Applicable Law’** means the laws of Malawi.

5. ‘**Articles of Association**’ means the Company’s articles of association.

6. **‘Banking Act’** means the Banking Act, 2010.

7. **‘Banking (Foreign Currency Exposure Limits) Directive**’ means the Banking (Foreign Currency Exposure Limits) Directive, 2012 issued by the RoFI under the Banking Act.

8. **‘Banking (Premises Inspection) Directive**’ means the Banking (Premises Inspection) Directive, 2012 issued by the RoFI under the Banking Act.

9. ‘**CHL**’ means Continental Holdings Limited of CDH House, a private limited liability company incorporated in Malawi, of 5 Independence Drive, Blantyre otherwise of Post Office Box 1444, Blantyre.

10. ‘**Closing Date**’ means Friday 23 June 2017.

11. ‘**Companies Act**’ means the Companies Act, 2013.

12. ‘**Company Secretary**’ means the company secretary of the Company for the time being.

13. ‘**Company**’ or ‘**Bank**’ means NBS Bank plc.

14. ‘**Directors**’ means the directors of the Company for the time being.

15. ‘**Entitled Shareholder**’ means a shareholder of the Company appearing on the Company’s register of members on the Record Date and ‘**Entitled Shareholders’** has a corresponding meaning.

16. ‘**Existing Shares**’ means the issued Ordinary Shares in the share capital of the Company as at close of business on the Record Date.

17. “**Financial Crimes Act**” means the Financial Crimes Act, 2016.

18. ‘**Financial Services Act**’ means the Financial Services Act, 2010.

19. ‘**Financial Services (Agent Banking) Regulation**’ means Financial Services (Agent Banking) Regulation, 2012 issued by the RoFI under the Financial Services Act.

20. ‘**Financial Services (Annual Audits of Banks) Directive**’ means Financial Services (Annual Audits of Banks) Directive, 2012 issued by the RoFI under the Financial Services Act.

21. ‘**Financial Services (Capital Adequacy for Banks) Directive**’ means Financial Services (Capital Adequacy for Banks) Directive, 2012 issued by the RoFI under the Financial Services Act.

22. ‘**Financial Services (Financial Asset Classification) Directive’** means Financial Services (Financial Asset Classification) Directive, 2014.

23. ‘**Financial Services (Fit and Proper Requirements for Shareholders, Directors and Senior Management Officials of Banks) Directive**’ means Financial Services (Fit and Proper Requirements for Shareholders, Directors and Senior Management Officials of Banks) Directive, 2014 issued by the RoFI under the Financial Services Act.

24. ‘**Financial Services (Large Exposures and Credit Concentration Limits for Banks) Directive**’ means Financial Services (Large Exposures and Credit Concentration Limits for Banks) Directive, 2012 issued by the RoFI under the Financial Services Act.

25. ‘**Financial Services Legislation**’ means the Financial Services Act, the Banking Act, the Building Societies Act, the Insurance Act, the Pension Act, the Securities Act, the Reserve Bank of Malawi Act, and the Loans Recovery Act.

26. **Financial Services (Licensing for Banks) Directive**’ means Financial Services (Licensing for Banks) Directive, 2012 issued by the RoFI under the Financial Services Act.

27. **‘Financial Services (Prompt Corrective Action for Banks) Directive**’ means Financial Services (Prompt Corrective Action for Banks) Directive, 2012 issued by the RoFI under the Financial Services Act.

28. ‘**Financial Services (Transactions of Banks with Related Parties) Directive**’ means Financial Services (Transactions of Banks with Related Parties) Directive, 2012 issued by the RoFI under the Financial Services Act.

29. ‘**Form of Subscription Instructions**’ means the form included in the Letter of Allocation for giving instructions to the Company and the Transfer Secretaries in relation to the action an Entitled Shareholder or a renouncee takes with respect to the Rights Shares offered to an Entitled Shareholder.

30. ‘**Fully Paid Rights**’ means Rights Shares in fully paid form provisionally allotted to Entitled Shareholders.

31. ‘**IASB**’ means the International Accounting Standards Board.

32. ‘**ICAM**’ means the Institute of Chartered in Malawi.

33. '**IFC**' means the International Finance Corporation, an international organization established by Articles of Agreement among its member countries including Malawi.

34. '**IFC Capitalization Holding Company**' means a cooperative with excluded liability, incorporated under the laws of the Netherlands.

35. '**IFC Parties**' means IFC and IFC Capitalization Holding Company.

36. '**IFRIC**' means the International Financial Reporting Interpretation Committee.

37. '**IFRS**' means the International Financial Reporting Standards issued by the IASB.

38. '**Insurance Act**' means the Insurance Act, 2010.

39. '**Issue Price**' means K5.40 per Rights Share.

40. '**K**' or '**Kwacha**' means Malawi Kwacha the legal tender of the Republic of Malawi.

41. '**Letter of Allocation'** means the renounceable letter of allocation expected to be sent to Entitled Shareholders in respect of the Rights Shares provisionally allotted to Entitled Shareholders pursuant to the Rights Issue.

42. '**Liquidity Reserve Requirement Directive**' means the Liquidity Reserve Requirement Directive, 2011 issued by the RoFI under the Banking Act.

43. '**Loans Recovery Act**' means the Loans Recovery Act, Cap.6:04, laws of Malawi.

44. '**MRA**' means the Malawi Revenue Authority.

45. '**MSE Listings Requirements**' means the listings requirements applicable to listed companies promulgated or adopted by the MSE from time to time.

46. '**MSE**' or '**Malawi Stock Exchange**' means the Malawi Stock Exchange established under the Financial Services Act.

47. '**NICO**' means Nico Holdings plc, a public limited liability company incorporated registered as company number 1377 in Malawi.

48. '**Nil Paid Rights**' means Rights Shares in nil paid form provisionally allotted to Entitled Shareholders.

49. '**NITL**' means National Investment Trust Limited, a limited liability company duly incorporated under the Laws of Malawi as company number 6024.

50. '**Non-Resident Shareholders**' means shareholders who are ordinarily resident outside Malawi.

51. '**OMLAC**' means Old Mutual Life Insurance Company (Malawi) Limited of Old Mutual Building, 30 Glyn Jones Rod, Blantyre otherwise of Post Office Box 393, Blantyre.

52. '**Ordinary Shares**' means the Ordinary Shares of 50 tambala each in the capital of the Company and "Ordinary Share" or "Share" means any one of them.

53. ‘**Pension Act**’ means the Pension Act, 2010.

54. ‘**RBM**’ means the Reserve Bank of Malawi established under the Reserve Bank of Malawi Act.

55. ‘**Receiving Bank Account**’ means account number 17362771 in the name of NBS Bank Rights Issue maintained at Ginnery Corner Branch of The Company designated for receiving all the proceeds of the Rights Issue within Malawi or account number 36246192 in the name of The Company (NBSTMWMW) at Citibank N.A, 111 Wall Street, New York, United States of America, designated for receiving all the proceeds of the Rights Issue outside Malawi.

56. ‘**Receiving Bank**’ means the Company performing its responsibility as a receiving agent.

57. ‘**Record Date**’ means close of business (Malawi time) on 26 May 2017.

58. ‘**Reporting Accountants**’ means Deloitte, Certified Public Accountants of First Floor, NBM Top Mandala House, Blantyre or otherwise of Post Office Box 187, Blantyre.

59. ‘**Reserve Bank of Malawi Act**’ means the Reserve Bank of Malawi Act, Cap.44:02, Laws of Malawi.

60. ‘**Rights Issue**’ means the offer of two billion one hundred eighty two million nine hundred thirty thousand and seventeen (2,182,930,017) new ordinary shares in the Company’s share capital at K5.40 to be undertaken by the Company on the terms and conditions contained in this prospectus and underwritten by the Underwriters on the terms and conditions contained in the Underwriting Agreements.

61. ‘**Rights Shares**’ means the new ordinary shares of K0.50 each in the share capital of the Company offered to the Entitled Shareholders by way of the Rights Issue and ‘Rights Share’ has a corresponding meaning.

62. ‘**RoFI**’ means the Registrar of Financial Institutions.

63. ‘**Securities Act**’ means the Securities Act, 2010.

64. ‘**Shareholder Helpline**’ means the dedicated telephone numbers + 265 1 (0) 888 235 577 and + 265 1 (0) 993 365 577 which shareholders requiring more information or clarification of information on the Rights Issue can call between 08:00am and 05:00pm between Monday and Friday (Malawi public holidays excepted), Malawi time.

65. ‘**SME**’ means small and medium enterprise.

66. ‘**Subsidiary**’ means NBS Bank Forex Bureau Limited, a limited liability company duly incorporated under the Laws of Malawi being the Company’s wholly owned subsidiary.

67. ‘**Take-up Shares**’ means the number of the Rights Shares that are not subscribed for in the Rights Issue by Entitled Shareholders as at the Closing Date.

68. ‘**tambala**’ means one hundredths of a Kwacha.

69. '**Transfer Secretaries**' means NICO Asset Managers Limited of Chibisa House, 19 Glyn Jones Road, Post Office Box 3173, Blantyre, Malawi.

70. '**Underwriters**' means NICO, OMLAC, CHL, Alliance Capital and NBM.

71. '**Underwriting Agreements**' means the underwriting agreements entered into between (i) the Company and NICO, (ii) the Company and OMLAC, (iii) the Company and CHL, (iv) the Company and NBM; and (v) the Company and Alliance Capital Limited.

72. '**Underwritten Price**' means the price of K5.40 per Rights Share.

73. '**US$**' means the lawful currency of the United States of America.

74. The singular includes plural and vice versa.

75. A reference to an individual or person includes a corporation, firm, partnership, authority, and vice versa.

76. A reference to any gender includes all genders.

77. A reference to a recital, clause or schedule is to a recital, clause or schedule of or to this document.

78. A reference to any legislation or legislative provision includes any statutory notification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislation or legislative provision.

79. Where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning.

80. The words 'including', 'such as', 'particularly', and similar expressions do not imply limitation.

81. If the day on which any act or matter or thing is to be done under or pursuant to this document is not a business day, that act, matter or thing may be done on the next business day.

82. The financial information presented in a number of tables in this prospectus has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this prospectus reflect calculations based upon the underlying information prior to rounding, and accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.