

A copy of the circular has been delivered to the Registrar of Companies and the Reserve Bank of Malawi. The Registrar of Companies and the Reserve Bank of Malawi have not checked and will not check the accuracy of any statements made and they accept no responsibility therefor or for the financial soundness of NBS Bank Limited ("NBS") or the value of the shares offered. The Registrar of Companies and the Reserve Bank of Malawi ("RBM") registered this Circular on 29th June 2011.

THIS CIRCULAR IS IMPROTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action to take, please consult your stockbroker, banker, attorney, accountant or other professional adviser immediately. This circular is available in English only and copies may be obtained from the registered office of NBS Bank Limited ("NBS") and the offices of the transfer secretaries set out on Page 1.

ACTION REQUIRED

If you have disposed of all your shares in NBS, please forward this document to the purchaser of such shares or to the stockbroker, banker or other agent through whom such disposal was effected. NBS shareholders who are unable to attend the Annual General Meeting (AGM) of shareholders to be held at 10am on Tuesday 12th July 2011 in Kabula room, Ryalls Hotel in Blantyre and wish to be represented thereat, should complete and return the attached form of proxy in accordance with the instructions contained therein to the transfer secretaries of NBS, National Bank of Malawi – Financial Management Services Division, Ground Floor, Corner Henderson Street/Victoria Avenue, Blantyre, PO Box 1438, Blantyre, so as to be received by them no later than 6:00pm on 8th July 2011.



(Incorporated in the Republic of Malawi)
(Registration number 6614)
(Share code: NBS)
(the Company or NBS)

Circular to shareholders of the Company

on the:

proposed offer for subscription of 102,950,957 ordinary shares of K0.50 each to International Finance Corporation, IFC Capitalization (Equity) Fund, L.P., Africa Capitalization Fund, Limited (together referred to as "IFC Parties") at a price of K9.60 per share by way of issue of shares for cash and also contains a notice of general meeting of the Company's shareholders

The directors of the Company whose names appear on page 9 of this circular, collectively and individually accept full responsibility for the accuracy of the information given in this circular and certify that, to the best of their knowledge and belief, there are no facts the omission of which would make any statement in this circular false or misleading and that they have made all reasonable inquiries to ascertain such facts and that this circular contains information required by law.

Additional copies of the circular can be obtained from the registered office of the Company, the transaction sponsor as well as in electronic form from the Company's website (www.nbsbank.mw) from 28th June 2011 up to and including 15th July 2011.

Transaction advisor



Legal advisors



**Independent reporting
accountants**



This circular is dated: June 29, 2011

Corporate information and advisors

Transaction advisor

CDH Asset Management Limited
First Floor, Unit House
Victoria Avenue
PO Box 1444
Blantyre, Malawi
Tel: +265 (0) 1 821 300
Fax: +265 (0) 1 830 679
info@cdh-malawi.com

Reporting accountants

KPMG
Public Accountants and Business Advisors
MASM House, Lower Sclater Road
PO Box 508
Blantyre, Malawi
Tel: +265 (0) 1 820 744 / 391
Fax: +265 (0) 1 820 575
kpmg@kpmg.com

Sponsoring broker

African Alliance Securities Limited
Livingstone Towers
Glyn Jones Road
PO Box 3340
Blantyre, Malawi
Tel: +265 (0) 1 831 995
Fax: +265 (0) 1 831 859
info@africanalliance.com

Legal advisors

Wilson and Morgan
Whitehall
6 Victoria Avenue
PO Box 527
Blantyre, Malawi
Tel: +265 (0) 1 820 988
Fax: +265 (0) 1 822993
info@wilsonmorganmw.com

Transfer secretaries

National Bank of Malawi Limited -
Financeial Management Services Division
Corner Victoria Avenue and Henderson Street
PO Box 1438
Blantyre, Malawi
Tel: +265 (0) 1 823 483
Fax: +265 (0) 1 820 054
info@natbankmw.com

Registered office

NBS Bank Limited
Corner Masauko Chipembere Highway/
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Definitions

Throughout this circular, unless the context indicates otherwise, the words indicated in the column on the left below shall have the meaning stated opposite them in the column on the right below, reference to the singular shall include plural and *vice versa*, words denoting one gender include the other and words, and expressions denoting natural persons include juristic persons and association of persons:

“IFC”	International Finance Corporation, an international organization established by Articles of Agreement among its member countries including Malawi;
“IFC Parties”	means International Finance Corporation, IFC Capitalization (Equity) Fund, L.P., Africa Capitalization Fund, Limited, referred to together;
“IFC transaction”	the transaction to be effected by the issue of the NBS ordinary shares to IFC Parties by way of an issue of securities for cash;
“the board”	the board of directors of NBS, the names of whom are set out on page 9 of this circular;
“this circular”	all the documents contained in this bound circular;
“the Codes”	the Codes of Good Corporate Governance in Malawi;
“Annual general meeting”	the annual general meeting of NBS shareholders convened for 10 am on 12 th July 2011;
“the MSE”	Malawi Stock Exchange Limited, registered in Malawi and licensed as an exchange under the Securities Act, 2010;
“NBS”	NBS Bank Limited, registration number 6614, a company incorporated in Malawi, licensed by the Reserve Bank of Malawi and listed on the MSE;
“the Listings Requirements”	the Listings Requirements of the MSE in force from time to time;
“Malawi”	the Republic of Malawi;
“the transfer secretaries”	Financial Management Services Division, National Bank of Malawi; “Ordinary Shares” ordinary shares of K0.50 each in the share capital of NBS;
“the NBS shareholders”	holders of the NBS ordinary shares;
“the issue”	issue of shares for cash to IFC Parties in line with the MSE listings requirements.

Important dates and times

Last day for lodging forms of proxy for the Annual General Meeting	8th July 2011 by 6:00 pm
Annual general meeting	12th July 2011 by 10:00 am
Announcement of results of Annual General Meeting published in the press	15th July 2011

Note:

The dates and times set out above are subject to change. Any such change will be announced and published in the press.

June 20, 2011

To: All Shareholders

Dear Shareholder,

PROPOSED OFFER OF 102,950,957 ORDINARY SHARES TO THE IFC PARTIES BY WAY OF ISSUE OF SHARES FOR CASH

1.0 Introduction

- 1.1** NBS plans to undertake a recapitalisation of about K2 billion. Firstly, NBS plans to issue 102,950,957 ordinary shares to the IFC Parties for cash in the sum of K988,329,187.20 (“issue of shares for cash”). Thereafter, NBS plans to raise about K997,910,870 through a rights issue to all NBS shareholders.

NBS presently comprises of the bank and one wholly-owned subsidiary, NBS Forex Bureau Limited.

NBS has a major focus on the agricultural sector and provision of retail and SME financial services and has set up plans to aggressively grow these areas.

One key partner who has worked with NBS for many years is IFC. IFC has in the past provided affordable finance and technical expertise NBS. IFC expressed interest to invest directly in NBS in order to support NBS’s growth agenda. After a thorough consideration of all options available to NBS, it was deemed proper to propose an increase in NBS’s share capital through an issue of shares to the IFC Parties for cash as well as an issue of shares to all existing shareholders including the IFC Parties by way of a rights issue.

1.2 Purpose of circular

The purpose of this circular is: -

- to provide NBS shareholders with relevant information relating to the proposal and the implications thereof in accordance with the Malawi Stock Exchange Listings Requirements;
- to convene an annual general meeting of NBS shareholders in terms of the notice of an annual general meeting attached to and forming part of this circular.

1.3 Rationale of the issue of securities for cash

The board has resolved to proceed with the issue of securities to the IFC Parties in order to raise an amount of approximately K988,329,187.20 to strengthen NBS's capitalization and expand its capacity to sustainably manage its growth, especially in its SME target market segment. NBS has plans to extend its footprint in the country so as to be able to accommodate an anticipated increase in customers. Among several plans, NBS will, in the near future, open new branches in Likoma, Nkhotakota and Nsanje.

1.4 NBS Bank Limited

1.4.1 Background and history

NBS, then the New Building Society was formed following the amalgamation of Central Africa Building Society, Commonwealth Century Building Society and First Permanent Building Society. The New Building Society was incorporated under the Building Societies Act on 7th February, 1964 and continued to operate under this Act. Further, it raised funds from the public and advanced them by way of mortgage loans against the security of land and buildings. NBS is still the market leader in the provision of mortgage loans.

NBS was incorporated as a Limited Company on 14th March 2003, registered under the Banking Act on 1st March 2004, and started its operations on 1st July, 2004, when the New Building Society was dissolved and its operations taken over by the former.

The Malawi government originally owned 51% of NBS, NICO Holdings Limited owned 24.5% and Lonrho Properties owned 24.5%. NICO Holdings Limited is one of the largest financial services groups in Malawi. It is listed on the MSE.

In connection with a privatization sponsored by the Malawi government, NICO Holdings Limited, through its preemptive rights, purchased shares from Lonrho Properties and the Malawi government. In addition, a portion of the shareholding of the government of Malawi was transferred to the National Investment Trust Ltd (NITL), which is an investment vehicle for Malawians that warehouses shares in public enterprises. This changed the shareholding of NBS to include NICO Holdings Limited (74%), the Government of Malawi (16%) and NITL (10%). This was considered as Phase I of the privatization and was

completed in February 2001. There were a total of 200,000,000 issued shares.

Phase 2 of the privatization involved the sale of the balance of the 16% shareholding of the Government of Malawi. NBS wished to raise additional capital for business expansion. It was further decided that an employee share option plan (ESOP) be setup and purchase a portion of the remaining shareholding of the Government. A share split of 1 for 2 was also effected which increased the number of issued shares to 400,000,000. The Government of Malawi disposed of 48,000,000 shares and NBS issued 93,333,000 new shares. The offer price per share was K2.60, which placed the market capitalization of NBS post-offer at K1.28 billion. This resulted in the Government of Malawi receiving K124.8 million, while NBS received (gross amount) K242.7 million. The offer closed in June 2007 and was over-subscribed 8.9 times. Immediately post-offer, the shareholding changed to: NICO Holdings Limited (60%), public shareholders (28.7%), National Investment Trust Limited (8.1%) and the ESOP (3.2%).

1.4.2 General description of NBS's business

NBS provides retail and corporate banking services through its thirty service centres across Malawi.

1.4.3 NBS shareholding

As at 20th June, 2011, prior to the issue of shares to the IFC Parties, the NBS's shareholding structure (insofar as is known to the Company) was as follows. Table 1 also shows the changes that will occur after the issue: -

Shareholder	Percentage shareholding before issue	Percentage shareholding after issue
NICO Holdings Limited	60.00	50.10
Public	31.70	26.47
IFC Parties	0.00	16.51
National Investment Trust Limited	6.64	5.54
ESOP	1.66	1.39

Table 1: NBS shareholding

2.0 Corporate governance

NBS embraces best practices in corporate governance and has board committees that comply with the requirements of the Code of Corporate Practices and Conduct. The board is charged with responsibilities of monitoring of compliance to regulation, legislation and standard of operations. The committees of the board are chaired by a non-executive director.

3.0 Financial effects of the issue of shares to the IFC Parties

The number of issued and fully paid up ordinary shares will increase to 623,694,290. This is an increase of 19.77% from the current issued and outstanding ordinary shares. The paid up share capital will increase to K311,847,645 and the share premium account will increase to K1,539,610,205 representing an increase of 155.47% from the current share premium account. The total paid up capital and share premium will increase to K1,851,457,850. This is an increase of 115% from the current total. The pro-forma diluted earnings per share for the year ending 31 December 2010 will change to K2.24 from K2.60. A *pro forma* balance sheet of NBS, after the issue, is set out in Appendix 2.

4.0 Details of NBS's directors, secretary and committees

4.1 Directors and secretary

The full names, qualifications, nationalities, addresses, and occupations of the directors and company secretary of NBS are set out in Table 2 below: -

Name	Occupation	Citizen	Residential or business address
Mr FL Mlusu	Chairman	Malawian	Plot BE 81, 11 Belcher Road Mandala, Blantyre
Mr J Swankie	Director	British	23 Skerret Drive, Sunnyside PO Box 1588, Blantyre
Mrs EW Nuka	Director	Malawian	Plot CG 443/36, Viphya Avenue Chigumula, Blantyre
Mr VM Kumwenda	Director	Malawian	Plot LE 53, Newlands, Limbe PO Box 501, Blantyre
Mr ERD Matabwa	Director	Malawian	Plot 10/120 Area 10, Lilongwe
Mr CL Mphande	Director	Malawian	Plot NC/1C, Nancholi, Blantyre
Ms BM Mandoloma	Director	Malawian	Plot NY 451 Nyambadwe, Blantyre
Mr L Mandala	Director	Malawian	Plot CG 526, Viphya Avenue Chigumula, Blantyre
Mr MA Ndenya	Company secretary	Malawian	Plot BC 806, Naperi Blantyre

Table 2: NBS directors and secretary

Mr Felix Mlusu FCII

Mr Mlusu is a chartered insurer. He joined NICO Holdings Limited in 1975 as a management trainee and rose through various positions before assuming his present role.

He holds directorship positions in all NICO Holdings Limited subsidiaries and the following other private companies: Securicor/ G4S Malawi Limited, AMI Malawi Limited, Chibuku Products Limited, Millennium Holdings Limited, Blantyre

Hotels Limited, Dulux Limited, Rennie Holdings (Mw) Limited, Mulika Club, British American Tobacco (Malawi) Limited and African Energy Resources Limited. He has previously served in various professional capacities, notably as chairman of the Insurance Association of Malawi and Insurance Institute of Malawi.

Mr Joe Swankie ACIB

Mr Swankie has extensive knowledge and experience in banking systems and in particular, credit risk management. He is chairman of the NBS credit risk management committee and has worked in such countries as Ghana, Botswana, Thailand, Malaysia and Hong Kong. He also worked for the National Bank of Malawi as Head of Credit before being appointed to the board of NBS.

Mrs Estelle Nuka FCCA, CPA (M), BCom

Mrs Nuka is a non-executive director of NBS. She is a former Director of Finance at the Malawi Revenue Authority (MRA). She first joined the MRA as Deputy Director of Finance in October 1999 and has worked at senior management levels in various organizations including National Seed Company of Malawi and Population Services International.

Mr Vizenge Kumwenda FCCA, CPA (M), ACII, MSc (Finance), BCom

Mr Kumwenda is a non executive director of NBS and Finance Director NICO Holdings Limited. He joined NICO Holdings Limited in 2005 as Finance Director. He previously worked for the then National Insurance Company Limited, Continental Discount House Limited, Deloitte, Malawi College of Accountancy and Malawi Institute of Management. He holds directorship positions in Air Malawi Limited, all subsidiaries of NICO Holdings Limited, Millennium Holdings Limited, Investments Alliance Limited, Phoenix International Primary School and Kang'ombe Investments Limited.

Mr Evans Matabwa MBA, FIAM

Mr Matabwa has over 18 years experience in the tobacco industry and is the current Chief Executive Officer for Auction Holdings Limited, having joined the tobacco company in 1997.

Mr Chadwick Mphande BA

Mr Mphande is a non-executive director and has extensive experience in senior management having worked for the Malawi Government in the Ministry of Finance, Agriculture and Youth. He has served on several boards including Indebank Financial Services, Indetrust, Indefund, the Leasing and Finance

Company of Malawi Limited, Mchenga Coal Mines Limited, Malawi Environmental Endowment Trust (MEET), Malawi Rural Finance Company, Dulux Limited, CFAO Malawi Limited, Reserve Bank of Malawi, Celtel and SDV Malawi Limited.

Ms Bernadette Mandoloma ACMA, MSc (Acc & Fin), BCom

Ms Mandoloma is the Company Secretary for NICO Holdings Limited. She also served as General Manger (Finance) for NICO Holdings Limited responsible for the finance function of NICO and its subsidiaries. She previously worked for Press Agriculture Limited as Chief Executive Officer (2002-2006) and she served on several boards including the National Construction Industry Council (NCIC), Press Agriculture Limited, General Farming Limited and the Reserve Bank of Malawi.

Mr Lucius Mandala MBA, BSoc

Mr Mandala is Managing Director of Capital Partners Limited. He previously held senior positions in MDC and Trust Finance Limited. He holds directorship positions in Millennium Holdings Limited, Kairo Malawi Limited and Catholic University of Malawi.

4.2 Board Committees

The Board appointed a number of committees within itself and delegated certain responsibilities to those committees. The Board recognises that it remains ultimately responsible and accountable for the performance of The Bank to all its stakeholders. There are three Board committees namely; the Finance and Audit Committee, the Appointments and Remuneration Committee and the Credit Committee.

Finance and Audit Committee

This committee comprises of:

- a. Mrs Estelle Nuka- Chairperson
- b. Mr Chadwick Mphande - member
- c. Ms Bernadette Mandoloma- member

Appointments and Remuneration committee

This committee comprises of:

- a. Mr Evans Matabwa – Chairperson
- b. Mr Vizenge Kumwenda – Member
- c. Ms Bernadette Mandoloma – Member.

Credit Committee

This committee comprises of:

- a. Mr Joe Swankie – Chairperson
- b. Mr Evans Matabwa – member
- c. Mr Vizenge Kumwenda – member
- d. Mr Lucius Mandala – member

5.0 Interests of directors

The direct and indirect beneficial interests of the directors in the issued share capital of NBS at 20th June 2011, the last practicable date prior to the issue of this circular, are set out in Table 3 below.

Director	1-Jan-10	Net change	20-Jun-11
Mr Felix L Mlusu	30,000	1,667	31,667
Mr Joe Swankie	-	-	-
Mrs Estelle Nuka	31,200	(12,305)	18,895
Mr Vizenge Kumwenda	-	-	-
Mr Evance Matabwa	20,000	1,112	21,112
Mr Chadwick Mphande	-	-	-
Mr Lucius Mandala	-	-	-
Ms Bernadette Mandoloma	20,000	1,112	21,112
	101,200	(8,414)	92,786

Table 3: Interests of directors

None of the directors were materially beneficially interested in any transactions effected by NBS in the current or immediately preceding financial year.

6.0 Prospects and future growth

Building on a good performance registered in 2010, prospects look good for NBS. In that regard, NBS will be extending its footprint across the country so as to be able to accommodate the anticipated increased customer numbers. In the near future, NBS will be opening its doors in Likoma, Nkhotakota and Nsanje.

Furthermore, NBS will be exploring other innovative ways of reaching the market through channels such as SMS, mobile and internet banking.

7.0 Material changes in the financial or trading position of NBS

There are no material changes to the financial position of NBS since that last reporting date.

8.0 Litigation statement

As at 20th June, 2011, NBS was involved in various litigation matters. In some of the matters NBS is the plaintiff or applicant. In other matters NBS is a defendant or respondent. A professional assessment of all the matters has been made by independent legal counsel and none of the litigation matters has been found to be material for the purposes of the proposed issue of shares for cash to the IFC Parties.

9.0 Particulars of the issue

19.77% shareholding in NBS will be issued to the IFC Parties at a discount of 10% to the volume weighted average price of K10.67 per share (rounded to the nearest tambala) via the allotment of authorized but unissued 102,950,957 Ordinary Shares. No directors, staff or related parties will be entitled to participate in the issue of the shares to the IFC Parties.

10.0 Names and addresses of the IFC Parties (proposed subscribers)

The names and addresses of the proposed subscribers for the shares are as follows:-

- 10.1 International Finance Corporation, an international organization established by Articles of Agreement among its member countries including Malawi. Its address is as follows:-

2121 Pennsylvania Avenue, NW
Washington, DC 20433
United States of America

- 10.2 IFC Capitalization (Equity) Fund, L.P., a Delaware limited partnership under the laws of the State of Delaware, United States of America. Its address is as follows:-

C/O IFC Asset Management Company, LLC
2121 Pennsylvania Avenue, NW
Washington, DC 20433
United States of America

- 10.3 Africa Capitalization Fund, Limited., a Mauritius private limited liability company. Its address is as follows:-

C/O IFC Asset Management Company, LLC
2121 Pennsylvania Avenue, NW
Washington, DC 20433
United States of America

11.0 Past and current involvement with IFC

IFC has been and is involved in various initiatives with NBS. Some of the initiatives in which IFC has been directly involved include: -

11.1 Small and medium enterprise (SME) setup and seed capital project

IFC was instrumental in identifying LFS Financial Services GMBH, a consulting firm from German in 2007 to set up the SME structure and business model at a cost of US\$867,000, which was a grant to NBS.

IFC provided loan capital amounting to US\$3 million in 2008, with a 12 months moratorium period, for on-lending to the SME Sector with the portfolio at K462 million as at 31st December 2010.

11.2 Women banking initiative

With assistance from IFC, NBS commenced an initiative known as “Women Banking”. NBS has been training women with an aim of equipping them with entrepreneurial skills to run their own businesses throughout the country. To date over 240 women have been trained with IFC contributing K7.7 million to meet part of the training costs.

11.3 Agribusiness initiative

NBS has partnered with IFC in an agri-business initiative in order to develop an agri-business model with US\$750,000 as a grant being its contribution for a total project set up cost of US\$1.5 million with the NBS contributing the other 50%.

11.4 International exposure and sponsorship

IFC has in the past years been offering sponsorship to enable senior NBS employees to attend International Banking Forums to make presentations on SME and Women Banking Programmes the Bank is championing in Malawi.

NBS’s initiatives have recently been acknowledged by two intentional awards being Africa MSME Finance Program achievement award and Best Global Trade Finance Program (both awarded in 2011).

11.5 Export guarantee facility US\$ 7 million

NBS has a US\$7 million guarantee being utilized by exporters in establishing Letters of Credit hence facilitating foreign trade.

11.6 Enterprise wide risk framework

Through IFC’s initiative, NBS will be implementing risk framework to augment the initiatives already commenced under the supervision of the Reserve Bank of Malawi (RBM). The framework will encompass a wider spectrum of the banking operations including reviewing Corporate Governance structures. IFC is expected to share the cost of implementation.

11.7 Uplifting of the bank's profile

It is expected that once the IFC Parties become direct shareholders, NBS's profile will be enhanced, considering that the IFC Parties are affiliated with the private sector investment arm of The World Bank Group.

11.8 Strategic partnership

IFC has a number of dealings with other international financial institutions. This will facilitate the identification of a strategic partner to work with NBS in areas of staff development, new products, technological advancement and other banking related initiatives.

12.0 General**12.1 Directors' responsibility statement**

The directors of NBS, whose names are given on page 9 of this circular, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this circular contains all information required by law and the Listings Requirements.

12.2 Preliminary expenses

The expenses related to the issue for cash will be borne out of the proceeds of issue. Such expenses are estimated at approximately K27 million and comprise payments relating to the services set out in the table below: -

Nature of expense	Paid/Payable to	MK' 000
MSE Listing fees	MSE	4,157
Printing, publication and distribution	Kriss Offset and Screen Printers Limited	1,300
Legal advisor	Wilson & Morgan	4,000
Lead advisor	CDH Asset Management Limited	15,000
Reporting accountant	KPMG	2,000
Sponsoring stockbroker	African Alliance Securities Limited	1,000
		27,457

13.0 Registration of circular

A copy of this circular has been delivered to the Registrar of Companies and Reserve Bank of Malawi for registration, together with:

- 13.1 The written consents of the auditors, attorneys, financial advisor to the offer and the listing, sponsoring broker and transfer secretary to act in the capacities stated and to their names being stated in this circular, none of which consents having been withdrawn prior to registration; and

-
- 13.2 The written consent of the reporting accountants to the inclusion in this circular of their reports in the form and context in which they appear, which likewise had not been withdrawn prior to registration.

The Registrar and the Reserve Bank of Malawi accept no responsibility for the accuracy of any statements made or for the financial soundness of NBS or the value of the securities concerned.

14.0 Experts consents

- 14.1 CDH Asset Management Limited have given at the date of issue of this circular their consent to the inclusion of their names in this circular.
- 14.2 Wilson and Morgan and African Alliance Securities Limited, have given at the date of issue of this circular their consent to the inclusion of their names in this circular.
- 14.3 KPMG, whose report on the balance sheet and profit and loss accounts of NBS, after the issue, is reproduced in **Appendix 2** to this circular, have given at the date of issue of this circular their consent to the inclusion of their report and the reference to their name in this circular.

15.0 Annual General Meeting and action to be taken by NBS shareholders

- 15.1 An Annual General Meeting of shareholders of NBS will be held at the Kabula room, Ryalls Hotel at 10 am on 12th July 2011, to consider the resolutions necessary to give effect to the issue, among other matters. A notice convening the Annual General Meeting is contained in this circular as well as a form of proxy for shareholders who will be unable to attend the general meeting but wish to be represented thereat.
- 15.2 Shareholders who are unable to attend the meeting but wish to be represented thereat are required to complete and return the attached form of proxy so as to be received by the transfer secretaries of the company by 6:00pm on 8th July 2011.

16.0 Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours at the registered office of NBS from 21st June 2011: -

- 16.1 The memorandum and articles of association of NBS;
- 16.2 Audited annual financial statements of NBS for the three financial years ended 31 December 2008, 2009 and 2010;
- 16.3 Report by KPMG (reporting accountants and independent advisor), reproduced in Appendix 2 and its consent to the inclusion of the report in this circular;

-
- 16.4 Copies of agreements between the IFC Parties and NBS on the proposed transaction;
 - 16.5 Trust deed or agreement affecting the governance of the NBS or the interests of the shareholders;
 - 16.6 Material contracts being incorporated or registered within two years before the date of application, the latest sworn appraisements or valuations relative to movable and immovable property and items of similar nature; and
 - 16.7 In the case of a material contract not reduced to writing, a memorandum giving particulars thereof.

Signed at Blantyre for and on behalf of all the directors of NBS.

Felix Mlusu
Chairman

Martin Ndenya
Company Secretary

Trading history of NBS shares on the MSE

		Aggregate volumes	Highest (price) tambala	Lowest (price) tambala	
Yearly					
2009		18,644,209	1,450	1,400	
2010		28,487,436	1,400	1,050	
Year 2009					
1st quarter	Mar-09	6,458,661	1,450	1,400	
2nd quarter	Jun-09	2,711,502	1,400	1,400	
3rd quarter	Sep-09	3,857,927	1,400	1,400	
4th quarter	Dec-09	5,616,119	1,400	1,400	
Year 2010					
1st quarter	Mar-10	16,402,032	1,400	1,200	
2nd quarter	Jun-10	2,694,193	1,400	1,200	
3rd quarter	Sep-10	4,075,730	1,200	1,050	
4th quarter	Dec-10	5,315,481	1,100	1,100	
Daily					
May/June 2011					
Wednesday, May 18, 2011		-	1,100	1,100	
Thursday, May 19, 2011		-	-	-	No trades
Friday, May 20, 2011		-	-	-	No trades
Monday, May 23, 2011		-	-	-	No trades
Tuesday, May 24, 2011		-	-	-	No trades
Wednesday, May 25, 2011		-	-	-	No trades
Thursday, May 26, 2011		11,000	1,100	1,100	
Friday, May 27, 2011		-	-	-	No trades
Monday, May 30, 2011		-	-	-	No trades
Tuesday, May 31, 2011		350,000	1,050	1,050	
Wednesday, June 01, 2011		-	-	-	No trades
Thursday, June 02, 2011		-	-	-	No trades
Friday, June 03, 2011		-	-	-	No trades
Monday, June 06, 2011		254,315	1,050	1,050	
Tuesday, June 07, 2011		59,752	1,050	1,050	
Wednesday, June 08, 2011		4,648	1,050	1,050	
Thursday, June 09, 2011		-	-	-	No trades
Friday, June 10, 2011		318,795	1,050	1,050	
Monday, June 13, 2011		700	1,050	1,050	
Tuesday, June 14, 2011		20,133	1,050	1,050	
Wednesday, June 15, 2011		-	-	-	No trades
Thursday, June 16, 2011		-	-	-	No trades
Friday, June 17, 2011		-	-	-	No trades

**Reporting accountants report on the statement of financial position and statement of
Comprehensive income of NBS Bank Limited**

21st June 2011

The Directors
NBS Bank Limited
PO Box 32251
BLANTYRE

Members of the Board,

Statement of comprehensive income and statement of financial position

Paragraph 5.92 (b) of the Malawi Stock Exchange (MSE) – Listing Requirements – Review 2009, stipulates that where an issue of securities for cash of 5% or more of the number of shares in issue prior to the issue, an impact on net asset value and earnings per share must be made available at the time the percentage is exceeded.

We present the actual statement of comprehensive income and actual statement of financial position which include our analysis of the impact of the issue of securities for cash on the earnings per share and on the net asset value.

Financial information

1.0 Statement of comprehensive income statement for the three years to 31 December 2010

This report should be read in conjunction with the audited financial statements for the years ended 31 December 2009 and 2008.

	12 months 31-Dec-10	12 months 31-Dec-09	12 months 31-Dec-08
	K'million	K'million	K'million
Total interest income	4,603	3,604	2,425
Interest expenses	(1,394)	(1,073)	(565)
Net interest income	3,209	2,531	1,860
Fees and commission income	1,472	1,137	979
Profit on foreign exchange transactions	1,302	427	522
Other operating income	23	11	11
Operating Income	6,006	4,106	3,372
Operating expenditure	(3,711)	(2,755)	(2,156)
Profit before impairment losses	2,295	1,351	1,216
Loan impairment losses	(270)	(144)	(92)
Profit before income tax expense	2,025	1,207	1,124
Income tax expense	(671)	(397)	(345)
Profit for the period/year	1,354	810	779
Other comprehensive income net of income tax			
Net gains/(loss) on property revaluation	45	53	(4)
Net loss on available financial assets for sale	(5)	(1)	(14)
Total comprehensive income for the year	1,394	862	761
Basic earnings per share (K)	2.60	1.64	1.58

2.0 Statement of financial position as at 31 December 2010, 2009 and 2008

	31-Dec-10	31-Dec-09	31-Dec-08
Assets	K'million	K'million	K'million
Cash and cash equivalents	9,134	6,137	4,188
Money market investments	1,199	1,793	907
Loans and advances to customers	24,144	17,946	12,871
Other assets and amount due from subsidiary	1,018	592	1,020
Property and equipment	3,028	2,612	1,538
Intangible assets	71	53	2
Equity investments	61	69	19
Deferred tax assets	178	116	106
Total assets	38,833	29,318	20,651
Liabilities and equity			
Current liabilities			
Current and savings accounts	19,124	18,266	10,725
Foreign currency denominated accounts	2,310	900	1,093
Term deposit accounts	8,263	5,152	4,687
Other liabilities and amount due to subsidiary	4,119	636	551
Income tax payable	91	173	137
Long term loans	721	1,141	1,051
Employee benefits liabilities	471	374	346
Deferred tax liabilities	174	156	157
Total liabilities	35,273	26,798	18,747
Equity			
Issued capital	260	247	247
Share premium	603	315	315
Revaluation reserve	298	278	225
Loan loss reserve	124	124	124
Fair value reserve	14	16	17
Retained earnings	2,261	1,540	976
Total equity	3,560	2,520	1,904
Total equity and liabilities	38,833	29,318	20,651

3.0 Share capital

3.1 Authorised share capital

The table below illustrates the authorised share capital of NBS prior to and after the issue of securities for cash. Pursuant to the proposed issue of 102,950,957 ordinary shares through issue of shares for cash offering on the MSE, the authorised share capital of NBS will remain at 700,000,000 shares as follows: -

	Date	Number of shares (K'000)	Nominal value per share (tambala)	Total nominal value (K'000)
Authorised ordinary shares	31-Dec-10	700,000	50	350,000

All ordinary shares are valued at 50 tambala each based on their relative nominal value. NBS's authorised share capital will remain at K350,000,000 comprising 700,000,000 ordinary shares.

3.2 Issued share capital

The table below illustrates the changes in NBS's issued share capital after the issue of securities for cash held after 30 June 2010.

	Date	Number of shares	Nominal value per share (tambala)	Total Nominal value (K'millions)
Issued ordinary shares	1-Jan-10	493,333,000	50	247
Bonus shares issued	31-Dec-10	27,410,333	50	14
Total shares issued	31-Dec-10	520,743,333		260
Increase as a result of new offer	Jul-11	102,950,957	50	51
Total issued capital after new offer		623,694,290	50	312

NBS's issued share capital after the issue of 102,950,957 shares will increase to a new amount of K311,847,645 comprising of 623,694,290 ordinary shares.

3.3 Share premium

The table below illustrates the changes in share premium account after the issue of securities for cash held after 31st December 2010.

	Date	Number of shares	Share premium value above the nominal value per share (tambala)	Total value of share premium (K'000)
Share premium	1-Jan-10	493,333,000	64	316
Issue of bonus shares	31-Dec-10	27,410,333	1050	288
Total issued shares as at	31-Dec-10	520,743,333	116	604
Increase as a result of new offer	15-Jul-11	102,950,957	910	937
Total share premium after new offer		623,694,290		1,540

From the table above, it can be seen that the issue of securities for cash at a share premium of K9.10 will realise the share premium of K937 million thereby increasing the share premium account from K604 million to K1,540 million.

4.0 Statement of financial position

The table below sets out the abridged audited statement of financial position as at 31 December 2010 and adjustments that reflect the impact on that statement of financial position of the issue of securities for cash, had the net offer proceeds been received on 31 December 2010.

	Actuals 31-Dec-10 K'million	Proforma adjustments K'million	Proforma 31-Dec-10 K'million
Total equity	3,560	988	4,548
Amounts due to depositors	29,697	-	29,697
Other liabilities	5,576	-	5,576
Shareholders' funds and other liabilities	38,833	988	39,821
Property, equipment and intangible assets	3,099	-	3,099
Other assets	1,256	-	1,256
Advances and other accounts	24,144	-	24,144
Cash and short term funds	10,334	988	11,322
Total assets	38,833	988	39,821

The intended issue of securities for cash as per MSE Requirements is for a total of 102,950,957 ordinary shares. These shares have a market price of K10.50 per share and will be offered at a 10% discount to a 90 day volume weighted average market price calculated as at 8th June 2011, giving a price of K9.60 per share. This will realise a total equity capital of K988,329,187. The nominal value of each share capital shall be 50 tambala and the balance

of K9.10 shall be transferred to share premium account as demonstrated in paragraph 3.3 above.

5.0 Adequacy of capital

The proforma statement of financial position indicates that the NBS's equity amount would increase the net worth and the cash and short term funds of NBS to more than sufficiently meet the liquidity reserve requirements as well as the new capital adequacy requirements of K850 million made up of share capital and share premium accounts set by the Reserve Bank of Malawi. The new issue of securities for cash will lead to a new total capital of K1.851 billion which is above the Reserve Bank of Malawi's minimum capital requirement of K850 million. This will enable the NBS meet its operational obligation requirements without constraining its operations.

6.0 Summarised shareholding structure before and after issue of securities for cash

Name of shareholder	Number of shares	Shareholding as at 31 December 2010 before issue		Number of shares after the issue	Shareholding after issue of securities for cash
			of securities for cash		
NICO Holdings Limited	312,444,233		60.00%	312,444,233	50.10%
IFC Parties (direct shareholding)	-		-	102,950,957	16.51%
Rest of the public	208,299,100		40.00%	208,299,100	33.40%
Total	520,743,333		100.00%	623,694,290	100.00%

7.0 Changes in diluted earnings per share before and after issue of securities for cash

	31-Dec-10	31-Dec-09
Before issue of securities for cash		
Profit after tax	K1,354,000,000	K810,000,000
Number of shares before issue of securities for cash	520,743,333	493,333,000
Basic and diluted earnings per share		
K1,354,000,000/520,743,000 = K2.60		
K810,000,000/493,333,000= K1.64	K2.60	K1.64
<hr/>		
After issue of securities for cash		
Number of shares after issue of securities for cash	623,694,290	623,694,290
Diluted earnings per share after issue of securities for cash on the half year ended 31 December 2010		
K1,354,000,000/623,694,290	K2.17	
Diluted earnings per share after issue of securities for cash on the preceding year ended 31 December 2009		
K810,000,000/623,694,290		K1.30
<hr/>		

Based on the actual results of year ended 31 December 2009, basic earnings per share (EPS) is K1.64 before the issue of securities for cash. After the issue using the same earnings of 31 December 2009, EPS is at K1.30 representing a percentage decrease of 21% on the original position. Using the proforma earnings as at 31 December 2010, EPS decreases from K2.60 to K2.17 representing a 17% decrease.

8.0 Impact on net asset value before and after issue of securities for cash (Analysis of the impact of securities for cash on equity/net book value)

	After change to Proforma 31-Dec-10 (K'million)	31-Dec-10 (K'million)	31-Dec-09 (K'million)
Before issue of securities for cash			
Equity (book value)	-	3,560	2,520
Number of shares currently in issue	-	521	493
Net book value per share	-	6.83	5.11
<hr/>			
After issue of securities for cash			
Equity (book value)	4,548	-	-
Number of shares after issue of securities for cash	624	-	-
Net book value per share	7.29	-	-
<hr/>			

The analysis shows that the equity (net book value) per share of NBS as at 31 December 2010 will increase from K6.83 to K7.29 based on the proforma audited financial statements of the bank as at 31 December 2010.

We consent to the inclusion of this letter which form part of the circular to shareholders of NBS dated 21st June 2011 in the form and content in which it appears.

Yours faithfully,

KPMG
Certified Public Accountants and
Business Advisors



(Incorporated in the Republic of Malawi)
(Registration number 6614)
(Share code: NBS)
(the Company or NBS)

NOTICE OF ANNUAL GENERAL MEETING

To: All members
All directors

NOTICE IS HEREBY GIVEN that the 7th Annual General Meeting of the members of the Company will be held at Ryalls Hotel on 12th July 2011 from 10 am, or soon thereafter to transact the following business:-

Item no.1

Financial statements

To receive, and if deemed appropriate to adopt the report of the Directors, the report of the Auditors and the Annual Financial Statements of the Company for the year ended 31st December, 2010.

Item no.2**Dividend**

To declare a total dividend of K390,557 million of 75 tambala per share for the year ended 31st December, 2010, as recommended by the Directors, being 25 tambala per share paid in December, 2010, and 50 tambala as a final Dividend.

The share register will be closed on 15th to 18th July, 2011, both days inclusive, and no transfer will be registered during that time.

Members whose names shall appear in the register as at close of business on 15th July, 2011, will be eligible for this dividend payable on 22nd July, 2011.

Item no.3**Appointment of Auditors**

To re-appoint KPMG, Certified Public Accountants, as Auditors for the ensuing year and to authorise the Directors to fix remuneration.

Item no.4**Directors**

To consider and, if deemed appropriate, to pass with or without modification the following ordinary resolutions:-

4.1 Directors re-election

To elect the following as Directors who retire by rotation but are eligible for re-election:-

4.1.1 Mr J Swankie

4.1.1 Mrs B Nkhwazi

Item no.5

Directors' remuneration

To fix the remuneration of the Chairman and other Directors at the following rates:-

5.1 Directors' fees

5.1.1 Chairman - K1,028,500 from K935,000 per annum

5.1.2 Directors - K847,000 from K770,000 per annum

5.2 Sitting allowances

5.2.1 Chairman - from K30,000 to K36,000

5.2.2 Directors - from K27,500 to K33,000

Item no.6

Increase of share capital

To consider and, if deemed fit, to pass with or without modifications the following ordinary resolution:-

Resolved that pursuant to the provisions of Section 64 of the Companies Act, Cap.46:03, Laws of Malawi and article 46 of the Company's Articles of Association and in

accordance with the Malawi Stock Exchange Listings Requirements (the “Listings Requirements”) the approval of the members is hereby granted for increase in the authorised share capital of the Company by K150 million from K350 million to K500 million divided into 1 billion ordinary shares of 50 tambala each ranking *pari passu* with the existing equity shares and that clause 5 of the Company’s Memorandum of Association be replaced with the following clause:-

Paragraph 7.27(a)

The capital of the company is K500,000,000.00 (Five Hundred Million Kwacha) divided into 1,000,000,000 (One billion) ordinary shares of 50 tambala each.

Resolved further that for the purpose of giving effect to the above Resolution, the Board of Directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as they may in their sole and absolute discretion deem necessary or expedient and to settle any question, difficulty or doubt that may arise in regard thereto – *see explanatory statement on item no.6.*

Item no.7

Waiver of pre-emption rights

To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:-

That subject to and conditional upon the passing of the resolution numbered 8 the Directors of the Company be and are hereby empowered pursuant to the authority conferred upon them by resolution 8 to allot the said shares to the International Finance Corporation, IFC Capitalization (Equity) Fund, L.P., Africa Capitalization Fund Limited (together referred to as “IFC Parties”) without regard to the provisions of Article 47 of the Articles of Association requiring new shares to be offered in the first instance to all the existing shareholders of that class of shares in

Paragraph 5.88

proportion as nearly as is possible to the number of shares of such class held by them respectively – see explanatory statement on item no. 7.

Item no.8

Issue of shares for cash to the IFC Parties

To consider and, if deemed fit, to pass with or without modifications the following special resolution:-

That the Directors be and are hereby authorised pursuant to and in accordance with Article 47 of the Company’s Articles of Association and paragraphs 5.84 to 5.89 of the Listings Requirements and subject to the approval and waivers of the Malawi Stock Exchange (the “**MSE**”) and the Reserve Bank of Malawi (“**RBM**”) being obtained exercise all the powers of the Company to allot up to **102,950,957** ordinary shares or thereabouts in the Company to IFC Parties representing approximately 19.77% of the Company’s issued ordinary share capital as at the date of the passing of this resolution.

Paragraphs
5.84(a) and 5.85

Resolved further that the said shares may be issued to IFC Parties at a price that is not lower than 10% below the volume weighted average traded price of the Company’s shares on the MSE over the 90 days prior to the date that the price of the issue is determined or agreed to by the Directors.

Paragraph
5.85(c)(i)

Resolved further 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 and agreements as may be required in connection with the issue of shares for cash to IFC Parties and making amendments to the terms and conditions of the issue of the said shares to IFC Parties and obtaining approvals and waivers from the MSE and the RBM as may be necessary and take all such steps and do all such acts to ensure that the said shares are listed with the MSE and to exercise such discretion as the Directors may deem fit or advisable to give full effect to this special resolution and

Paragraph 5.87,
5.88, and 5.91

to the issue of the said shares to the IFC Parties for cash – *see explanatory statement on item no. 8.*

Item no.9

Rights issue to all shareholders

To consider and, if deemed fit, to pass with or without modifications the following ordinary resolution:-

That subject to and contingent upon the passing of ordinary resolution 6 in this AGM Notice:-

Paragraphs 5.44
to 5.59 and 7.27

- (a) A renounceable underwritten rights issue (the “Rights Issue”) of up to **103,949,048** new ordinary shares of 50 tambala each or thereabouts in the capital of the Company (the “Rights Shares”), at such price not being lower than 10% below the weighted average traded price of the Company’s Shares on the MSE over 90 days prior to the last meeting of the Directors of the bank for each Rights Share (the “Issue Price”), on the basis of one (1) Rights Share for every (6) existing ordinary shares of the Company (“Shares”) held by shareholders of the Company (the “Shareholders”) who are eligible to participate in the Rights Issue (“Entitled Shareholders”) as at a books closure date announced by the Company (the “Books Closure Date”), be and is hereby approved.
- (b) Authority be and is hereby given to the Directors to:-
- (i) issue such number of Rights Shares as the Directors may determine up to 103,949,048 Rights Shares at the Issue Price;
 - (ii) provisionally allot and issue up to **103,949,048** Rights Shares at the Issue Price for each Rights Share on the basis of one (1) Rights Share for every 6 existing Shares held by Entitled Shareholders as at the Books Closure Date;

(iii) 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:

(aa) 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 one (1) Rights Share for every 6 existing Shares.

(bb) 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.

(cc) the Rights Shares when issued and fully paid up will rank *pari passu* in all respects with the then existing 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

(c) 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 MSE and the RBM as may be necessary and to list the Rights Shares with the MSE and to exercise such discretion as the Directors may in their absolute discretion deem fit or advisable to give

full effect to this special resolution and to the Rights Issue, and the allotment and issue of the Rights Shares – *see explanatory statement on item no. 9.*

Item no.10

Any other business

To transact such other business prior notice of which should have been given to the office of the Company Secretary not less than 21 days before the date of the meeting.

By order of the Board

Martin Ndenya
Company Secretary

June 8, 2011

Notes:

1. *A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.*
2. *A Form of Proxy is enclosed with this document. Instructions for use are shown on the form. Lodging a form of proxy will not prevent a member from attending and voting in person.*
3. *To be valid, the Form of Proxy (together with any power of attorney or authority under which it is signed, or a notarially certified copy of such power or authority) must be received by the Company Secretary not less than 48 hours before the time appointed for the meeting or, as the case may be, the adjourned meeting.*
4. *To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes cast), members must be entered on the Company's register of members at 6.00p.m. on 8TH July 2011 or, in the event that the meeting is adjourned, on the Company's register of members at 6.00p.m. On the date two days before the date of any adjourned meeting.*
5. *A shareholder which is a corporate and which wishes to be represented at the meeting by a person (a corporate representative) with authority to speak, vote on a show of hands and on a poll must appoint such a person by resolution of its directors or other governing body. A corporate representative has the same powers on behalf of the corporation he/she represents as that corporation could exercise if it was an individual member of the Company.*

Explanatory statement:

Item no. 6

The present authorised share capital of the Company is K350 million divided into 700 million ordinary shares of 50 tambala each. The Company is proposing to issue shares for cash to IFC Parties (“issue of Securities for Cash”) and thereafter to do a rights issue to all shareholders (the “Rights Issue”) and proposals in this regard are contained in this notice. Considering the proposed Issue of Securities for Cash, the Rights Issue and future capital growth, the Board has approved, subject to the members’ approval, an increase in the authorised share capital to K500 million divided into 1 billion ordinary shares of 50 tambala each to cater for future capitalisation needs.

Pursuant to the provisions of Section 64 of the Companies Act and article 46 of the Company’s Articles of Association an increase in the share capital of the Company and consequent amendment in the capital clause of the Memorandum of Association of the Company requires approval of the members. Approval of the members is, therefore, sought in terms of the said provisions by way of ordinary resolution.

The Board of Directors recommend the resolution under item no.6 of the AGM Notice for approval of members.

None of the directors of the Company is in any way personally concerned or interested in the resolution.

Item no.7

Article 47 of the Company’s Articles of Association requires that an issue of new shares of the Company be offered in the first instance to existing shareholders unless the shareholders by ordinary resolution proportionate to their existing shareholding (“Pre-emption Rights”) before

the issue of the new shares make provision that the new shares be issued and allotted otherwise. The resolution under item no.7 of the AGM Notice enables the Directors to issue the shares to the desired strategic international investors, IFC Parties, without the need to first offer the shares to all members which would be cumbersome, uncertain, expensive, and slow.

Pursuant to Article 47 of the Company's Articles of Association an ordinary resolution is required in order to disapply Pre-emption Rights. Pursuant to paragraph 5.88 of the MSE Listing Requirements a special resolution passed with 85% majority of votes cast is required in order to disapply Pre-emption rights. Approval is, therefore, sought in terms of the said provision by way of special resolution.

The Directors recommend the resolution under item no.7 of the AGM Notice for the approval of the members and the three (3) Directors who hold shares in the Company will vote for in favour of the resolution.

Item no.8

At the Board meeting of 8th June 2011, the Directors recommended that the Company raises further capital by way of the Issue of Securities for Cash to international strategic investors, the IFC Parties, and subsequently a Rights Issue to all members of the Company. The capital to be raised is approximately K2 billion. If the said sum is raised the Company will have realised the means for growth and being competitive in the market.

Pursuant to Article 47 of the Company's Articles of Association and paragraphs 5.84 to 5.89 of the MSE Listings Requirements a resolution of the members is required to approve the issue of shares for cash to the IFC Parties who currently are not members of the Company. The members are also required to approve the price and discount, if any, at which the shares are to be issued for cash. Approval of the members is, therefore, sought in terms of the said provisions by way of special resolution.

The Directors recommend the resolution under item no.8 of the AGM Notice for approval of members.

None of the Directors of the Company is in any way personally concerned or interested in the resolution.

Item no.9

Further to the explanatory statement under item no.8 the Issue of Securities for Cash to the IFC Parties if approved will raise sums sufficient to enable the Company to meet the desired amount of further capital of approximately K2.0 billion and the Company will be well situated to achieve the desired growth and competitiveness in the market. The remainder of the desired capital needs to be raised through a Rights Issue to all of the Shareholders.

Article 47 of the Company's Articles of Association requires that an issue of new shares of the Company be offered in the first instance to existing shareholders unless the shareholders by ordinary resolution proportionate to their existing shareholding ("Pre-empting Rights") before the issue of the new shares make provision that the new shares be issued and allotted otherwise. However, when shares are offered to existing Shareholders the Shareholders are not bound to accept the offer. Others may accept only part of the offered shares. Dealing with the Shares not taken up during a Rights Issue in accordance with Pre-emption Rights can be cumbersome, expensive, and slow. The resolution in item no.9 seeks to empower the Directors to execute the Rights Issue in an efficient and orderly manner having first respected the Pre-emption Right of every Shareholder and thereafter deal with renunciations and application for splits and other attendant matters as expeditiously and efficiently as possible without being bound to consider Pre-emption Rights again.

The Directors recommend the resolution under item no.9 of the AGM Notice for approval of members.

None of the Directors of the Company is in any way personally concerned or interested in the resolution except to the extent that Directors holding shares in the Company will have their Pre-emption Rights treated the same way as the rest of the Shareholders and they will vote in favour of the resolution.



NBS Bank Limited
("the Company")

Company registered number 6614

FORM OF PROXY

(Article 77)

I/We of
..... (address), being a
member/members of the above-named company, hereby appoint
..... of or
failing him of
..... as my/our proxy to vote for me/us on
my/our behalf at the annual general meeting of the company, to be held on the 12th day of July,
2011, and at any adjournment thereof.

This form is to be used:-

in favour of / against*

The proposed resolution to adopt the report of the directors, the report the auditors and the annual financial statements of the Company for the year ended December 31, 2010. Resolution contained in item no. 1

in favour of / against*

The proposed resolution declaring a final dividend of 75tambala per share for the year ended December 31, Resolution contained in item no. 2

2010 as recommended by the directors.

in favour of / against*

The proposed resolution to reappoint KPMG as auditors of the Company for the ensuing year and to authorize the directors to fix the auditors' remuneration. Resolution contained in item no. 3

in favour of / against*

The proposed resolution to reelect Mr Joe Swankie and Ms Bernadette Mandoloma as directors of the Company. Resolution contained in item no. 4

in favour of / against*

The proposed resolution to fix the remuneration of the chairman and other directors. Resolution contained in item no. 5

in favour of / against*

The proposed resolution to increase the capital of the Company by K150,000,000 from K350,000,000 to K500,000,000 divided into one billion ordinary shares of 50 tambala each ranking pari pasu with the existing shares and amending clause 5 of the Company's Memorandum of Association accordingly. Resolution contained in item no. 6

in favour of / against*

The proposed resolution to waive preemption rights in favour of the IFC Parties. Resolution contained in item no. 7

in favour of / against*

The proposed resolution to issue shares for cash to the IFC Parties. Resolution contained in item no. 8

in favour of / against*

The proposed resolution for a rights issue to all Resolution contained in item no. 9

shareholders.

Unless otherwise instructed, the proxy will vote as he thinks fit.

Date signed:

*Strike out whichever is not desired.

A proxy need not be a member of the Company.

Please read the notes on the reverse side of this form of proxy.

{reverse side}

Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided. The person whose name stands first on this form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please strike out whichever is not desired between "in favour of" and "against" above each resolution to indicate how you wish your votes to be cast. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the member's votes exercisable thereat.
3. Forms of proxy must be lodged with or posted to the transfer secretaries, Financial Management Services National Bank of Malawi, Ground Floor, Corner Henderson Street, Victoria Avenue, Blantyre or PO Box 1438- Blantyre, Malawi so as to be received by no later than 6:00pm on 8th July 2011.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Any alteration or correction made to this form of proxy must be initialed by the signatory (ies).