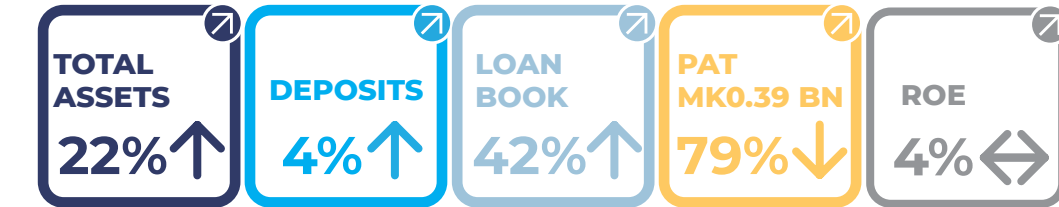


SUMMARY OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS PERIOD ENDED 30th JUNE 2021

KEY HIGHLIGHTS



INCOME STATEMENT

In thousands of Malawi Kwacha

	GROUP			COMPANY		
	30 June 2021 Unaudited	30 June 2020 Unaudited	31 December 2020 Audited	30 June 2021 Unaudited	30 June 2020 Unaudited	31 December 2020 Audited
Income						
Interest and similar income	9,224,722	7,983,843	16,593,065	9,224,722	7,983,956	16,593,178
Interest expense and similar charges	(5,283,350)	(4,191,825)	(8,750,730)	(5,281,952)	(4,191,825)	(8,749,743)
Net interest income	3,941,372	3,792,018	7,842,335	3,942,770	3,792,131	7,843,435
Other Income	4,099,674	5,497,138	7,692,196	3,888,237	5,451,024	7,380,400
Net Income	8,041,046	9,289,156	15,534,531	7,831,007	9,243,156	15,223,835
Operating Expenses	(7,234,164)	(7,508,188)	(14,041,791)	(7,043,443)	(7,489,978)	(13,753,690)
Profit before recoveries on impaired loans and advances	806,882	1,780,968	1,492,740	787,564	1,753,177	1,470,145
Net recoveries (expense) on impaired loans and advances	(156,996)	(191,371)	255,664	(156,996)	(191,371)	255,664
Profit (Loss) before taxation	649,886	1,589,597	1,748,404	630,568	1,561,806	1,725,809
Tax (Loss)/credit	(236,066)	288,961	494,905	(236,066)	288,961	501,135
Profit/(Loss) for the year	413,820	1,878,558	2,243,309	394,502	1,850,767	2,226,944
Other comprehensive Income						
Other comprehensive income	-	-	-	-	-	-
Profit for the year	413,820	1,878,558	2,243,309	394,502	1,850,767	2,226,944
Total comprehensive loss for the year	413,820	1,878,558	2,243,309	394,502	1,850,767	2,226,944

STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY

	GROUP			COMPANY		
	30 June 2021 Unaudited	30 June 2020 Unaudited	31 December 2020 Audited	30 June 2021 Unaudited	30 June 2020 Unaudited	31 December 2020 Audited
Liabilities						
Customer deposits	74,377,927	71,222,810	79,193,555	74,377,927	71,222,810	79,193,555
Medium Term Borrowing	14,992,009	12,258,097	15,866,001	14,992,009	12,258,097	15,866,001
Short Term borrowing	21,322,380	5,904,352	6,594,502	21,322,380	5,904,352	6,594,502
Other liabilities	1,679,979	1,472,531	1,285,799	1,184,018	1,472,405	1,285,799
Lease Liability	1,191,064	1,203,950	1,742,820	1,188,679	1,203,950	1,741,833
Equity	9,861,379	9,017,512	9,447,565	9,857,838	9,021,864	9,463,341
Total equity and liabilities	123,424,738	101,079,251	114,130,242	122,922,852	101,083,477	114,145,031

ASSETS

Cash and funds with Reserve Bank of Malawi	2,827,493	3,394,481	4,038,113	2,141,755	3,100,631	3,528,315
Government of Malawi Treasury Bills	52,634,858	48,758,607	43,019,986	52,634,858	48,758,607	43,019,986
Amounts due from other Financial Institutions	4,952,365	1,726,070	10,651,088	4,952,365	1,726,070	10,651,088
Investments in Subsidiary	-	-	-	207,800	207,800	207,800
Other Investments	30,000	30,000	30,000	30,000	30,000	30,000
Loans and advances from customers	49,412,120	34,692,281	43,246,136	49,412,120	34,692,281	43,246,136
Other assets	6,275,919	5,461,962	5,125,557	6,275,902	5,577,948	5,477,451
Plant and equipment	2,991,545	2,985,340	2,362,170	2,962,600	2,974,748	2,334,688
Intangible assets	1,690,240	1,040,561	2,217,786	1,679,134	1,036,315	2,207,882
Right of use asset	1,352,552	1,331,395	1,945,694	1,373,314	1,331,395	1,952,615
Income Tax Receivable	229,677	229,677	229,677	229,677	229,677	229,677
Deferred tax asset	1,027,970	1,428,878	1,264,035	1,023,327	1,418,006	1,259,393
Total assets	123,424,738	101,079,251	114,130,242	122,922,852	101,083,477	114,145,031

STATEMENT OF CHANGES IN EQUITY

As at the beginning of the period

	30 June 2021 Unaudited	30 June 2020 Unaudited	31 December 2020 Audited	30 June 2021 Unaudited	30 June 2020 Unaudited	31 December 2020 Audited
Share capital						
Share premium	-	-	-	-	-	-
Capital Contribution	-	-	-	-	-	-
Other reserves	-	(268,465)	-	-	(268,465)	-
Accumulated losses	99,277	(476,126)	(314,537)	95,736	(471,774)	(298,761)
As at the end of the period	9,861,379	9,017,512	9,447,565	9,857,838	9,021,864	9,463,341

STATEMENT OF CASHFLOWS

Cash flows from operating activities

	30 June 2021 Unaudited	30 June 2020 Unaudited	31 December 2020 Audited	31 December 2020 Audited	30 June 2019 Unaudited	30 June 2020 Unaudited
Profit/(Loss) before tax	649,886	1,589,597	1,748,404	630,568	1,561,806	1,725,809
Adjustments for:						
Depreciation	898,300	788,408	1,723,894	869,279	787,747	1,712,716
Fair value movements	-	-	-	-	-	-
Interest on lease liability	101,676	61,480	160,823	100,278	61,480	159,836
Increase/Decrease in operating assets	(7,316,234)	(24,565,340)	(16,844,721)	(6,964,440)	(24,579,804)	(17,106,870)
Increase/Decrease in liabilities	(4,433,488)	23,077,732	30,861,961	(4,929,329)	23,065,831	30,861,961
Cash generated from operating activities	(10,099,859)	951,876	17,650,361	(10,293,644)	897,060	17,353,452
Tax paid	-	(306,750)	306,749	-	(306,750)	306,749
Net cash generated from (used) operating activities	(10,099,859)	645,127	17,957,110	(10,293,644)	590,311	17,660,201
Net cash outflow from investing activities	(10,663,369)	(2,138,868)	(11,334,327)	(10,645,525)	(2,139,026)	(11,308,339)
Net cash inflow(outflow) from financing activities	13,853,885	3,818,406	5,270,531	13,853,886	3,818,405	5,270,531
Net decrease (increase) in cash and cash equivalents	(6,909,343)	2,324,664	11,893,314	(7,085,283)	2,269,690	11,622,393
Cash and cash equivalents at beginning of the year	14,689,201	2,795,887	2,795,887	14,179,403	2,557,010	2,557,010
Cash and cash equivalents at end of the year	7,779,858	5,120,551	14,689,201	7,094,120	4,826,700	14,179,403

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

SECTOR	30 th JUNE 2021			30 th JUNE 2020		
	OUTSTANDING AMOUNT	Impaired Amounts	Expected Credit Losses	OUTSTANDING AMOUNT	Impaired Amounts	Expected Credit Losses
1. Agriculture, forestry, fishing and hunting	1,240,290	793,112	614,295	1,252,906	630,173	630,173
2. Mining and quarrying	80,067	3,222	-	5,893	2,948	73
3. Manufacturing	1,300,461	127	117	1,015,717	356,981	1,316
4. Electricity, gas, water and energy	1,822	-	-	950	-	-
5. Construction	1,167,643	18,531	1,699	750,473	23,408	8,789
6. Wholesale and retail trade	19,583,572	1,002,059	41,555	11,809,846	1,220,196	291,568
7. Restaurants and hotels	660,338	5,106	122	772,087	23,292	17,890
8. Transport, storage and communications	2,101,311	127,164	29,939	1,473,223	119,964	51,316
9. Financial services	450,709	-	-	393,310	544	544
10. Community, social and personal services	24,496,072	671,777	386,806	582,581	30,460	7,382
11. Real estate	219,737	450	359	523,624	190,643	203
12. Other sectors	-	-	-	18,197,086	949,687	718,552
TOTAL	51,302,020	2,621,546	1,074,890	36,777,696	3,548,298	1,727,807

CREDIT CONCENTRATION

SECTOR BORROWING	30 th JUNE 2021		30 th JUNE 2020	
	K'000	% of Core Capital	K'000	% of Core Capital
Agriculture, forestry, fishing and hunting	-	0%	-	0%

DIRECTORS REMUNERATION

	30 th JUNE 2021	30 th JUNE 2020
	K'000	K'000
Directors Remuneration	86,151	109,828
	86,151	109,828

LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES

	30 th JUNE 2021	30 th JUNE 2020
	K'000	K'000
DIRECTORS		
Balance at beginning of half year	7,337	6,802
Loans granted during the half year	8,500	7,337
Repayments	(7,351)	(6,802)
Balance at end of half year	8,486	7,337
SENIOR AND EXECUTIVE MANAGEMENT		
Balance at beginning of half year	268,517	164,878
Loans granted during the year	432,999	378,709
Repayments	(268,517)	(275,069)
Balance at end of half year	432,999	268,517

OTHER RELATED PARTIES

Balance at beginning of half year	-	-
Loans granted during the half year	-	-
Repayments	-	-
Balance at end of half year	-	-

Total lending to related parties

	441,485	275,854
Total lending to related parties as a percentage of core capital	5.10%	3.95%

INVESTMENTS IN SUBSIDIARY

Name of Subsidiary	Percentage Holding	
	30-Jun-21	30-Jun-20
MyBucks Bureau De Charge	100%	100%

LENDING RATES

	30-Jun-21	30-Jun-20
Reference Rate	12.2%	13.4%
Maximum Applicable Range (Percentage Points)	0% to 11.6%	0% to 11.6%
Bank rate	12.0%	13.5%

2021 FINANCIAL REVIEW

We hereby present the summarised, unaudited financial results for the half year ended 30th June 2021.

2021 ECONOMIC HIGHLIGHTS

The Global economic for 2021 is expected to grow by 6% from 3.3% contraction in 2020. Largely the growth is driven by additional fiscal support that advanced economies have rendered to their economies and also above average vaccine roll out rates in advanced nations, which offers hope of normalisation of economic activities. On the local front, the general macroeconomic operating environment for the first half of the year continues to be weighed down by the Covid 19 pandemic. There is some hope in the economic recovery efforts supported by above average agricultural production in the 2020/21 agricultural season and also the roll out of vaccinations in all of the major economic zones of Malawi. Also, the opening of the global economy offers hope that the recovery may come sooner rather than later. Domestic real economic growth is projected to rebound to 3.8% in 2021 from 0.9% in 2020. Headline inflation rose to an average of 8.5% in the first quarter of 2021, from 7.5% in the fourth quarter of 2020. The Kwacha continues to face mild pressure, resulting in 2.2% depreciation against the US Dollar in the first quarter of 2021.

PERFORMANCE

The Bank recorded a profit after tax of MK0.39 billion for the six months ended 30 June 2021, compared to MK1.8 billion for the six-month period to June 2020. This represents a 79% reduction in profit after tax, year on year. The main driver of the reduction in year on year profit after tax is the exclusion of Nedbank Malawi acquisition gains from non-interest income in 2021, as this was a once off event in 2020. There was also slow growth on all lines of revenue due to the impact of Covid-19 on the business of the bank. The bank has not fully realised the synergistic gains from the Nedbank Malawi acquisition, mainly due to the challenging business environment amidst the Covid-19 impact on the macroeconomy. The cost base of the bank has remained almost at the same levels as the post-acquisition costs of June 2020, with only a 6% saving. The overall effect of Covid 19 on the bank has been a reduction in revenue lines whilst costs have remained relatively static, with less adjustment shocks. The Bank registered an asset growth of 22%, to MK122 billion from MK101 billion in June 2020. The main driver of growth has been the loan book, which grew by 42% to MK49 billion, from MK34 billion for the six-month period to June 2020. Treasury Instruments grew by 8% to MK52 Billion, from MK44 Billion in June 2020. The growth in assets did not fully translate to growth in interest income on account of downside repricing risk; with declining lending and asset margins as the lending reference rate declined to 12.2% in June 2021, from 13.40% in June 2020. Deposits from customers also grew by 4% year on year, to MK74 Billion from MK71 Billion; the growth has been minimal as there have been tight liquidity conditions in the market. As a result of tight liquidity conditions, the bank increased borrowings by 261% to MK21.3 Billion in June 2021, from MK5.9 Billion in June 2020. The 22% growth in the medium-term borrowings of the bank have been to augment its capital position.

OUTLOOK FOR 2021

The macroeconomic outlook is expected to remain stable for the most part in 2021. The growth path for 2021 rests much on what happens in the remaining months as the country continues to be challenged with increasing cases of Covid-19 and low vaccinations roll out rates. Notwithstanding the challenges, the monetary authorities are currently projecting inflation to average 8.4% for 2021.

As a Group, we remain upbeat and committed to offer a consistent and relevant customer experience. In order to achieve excellent customer experience, the bank has embarked on a journey to be a truly digital bank by offering enhanced digital platforms that will take customer satisfaction to a new level. With digital platforms come cost reductions and ease of doing business, while passing on the benefits to our customers. The Group will also focus on the rationalisation of its cost base, the effective and prudent management of risks and liquidity, the diversification of its balance sheet, blended with efficient portfolio allocations, which will effectively result in the maintenance of a robust capital position.

CHANGES IN THE GROUP SHAREHOLDING