

Summary of Audited Results for the Year Ended 31st December 2013

STATEMENTS OF COMPREHENSIVE INCOME

	GROUP		COMPANY	
	31-Dec-13 K'm	31-Dec-12 K'm	31-Dec-13 K'm	31-Dec-12 K'm
Interest income	25,008	12,270	24,982	12,274
Interest expense	(5,290)	(2,407)	(5,290)	(2,408)
Net interest income	19,718	9,863	19,692	9,866
Other income	14,322	13,070	13,867	12,808
Net income	34,040	22,933	33,559	22,674
Operating expenses	(15,378)	(11,321)	(15,124)	(11,177)
Profit before recoveries on impaired loans and advances	18,662	11,612	18,435	11,497
Net recoveries/(expense) on impaired loans and advances	(216)	(607)	(216)	(607)
Profit before taxation	18,446	11,005	18,219	10,890
Taxation	(5,740)	(3,418)	(5,678)	(3,399)
Profit after tax	12,706	7,587	12,541	7,491
Other Comprehensive Income				
Gains on Property valuations	898	1,111	898	1,111
Fair value gain on available for sale assets	183	0	183	0
Deferred tax on revalued assets	1,706	762	1,706	762
Other Comprehensive Income net of tax	2,787	1,873	2,787	1,873
Total Comprehensive Income for the period	15,493	9,460	15,328	9,364
Profit attributable to shareholders				
Owners of the Parent	12,679	7,575		
Non-Controlling Interest (Minorities)	27	12		
Comprehensive income attributable to shareholders	12,706	7,587		
Owners of the Parent	15,466	9,448		
Non-Controlling Interest (Minorities)	27	12		
Dividends Paid	15,493	9,460		
Interim	3,399	2,334	3,399	2,334
Final (for prior year)	1,498	1,262	1,498	1,261
Total	4,897	3,596	4,897	3,595
Earnings per share (Kwacha)	27.15	16.22		
Dividend per share (Kwacha)	10.49	7.70		
Number of ordinary shares in issue (millions)	467	467		

STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	31-Dec-13 K'm	31-Dec-12 K'm Restated	31-Dec-13 K'm Restated	31-Dec-12 K'm
LIABILITIES & EQUITY				
Customer deposits	123,855	91,501	68,606	119,481
Current income tax liabilities	1,740	1,303	1,030	1,743
Other liabilities	19,196	15,744	8,625	19,097
Loans and borrowings	8,348	3,395	0	8,348
Equity attributable to equity holders of the parent company	32,117	21,548	15,696	31,923
Minority interest	46	19	7	0
Total liabilities and equity	185,302	133,510	93,964	180,592
ASSETS				
Cash and funds with Reserve Bank of Malawi	18,830	8,797	8,155	18,854
Government of Malawi Treasury Bills	4,892	3,741	5,969	4,892
Reserve Bank of Malawi bill bonds	3,317	4,060	1,093	3,317
Government of Malawi Local Registered Stocks	0	372	467	372
Government of Malawi Promissory Notes	10,765	0	0	10,765
Equity investments	1,577	732	695	1,476
Investment in associate	380	214	196	233
Investment in subsidiaries	0	0	0	142
Placements with other banks	33,784	19,347	8,753	33,784
Loans and advances to customers	62,918	63,001	46,573	62,929
Other money market deposits	13,039	6,125	2,864	8,514
Assets held for sale	0	0	454	0
Other assets	12,738	8,539	4,201	12,656
Property, plant and equipment	17,650	15,366	12,685	17,619
Intangible assets	2,912	2,082	1,442	2,912
Deferred tax assets	2,500	1,134	417	2,499
Total assets	185,302	133,510	93,964	180,592
Memorandum items				
Contingent liabilities	1,692	5,551	4,215	1,692
				5,551

STATEMENTS OF CHANGES IN EQUITY

	GROUP		COMPANY	
	31-Dec-13 K'm	31-Dec-12 K'm	31-Dec-13 K'm	31-Dec-12 K'm
As at beginning of period	21,548	15,696	21,492	15,723
Net profit for the period	12,679	7,575	12,541	7,491
Dividends paid	(4,897)	(3,596)	(4,897)	(3,595)
Surplus on revaluation of property	898	1,111	898	1,111
Fair value movement on available for sale assets	183	0	183	0
Deferred tax on revalued assets	1,706	762	1,706	762
As at end of period	32,117	21,548	31,923	21,492

STATEMENTS OF CASH FLOWS

	GROUP		COMPANY	
	31-Dec-13 K'm	31-Dec-12 K'm	31-Dec-13 K'm	31-Dec-12 K'm
Cash flows from operating activities				
Profit before tax	18,446	11,005	18,219	10,890
Adjustments for:				
Depreciation	1,732	1,392	1,721	1,383
Fair value (profit)/loss on equity investments	(646)	(76)	(646)	(76)
Profit on disposal of fixed assets	(69)	(554)	(69)	(554)
(Profit)/loss on disposal of equity investments	(36)	(14)	(18)	(8)
Dividends received	(43)	(51)	(42)	(50)
Share of profits of associate	(80)	(26)	(80)	(26)
Loss/(Gain) on revaluation of properties	(396)	(838)	(406)	(838)
Increase in operating assets	(3,929)	(20,744)	(4,058)	(20,704)
Increase in operating liabilities	38,797	30,137	34,353	30,134
Cash generated from operating activities	53,776	20,231	49,054	20,177
Tax paid	(4,930)	(3,090)	(4,898)	(3,080)
Net cash from operating activities	48,846	17,141	44,156	17,097
Net cash flow from investing activities	(14,527)	(2,319)	(14,282)	(2,320)
Net cash used in financing activities	1,457	(200)	1,457	(200)
Net increase in cash and cash equivalents	35,776	14,622	31,331	14,577
Cash and cash equivalents at beginning of the period	29,665	15,043	29,609	15,032
Cash and cash equivalents at end of the period	65,441	29,665	60,940	29,609

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

Sector	31st December 2013			31st December 2012		
	Outstanding Amount	Impaired Amount	Specific Provision	Outstanding Amount	Impaired Amount	Specific Provision
	K'm	K'm	K'm	K'm	K'm	K'm
Agriculture, Forestry, Livestock and Fishing	10,434	74	2	7,436	117	26
Manufacturing	13,738	84	2	5,758	30	9
Mining and Quarrying	0	-	0	0	-	0
Construction and Engineering	897	260	113	753	138	5
Energy/Electricity, Gas, Air conditioning, Water supply & Waste management	188	2	2	1,118	0	0
Transport/Storage	1,003	741	117	1,338	109	0
Communication	5,461	21	13	3,986	0	0
Financial/Insurance/Professional/Scientific & Technical services	2,942	19	11	1,043	140	1
Wholesale/Retail	14,971	520	42	20,686	243	61
Individual/Households	6,457	277	79	4,305	206	81
Real Estate	1,810	5	4	3,252	10	4
Tourism	4,276	338	3	3,133	2	0
Other	1,181	117	41	11,143	0	3
TOTAL	63,358	2,458	429	63,951	995	190

CREDIT CONCENTRATION

Total Credit Facilities including guarantees, acceptances and other similar commitments extended to any one customer or group of related customers where amounts exceed 25% of core capital.

SECTOR OF BORROWER

	31st December 2013		31st December 2012	
	K'm	% OF CORE CAPITAL	K'm	% OF CORE CAPITAL
WHOLESALE AND RETAIL (CUSTOMER 1)	0	0%	11,119	78%
WHOLESALE AND RETAIL (CUSTOMER 2)	5,098	26%	4,631	33%

LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES

	31st December 2013 K'm	31st December 2012 K'm
DIRECTORS:		
Balance at beginning of year	70	44
Loans granted during the year	31	51
Repayments	(51)	(25)
Balance at end of year	50	70

OTHER RELATED PARTIES:

	31st December 2013 K'm	31st December 2012 K'm
Balance at beginning of year	5,935	3,444
Loans granted during the year	9,412	3,032
Repayments	(3,775)	(541)
Balance at end of year	11,572	5,935

SENIOR MANAGEMENT OFFICIALS:

	31st December 2013 K'm	31st December 2012 K'm
Balance at beginning of year	115	161
Loans granted during the year	126	45
Repayments	(11)	(91)
Balance at end of year	230	115

INVESTMENTS IN SUBSIDIARIES

Name of Subsidiary	Percentage Holding	
	31st December 2013	31st December 2012
NBM Capital Markets Limited	100%	100%
NBM Securities Limited	100%	100%
National Bank of Malawi		
Nominees Limited	100%	100%
NBM Bureau De Change Limited	100%	100%
Stockbrokers Malawi Limited	75%	75%

LENDING RATES

	31st December 2013	31st December 2012
Malawi Kwacha facilities		
Base Lending Rate	35.00%	35.00%
Lending Rate Spread	-2.00% to +4.00%	-3.5% to +6%
Foreign Currency facilities	8.5% to 9.00%	7% to 11.3%

DIRECTORS REMUNERATION, BONUSES AND MANAGEMENT FEES

	2013 K'm	2012 K'm
Directors Remuneration	380	182
Total Bonuses Paid by the Bank	2,312	505
Management Fees	Nil	Nil

DEPOSIT RATES

Type of Deposit	31st December 2013	31st December 2012
	Rate %	Rate %
Malawi Kwacha		
Current Account	0.50	1.00
Savings	7.00	10.00
Special savings	4.50	3.00
Savings Bond	13.00	19.00
7 Day Call	8.00	10.00
30 Day Call	9.00	13.00
2 Months	13.50	17.00
3 Months	13.00	18.00
6 Months	Negotiable	21.00
9 Months	Negotiable	Negotiable
12 Months	Negotiable	Negotiable

Foreign Currency Denominated Accounts (FCDA's)

	2013 K'm	2012 K'm
USD	0.50	0.50
GBP	1.75	1.75
ZAR	4.00	4.00
EUR	0.50	0.50

PERFORMANCE

The Board is pleased to announce a group pre-tax profit of K18.4 billion (2012: K11.0 billion), representing a 68% increase. Shareholders also experienced significant value addition as the Bank's share value rose from K55 at the beginning of the year to K215 per share as at 31st December, 2013.

In the Group Statements of financial position, the 2012 and 2011 figures have been restated by K4.0 billion and K1.9 billion, respectively, following a change in the accounting treatment of customer funds received for onward placement on the money market on behalf of customers in subsidiary companies Stockbrokers Malawi Limited and NBM Capital Markets Limited. Following the policy change such funds, which previously were disclosed net in the notes to the financial statements, are now accounted for in other money market deposits (under assets), with corresponding amounts in customer deposits (under liabilities). The restatement has no impact on the statement of comprehensive income.

The operating environment of the banking sector was characterized by liquidity challenges especially in the first half of the year as a direct result of the Reserve Bank of Malawi's continued tight monetary policy stance exercised through mopping-up operations and the maintenance of a high interest rate regime. This environment constrained new lending. The Bank, however, registered satisfactory growth in almost all of its business lines following the increased capacity utilization of its clientele due to improved availability of fuel, foreign exchange and raw materials compared to 2012. Performance of deposits and the quality of the loan book exceeded expectations. Year on year deposits grew by 36% which were mostly channeled to money market investments. Despite a high interest rate environment, the quality of the Bank's loan book at below 4% non-performing ratio was good in relation to the industry average.

Foreign exchange earnings exceeded expectations, partly attributed to increased turnover due to improved availability. This was on account of higher donor funds in-flows than in the previous year, complemented by the performance of the 2013 tobacco export market which exceeded 2012 both in terms of prices and volumes.

Additionally, notwithstanding a spell of liquidity challenges in the industry for a couple of months which resulted in higher cost of funding, money market income surpassed expectations. Similarly the equities desk performed very well as the Stock Market recovered and experienced significant price gains in a number of countries, a reflection of the positive business environment especially in the first 9 months of the year before the ramifications of fraud in Government materialised.

DIVIDEND

Two interim dividends totaling K3.4b were paid in September, 2013 and January 2014, respectively, in addition to a final dividend of K1.5b in respect of 2012 profits paid in June 2013. In total the dividend declared in 2013 amounted to K4.9b.

The Board has resolved to recommend to the shareholders payment of a final dividend amounting to K2.9b, representing K6.20 per share. The dividend will be payable after the Annual General Meeting, which will be held in June 2014.

OUTLOOK

Real GDP growth forecast for 2014 has been revised from the official 6.1% to 5% according to IMF estimates. This is mainly due to the suspension of donor disbursements for budgetary support and the resultant higher than budgeted deficit for the fiscal year. It is expected that growth prospects could further be revised downwards on account of the recently announced suspension of production of uranium cake at Kayerekera mine, as a result of the fall in world uranium prices. However, the agriculture sector is expected to register good performance due to favourable rains in most parts of the country, with tobacco expected to register a 25% volume growth.

In the immediate term we envisage a continuation of the declining trend in inflation and stability in the exchange rate, at least within the tobacco selling season. However, in the medium to long term, the growth of the economy will depend on the policies to be adopted after the May 2014 general elections and the speed and level at which budgetary support and confidence are restored.

The Bank has a 5-year strategic plan, now in its second year of implementation. It has the capital, resources and the agility necessary to continue on a growth path. The Board therefore expects that the Bank will continue to perform well in 2014.

BY ORDER OF THE BOARD


G. B. Partridge, Chief Executive Officer