MiBank
GROW WITH US

annual report 2017

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Front Cover: MiBank representation throughout Papua New Guinea with MiBank GROW WITH US representing Branches and A representing Agents

our vision

To be a commercially sustainable Bank that contributes to financial inclusion.

our mission

A trusted banking institution, with strong commercial focus, that delivers innovative and affordable financial services, to meet the needs of its customers.

our slogan

Grow with us


MiBankHaus
MiCash
POLICE & STATE SERVICES
SAVINGS AND LOANS SOCIETY LTD
MGI REGIONAL OFFICE


MiBank


MiLoan
MiBank


MiLoan
MiBank


Mifx
MiBank


Insurance
takes the worry out
of unexpected
financial burdens

chairman's report

The past two years has seen MiBank perform well despite tough economic conditions.

In challenging economic times, the Management and staff have proven that the significant increase in profit in 2016 was not an isolated occurrence. Despite the very positive results over the past two years, the Bank needs to remain vigilant in tackling loan arrears and maintaining credit quality in uncertain times.

Building on recent success, the Bank has been able to re-visit expansion of the network and towards the end of 2017 opened a new Branch in Kokopo, East New Britain. Earlier this year the Board witnessed its official opening by Central Bank Governor Loi Bakani. Having representation in East New Britain has been on the Board's agenda for some time now and the Directors are very pleased to see it become a reality.

MiBank now has 12 branches throughout Papua New Guinea and many more Agents that support our service delivery. MiBank uses technology to extend its outreach to the grassroots people and as a result has become a leader in PNG in Digital Financial Services. The benefits of having a Bank account on the mobile phone continue to be enjoyed by an ever growing customer base.

Our focus continues to be those Papua New Guineans at the bottom of the economic pyramid; farmers, low-income people from the informal sector, women, micro-entrepreneurs. These people make up some 85% of the population and MiBank's mission is to provide services they need.

We continue to work closely with the various multilateral agencies that have an interest in financial inclusion as part of their programs.

MiBank continues to diversify its product offering where it can adequately manage the risks and obtain a commercially sustainable return. The Bank is innovative and has a willingness to be involved in agriculture linked value chains. MiBank is currently working closely with the Market Development Facility and Asian Development Bank, in an endeavour to identify opportunities to support agri-business. I trust we will see the results of our joint efforts in early course.

The Board appreciates the support, guidance and advice we receive from the regulator, Bank of Papua New Guinea. It is worth noting that our Tier 1 capital, Total Capital and leverage ratios are well in advance of Bank of Papua New Guinea regulations.

In 2017 we saw James Gore and Robert Bradshaw depart the Board to take on new positions and we thank them for their past support and commitment whilst Directors. We have been very fortunate to welcome both Jason McIlvena and Paul Nindipa as Board replacements. Both Jason and Paul are CPA qualified and bring with them a wealth of experience in running small medium enterprises and dealing with the intricacies of doing business in PNG.

I join with my other Directors, Dame Carol Kidu, Lesieli Taviri, Jason McIlvena and Paul Nindipa in thanking our CEO Tony Westaway and his team for their efforts in 2017. In closing I wish to thank the many customers of MiBank for placing their trust in our growing institution.

Allan Marlin

Acting Chairman

March 2018


MiCash
AGENT HERE


The new way to bank in East New Britain
MiCash
The new way to bank
new way to bank


Need to improve your fishing business?
Please talk to our staff to apply for your fishing equipment loan!


Top up hia
MiCash
AGENT HERE


PORT MORESBY


MiBank
GROW WITH US
Explore Kokopo Market
The Pride of East New Britain Province
MiCash
The new way to bank in East New Britain
East New Britain Market Authority Rules
1. Do Not Litter (Tambu Lo Tromoi Pipia)
2. Do Not Chew Betelnut (Tambu Lo Kaikai Buai)
3. Do Not Smoke (Tambu Lo Simuk)
4. Do Not Consume Alcohol (Tambu Lo Sipak)
5. Do not Steal (Tambu Lo Stil)
6. Do Not Argue & Fight (Tambu Lo Kros Na Pait)
7. Do Not Walk On Lawn (Tambu Lo Wokabout Antap Lo Gras)
PENALTY | Minimum K20.00 | Maximum K50.00
MiBank proudly supports East New Britain Market Authority
Grow with us by Saving and Keeping Kokopo Market Clean


Islands Petroleum
CHARITY COLOUR RUN

chief executive officer report

MiBank achieved a record operating profit of nearly K1.2 million in 2017. This result is consistent with that of 2016 but is pleasing considering the prevailing economic conditions.

MiBank recorded a net operating profit before tax of K1,198,643 for the year ended 31 December 2017. Cash earnings amounted to in excess of K4.7 million. The solid result was underpinned by increased interest income, from a growing and diverse loan portfolio.

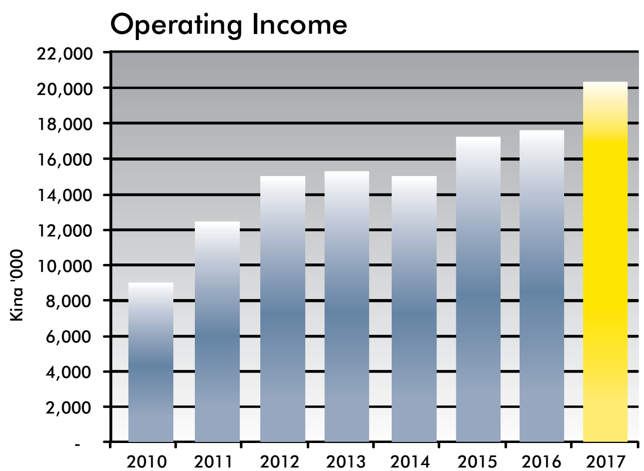
MiBank's capital adequacy continues to grow with Tier 1 capital adequacy ratio of 13% against the benchmark of 8%, and Total Risk Based capital ratio of 16% against the benchmark of 12%.

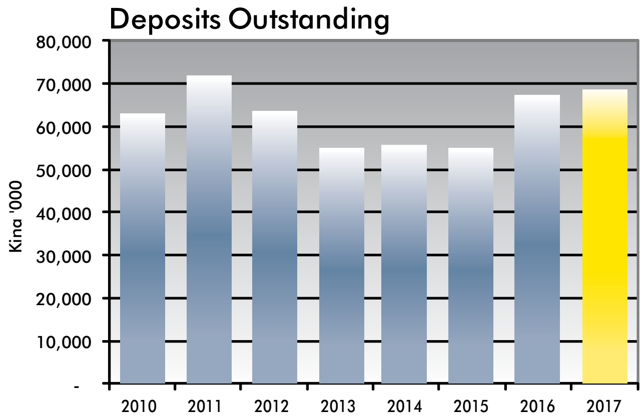
Key benchmarks include a gross loan portfolio of just over K54 million, deposits of nearly K70 million and total assets of K86 million.

The Loan book is continues to diversify, and we are enjoying loyal support from repeat customers. We continue to take a prudent approach to credit management with additional provisioning being raised in 2017. Our Portfolio at Risk (PAR) fell slightly from 7.8% in 2016 to 7.6% at year end.

We have maintained our focus on serving those low income people at the bottom of the economic pyramid and providing financial inclusion to the un-banked. Our customers receive a broad range of financial products and services including micro insurance provided in conjunction with our strategic partners BIMA and Capital Life Insurance Company, and a foreign currency payment service through our strategic alliance with Heduru Moni Limited.

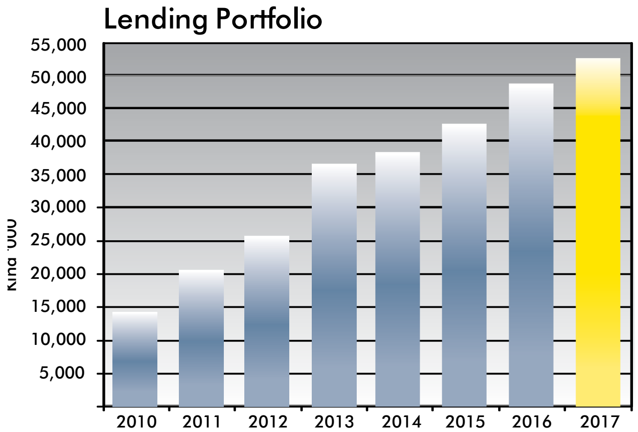
The interchange we enjoy with BSP, enables our clients to use their MiCards in BSP ATMs and Point of Sale (POS) terminals. Electronic banking transactions continue to grow in particular through POS. Meanwhile MiBank continues to promote the MiCash Mobile wallet as the core transaction product offering. It is through the wallet that MiBank is able to reach out to those remote customers in what is often called 'the last mile'. Transaction volumes through the mobile wallet continue to climb.





The value proposition of the mobile wallet continues to deepen. Apart from cash transactions there is opportunity to send money anywhere in PNG, pay bills, top up solar power, source micro insurance and more recently effect superannuation payments, through a new partnership with Nambawan Super Limited.

During 2017 a number of key initiatives were expanded upon to grow the use of the MiCash to enhance financial inclusion, create mobile money ecosystems and increase scale. We continue to work with the Market Development Facility (MDF) to explore opportunities in providing solutions for Agriculture-linked value chains. Our

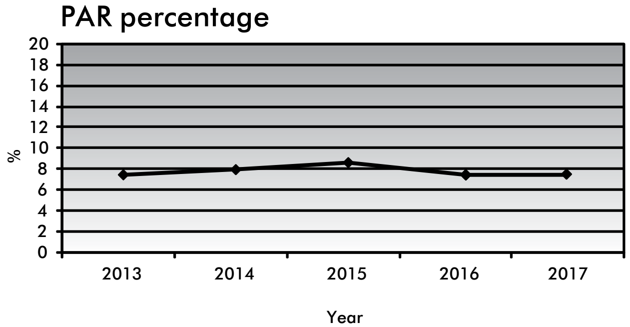


association with the Transport Sector Support Program (TSSP), a joint Australian and PNG government initiative, provides for people in Bougainville being paid for maintaining the road network via the MiCash Mobile wallet. We are also working with other stakeholders to improve value chains for Cocoa farmers, both in terms of payment systems and financing.

During 2017 our strong focus on providing financial education and financial services to empower women continued. The Financial Inclusion Unit delivered integrated financial literacy training programs in conjunction with MiBank's partners which include the United Church of Papua New Guinea (UCPNG), Niugini Strategic Services Limited (NSSL) of Morobe Province, and Australian Centre for International Agricultural Research (ACIAR). In addition during 2017 MiBank signed an MOU with the PNG Women's Chamber of Commerce & Industry to provide financial literacy training to its membership throughout PNG.

I am also excited by the Board's endorsement of the Gender Equity & Social Inclusion Policy (GESI). Cross cutting issues such as gender equity, disability, HIV/Aids, and the needs of other marginalised groups will be addressed in our workplace through the practice of mainstreaming during 2018.

MiBank is a key stakeholder in the Centre for Excellence in Financial Inclusion. We have participation at Board level, and through various working groups we have been a keen supporter in the development the second National Financial Inclusion Strategy.



In conclusion I would like to thank the management team and staff for their enthusiasm and commitment in 2017. I thank our customers for their ongoing support of MiBank, may they continue to grow with us.

Tony Westaway
Managing Director
March 2018

corporate governance

Corporate Governance is an important issue for MiBank The Board is committed to achieving the highest standards of Corporate Governance, and it exerts strong control on all aspects of compliance.

The Board sets the strategic direction for the Bank and meets quarterly or as required. Matters discussed include but are not limited to, the financial and social performance of the Bank, the achievement of objectives, and the management of risks.

In 2015 The Board together with senior members of the Executive Management team, finalised the Bank's Strategic Plan for the five years, between 2015 and 2019 (inclusive).

Board Composition

The Board has a maximum of seven members in terms of its constitution.

Directors retire each year and are eligible for re-election. The members of the Board seek to ensure that the Board maintains a blend of experience and skills appropriate to the Bank. Board attendance is detailed in table below.

Board Meetings	Attendance
Robert Bradshaw (resigned 13 September 2017)	1/2
James Gore (resigned 6 March 2017)	1/1
Dame Carol Kidu	3/4
Allan Marlin	4/4
Jason McIlvena (appointed 20 June 2017)	3/3
Paul Nindipa (appointed 26 October 2017)	1/1
Lesieli Taviri	2/4
Tony Westaway	4/4

Committees

The Board has established three committees whose functions and powers are governed by their respective charters. These Committees are the Appointments & Remuneration Committee, the Audit & Risk Committee, and the Credit Committee.

Committee members are chosen for the skills, experience and other qualities they bring to the Committee. Membership of these committees and a record of attendance at Committee meetings during the year is detailed in the table that follows.

Membership of Board Committees as at 31 December 2017

	Appointments & Remuneration	Audit & Risk	Credit
Robert Bradshaw	1/1	-	-
James Gore	-	1/1	-
Dame Carol Kidu	1/2	-	-
Allan Marlin	1/1	4/4	4/4
Jason McIlvena	1/1	2/2	2/2
Paul Nindipa	-	-	-
Lesieli Taviri	1/2	-	-
Tony Westaway	2/2	4/4	4/4

Risk Management

The Board accepts the responsibility for ensuring it has an appropriate risk management framework in place, and has a clear understanding of the types of risks inherent with the Bank's activities. These risks include but are not limited to, Credit Risk, Market Risk, Liquidity Risk, Interest Risk, and Operational Risk. The Board reviews the Risk Registers provided by Management, and has endorsed a Risk appetite statement and Risk tolerance limits.

The Executive Management through the Asset & Liability Committee (ALCO) monitors Market Risk, Interest Risk, and Liquidity Risk and reports through the Managing Director, to the Board. The Credit Risk is monitored by the Board Credit Committee and Operational Risk is monitored by the Board Audit & Risk Committee.

The Executive Committee (EXCO) which is chaired by the Managing Director comprises the senior management of the Bank. This Committee ensures compliance of all regulations and laws. It meets at least once per fortnight to review operations and make operational decisions.

The Internal Audit function of the Bank provides independent assurance that the design and operation of the risk and control framework across the Bank is effective. Its operations are guided by an Internal Audit Manual. The team reports direct to the Board's Audit & Risk Committee with a dotted reporting line to the Managing Director for administrative purposes. This ensures independence of the Internal Audit team.

board of directors

Mr Tony Westaway Chief Executive Officer

Tony Westaway has been associated with the banking industry in PNG for more than 25 years. Currently the Chief Executive Officer of MiBank; Tony is also a Director of the Centre of Excellence for Financial Inclusion, a Director and Honorary Fellow of the PNG Institute of Banking & Business Management, and a Fellow of the Financial Services Institute of Australasia. Tony holds an MBA from Torrens University Australia

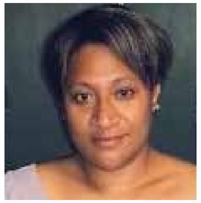
Dame Carol Kidu DBE Dr (Hons) Director

Dame Carol served three terms as a member of the PNG National Parliament. During her time in Parliament Dame Carol was a Minister, Leader of the Opposition, and Chair of a number of Parliamentary Committees. Dame Carol has received many awards recognising her commitment to improving the rights of marginalised groups such as the disabled, children, women, HIV positive people and indigenous minorities. Dame Carol currently provides consulting services and strategic advice in various aspects of community

Mr Allan Marlin Director

Allan Marlin is a seasoned career Banker and was previously in Papua New Guinea as Managing Director of ANZ. He also has extensive experience in emerging markets in Cambodia, China, Fiji, Laos, Timor Leste and Vietnam. Allan has a postgraduate MBA and is Chairman of the Credit Committee

Lesieli Taviri Director



Lesieli joined the Board in 2016 after being nominated by Shareholder MTSL as Trustee for the Pacific Balanced Fund. Lesieli is Country Manager for Origin Energy and is also Chairperson for the Business Coalition for Women. In 2014 Lesieli received the 2014 Westpac Outstanding Woman of the Year and in 2016 Lesieli graduated from the Advanced Management Program provided by Harvard University. Lesieli is also a non-executive Director of Nambawan Super Limited.

Jason Mcilvena Director

Jason Mcilvena is a Certified Practicing Accountant (CPA) and currently General Manager and Company Secretary for Kwila Insurance Corporation. Jason is a member of Australian and New Zealand Institute of Insurance and Finance(ANZIIF). He graduated from Deakin University with a Bachelor of Commerce majoring in Accounting, Law & Economics. Jason has had 27 years experience in the Asia -Pacific region including Laos, American Samoa , Fiji, New Zealand and Solomon Islands, across a range of diverse industries.

Paul Nindipa Director

Paul is a Partner with the firm NKA Chartered Accountants. A former President of the Badili Club and past Treasurer of Transparency International, Paul holds a number of Board positions including Comrade Trustee Services limited and National Roads Authority. Paul is also a Council member of CPA Papua New Guinea and also member of both the PNG Institute of Directors and the Australian Institute of Company Directors.

financial statements

FOR THE YEAR ENDED 31 DECEMBER 2017

directors' report

FOR THE YEAR ENDED 31ST DECEMBER 2017

The Directors of Nationwide Microbank Limited have the pleasure in presenting the annual report of the company for the year ended 31st December 2017.

ACTIVITIES

The principal activity was the provision of banking services including credit and savings to the general public of Papua New Guinea. During the year the company continued to expand its banking network within Papua New Guinea.

RESULTS

The profit for the year before taxation amounted to K1,198,643 (2016: K1,267,059).

DIVIDEND

No dividend was paid or declared during the year.

AUDITOR

The financial statements for the company have been audited by KPMG (PNG) and should be read in conjunction with the Independent Audit Report as set out on pages 10 and 11.

FURTHER DISCLOSURES

In compliance with Section 212(3) of the Companies Act 1997 the company has obtained consent from all of its shareholders not to disclose the matters required under Section 212(1)(a) and (d) to (j) of the Companies Act 1997.

Signed at Port Moresby

For and on behalf of the Board of Directors

This 27th day of March 2018

DIRECTOR

Carol A. Kidu

DIRECTOR

statement by the directors

FOR THE YEAR ENDED 31ST DECEMBER 2017

In the opinion of the Directors of NATIONWIDE MICROBANK LIMITED:-

1. (a) the statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the results of the business of the company for the year ended 31st December 2017,
   (b) the statement of financial position is drawn up so as to exhibit a true and fair view of the state of affairs of the company as at 31st December 2017,
   (c) the statement of cash flows is drawn up to exhibit a true and fair view of the movements in cash of the company for the year ended 31st December 2017,
   (d) the statement of changes in equity is drawn up to exhibit a true and fair view of the changes in equity for the financial year ended 31st December 2017,
   (e) at the date of this statement there are reasonable grounds to believe the company will be able to pay its debts as and when they fall due.
2. The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in Papua New Guinea and the Companies Act 1997 of Papua New Guinea.
3. The key risks facing the company are identified on a continuous ongoing basis. Systems have been established to monitor and manage risks including setting and adhering to a series of prudential limits and by adequate and regular reporting. These risk management systems are operating effectively and are adequate having regard to the risks they are designed to control.

Signed at Port Moresby

For and on behalf of the Board of Directors

This 27th day of March 2018

DIRECTOR

Carol A. Kidu

DIRECTOR

KPMG

To the shareholders of Nationwide Microbank Limited
Report on the Audit of the Financial Report

Opinion

We have audited the financial statements of the Company.

In our opinion the accompanying financial statements of the Company are in accordance with the Companies Act 1997, including

- giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the year ended on that date;
- complying with the International Financial Reporting Standards;
- proper accounting records have been kept by the Company as far as it appears from our examination of those records.

The financial statements comprise the:

- statement of financial position as at 31 December 2017;
- statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and
- notes including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the financial statements section of our report.

We are independent of the Company in accordance with the Companies Act 1997 and the relevant ethical requirements of CPA Papua New Guinea. We do not provide any other services to the Company. We have fulfilled our other ethical responsibilities in accordance with the ethical requirements of CPA Papua New Guinea.

We confirm that we have remained independent as required by the Companies Act 1997, during the time of our audit to the date of this Auditor's Report.

Other Information

Other Information is financial and non-financial information in the Company's annual reporting which is provided in addition to the financial statements and the Auditor's Report. This includes, the Company Information and Directors' Report. The Directors are responsible for the Other Information.

Our opinion on the financial statements does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Statements

The Directors are responsible for:

- preparing financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the Companies Act 1997;
- implementing necessary internal control to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related
- disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion proper books of account have been kept by the Company, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Companies Act 1997, in the manner so required.

KPMG
Chartered Accountants

Suzaan Theron
Partner

Registered under the Accountants Act 1996
Port Moresby

Date 28 March 2018

statement of financial position

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	2017 K '000	2016 K '000
Assets			
Cash and balances with central banks	7	11,997,791	16,134,844
Due from banks	7	9,149,127	9,263,339
Loans and advances to customers	8	54,035,108	49,782,110
Financial investments			
– Available for sale	9	5,000,000	5,300,000
– Held to maturity	9	-	517,172
Other assets	10	1,519,801	1,290,848
Property, plant and equipment	14	3,478,533	3,546,258
Deferred tax assets	6	1,172,544	2,187,202
Total assets		86,352,904	88,021,773
Liabilities			
Due to customers	12	69,048,997	69,028,690
Current tax liabilities	6	-	-
Other liabilities	11	5,934,842	7,565,288
Provisions	13	421,609	364,325
Total liabilities		75,405,448	76,958,303
Equity			
Issued capital	15	12,688,506	12,688,506
Reserves		-	300,000
Retained earnings		(1,741,050)	(1,925,036)
Total equity		10,947,456	11,063,470
Total Equity And Liabilities		86,352,904	88,021,773

The notes on pages 14 to 27 are an integral part of these financial statements.

Director
Date: 27th March 2018

Director
Date: 27th March 2018

For and on behalf of the board of directors

statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	2017 K '000	2016 K '000
Interest income		15,255,235	12,815,961
Interest expense		(1,313,453)	(957,034)
Net interest income		13,941,782	11,858,927
Fees and commission income		5,010,831	4,819,735
Investment revenue		1,362,724	965,048
Other operating income		198,766	84,726
Net operating income		20,514,103	17,728,436
Personnel expenses	5(a)	(7,442,955)	(6,645,34)
Operating expenses	5(b)	(10,816,485)	(8,855,020)
Depreciation of property and equipment	14	(1,056,020)	(961,014)
Profit before tax from operating income		1,198,643	1,267,059
Income tax expense	6	(1,014,658)	(361,708)
Profit for the year		183,985	905,351
Other comprehensive income			
Available-for-sale financial assets			
- Net fair value "gain/(loss)" during the year		(300,000)	200,000
Prior year adjustments		-	148,440
Total comprehensive (loss)/profit for the year net of tax		(116,015)	1,253,791

The notes on pages 14 to 27 are an integral part of these financial statements.

statement of changes in equity

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Share Capital K	Retained Earnings K	Other Reserves K	Total Equity K
Balance at 01 January 2016	11,018,506	(2,978,827)	100,000	8,139,679
Issue of share capital	1,670,000	-	-	1,670,000
Profit for the year	-	905,351	-	905,351
Other comprehensive income	-	-	200,000	200,000
Prior year adjustments	-	148,440	-	148,440
Balance at 31 December 2016	12,688,506	(1,925,036)	300,000	11,063,470
Issue of share capital	-	-	-	-
Profit for the year	-	183,985	-	183,985
Other comprehensive income	-	-	(300,000)	(300,000)
Balance at 31 December 2017	12,688,506	(1,741,050)	300,000	11,247,456

The notes on pages 14 to 27 are an integral part of these financial statements.

statement of cash flows

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	2017 K '000	2016 K '000
Cash flows from operating activities			
Profit before tax		1,198,420	1,267,058
Adjustments for:			
Depreciation of property, plant and equipment		1,056,020	961,014
Loss on sale of property, plant and equipment		20,161	17,000
Allowance for doubtful debts		1,400,000	1,100,000
Loan losses written off		-	96,788
Movements in working capital			
Increase in receivables		(228,953)	(303,314)
Increase in loans		(5,252,030)	(6,801,578)
(Increase)/decrease in payables		(1,630,446)	708,299
Increase in employee benefits		57,284	47,517
Increase in deposits		20,306	14,007,006
Net cash (used in) / provided by operating activities		(3,359,238)	11,099,790
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,409,198)	(2,399,275)
Proceeds from disposal of property, plant and equipment		-	40,000
Decrease in investments held at maturity		517,172	-
Net cash used in investing activities		(892,026)	(2,359,275)
Cash flows from financing activities			
Capital contribution		-	1,670,000
Net cash provided by financing activities		-	1,670,000
Net increase/(decrease) in cash and cash equivalents		(4,251,265)	10,410,515
Cash and cash equivalents at beginning of year		25,398,182	14,987,667
Cash and cash equivalents at end of year	7	**21,146,917**	**25,398,182**

The notes on pages 14 to 27 are an integral part of these financial statements.

1. GENERAL

Nationwide Microbank Limited (the "Bank" or "Company") is a company incorporated in Papua New Guinea. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activity of the Bank is to provide financial services to the unbanked people of Papua New Guinea.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Bank has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

The Bank has applied the amendments to IFRSs included in the Annual improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle for the first time in the current year. The application of these amendments has had no impact on the disclosures or amounts recognised in the Bank's financial statements.

2.2 New and revised IFRSs in issue but not yet effective

The Bank has not applied the following applicable new and revised IFRSs that have been issued but are not yet effective:

New or amended standards	Summary of the requirements	Possible impact on financial statements
IFRS 16 Leases	IFRS 16 Leases published in January 2016, replaces the existing guidance in IAS 17 Leases. IFRS 16 includes revised guidance on the accounting for both finance and operating leases.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.
IFRS 9 Financial Instruments	IFRS 9, published in July 2015, replaces the existing guidance in IAS 29 Financial Instruments: Recognition and measurements. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment in financial assets, and the new general hedge accounting requirements. It also carries forward the guidance in recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
IFRS 15 Revenue from Contract with Customers	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS15.impact of the Bank's financial statements as the Bank is not party to joint arrangements.

[1] Effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements are presented in accordance with the Papua New Guinea Companies Act 1997 and comply with applicable financial reporting standards to the extent IFRS complies with Bank of PNG prudential standards and other mandatory professional reporting requirements approved for use in Papua New Guinea.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period as, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the market approach, the cost approach or the income approach valuation techniques as appropriate. In estimating the fair value of an asset or liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date. The above approach to fair value measurement does not apply to leasing transactions within the scope of IAS 17 Leases or measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.3 Functional currency

The financial statements are presented in the Papua New Guinea currency, the Kina which is the Banks's functional currency.

3.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest and similar income and expense

For financial assets measured at amortised cost, the effective interest method (EIR) is used to measure the interest income or expense recognised in the statement of comprehensive income. Interest income is suspended when the collection of a loan becomes doubtful, such as when overdue by more than 90 days, or when the borrower or securities issuer defaults, if earlier than 90 days. Such income is excluded from interest income until received.

Fees and commission income and expense

Fees and Commissions are generally recognised on an accrual basis when the service has been provided. All fees relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest method. Lending fees not directly related to the origination of a loan are recognised in the period in which they are levied.

3.5 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 maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

3.6 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Depreciation is calculated on the straight line method so as to write off the net costs of the various classes of fixed assets during their effective useful lives. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The Bank's property, plant and equipment are carried at cost less accumulated depreciation and impairment. There has been no impairment recognised in the financial period. (2016: nil).

The depreciation rates in use are:

Furniture and fittings	20%
Motor vehicles	20%
Plant and equipment	20%
Leasehold improvements	20%

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the income statement in the year the asset is derecognised.

The residual values and useful lives of property, plant and equipment are reviewed at each financial year end.

3.7 Financial instruments

Financial assets and liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

Financial assets are classified into the following specified categories; financial assets 'at fair value through profit or loss' FVTPL, 'held-to-maturity investments, 'available-for-sale (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade basis. Regular way purchases or sales are purchased or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(ii) Effective interest method

The effective interest method (EIR) is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(iii) Financial assets at FVTPL

Financial assets at FVTPL are classified as at FVTPL when the financial asset is either held for trading or is designated as at FVTLP.

A financial asset is held for trading if it has been acquired principally for the purpose of selling it in the near term, or on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at their fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

(iv) Held-to-maturity Investments

Held-to-maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR less impairment.

(v) Loans and receivables

Loans and advances to customers include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, amounts due from loans and advances to customers are subsequently measured at amortised cost using the EIR, less allowance for impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

(vi) Available-for-sale financial assets

Available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions. The Bank has not designated any loans or receivables as available-for-sale.

Due to there not being an observable market for the Government Inscribed Stock, the bank has valued these instruments at recent comparable transaction prices.

(vii) Impairment of financial assets

Financial assets, other than those at FVPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the future cash flows of the investment have been affected.

Available for sale

For financial assets, other than AFS equity investments, objective evidence of impairment is could include;

- significant financial difficulty of the issuer/counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy of financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Loans

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

A provision is established if there is sufficient evidence as determined by management that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount.

Impaired loans are loans where income may no longer be accrued ahead of its receipt because reasonable doubt exists as to the collectability of principal and interest. This includes exposures where contractual payments are 90 or more consecutive days in arrears where security is insufficient to ensure repayment.

When a loan is uncollectible, it is written off against the related provision for loan impairment in the year in which the debt is recognised as being irrecoverable. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequently recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors crediting rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognised in the income statement.

Provisions for doubtful debts comprise a provision for identified doubtful debts and in line with Bank of Papua New Guinea prudential standards, to cover unidentified risks inherent in the overall loan portfolio which experience has indicated could emerge in the future. Provisioning is raised against the income account as and when appraisals of all outstanding advances determine that recovery is doubtful with subsequent favourable appraisals being re-credited to the income account. The provision is raised periodically through the year based upon average bad debts experience and growth in the overall level of loans and advances. Management undertakes this process on a monthly basis and the provisions are charged to income statement.

Interest calculated after accounts are considered doubtful is fully provided against. Bad debts are written off against the provision in the year in which the debt is recognised as being unrecoverable. Where not previously provided, bad debts are written off directly against the income account. Debts previously written off and subsequently recovered are written back to the income account in the year in which they are recovered.

(viii) Financial liabilities and equity instruments

Debt and equity instruments issued by the bank are classified as either liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The bank has not issued any equity instruments.

(ix) Financial liabilities

Other financial liabilities (including deposits and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(x) Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.8 Impairment of non-financial assets

The carrying amounts of non-financial 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 if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in income or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications 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.

3.9 Taxation

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

3.9 Taxation

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

The carrying amount of deferred tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

3.10 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Bank in respect of services provided by employees up to reporting date.

3.11 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Bank are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

3.12 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably. The expense relating to any provision is presented in the income statement net of any reimbursement.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make adjustments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described as follows:

(i) Allowance for Impairment on Loans and Advances

The Bank reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the Statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Fair Value Estimates

For financial instruments presented in the Bank's statement of financial position at historical cost, their cost equates to fair value as described below:

Cash and Balances with banks

These assets are short term in nature and the related carrying value is equivalent to their fair value.

Loans and Advances

For Loans and Advances, the carrying amount in the statement of financial position is considered a reasonable estimate of their fair value after making allowances for the fair value of non-accrual and potential problem loans.

Deposits from Customers and Other Liabilities

For Deposits from Customers and Other Liabilities, the carrying amounts in the statement of financial position are a reasonable estimate of their fair value.

(iii) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with tax planning strategies.

(iv) Impairment of Other financial assets

An impairment exists when carrying value of the asset exceeds its recoverable amount which is higher of fair value less costs to sell and its value in use. Management review impairment by using fair value based on the market quoted price of the investments at year end. Due to there not being an active observable market for the Government Inscribed Stock, the bank has valued these instruments at recent comparable transaction prices.

	2017 K '000	2016 K '000
5. Profit Before Taxation		
The profit before taxation is arrived at after charging and crediting the following		
(a) Personnel Expenses		
Salaries and wages	6,637,810	5,821,054
Directors fees	198,288	284,055
Staff training	177,352	243,932
Travel and accommodation	394,470	255,683
Other	35,035	40,619
	7,442,955	6,645,343
(b) Operating expenses		
Professional fees	763,821	159,159
Occupancy costs	2,625,651	2,450,090
Provision for credit losses	2,526,506	1,895,660
Insurance	235,480	241,548
Advertising and promotions	371,490	398,167
Repairs and maintenance	305,425	282,130
Office expenses	806,827	992,040
Recruitment	658	15,487
Other expenses	701,745	113,788
Security	530,054	522,913
Telephone and internet	1,508,736	1,299,431
Fees and registrations	377,306	429,893
Subscriptions	62,786	54,714
	10,816,485	8,855,020

	2017 K '000	2016 K '000
6. Income tax		
(a) Income tax recognised in profit or loss		
In respect of the current year	1,014,658	361,708
(b) Deferred tax		
In respect of the current year	1,014,658	361,708
Other	-	-
	1,014,658	361,708
Total income tax expense recognised in the current year relating to continuing operations	1,014,658	361,708

	2017 K '000	2016 K '000
6. Income tax *continued*		
(b) The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	1,198,420	1,267,059
Income tax expense calculated at 30% (2016:30%)	359,526	380,118
Tax effect – timing difference	655,132	(18,410)
Effect of expenses that are not deductible in determining taxable profit	-	-
Other	-	-
Income tax expense recognised in profit or loss	1,014,658	361,708

The tax rate used for the 2017 and 2016 reconciliations above is the corporate tax rate of 30% payable by corporate entities in Papua New Guinea on taxable profits under tax law in that jurisdiction.

	2017 K '000	2016 K '000
(c) Current tax liabilities		
Income tax payable	-	-
At 31 December 2017	-	-

(d) Deferred Tax Balances

The following is the analysis of deferred tax assets presented in the statement of financial position

	2017 K '000	2016 K '000
Deferred tax assets	1,172,544	2,187,202
Deferred tax balances are in relation to:		
Provision for impairment losses	283,086	401,044
Employee benefit provisions	421,609	161,871
Other provisions	163,230	19,845
Prepayments	163,509	177,976
Tax losses	141,110	1,426,466
	1,172,544	2,187,202

7. Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash and cash equivalents in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2017 K '000	2016 K '000
Cash on hand	997,791	956,121
Deposits with the Bank of PNG	11,000,000	15,178,722
	11,997,791	16,134,843
Cash at bank	8,636,544	8,755,541
Other short-term deposits	512,583	507,798
	9,149,127	9,263,339
	21,146,918	25,398,182

		2017 K '000	2016 K '000
8.	**Loans and advances to customers**		
	Loans to customers	57,215,122	51,953,575
	Less: Allowance for impairment losses	(3,180,014)	(2,171,465)
		54,035,108	49,782,110
	Impairment allowance for loans and advances to customers		
	A reconciliation of the allowance for impairment losses for loans and advances, by class, is as follows:		
	Balance at the beginning of the year	2,171,465	2,123,038
	Provisions for losses on loans	1,400,000	1,100,000
	Amounts written off	(1,517,957)	(1,847,234)
	Provisions for losses on accrued interest	1,126,506	795,660
	Balance at end of year	3,180,014	2,171,465
		54,035,108	49,782,110
9.	**Financial investments**		
	Held-to-maturity investments carried at amortised cost		
	- BPNG Inscribed stock, maturing 15 March 2017 (i)	-	517,172
	Available for sale carried at fair value		
	- BSP Capital notes, maturing 9 June 2019 (ii)	5,000,000	5,300,000
		5,000,000	5,817,172

i) The Bank held inscribed stock for 5 years at 8.2% per annum matured on 15 March 2017.

ii) The Bank holds 200 BSP Capital Notes at 11% per annum. None of these assets had been past due or impaired below face value at the end of the reporting date.

		2017 K '000	2016 K '000
10.	**Other assets**		
	Prepayments	163,509	202,383
	Rental deposits	298,967	275,750
	Interest withholding tax	273,594	273,594
	Interest receivable	125,751	281,683
	Staff advances	13,559	56,755
	Digicel Cellmoni Wallet	66,475	25,283
	Sundry debtors	577,946	175,400
		1,519,801	1,290,848

		2017 K '000	2016 K '000
11.	**Other liabilities**		
	Withholding tax payable	448,842	327,663
	Accrued interest	1,034,359	975,836
	Accrued expenses	278,663	599,864
	Sundry payables[2]	1,107,651	1,821,334
		2,869,515	3,724,697
	Funds guaranteed on behalf of others[1]	2,339,294	2,551,000
	Unallocated deposits	726,033	1,289,591
		5,934,842	7,565,288

[1]Funds guaranteed on behalf of others represent funds held as collateral for loans disbursed under arrangements with various statutory bodies and district councils. As at 31 December 2017, loans disbursed against these funds totalled K646,576.

[2]There is no interest charged on payables. The Bank has financial risk management policies in place to ensure that all payables are paid within pre-agreed credit terms.

		2017 K '000	2016 K '000
12.	**Customer Deposits**		
	Term deposits current	32,203,120	27,965,965
	Demand deposits	36,845,877	41,062,725
		69,048,997	69,028,690
13.	**Provisions for employees benefits**		
	Provision for annual leave	60,039	84,515
	Provision for long service leave	361,570	279,809
		421,609	364,324

The provision for employee benefits represents annual leave and vested long service leave entitlements accrued by employees. The increase in the carrying amount of the provision for the current year results from the change in the number of employees as well as regular increase in entitlements.

		2017 K '000	2016 K '000
14.	**Property, plant and equipment**		
	Carrying amounts of:		
	Furniture and fittings	182,474	114,536
	Motor vehicles	880,216	835,519
	Plant and equipment	1,586,484	1,478,340
	Leasehold improvement	738,007	656,394
	Capital work in progress	91,352	461,469
		3,478,533	3,546,258

14. Property, plant and equipment *continued...*

2017	Leasehold Improvements K	Furniture and fittings K	Motor vehicles K	Plant and Equipment K	Capital work in progress K	Total K
Cost						
At 1 January	2,603,840	431,846	1,798,366	4,916,728	461,469	10,212,249
Additions	302,961	116,710	425,290	564,237	-	1,409,198
Disposal	-	-	(254,482)	(21,450)	-	(275,932)
Transfers In/(Out)	-	-	-	-	(370,117)	(370,117)
At 31 December	2,906,801	548,556	1,969,174	5,459,515	91,352	10,975,398
Depreciation and impairment losses						
At 1 January	(1,947,446)	(317,310)	(962,847)	(3,438,388)	-	(6,665,991)
Charge for the year	(221,348)	(48,772)	(351,257)	(434,643)	-	(1,056,020)
Disposals	-	-	225,146	-	-	225,146
At 31 December	(2,168,794)	(366,082)	(1,088,958)	(3,873,031)	-	(7,496,865)
Carrying Amount	738,007	182,474	880,216	1,586,484	91,352	3,478,533

2016	Leasehold Improvements K	Furniture and fittings K	Motor vehicles K	Plant and Equipment K	Capital work in progress K	Total K
Cost						
At 1 January	2,547,595	353,096	1,633,523	3,552,683	719,302	8,806,199
Additions	56,245	78,750	204,843	1,364,045	698,140	2,402,023
Disposal	-	-	(40,000)	-	-	(40,000)
Transfers In/(Out)	-	-	-	-	(955,973)	(955,973)
At 31 December	2,603,840	431,846	1,798,366	4,916,728	461,469	10,212,249
Depreciation and impairment losses						
At 1 January	(1,753,545)	(279,272)	(684,476)	(3,003,017)	-	(5,720,310)
Charge for the year	(193,901)	(38,038)	(293,704)	(435,371)	-	(961,014)
Disposals	-	-	15,333	-	-	15,333
At 31 December	(1,947,446)	(317,310)	(962,847)	(3,438,388)	-	(6,665,991)
Carrying Amount	656,394	114,536	835,519	1,478,340	461,469	3,546,258

	2017 K '000	2016 K '000
15. Issued Capital		
Issued capital	12,688,506	12,688,506

Issued capital comprises 12,688,506 fully paid ordinary shares of K1.00 per share (2016: 12,688,506).

16. Statutory Compliance

In accordance with the requirements of the Banks and Financial Institutions Act 2000, the following information is disclosed with respect to Nationwide Microbank Limited.

	2017	2016
Core capital (K'000)	8,576	7,522
Supplementary capital (K'000)	2,026	1,267
Risk weighted assets (K'000)	66,224	60,496
Tier 1 capital adequacy ratio	13.00%	12,40%
Total capital adequacy ratio	16.00%	14.50%
Required tier 1 capital adequacy ratio minimum	8.00%	8.00%
Required total capital adequacy ratio minimum	12.00%	12.00%

17. Capital Management

The Bank is committed to the management of risk to achieve sustainability of service to its customers, employment of its staff and profits to its shareholders and therefore, takes on controlled amounts of risk when considered appropriate. The primary risks are those of credit, market and operational risk.

The Bank's risk management strategy is set by the Board of Directors through the following sub-committees:

- Credit Risk Committee (Credit risk);
- Board Audit and Committee (Operational risk);
- Implementation of risk management strategy and the day to day management of risk.

The Bank has separated risk initiation and monitoring tasks where feasible periodic reviews of risk management systems are undertaken by internal audit.

The following sections describe the risk management framework components.

Credit Risk

Credit risk is the potential risk for loss arising from failure of a debtor or counterparty to meet their contractual obligations. Credit risk principally arises within the Bank from its core business in providing lending facilities. The Bank is selective in targeting credit risk exposures and avoids exposures to any high risk area. The Bank has a comprehensive, clearly defined credit policy for the approval and management of all Bank risk. Given the nature of the bank's lending policies there are no significant individual exposures relative to the bank's capital base.

Lending standards and criteria are clearly defined into different business sectors for all Bank products. The Bank relies primarily on the integrity of the debtor or counterparty and their ability to meet the obligations to the Bank Credit risk is strongly monitored and reviewed, with regular independent inspections being undertaken.

Market Risk

Market risk is the potential for change in the value of on positions caused by a change in the value, volatility or relationship between market rates and prices.

Market risk arises from the mismatch between assets and liabilities, both on and off Balance Sheet exposed to diverse financial instruments and foreign currencies and transacts in physical instruments.

Market risk includes Liquidity, Funding, Price, Interest Rate risks, which are explained as follows: The bank does not have any off balance sheet positions

How Liquidity Risk is Managed

Management of Liquidity risk is designed to ensure that the Bank has the ability to meet financial obligations as they fall due.

The objectives of the Bank's funding and liquidity policies are to:

- ensure all financial obligations are met when due;
- provide adequate protection, even under crisis scenarios, at lowest cost; and
- achieve sustainable, lowest cost funding within the limitations of funding diversification requirements

How Funding Risk is Managed

Funding risk is the risk of over reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds.

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments of a specific type traded in the market.

How Interest Rate Risk is Managed

Interest rate risk is the potential for a change in interest rates to change net interest earnings, in the current reporting period and in future years. Interest rate risk arises from the structure and characteristic of the Bank's assets, liabilities and capital, and in the mismatch in repricing dates of its assets and liabilities. The objective is to manage the interest rate risk to achieve stable and sustainable net interest earnings in the long term.

Operational Risk

The Bank's operational risk management framework supports the achievement of the Bank's financial and business goals. Operational risk is defined as the risk of economic gain or loss resulting from:

- inadequate or failed internal processes and methodologies;
- people;
- systems; or
- external events.

A formal reporting structure and policy approved by the Board of Directors for the management of operational risk is in place. Under this policy, processes and practices for the identification, monitoring, measurement and day to day management of operational risks have been established.

A formal program is in place for reporting back to the Board Audit and Committee.

Internal Audit

The Bank maintains an independent Internal Audit function which is ultimately accountable to the Board of Directors through the Board Audit and Risk Committee. Operational audits of all areas of the Bank's operations are reviewed based on an assessment of risk.

The Board Audit and Risk Committee meet on a regular basis to consider the Bank's financial reporting, internal control and corporate governance issues. It reviews the annual Financial Statements, the activities of the internal and external auditors and monitors the relationship between management and the external auditors.

Capital Management

The Bank's objectives when managing capital are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operates;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

	2017 K '000	2016 K '000
18. Financial Instruments		
18.1 Categories of financial instruments		
Financial assets		
Cash and bank balances	21,146,918	25,398,183
Held-to-maturity investments	-	517,172
Loans and receivables	54,035,108	49,782,110
Available-for-sale financial assets	5,000,000	5,300,000
Financial liabilities		
Deposits Held	69,048,997	69,028,690
Payables	5,934,842	7,565,288

18.2 Maturity analysis of monetary assets and liabilities

The following table details the Bank's expected maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

	Weighted average effective interest rate	Less than 12 months K	1-2 years K	2+ years K	Total K
Cash on hand and at bank	1.75%	21,146,918	-	-	21,146,918
Loans and advances	22%	16,352,003	11,213,433	26,469,672	54,035,108
Investments	5.7%	-	-	5,000,000	5,000,000
Receivables		1,519,801	-	-	1,519,801
Total Monetary Assets		39,018,722	11,213,433	31,469,672	81,701,827
Deposits Held	1.5%	69,048,997	-	-	69,048,997
Payables		5,934,842	-	-	5,934,842
Total Monetary Liabilities		74,983,839	-	-	74,983,839

	2017 K '000	2016 K '000
19. Related parties		
19.1 Loans to related parties	928,481	824,806

The bank has provided several of its key management personnel with short-term loans at rates comparable to the average commercial rate of interest.
The loans to key management personnel are not secured.

	2017 K '000	2016 K '000
19. Related parties		
19.2 Compensation of key management personnel		
The remuneration of directors and other members of key management personnel during the year was as follows:		
Short-term benefits	2,535,635	3,151,595
Other long-term benefits	-	-
	2,535,635	3,151,595

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

20. Operating lease arrangements

20.1 Leasing arrangements

Operating leases relate to property with lease terms between 5 and 10 years. All operating leases over 5 years contain clauses for 5 yearly market reviews. The Bank does not have an option to purchase leased buildings at the expiry of the lease.

	2017 K '000	2016 K '000
20.2 Payments recognised as an expense		
Minimum lease payments	2,625,651	2,450,090
Contingent rentals	-	
All leases are for all 12 branches including the Head Office		

21. Contingent liabilities

At the date of this report, the directors were not aware of any contingent liabilities which would materially affect these financial statements.

22. Commitments

At the date of this report, there are no capital commitments.

23. Events after the reporting period

The directors are of the opinion that there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Bank, the results of the operations, or the state of affairs of the Bank in subsequent financial years.

24. Contingent liabilities

The financial statements have been authorised for issue by the Board of Directors on 27th of March 2018.

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