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ANNUAL REPORT 2009

Nationwide Microbank Annual Report 2009





Our Vision

To be the paramount microfinance institution in Papua New Guinea and the Pacific Region.

Our Mission

To ensure that the people of Papua New Guinea at large have access to relevant and affordable financial services.

Our Slogan

Grow with us

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A survey carried out by the BBC World Service recently covering 23 countries revealed that the most serious problem faced by the world today is 'poverty'. All other problems such as terrorism and global warming are considered to be of lesser importance. According to the UN, 25,000 people die every day of hunger or hunger related causes. Considering the seriousness of the problem the UN placed reduction of poverty as its first goal of the 8 millennium goals that it introduced in 2005. The millennium goal is to reduce poverty by half by 2015. The most common method of measuring poverty is based on level of income required to maintain a certain standard of living. This minimum level of income is referred to as the 'Poverty Line'. The World Bank defines the poverty line as USD 1.25 per day. The people who live below the poverty line, often lack food & shelter, education and health, deprivations that keep them from leading the life that every one values. According to World Bank estimates, 1.4 billion people in the developing world lived below the poverty line in 2005. East Asia and Pacific region to which PNG belongs, accounts for 23.2% of the total poor. Many Governments and multilateral development agencies adopted various approaches to tackle the problem of poverty without much success since early 1900s. The World Development Report of 1990 suggested 3 ways of tackling poverty. These are 1) Promoting Opportunities 2) Facilitating Empowerment and 3) Enhancing Security against economic shocks, natural disasters, ill health and disability. It is universally accepted that only microfinance can provide these to poor people. As such world attention was directed towards the development of microfinance which is considered to be a very powerful tool that can be used to reduce poverty.

The situation with regard to poverty in PNG was no different to other countries in the developing world in the Pacific Region. From early 1960s the Government of PNG made several serious attempts to promote microfinance as a tool to reduce poverty. The studies carried out by various parties revealed that government-mandated and NGO supported microfinance programs had failed to achieve expected results as most of the microfinance programs introduced by independent MFIs, NGOs and Government bodies were not sustainable. The Government and other stakeholders were looking for a sustainable solution to tackle poverty.

The PNG answer to the problem of poverty was the launching of the PNG-ADB Microfinance and Employment Project aimed at promoting microfinance. The Project was initiated based on a study carried out by the Asian Development Bank (ADB) in 2000 with the intention of providing financial assistance to support poverty alleviation of the Country. The study revealed that approximately 31 % of the population lived below the poverty line of USD1.25 per day. The poverty co-existed with wealth. The richest

10% of the population accounted for 36 % of consumption whereas 50% accounted for just 20 %. The incidence of poverty in PNG was directly linked to the inability of households to earn a cash income to pay for school fees, health care, and other non-food items, and save for future needs. The formal sector in the economy can only provide a limited number of jobs. Income-earning opportunities for the majority of the population had to come from smallholder agriculture, and micro and small enterprises. However, the study found that the major barrier to the growth of this sector was the limited provision and restricted access to financial services. The studies contended that the growth in this sector would create more jobs and increase the living standards of poor people and that this would only be achieved by improving the access to financial services mainly through the Micro Finance Institutions (MFIs)

In recent years, micro-finance has proven to be an effective and popular measure in the ongoing struggle against poverty. MFIs, involved in providing financial services to the poor have succeeded in achieving two major development goals: reaching a large number of poor people and effecting cost recovery (sustainability). Impact studies conducted on several microfinance programs have proved that these programs had helped borrowers to overcome poverty, children to become healthier, education, housing conditions and nutrition levels to be higher, child mortality to decline, the status of women to be enhanced and ownership of assets by poor women, including housing, to be dramatically improved. But in the context of PNG, sustainable microfinance services were still limited. PNG's financial system displayed a significant institutional gap, leaving micro and small enterprises, semi subsistence farmers, and poor households without any financial services. Even the few Institutions that were there to provide financial assistance to this sector were experiencing difficulties in achieving sustainability and maintaining continuity.

Based on the recommendations of the ADB report and with the intension of alleviating poverty, in 2002 the Government of PNG and ADB initiated the PNG-ADB Microfinance and Employment Project to address the financial needs of micro and small enterprises, semi subsistence farmers, and poor households who were without any financial services from the formal banking system. As a major component of the Project, a micro banking piloting was started in 2004 at Wau under the name of Wau Microbank with a 'Certificate of Exemption' from the Bank of PNG (BPNG).

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KEY PERFORMANCE INDICATORS

Savings

	2004	2005	2006	2007	2008	2009
New Accounts Opened	1,046	3,991	8,827	12,360	25,349	40,061
Cumulative No. of Savers	935	4,778	13,157	24,680	49,571	87,869
Deposits (K000)	307	2,562	6,315	14,424	28,670	51,935
Average per Account (K)	329	536	480	585	578	591

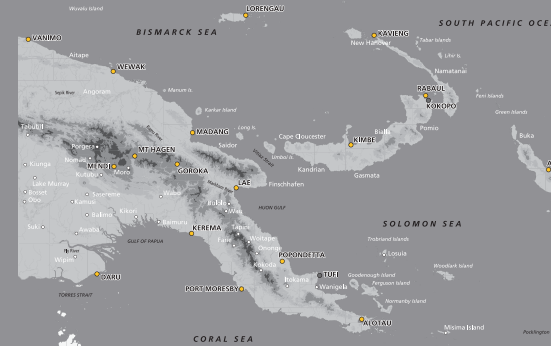
Lending

Number of Loans	39	1,179	2,360	5,110	15,058	26,705
No. of Borrowers	28	701	1,198	2,783	3,764	4,974
Total Outstanding (K 000)	12	762	1,695	3,697	11,132	15,821
Average Loan per Borrower (K)	426	1,088	1,415	1,334	2,844	3,119

Financial

Gross Income (K000)	38	423	1,021	1,910	4,846	9,086
Profit Before Tax (K000)	(414)	(62)	298	52	100	636
Total Assets (K000)	1,608	4,030	7,846	25,622	39,985	61,600
Total Equity (K000)	811	1,133	1,431	6,380	8,445	9,022

PAPUA NEW GUINEA-SOCIO ECONOMIC INFORMATION



Papua New Guinea (PNG) is located just south of equator and is 160 km north of Australia. With a total landmass of around 462,840 sq.km (178,704 sq mi), PNG is the fifty-fourth largest Country in the world. The Country encompasses the eastern part of New Guinea Island, the second largest island in the world, plus some 600 other small islands, atolls and coral reefs. The Country's geography is diverse and, in places, extremely rugged. A spine of mountains, the New Guinea Highlands runs the length of the island forming a populous Highland Region mostly covered with tropical rainforest. Dense rainforest can be found in the lowland and coastal areas as well as very large wetland areas surrounding the Sepik and Fly Rivers. This terrain has made it difficult for the Country to develop transportation infrastructure. In some areas, airplanes are the only mode of transport. The highest peak is Mount Wilhelm at 4,509 meters (14,793 ft). There are a number of active volcanoes and eruptions are frequent. Earthquakes are relatively common, sometimes accompanied by tsunamis. The mainland of the Country is the eastern half of New Guinea Island, where the largest towns are also located, including the Capital Port Moresby and the industrial city of Lae. The other major islands within Papua New Guinea include New Ireland, New Britain, Manus and Bougainville.

PNG has a population of about 6.5 million and is one of the most heterogeneous nations in the world. There are hundreds of ethnic groups indigenous to PNG, the majority being from the group known as "Papuan" whose ancestors arrived in the New Guinea region tens of thousands of years ago. The others are Austronesians, their ancestors having arrived in the region less than four thousand years ago. There are also numerous people from other parts of the world now resident, including Europeans, Chinese, Australians, Philipinos, Polynesians and Micronesians. With over 820 indigenous languages, PNG has more languages than any other Nation, representing twelve percent of the total world's indigenous languages. There are three official languages, English being the language of government and education. The most commonly spoken language throughout the Country is Tok Pisin. The only area where Tok Pisin is not prevalent is in the southern region of Papua, where people more often use the third official language, Hiri Motu. It is estimated that more than a thousand different cultural groups exist in

Papua New Guinea and because of this diversity, many styles of cultural expression have emerged; each group has created its own expressive forms in art, dance, weaponry, costumes, singing, music and architecture. Most of these different cultural groups have their own language.

PNG is a member of the Commonwealth of Nations and Queen Elizabeth is the Head of State, represented by a Governor General. The Country has a multi party democratic system of government. PNG is divided into 20 Provinces including the Autonomous Region of Bougainville and the National Capital District.

Papua New Guinea is richly endowed with natural resources, but exploration has been hampered by rugged terrain, the high cost of developing infrastructure, serious law and order problems, and the system of land title which makes identifying the owners of land for the purpose of negotiating appropriate agreements problematic. Agriculture provides a subsistence livelihood for 85% of the population. Mineral deposits, including oil, copper, and gold, account for 72% of export earnings. The Country also has an economically important and notable coffee industry. During the 1990s and early 2000s the economy experienced many problems and economic growth had been negative or very marginal. In March 2006 the United Nations Committee for Development Policy called for Papua New Guinea's designation of a 'developing Country' to be downgraded to 'least-developed Country' because of protracted economic and social stagnation. However, an evaluation by the International Monetary Fund (IMF) in late 2008 found that "a combination of prudent fiscal and monetary policies, and high global prices for mineral commodity exports, have underpinned Papua New Guinea's recent buoyant economic growth and macroeconomic stability. Real GDP growth, at over 6% in 2007, was broad-based and is expected to continue to be strong in 2008.

Based on 2008 estimates the total GDP (Purchasing Power Parity-PPP) was USD 13.064 billion while total GDP (Nominal) was USD 8.092 billion. The Per Capita GDP (PPP) was USD 2,108 while Per Capita GDP (Nominal) was USD 1,308. PNG follows a floating exchange rate regime and at end of 2009 the Papua New Guinean Kina was worth approximately USD 0.35.

Bank only achieved 13 Branches with a total outreach of around 88,000 clients. We were to set up 6 new Branches and add 83,000 new clients in 2009. However, we were able to set up only 4 Branches in 2009 and add only 40,000 clients. As mentioned in my review in the 2008 Annual Report the Microbank continues to face numerous difficulties and constraints as in the past in its efforts to expand the outreach. Some of these being:

- Limitations in infrastructure facilities such as
 - Adequate, reliable telecom facilities in rural areas.
 - Transport from Province to Province and also within Provinces
 - Buildings for Branches and housing for Branch Managers and staff Public Utilities
- Non-availability of information on borrowers (A Credit Information Bureau has however now been established.)
- Skilled manpower especially in Branch management and lending
- The adverse law and order situation in most areas.

These difficulties and constraints have impacted upon the expansion of the Branch network and the extension of geographical coverage of the established Branches. Without these constraints, NMB would probably have had at least 17 Branches and double the outreach at the end of 2009.

I am happy to note that the Bank has achieved a total operational income of K9.1 m in 2009 recording growth of 88% over the previous year, and a net operating profit of K577,000 (after writing-off K 423,000 on account of internal frauds.) The growth in total operational income over the previous year was 88% while the net operating profit has grown by around 162%. It is sad to note every year the Bank loses substantial amount of money due to internal frauds. The amount lost due to internal frauds in 2009 was around K 423,000 while NMB had lost K126,000 in 2008 due to internal frauds.

It is heartening to note that the macro economic conditions in PNG are improving due to the prudent economic policies followed by authorities and also due to the ending of economic down turned experienced by the countries in the developing world originated from the sub-prime mortgage crisis in USA. NMB will therefore have better opportunities in the coming years to improve its performance.

Strategic direction and guidance provided by the Board of Directors and high level of commitment demonstrated by the staff greatly helped the management to achieve excellent operational results in 2009. I thank all staff for their valuable contributions in 2009 and look forward to their continuous support in 2010.

Lionel Somaratne
Chief Executive Officer



First Bank Branch in Wau

The initial objective of the pilot project was to demonstrate that microfinance can be provided on a sustainable basis in a very difficult environment. The pilot scheme proved to be a success and it was decided to expand the operations of the Microbank on a commercial basis. In February 2007 a limited liability company was created under the name of WMB Limited to take over the business of Wau Microbank and the assets and liabilities of Wau Microbank were transferred. Up to June 2008 the Microbank carried out its banking business under a limited license from BPNG and during this period 5 new Branches were opened in Lae, Kainantu, Wewak, Bulolo and Madang. In June 2008 BPNG granted a full license and at that time the name WMB Limited was changed to Nationwide Microbank

Limited (NMB) in order to create a national image for the Microbank. Today the NMB is a financial institution licensed and regulated by BPNG dedicated to providing relevant and affordable financial services to micro and small entrepreneurs and the general public of PNG on a sustainable basis.

Currently NMB is in 10 Provinces operating 13 Branches in Wau, Lae, Kainantu, Wewak, Bulolo, Madang, Port Moresby, Lihir, Mt Hagen, Finschhafen, Kundiawa, Kimbe and Buka. The Branch network will be extended to other Provinces during the next 2-3 years increasing the number of Branches approximately 20, whilst at the same time the concept of Branchless banking will be employed.



I'm pleased to report that in 2009 - its sixth year of operation - Nationwide Microbank has had another successful year, recording a profit of K636,000, opening four additional Branches and registering a client base of 88,000. This means that during 2009, NMB has extended financial services to an additional 38,000 people throughout PNG. It is also satisfying that with the opening of Branches in Kundiawa, Buka and Kimbe, Nationwide now has a presence in Simbu, the Autonomous Region of Bougainville and West New Britain. Furthermore, with the assistance of local Member of Parliament, the Hon. Theodore Zurenuoc, we are now providing financial services to the people of Finschhafen, thereby making the District a little less remote.

However we still have a very long way to go to achieve our mission but with sustainability and outreach being the two key objectives, success will be built upon success.

The implementation of a new management information system (MIS) has proved more difficult - and taken longer - than expected but, by the end of 2009, all but four Branches were using the new system and data migration to the remaining Branches was scheduled for early 2010. Once this system is 100% operational, not only will internal controls be vastly improved but a whole range of new services will become available to existing clients and potential clients who do not currently have the benefits of banking and financial services. The new MIS is the key to providing mobile phone banking, branchless banking and access by fingerprint identification to cash dispensers at remote agencies throughout PNG. The Board and Management will be working towards these innovations in 2010.

It is unfortunate though that progress in delivering services to more and more people throughout Papua New Guinea is continually hindered by some of our people who put self-greed above national development. This is reflected in several of the statistics provided in this Report.

The Report shows that the Bank has had to write-off K423,000 in 2009 to cover losses created by fraudulent practice - people stealing to satisfy their own selfish needs. These are funds that could have been used to provide more loans to deserving Papua New Guineans to

help develop their business ideas and their communities. The Report also shows a high level of loan delinquency - people who are not meeting the promises and commitment to repay the money that they have borrowed. There is an unfortunate culture with some people in PNG that they believe that they can borrow money without having to repay it. This once again disadvantages the genuine people that need loans and who are prepared to repay in accordance with the agreed terms. We must make every effort to change the culture of those people who think that a loan is a hand-out that doesn't have to be re-paid.

It is pleasing to note that as more and more of these delinquent debtors find their names recorded on the PNG Credit and Data Bureau's database that Nationwide subscribes to, they will find it increasingly difficult to obtain any further loans from any other bank or financial institution until they have fully paid past debts.

Technology in the form of the new MIS will also help us to overcome these problems but the more we can convince people to believe in and work for the common good, rather than their own selfish gain, the faster will we be able to provide access to financial services and thereby the reduction of poverty throughout Papua New Guinea.

Nationwide has achieved much during its six years of operation and this has been due to good governance and good team play. In this regard I would like to register my sincere appreciation for the dedication of CEO Lionel Somaratne, all members of management and all staff for their devotion to developing Nationwide Microbank.

My thanks also to fellow Directors Douglas Anayabere, Anthony Smare, Brian Komun and Tony Westaway, for their united contribution and commitment towards the achievement of our mission to bring effective and affordable financial services to all people throughout Papua New Guinea.

'Grow with us'.

Ray Clark,
Chairman



Introduction

This is the second of the formal Annual Reports that we have produced. 2009 had been a more successful year than previous years as we were reaping the benefits of the ambitious expansion program that was implemented in 2008. In 2009 we were able to sustain and maintain the growth momentum experienced in 2008 and we consider 2009 as a year of consolidation.

The creation of NMB in 2004 through the PNG-ADB Microfinance Project bridged to a certain extent an institutional gap that prevailed at that time. NMB today plays an important role in the financial sector in PNG providing access to financial services mainly for the unbanked rural people.

PNG has a total population of around 6.5 million people and it is estimated that around 60% of the adult population is bankable. Based on these estimates the size of the market is around 2.4 million people. According to a report by UN, only 8% of the people in PNG have access to finance from the formal financial sector. The financial sector consists of 4 commercial banks, 11 finance companies, 7 superannuation funds, 6 life insurance companies, 20 savings and loans societies (S&Ls), 2 licenced microfinance institutions (MFIs) and a number of small unregistered MFIs. It is estimated that around 500,000 people are clients of the 4 commercial banks. The balance of 1.9 million people forms the existing or potential market for S&Ls and MFIs. These figures clearly indicate that there is a huge market for MFIs and S&Ls.

The Bank of PNG (BPNG) that monitors and regulates banks and other financial institutions has followed a tight monetary policy during 2009. The inflation rate which was around 13.5% in the September Quarter of 2008 has declined to 5.3% in the September quarter of 2009 due to the tight monetary policy followed by BPNG. The rate of inflation slightly increased to 5.7% in the December quarter of 2009. The global recession that began in 2007 as a result of the sub-prime mortgage crisis in USA adversely impacted on PNG economy due to reduced export earnings. The reduced export income resulted in

a current account deficit and also in slightly depreciating the Kina. The end result of this was the slowing down of the economic activity and the inflation. Based on these developments BPNG forecasts a real GDP growth to be around 5% and inflation rate to be around 6.5% for 2009. The slowing down of the economic activity adversely affected the income level of some borrowers of NMB. This resulted in increasing the PAR ratio during 2009 over the previous year.

Being a MFI funded by shareholders who expect a return on their investment, the Microbank has adopted a 'double bottom line' approach to managing its performance. The 'double bottom line' approach recognizes the responsibility that NMB has towards the society it serves and also the need to maintain the profitability and the financial viability of the institution. Clearly there is a fine balance between these two objectives that need to be developed and tracked and therefore NMB focuses on two key concepts when providing its services: - **sustainability** and **'outreach'**.

NMB achieved Operational Self Sufficiency (OSS) in 2006 and has been able to maintain this in 2007, 2008 and 2009. The OSS ratio for 2009 was 109%. NMB also achieved its Financial Self Sufficiency (FSS) which has been maintained in 2007, 2008, and 2009. The challenge before us is to maintain the sustainability whilst meeting our social obligations. The main problem faced by NMB in maintaining the sustainability is the high transaction cost. The high transaction cost is due to the small size of both deposit and lending transactions. NMB today serves approximately 88,000 clients. The average savings balance per deposit in 2009 was K591 whilst the average loan size on loans disbursed in 2009 was K709. The Microbank does not charge a fee for maintaining accounts as do the commercial banks. The maintenance of a large number of savings accounts with small balances without charging a service fee produces a very high administrative cost. Another reason for high transaction cost is the high cost of maintaining Branches due to high operational expenses such as security, transport, communications and property rents. The Bank spent around 10 % of its operational income on communication alone.

The other key concept that management follows in managing the operations of the Microbank is the 'Outreach'. The Bank endeavors to provide services to a large number of people living in all the Provinces. Up to now it covers 9 Provinces and provides services to around 88,000 clients. In terms of outreach NMB has the highest outreach among MFIs and the second highest among banks and other FIs. NMB is the largest MFI in the Pacific Region.

In accordance with the Business Plan 2008-2010 approved by the Board of Directors, NMB was to have 17 Branches at end of 2009 with a total outreach of 158,000 customers. However due to numerous difficulties encountered, the

Lending Performance

Lending is another major service provided by NMB to its customers. There are four different loan products designed for four different market segments. The different market segments are individual depositors (Fully Cash Backed), salary earners, micro enterprises and small to medium sized enterprises (SMEs). At the beginning of the year, there was a total lending portfolio of K 11.1m which grew by K16.3m during the year. The growth in the portfolio was 47%. The growth was slower than 2008 during which year the lending portfolio had grown by almost 200%. The slower growth rate in 2009 was mainly due to the curtailing of lending by some Branches where the quality of the lending portfolio was declining. These Branches were instructed to concentrate on recoveries.

26,705 loans were dispersed during 2009 increasing the number of loans disbursed from the Bank's inception to 50,451 of which 4,974 loans were outstanding at the end of 2009. NMB employs 28 Micro Finance Officers (MFOs) attached to 13 Branches and the average portfolio handled by each MFO was around K570,000 through approximately 177 loans per MFO. The average size of a loan disbursed in 2009 was K709. The trend in lending by the Microbank since its inception is shown in the following table and the graph.

INDICATORS	2004	2005	2006	2007	2008	2009	to date
1. No. of loans disbursed	39	1,179	2,360	5,110	15,058	26,705	50,451
2. value of loans dbursed (K000)	27	1,540	3,349	6,9543	1,7103	18,940	98,304
3. Average loan size/ Borrower (K)	691	1,227	1,394	1,361	2,082	709	950
4. Ave loans disbursed / MFO	9	146	142	386	1,120	1064	595
5. Number of Borrowers OS (K)	28	701	1,198	2,783	3,764	4,974	4,974
6. Total Loans Outstanding (K000)	12	762	1,695	3,697	11,132	16,286	16,286
7. Average Loan OS /borrower(K)	426	1,088	1,415	1,334	2,844	3,234	3,234
8. Ave Loan portfolio Per MFO(K)	3,974	254,144	211,916	206,215	382,327	651,000	651,000
9. No. of MFOs	3	3	8	18	28	25	25

Strategy

NMB has always operated to an agreed Business Plan. Before the Bank was established, a 5-year Business Plan was developed for the period 2004 – 2008. The initial operations of the Bank were carried out under this plan. Since there was a change in the institutional structure and also due to the changes in the divestment plan, NMB adopted another business plan in 2006 for the period 2006-2009. Operations of NMB for years 2006 and 2007 were carried in accordance with this Business Plan. Towards the end of 2007 and early 2008 the need for a new Business plan was felt as the Board of Directors of the Bank decided to launch a rapid and ambitious expansion program.

A team consisting of the CEO of NMB and Two consultants from PNG-ADB Microfinance Project developed a three year strategy for the Microbank covering the period 2008-2010. This Plan was approved by the Board of Directors and was implemented in 2008 and 2009. During the three-year period the Microbank was to have completed its transformation to a fully sustainable commercially oriented microbank specializing in providing banking facilities to the general public in PNG including self-employed people, wage/salary earners, micro and small to medium sized enterprises. All these segments of the potential market were to be served with demand-driven credit, savings and other financial products such as fund transfers and remittances.

The expansion strategy followed by NMB during the year 2009 consisted of two components. The first component was horizontal expansion by way of increasing geographical coverage and this was the primary source of increased business. NMB established 4 Branches during 2009 increasing the number of Branches to 13 and geographical coverage from 7 Provinces to 10 Provinces. The other component of the expansion strategy was vertical expansion. Under this strategy NMB broadened its product mix by introducing new banking products and also by up-scaling the market segment moving into the SME sector.

A vital component of the strategy adopted in 2009 was the introduction of a 'state of the art' IT system known as BRmfo to replace Loan Performer (LPF). All of the new Branches opened in 2009 started with the new system and the 9 Branches which were operating with LPF were migrated to the new system gradually during 2009. Unfortunately due to problems with the data migration, at end of 2009 the new system was still to be installed in 4 Branches. It is envisaged that by the end of May 2010 all Branches will be operating with the new system. Under the new IT system all Branches will be connected to Head Office on-line on 'real time' basis. Once the implementation of the new IT system is completed, NMB will be able to provide a speedy and more efficient service to its customers.

The Bank is in the process of revising its current Business Plan and the new Business Plan will cover the five year period 2010-2014. Under the new Business Plan it is proposed to increase the number of Branches to 23 and the client base to 346,000.

Most of the financial institutions in developing countries experience difficulties in establishing Branches in remote rural areas due to poor infrastructure facilities and the excessive initial investment required to establish 'bricks and mortar' points of sales or Branches. To overcome these problems, financial institutions in many developing Countries where infrastructure facilities are poor, have resorted to 'Branchless Banking' (BB). NMB is actively pursuing the BB approach by using mobile phones and point-of-sale terminals.

Financial Performance

The financial results achieved by NMB during the year 2009 are analyzed in detail elsewhere in this Report. The results achieved during the year demonstrate strong sustainability and profitability even though the newly opened Branches in 2009 are yet to contribute positively towards the overall profitability of the Bank. New Branches generally take 6 to 9 months to reach break-even stage. Overall, NMB's Balance Sheet has grown by 75% (K26m) in 2009 to that of the previous year. The growth in the balance sheet in 2008 over 2007 was 80%. The growth in the lending portfolio was 61% whilst the growth in the savings portfolio was 96% in 2009. The Bank has recorded a remarkable increase in the investment portfolio in 2009. The investment portfolio has grown by 108% over 2008.

Total income from operations in 2009 was K9.1 mn indicating a growth of 88% over the previous year. The interest income from the lending portfolio accounts for 55% of the total income while fee income from investment portfolio accounts for around 25% of the total income. In addition to the income from normal banking operations, the Bank has received K0.47 mn as grants from third parties local and overseas, interested in promoting microfinance in PNG. The total operational expenses (before providing for internal frauds) have increased by 165% over 2008. The staff cost accounts for approximately 60 % of the total operational expenses. The increase in operational cost is mainly on account of additional operational expenses incurred on 4 new Branches without any corresponding income from these Branches. A pre-tax profit of K636,056 has been generated in 2009 after writing off K512,748 on account of internal frauds and unrecoverable teller losses.

The operational Self Sufficiency (OSS) and the Financial Self Sufficiency (FSS) ratios of NMB for 2009 were 110% and 107% respectively.

Review of Operations

Overview

The world economy performed poorly during the early part of 2009 due to the financial crisis faced by the countries in the developed world originated from the sub-prime mortgage in US in 2007. However during the latter part of the year 2009 most countries in Europe and also China and India showed positive signs of recovery. In the year 2007, the world economy faced its worst financial crisis since the Great Depression. The impact of the crisis which started in 2007 began widening in 2008 across the global financial markets and ended with collapse of major banking institutions, freezing of delivery of credit and creating cracks in global stock markets. According to a UN estimate, the world's gross product will record a meager growth of 1% in 2009 down from more respectable growth rate of 2.5% in 2008. After a deep recession for a period of more than two years, the global economic growth has turned positive during the final quarter of 2009 driven by wide ranging coordinated public interventions. The global economic recovery will result in increased economic activities in countries like PNG as the end of recession in developed countries will increase the demand for export commodities. The main income of PNG comes from the export of commodities.

The impact of this international crisis had only a minimal impact on the banking sector in PNG. Financial Institutions in PNG depend only very little on the international financial institutions and they raise most of their funding requirement locally and use these funds locally for investments and lending. The banking system in the PNG has high liquidity and as such there is no need for the financial sector to depend on the external banking system.

As per the published data by the BPNG, the economy of PNG has shown continuous growth in 2009 even though the rate of growth has been lower than in previous years. The low growth rate is an impact of the global recession the world experienced for more than two years since the summer of 2007. BPNG estimates that the Real Gross Domestic Product (GDP) would grow at around 5% in 2009. It is expected that PNG economy will experience a period of rapid growth with the commencement of Liquefied Natural Gas (LNG) project in 2010. During the construction phase of the project (2010 and 2011) the GDP is expected to increase substantially. The favorable impact of the recovery of the global economy will further contribute to the rapid growth of the PNG economy. It is expected that the PNG economy will grow at around 8% in 2010.

The rate of inflation declined to 5.3% in the September quarter of 2009 from 13.55% during the corresponding period of 2008. The rate increased marginally to 5.7% in the December quarter of 2009. It is expected that inflationary pressures will increase in 2010 through the activities related to the LNG Project and also due to the global economic recovery. CPI for December 2008 was 11.2% and BPNG projects the rate to be around 6.5% for year 2009. The PNG Kina has depreciated substantially against the USD and AUD during 2009 and it is expected that the Kina will depreciate further in 2010.

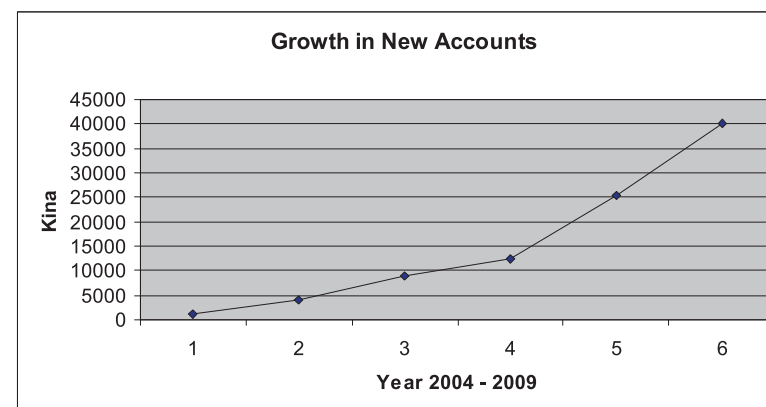
Savings Performance

Pass book savings is one of the main liability products offered by NMB. There are five types of savings products designed for different market segments. The year 2009 started with a total Savings Portfolio of K28.7 mn and a depositor base of 49,571 and at end of the year there was a saving portfolio of K 51.9 m and a depositor base of K87,869m. From the inception of the Bank, NMB has opened 91,634 accounts of which only 3,625 accounts have been closed. The percentage of retained accounts is very high at 96%. This shows a very high customer loyalty. The average balance per customer at the end 2009 was K591 recording a marginal increase of 2% over the previous year.

Yearly comparison of Savings is given below

INDICATORS	2004	2005	2006	2007	2008	2009	to date
1. New accounts opened	1,046	3,991	8,827	12,360	25,349	40,061	91,634
2. Accounts closed	112	148	310	1,232	-	1,823	3,625
3. No. of Savers outstanding	935	4,778	13,157	24,680	49,571	87,869	87,869
4. Amount of deposits O/s	307	2,562	6,315	14,424	28,670	51,935	51,935
5. Average Balance per Saver	329	536	480	585	578	591	591

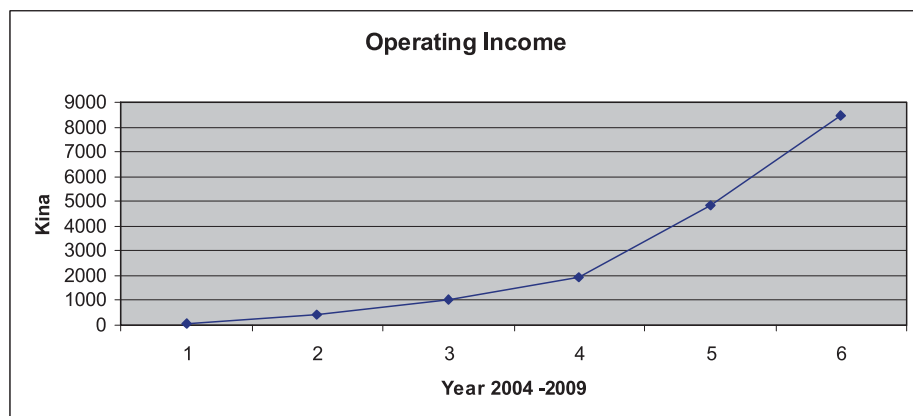
The Following graphs illustrate more clearly the permanence and trends



Financial Review

NMB's main sources of income during 2009 were the interest income from lending and interest earned on the investments. The following table gives the summary of the financial results from the inception of NMB.

As at 31 December	2004	2005	2006	2007	2008	2009
1. Operating Income	38	422	1,021	1,910	4,846	9,086
2. Operating Expenses	452	484	703	1,858	4,782	8,690
3. Operating Profit	(414)	(62)	319	52	226	591
4. Other Income/grants	-	-	21	-	-	486
5. Write-off/Thefts					90	423
5. Net Profit	(414)	(62)	298	52	100	636



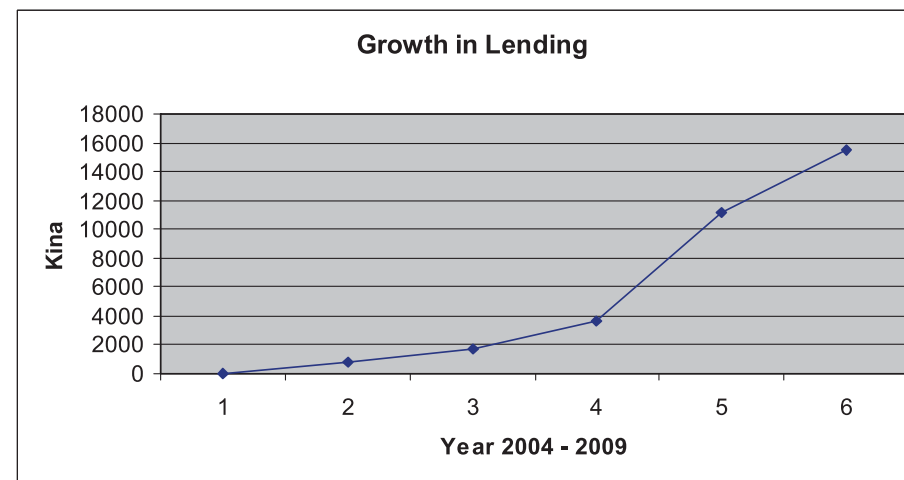
The total operating revenue has recorded a growth of 88% in 2009 over the year 2008. Interest income from the lending portfolio accounts for 55% of the total operating revenue while interest income from investment portfolio accounts for 20% of the total operating revenue. The balance of the income is from fees. The enhanced operating revenue is due to the growth in lending by the Branches which were opened in 2008. These Branches reached their full potential in 2009. The Bank also opened 4 new Branches in 2009 and these Branches also commenced lending, increasing the income from lending.

The operating expenses also have recorded an increase of 83% in 2009 corresponding to the increase in total revenue. The total operating expenses mainly consist of staff benefits, telecommunication cost and property rents. These three categories of cost items account for 34%, 9% and 10% respectively of the total operational cost.

To facilitate the opening of 4 new Branches in 2009, new staff had to be recruited and buildings leased. As at end of December 2008 NMB had 141 employees.

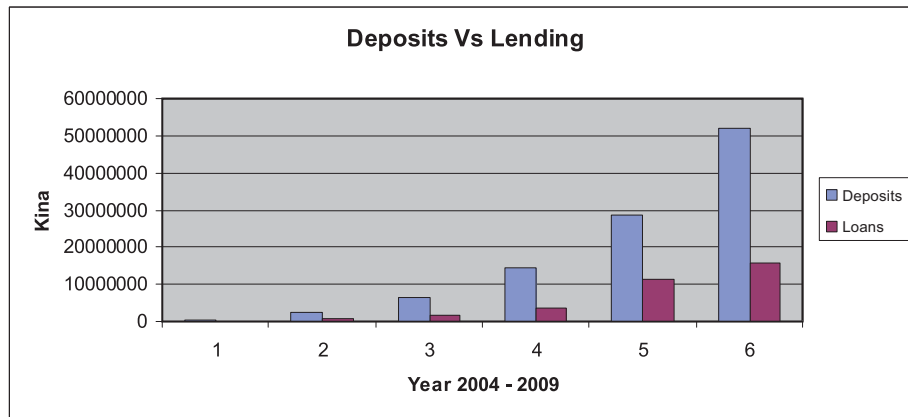
NMB started generating operating profits from the year 2006 and the Bank was able to maintain this profitability trend up to date. The operating profits were doubled in 2009 when compared with 2008. Unfortunately the Bank had to write-off approximately K0.4m out of the operating profit due to internal frauds. These internal frauds were possible mainly due to the weak MIS currently used by the Bank. With the installation of the new MIS, it is expected that the opportunities for internal frauds will be minimal.

The Balance Sheet as at 31 December 2009 shows a strong financial position with high liquidity. The size of the balance sheet has grown by 75% during the year.



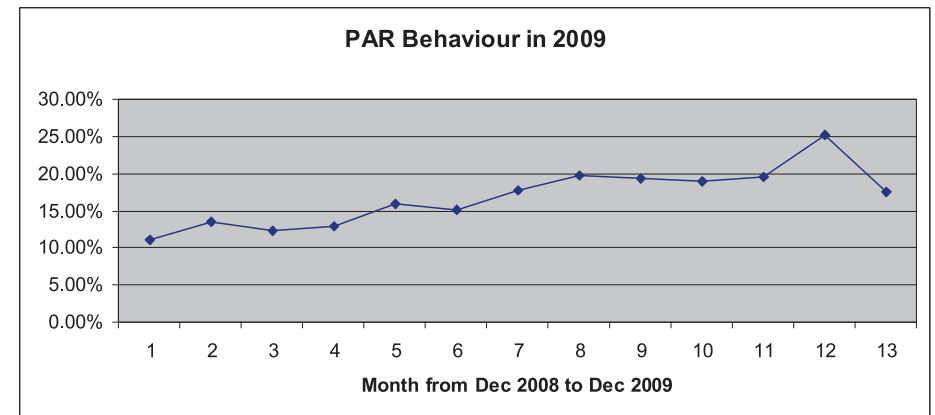
Deposits Vs Loans

The Loans to deposit ratio for a MFI is a good indicator of its ability to raise money for its lending operations. Most MFIs throughout the world depend on borrowings or grants to sustain its lending activities. NMB has been successful in raising money locally from its depositors for its lending activities without resorting to grants or borrowings. The total loans outstanding as a percentage of deposits is increasing satisfactorily which can be better explained through the following graph.



Portfolio at Risk (PAR)

An essential measure used by MFIs in measuring the quality of the lending portfolio is the Portfolio at Risk (PAR). PAR is the Portfolio with arrears (only the principal) for more than 30 days shown as a percentage of the total portfolio (only the Principal). The total portfolio with arrears as a percentage of total portfolio as at 30 November 2009 stood at K 3.6 million which was at an all time high of 25.6%. The ratio was 11.5% at the end of 2008. The world economic down-turn also affected the income level of some of NMB clients and hence the Bank experienced some difficulties in recoveries. A comprehensive recovery program was embarked upon with the objective of improving the quality of the portfolio. The figures for December showed a reduction of the PAR to 17.6%. The following table and the graph show the trend in PAR.



Kainantu Branch

Kainantu is the second largest city of Eastern Highlands Province. The Capital city of the Province is Goroka which is located around 50 km away to the interior of the Country. The Province covers an area of around sq km of 11,200 with a population of around 433,000. The Province has two high peaks, Mt. Tabletop and Mt. Michael both being more than 3000 meters above sea level. Two of the 6 major rivers of PNG the Asaro and the Lamari flow through the Province. The township is situated along the Okuk Highway and is the commercial centre for the surrounding Eastern Highlands Districts of Obura Wonenara, Okapa, Lufa, Henganofi, as well as Ramu in Madang Province and the Markham people of Morobe.

The economy of the Province depends on production and export of coffee which provides the economic backbone and livelihood of all Eastern Highlanders. The Country's major hydro-power station is located in Kainantu and one of the largest gold mines is also located there. A new gold mine is being set up in Bilimoia. In view of its location the Province has become the regional trucking centre.

Almost all rural households within the Province own a small plot of land. The local people are mostly subsistence farmers and their day to day livelihood is supported and sustained by coffee. However, with the involvement of NMB, a lot of people have achieved gradual changes. People are now more focused on improving their livelihoods rather than being confined by their traditional beliefs and customs. Whilst it has adequate resources, rapid economic growth is hampered by the adverse law and order situation and the deteriorating infrastructure.

The Kainantu Branch was established in October 2006.

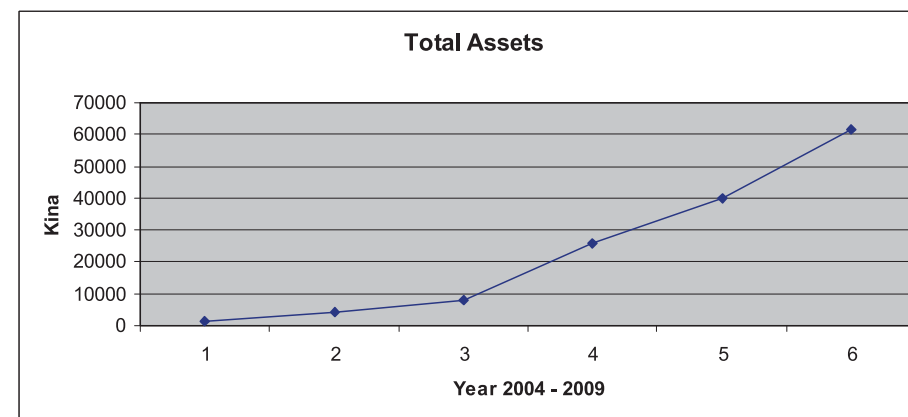


NMB funded Sawmill Project in Kainantu

KAINANTU	2006	2007	2008	2009	To date
1. New Accounts Opened	1,247	1,973	2,443	1,615	7,281
2. Outstanding No. of Savers at the end of the year	1,247	3,020	5,453	7,064	7,064
3. Amount of Deposit outstanding	243	1,920	3,326	3,585	3,585
4. Total Deposit collected during the year (K000)	245	4,210	8,946	10,852	24,252
5. Number of loan disbursed (000)	-	952	1,467	917	3,336
6. Total amount of loan disbursed (K000)	-	1,034	2,510	1,445	4,987
7. Outstanding number of borrowers at the end of the year	-	420	460	382	382
8. Amount of loan outstanding at the end of the year (K000)	-	667	1,269	1,178	1,178

The Capital adequacy is far above the minimum requirements specified by BPNG. NMB had a Tier I Capital of 36.1% and Tier 2 Capital of 39.5% against the BPNG minimum Tier I Capital and Tier 2 Capital ratios of 8% and 12 % respectively. The following table summarizes the Balance Sheets since inception of the Bank and the graph shows the trend.

As at 31 December	2004	2005	2006	2007	2008	2009
1. Cash and bank	605	1,023	2,063	2,361	4,273	4,347
2. Investments	115	1,115	3,348	13,200	17,500	36,269
3. Customer Loans	13	718	1,557	3,437	10,880	15,820
4. TOTAL ASSETS	1,608	4,030	7,846	25,622	39,785	61,490
5. Equity	1,226	1,610	1,610	6,380	8,445	8,999
6. Customer Deposits	307	2,567	6,345	13,876	26,611	52,195
7. TOTAL LIABILITIES	1,608	4,030	7,846	25,622	39,785	61,490



Wau Branch

The first Branch of the Bank was established in Wau in April 2004. Wau is a small town in the Morobe Province located at the junction of Edie Creek and the Bulolo River.

It has colonial origins, a population of around 5000 people with about 15,000 people residing in surrounding villages. It is located in a very fertile valley and there are extensive gold deposits in the area. During the 1920s and 30s it was the site a major gold rush with prospectors arrived on the coast of Salamua, gold mining starting in 1921. Two major tribes living in Wau are the Watuts or commonly known as the Kuku kukus and the Biangais. The principal economic activities of the inhabitants are gold mining and coffee growing.

The EU is currently supporting the Government of PNG to set up a mining school to provide technical training to locals in the field of gold mining. There are 6 international gold mines in operation in the area, the most notable being Morobe Mining, a Joint Venture operation in Hidden Valley.

The Branch has ventured out and extended its services to the informal sector with notable impact in the livelihoods of the people.



NMB funded Street Vending Business in Wau

WAW	2004	2005	2006	2007	2008	2009	To date
1. New Accounts Opened	877	1,146	1,580	1,773	963	502	6,841
2. Outstanding No. of Savers at the end of the year	784	1,873	3,396	5,062	5,494	5,622	5,622
3. Amount of Deposit outstanding	277	984	2,079	3,494	3,714	2,676	2,676
4. Total Deposit collected during the year (K000)	814	3,623	6,943	10,892	17,711	11,216	51,197
5. Number of loan disbursed (000)	37	466	895	987	786	209	3,380
6. Total amount of loan disbursed (K000)	26	625	1,565	2,054	3,030	890	8,190
7. Outstanding number of borrowers at the end of the year	27	263	550	462	354	164	164
8. Amount of loan outstanding at the end of the year (K000)	15	367	1,043	1,489	2,382	1,127	1,127

Lae Branch

Lae, the Capital city of Morobe Province, is the second-largest city of PNG located at the start of the Highlands Highway which is the main land transport corridor from the coast to the Highland and Madang. Morobe Province previously named **Adolfhafen** is situated on the northern coast of PNG. The Province covers 34,500 Sq Km with a population of around 540,000.

During the mineral boom of the 1980s and 90s, the importance of Morobe Province as an economic hub became clearer. Economy of the Province has grown by approximately 2.0% from 2006 and the economic base of the Province presently depends mainly on the production of cocoa, coffee, copra, sugar and tropical fruits. The rural Morobe is endowed with rich natural resources and diverse flora and fauna. Traditional economic activities are coffee, cocoa, cattle, logging, while the emerging activities are gold, copper and tuna fishing. Lae is the industrial centre of Papua New Guinea and is where the largest export port is located.

With the current development of the K30 Billion LNG project and the development of other projects like Wafi, Kainantu Gold and Ramu Nickel, Lae will continue to serve as the Gateway. The economic prospects for Lae in the next couple of years will be boosted by the mining activities in the two potential gold and copper mines in Bulolo district. Lae is currently known for its high rainfall (5,000mm annually) and the great number of potholes in its roads, earning it the nickname "Pothole City".

Statistics relating to the operations of the Lae Branch from its inception are given below. The Branch commenced operations in April 2005.



NMB funded Street Vending Business in Lae

LAE	2004	2005	2006	2007	2008	2009	To date
1. New Accounts Opened	168	2,844	4,841	6,119	4,963	3,056	21,991
2. Outstanding No. of Savers at the end of the year	189	2,952	7,314	12,723	16,887	21,514	21,514
3. Amount of Deposit outstanding	28	1,577	3,696	7,353	8,854	8,957	8,957
4. Total Deposit collected during the year (K000)	49	3,177	9,308	16,315	22,238	17,909	55,053
5. Number of loan disbursed (000)	-	701	1,291	2,372	2,694	1,122	8,180
6. Total amount of loan disbursed (K000)	-	903	1,639	3,242	5,684	1,757	13,222
7. Outstanding number of borrowers at the end of the year	1	425	570	1,044	1,049	716	716
8. Amount of loan outstanding at the end of the year (K000)	321	572	1,035	2,132	3,654	2,544	2,544

Port Moresby Branch

The City of Port Moresby is located on the shores of the Gulf of Papua on the southeastern coast. The land on which the city is located was first sighted by Captain John Moresby in 1873. Although the city is surrounded by the Central Province in which Port Moresby is also the Capital, Port Moresby is not a part of that Province and forms the National Capital District (NCD). It is the gateway to the rest of PNG and every major businesses and government entities are located there.

The international community is also well presented in the Capital, with most diplomatic missions and consular offices being based there. The most recent population estimates indicates that there are now close to half a million people living and working in the National Capital District.

People settling in Port Moresby in the early days were rarely able to grow enough food to sustain themselves. This was due to low rainfall and poor soil. Consequently, they relied heavily on trade activities.

The business environment in the recent times has expanded. Regrettably, like many other cities and towns, Port Moresby has its share of social issues. Law and order continues to be a major challenge and has often added to the cost of doing business in the Capital.

The Port Moresby skyline has seen significant change over the last few years. The city continues to experience a major building and construction boom, fueled by an acute shortage of real estate and the demands of the mining and petroleum resource boom. There is also renewed confidence from investors and multinational firms operating in PNG with the emergence of LNG project.

The Branch commenced operations in June 2008. Operational data from the date of commencement is given below.

PORT MORESBY	2008	2009	To date
1. New Accounts Opened	3,284	5,783	9,067
2. Outstanding No. of Savers at the end of the year	3,282	9,065	9,065
3. Amount of Deposit outstanding	1,618	3,586	3,586
4. Total Deposit collected during the year (K000)	2,905	4,871	7,776
5. Number of loan disbursed (000)	351	926	1,277
6. Total amount of loan disbursed (K000)	601	2,852	3,453
7. Outstanding number of borrowers at the end of the year	284	722	722
8. Amount of loan outstanding at the end of the year (K000)	550	898	898



NMB funded Chicken Farm in Port Moresby

Wewak Branch

Wewak is the Capital city of East Sepik Province and also the Provincial Administrative centre for the five districts which make up East Sepik Province. The total population of the Province is over 389,000 and the Province occupies 43,700 sq. km of land area. There is a scattering of islands offshore and coastal ranges dominate the landscape. The remainder of the Province's geography is dominated by the Sepik River which is one of the longest rivers in the World.

The livelihood of the people is centered on agricultural activities within the districts, particularly cocoa and coffee farming and daily subsistence gardening. The majority of the people practice subsistence gardening and their staple food is sago and fish.

The Province is in the process of introducing vanilla, wheat and rice to expand the agricultural sector and enhance the income level of the farming community. A large oil palm project is being established in the Province. The establishment of the Oil Palm project will have substantial and sustainable positive impact on level of rural poverty.

The Branch was opened in late 2005 and the statistics relating to the operations of the Branch from its inception is given below.



NMB funded Trade Store in Wewak

WEWAK	2005	2006	2007	2008	2009	To date
1. New Accounts Opened	1	1,318	2,383	3,420	1,587	8,709
2. Outstanding No. of Savers at the end of the year	1	1,314	3,601	6,998	8,495	8,495
3. Amount of Deposit outstanding	317	285	1,563	2,339	2,525	2,525
4. Total Deposit collected during the year (K000)	10	388	2,718	4,080	5,818	13,013
5. Number of loan disbursed (000)	131	800	1,182	751	751	3,615
6. Total amount of loan disbursed (K000)	73	624	1,675	1,148	1,223	4,741
7. Outstanding number of borrowers at the end of the year	84	328	455	384	384	384
8. Amount of loan outstanding at the end of the year (K000)	52	320	833	788	788	788

Bulolo Branch

Bulolo is a town in Morobe Province. Situated along the Bulolo River, 30 km north-west of Wau, it was during the 1930s an important gold dredging centre. The Town has a population of around 9,500 and after the gold explorers left in 1952 became known as a ghost and cowboy town. Much of the Town is situated within the PNG Forest Product's Business Administration area. The local people engage themselves in alluvial gold mining and subsistence farming. Many of the people in Bulolo are employed by PNG Forest Products, a major plywood mill and timber company that provides their livelihood.

The economy of Bulolo is booming with a major gold deposit having been identified by the Morobe Mining Joint Venture with Harmony Gold of Africa. Production commenced last year. Apart from this there are several other small miners operating in the Bulolo area and a number of international mining companies exploring throughout the district. The National Forest Authority has the largest Klink Pine Forest Plantation in PNG and has a reforestation cultivation approach that is highly sustainable. To facilitate this, the Forestry College of PNG, that is part of the PNG University of Technology, is located in Bulolo.

The Branch commenced operations in February 2008 and operational data from its inception are given below.



NMB funded PMV Truck in Bulolo

BULOLO	2008	2009	To date
1. New Accounts Opened	3,158	1,514	4,672
2. Outstanding No. of Savers at the end of the year	3,158	4,663	4,663
3. Amount of Deposit outstanding	2,442	2,995	2,995
4. Total Deposit collected during the year (K000)	7,944	16,217	24,161
5. Number of loan disbursed (000)	1,051	1,570	2,621
6. Total amount of loan disbursed (K000)	3,101	9,861	12,962
7. Outstanding number of borrowers at the end of the year	502	705	705
8. Amount of loan outstanding at the end of the year (K000)	2,015	1,547	1,546

Madang Branch

Madang Province, well known in the Pacific as beautiful Madang, is a Province on the northern coast of the Country's mainland. The Province has many of the Country's highest peaks, active volcanoes and its biggest mix of languages. The Capital is Madang with an area of 29,000 square kilometers with 4 large and many small offshore islands. The total population of the Province is around 365,000. Madang is a beautiful place for tourism, photographing, diving and other leisure activities. To the south of the Province lies the Bismarck range with heights ranging over 4,000 meters.

The Province is the Country's third leading producer of cocoa and copra and its second largest producer of cattle. The Ramu Sugar woodchip mill situated in the Province is amongst PNG's biggest employers. The Province also has huge deposits of gold and its main economic activities are agriculture, commercial and subsistence, logging, fishing and mining of nickel, copper and gold

The Pacific Marine Industrial Zone Project in the North Coast (PMZ) is presently under implementation. PMIZ is expected to be one of the biggest tuna developments in the Asia-Pacific region and will employ more than 30,000 people. It will have 10 tuna factories and processing facilities and the entire production will be exported.

The Branch commenced operations in March 2008 and its operational data from the inception is given below.



NMB funded Lodge in Madang

MADANG	2008	2009	To date
1. New Accounts Opened	5,926	3,898	9,824
2. Outstanding No. of Savers at the end of the year	5,859	9,585	9,585
3. Amount of Deposit outstanding	2,945	5,013	5,013
4. Total Deposit collected during the year (K000)	5,121	10,754	15,875
5. Number of loan disbursed (000)	1,083	1,549	2,632
6. Total amount of loan disbursed (K000)	844	1,557	2,401
7. Outstanding number of borrowers at the end of the year	461	412	412
8. Amount of loan outstanding at the end of the year (K000)	806	1,426	1,426

Kundiawa Branch

Kundiawa is the Capital city of the Simbu Province. The Province is centrally located in the Highlands region of Papua New Guinea. The Province shares geographical and political boundaries with five Provinces and has very rugged mountain terrains including the famous Mt. Wilhem at 4,509 meters, the highest peak in PNG. The Province has a population of around 260,000 of which 14,000 people live in the Provincial Capital. There are more than 2000 small business in Chimbu.

Simbu is a Province with limited natural resources and very rugged mountainous terrain. As such the economic progress in the Simbu Province is slower than other highlands Provinces. The economy of the Province depends on cultivation of coffee and vegetables. The Province is the 3rd largest producer of coffee in PNG and accounts for 12.4 % of the Country's total coffee production. The majority of the people are subsistence farmers gaining their living through selling coffee. Apart from coffee as a main cash crop, people also grow vegetables for own consumption and for sale.

The Branch was opened on the 26 March 2009 and its operational results from the inception are as follows.



NMB funded PMV Bus in Kundiawa

FINSCHHAFEN	2009	To date
1. New Accounts Opened	2,646	2,646
2. Outstanding No. of Savers at the end of the year	2,326	2,326
3. Amount of Deposit outstanding	4,803	4,803
4. Total Deposit collected during the year (K000)	5,544	5,544
5. Number of loan disbursed (000)	170	170
6. Total amount of loan disbursed (K000)	404	404
7. Outstanding number of borrowers at the end of the year	96	96
8. Amount of loan outstanding at the end of the year (K000)	440	440

Lihir Branch

Lihir is a small island within the New Ireland Province that consists of a large number of islands, the largest of which being New Ireland. Kavieng is the Provincial Capital.

Lihir Island together with its smaller and outer Islands comes under the Nimammar Local Level Government (NRLLG) which is one of the richest LLGs in PNG. Lihir Branch is located in The Londolovit Town which has a total population of around 11,000. One of the world class gold mines is located in Lihir and all economic activities in Lihir are directly or indirectly linked to this gold mine. Income of most of the households come in the form of royalty payments from the mining company and also in the form of payments for various services provided to the mining company by the local people.

Little or nothing was heard and known of Lihir Island until the early 1990s when a group of miners and geologists discovered the virgin wealth that lies beneath the peaceful but mountainous landscape of the Island. Slowly the name Lihir and the Island itself were exposed to the World as a result of its gold deposits.

Most of the locals especially the landowners of the mine impacted areas enjoy the privileges through landowner benefits sharing agreements, contracts and joint-venture businesses, from formal to informal, have been developed by Wairas (people from outside Lihir). However, irrespective of the presence of the giant mining operations and the subsequent economic activities, most of the islanders still live in bush material houses, without electricity and a poor unsealed road network.

The Branch commenced operations August 2008 and achieved following results from its inception.



NMB funded Flowerpot Business in Lihir

LIHIR	2008	2009	To date
1. New Accounts Opened	2,019	8,892	10,911
2. Outstanding No. of Savers at the end of the year	1,999	10,807	10,807
3. Amount of Deposit outstanding	1,335	8,790	8,790
4. Total Deposit collected during the year (K000)	1,962	24,090	26,052
5. Number of loan disbursed (000)	125	666	791
6. Total amount of loan disbursed (K000)	240	3,298	3,298
7. Outstanding number of borrowers at the end of the year	104	415	415
8. Amount of loan outstanding at the end of the year (K000)	197	2,169	2,169

Mt. Hagen Branch

Mt Hagen is the Capital city of Western Highlands Province and is the 3rd largest city of PNG. The Province has an estimated population of around 682,000. The Province also accommodates a large number of people from the neighboring highlands Provinces, especially Simbu, Enga & Southern Highlands who are casually employed in coffee plantations and domestic gardening.

The major cash crop of the Province is coffee which contributes more than 30% to the total production of coffee in the Country. Coffee is grown both on a small scale in home gardens and on a commercial scale in large plantations. Western Highlands is the only tea producing Province in the Country. Tea is mostly grown in large scale plantations. The people of the Province are known for entrepreneurship.

Since the income from coffee is seasonal and it is grown mainly in the lower and warmer parts of the Province, the majority of the population embarks on other agricultural activities to earn them regular income. They are involved in farming potatoes, vegetables, fruits, etc. The excess produce is transported by road on the highlands highway to Lae and Madang and some is air freighted to Port Moresby.

With the advent of the LNG project and other mining and petroleum activities in the highlands region -especially Southern Highlands & Enga Provinces - Mt Hagen will become even more prominent as the centre of business for the highlands region.

The Mt Hagen Branch was opened in October, 2008 and the operational data from its inception are given below.

MT. HAGEN	2008	2009	To date
1. New Accounts Opened	2,240	4,669	6,909
2. Outstanding No. of Savers at the end of the year	2,240	6,908	6,908
3. Amount of Deposit outstanding	2,125	8,749	8,749
4. Total Deposit collected during the year (K000)	4,217	24,061	28,278
5. Number of loan disbursed (000)	121	611	732
6. Total amount of loan disbursed (K000)	1,380	12,287	13,667
7. Outstanding number of borrowers at the end of the year	110	558	558
8. Amount of loan outstanding at the end of the year (K000)	1,335	4,271	4,271



NMB funded Mini Supermarket in Mt. Hagen

Finschhafen Branch

Finschhafen is a small district within Morobe Province with an estimated population of 46,000 people. The town of Finschhafen is the District Capital. It is only accessible by a 3 – 4 hour boat trip from Lae or by helicopter.

The Finschhafen port was discovered in 1884 by the German researcher Otto Finsh. In 1885 the German colony of New Guinea created a town on the site and named it after the discoverer. Evangelical Lutheran missionaries, organized by Johann Flierl, settled near the town from the start. An epidemic in 1891 caused the colonists to briefly leave and only to return and then leave again ten years later in 1901. During the Second World War Finschhafen was fought over by Japan and Australia, along with the United States. The Japanese first occupied the town on 10 March 1942. Australian forces, as part of US Rear Admiral Daniel E. Barbey's task force landed nearby and seized the town in October 1943.

The livelihood of people in Finschhafen is fishing and home gardening and most of the people are very poor. Considering the small size of the population and the low economic activities in the District the Bank decided to set up a sub-Branch attached to Lae Branch. NMB is the only financial institution operating in Finschhafen. The sub-Branch was established in 2009 with a grant of K 205,000 provided by the Honorable Theodore Zurenuoc, Member of Parliament for Finschhafen.

The sub-Branch was opened in February 2009 and the operational details from its inception are given below.

FINSCHHAFEN	2009	To date
1. New Accounts Opened	707	707
2. Outstanding No. of Savers at the end of the year	707	707
3. Amount of Deposit outstanding	347	347
4. Total Deposit collected during the year (K000)	976	976
5. Number of loan disbursed (000)	156	156
6. Total amount of loan disbursed (K000)	152	152
7. Outstanding number of borrowers at the end of the year	156	156
8. Amount of loan outstanding at the end of the year (K000)	58	58

IMPORTANT EVENTS

NMB signed an agreement with PNG Sustainable Energy Limited on 18 October 2009 to become an Executive Agency for disbursement of funds under a World Bank sponsored credit program for sustainable energy projects. Under this credit program, NMB is expected to provide loans mainly to poor rural families to install solar energy systems for their households. The World Bank guarantees 50% of the risks of loans granted under the program

NMB signed an Agreement with United Nations Capital Development Fund (UNCDF) on 18 November 2009 under its Pacific financial Inclusion Program (PFIP) to obtain a financial grant of USD100,000 to finance part of the initial cost of NMB's Mobile/Branchless Banking Project. Under this agreement UNCDF will finance the cost a study tour for NMB staff and also hiring of an international consultant to assist NMB to implement the project.

The Nationwide Microbank and the Joint District Planning and Budget Priorities Committee of Huon Gulf district signed a Memorandum of Understanding (MOU) to implement a credit program to promote and develop micro enterprises and also to provide access to finance to the people in the district. A sum of K500, 000 was deposited by the Member of Parliament for Huon Gulf to create a credit guarantee fund under which credit facilities are to be provided by NMB to people in the District.



CEO addressing at the Head Office opening



Chairman and Dame Lady Carol Kidu cutting the ribbon

NMB signed an Agreement with Credit Data Bureau on 10 November 2009 to become a member of the Bureau. NMB started obtaining credit reports on its borrowers immediately after signing the agreement. The Bank also reports to the Bureau on its defaulting borrowers.

In June 2009, Nationwide Microbank relocated its Head Office from Level 2 of the ANZ Haus in Lae to Port Moresby and the new premises were ceremonial opened on the 25th of June 2009 by Dame Lady Carol Kidu. It is located within the Institute of Banking & Business Management (IBBM) complex at Vanama Crescent (off Lawes Road).

During 2009, the Bank opened 4 new Branches increasing the network of Branches from 9 to 13. The dates on which these Branches were opened are -

Finschhafen	9 March 2009
Kundiawa	26 March 2009
Kimbe	28 July 2009
Buka	4 September 2009



Sealing of an agreement at Finschhafen Branch opening



Crowd at Kundiawa Branch opening

Kimbe Branch

Kimbe is the provincial Capital of West New Britain Province which is part of the New Britain Island. The other part of the Island is the East New Britain Province. It shares a common land border with East New Britain Province and maritime borders with Manus, Autonomous Region of Bougainville and the Provinces of Morobe and Oro. Kimbe is a port town on the Great Kimbe Bay which accounts for more than 60% of the coral species of the entire Indo-Pacific

West New Britain is affectionately known as "Oil Palm Province" and is home to the biggest palm oil Producer and arguably the largest Nationally (part) owned agribusiness company - New Britain Palm Oil Limited – (NBPOL). Oil palm is mainly grown in the Northern part of the Province and dates back to the late 1960s when the PNG Government with overseas donor assistance set up Land Settlement Schemes (LSS) and brought in people from various other parts of PNG to settle and grow oil palm which is now a thriving industry. Hargy Oil Palms Limited is the other palm oil producer whilst NBPOL also operates the famous Numundo beef operations. Cocoa and copra, the other major cash crops, are grown in organized communal clusters scattered throughout the Province, with a high concentration in the Kandrian/Gloucester area.

Gold mining and expansion of oil palm are currently being pursued in the Kombe/Talasea area. Local landowners in the oil palm growing areas have also been encouraged and mobilized to go into 'Mini Oil Palm Estates' with support from Hargy and NBPOL. West New Britain is a tourism hotspot with several world famous resorts providing scenic tours to volcanic sites, hot springs and undersea diving.

The Branch commenced operations in July 2009. Operational results from its inception are given below.



NMB funded Oil Palm project in Kimbe

KIMBE	2009	To date
1. New Accounts Opened	1,454	1,454
2. Outstanding No. of Savers at the end of the year	1,454	1,454
3. Amount of Deposit outstanding	1,954	1,954
4. Total Deposit collected during the year (K000)	7,945	7,945
5. Number of loan disbursed (000)	227	227
6. Total amount of loan disbursed (K000)	1,574	1,574
7. Outstanding number of borrowers at the end of the year	236	236
8. Amount of loan outstanding at the end of the year (K000)	645	645

Buka Branch

Bougainville is an autonomous region within PNG. It is the largest of the Solomon Islands group of islands and consists of 166 smaller islands scattered over 450,000 sq. km. The Island is ecologically and geographically but not politically, a part of Solomon Islands. The island was named after the French navigator Louis Antoine Bougainville. The Bougainville Autonomous Region also includes the adjacent island of Buka and assorted outlying islands. Capital of the Region is Buka. The population of the region is around 195,000 with North Bougainville (around Buka) accounting for around 37% of the population. In 1885 it came under German Administration as part of German New Guinea. After World War II it came under Australia until 1975 and gained independence from Australia along with and as part of PNG. The island is rich in copper and gold. A large copper mine was established at Panguna in the early 1970s. Disputes over the environmental impact, financial benefits and social changes brought by the mine renewed the secessionist movement that had been dormant. The conflict escalated to a civil war that ended in 1997 and a peace agreement was signed agreeing to create an autonomous region.

It is one of the tropical wonders of the Pacific, often referred to as the 'island of the rising sun'. The people of this part of Papua New Guinea are predominantly black in color.

The Branch was opened in September 2009. Operational results from its inception are as follows.

BUKA	2009	To date
1. New Accounts Opened	931	931
2. Outstanding No. of Savers at the end of the year	931	931
3. Amount of Deposit outstanding	951	915
4. Total Deposit collected during the year (K000)	4,257	4,257
5. Number of loan disbursed (000)	113	113
6. Total amount of loan disbursed (K000)	726	726
7. Outstanding number of borrowers at the end of the year	76	76
8. Amount of loan outstanding at the end of the year (K000)	726	726

Most of them live along the coast. The Panguna Mine alone generated a lot of developments in PNG as well as abroad. Operations on Panguna came to a complete halt in 1989 when the crisis started. The tragic events of the conflict remain vivid in the hearts and minds of the Bougainville people. However, the people have proven to be very resilient and it is slowly beginning to return to its golden days.

The economic base of the region is mainly in agriculture and marine resources. Cocoa and copra production are the main agriculture activities. The Region also generates income from marine resource production mainly in bechedemer & trochua shells..



NMB funded building in Buka

Good corporate governance ensures a balance between the achievement of corporate objectives and the need for a strong framework of controls in the best interest of all stakeholders, whilst maintaining high standards of industrial and professional ethics. The primary responsibility of a board of any corporate entity is to ensure that good corporate governance practices are adopted and strictly adhered to by the management in achieving the objectives of the entity. Key elements of good corporate governance practices include responsibility and accountability, honesty, trust, integrity, performance orientation and transparency.

From inception, the NMB Board of Directors established its commitment to good governance by the directors and the management, through adoption of a comprehensive Board Charter. The document encompasses standard corporate governance practice and the conduct of Directors recommended by the PNG Institute of Directors. In additions to the guidelines and principles stipulated in the Board Charter, the following steps have been taken by the Board to strengthen good governance of the Bank.

- ◊ Adoption of a comprehensive Business and Strategic Plan to provide strategic direction and performance targets to the management. A revised Plan for 2010 – 2014 is under development.
- ◊ Adoption of a clear and detailed organization structure defining the assignment of responsibilities to each top management positions.
- ◊ Introduction and supervision of an effective internal control system by appointing internal and external auditors and also introducing a strong risk management system.
- ◊ Regular financial reporting by the Management. The Board meets at least quarterly to assess performance against targets.

◊ Adoption of operational manuals with guidelines and procedures for all operational aspects of the Bank. The following manuals are in use at present.

- Lending Manual
- Finance & Administration Manual
- Human Resource Manual
- Delinquency Management Manual.
- Business Continuity and Disaster Management Plan.

◊ Appointment of two Board Committees, one for Risk Management and Internal Audit and the other for Credit. In accordance with the approved Charters, under which the Committees function, Committees ensure that the management and the staff adhere to operational guidelines and procedures stipulated in all operational manuals. The Bank's Internal Auditor reports direct to the Audit Committee. The Credit Committee is responsible for setting the Bank's credit policy and also monitoring the quality of the lending portfolio. It is also responsible for approval of credit facilities above the limit delegated to the CEO. Each Committee consists of two non-executive Directors, one of them acting as the Chairman, plus appropriate management representatives.

During the year four board meetings were held and the attendance of Directors was 90%.

Four directors have attended all meetings while one director has attended only two meetings. The total fees and benefits paid to directors was K 155,400 during the year 2009.



Taituku Simeon - Manager - CAU

Taituku commenced his career with Bank of South Pacific Ltd in January 1978 as trainee and worked there for nearly 30 years. He has worked as a manager in several Branches including Kokopo and Boroko. During his 30 year career with BSP has gathered experience in all aspects of banking. He resigned from BSP in October 2007 after a career of 30 years to join NMB. Taituku holds a Certificate in Banking from PNG Institute of Bankers. He joined the Bank in October 2007 as the Manager of Lae Branch. He was transferred to HO as the manager of Credit Assessment Unit in July 2009.



Steven K. Nori - Manager - Information Technology

Steven completed the tertiary education at the University of Papua New Guinea in 2005 and graduated with a Bachelors of Science Degree majoring in Computer Science. Later in the same year he was employed by Remington Technologies as a Technology Technician, and moved up as an IT Support Officer. At the time of his resignation in 2008 he was working as a Network/Systems Administrator for Remington Technology and joined NMB on the 15 September 2008.



May Mathews - Manager Human Resource

Mrs. Mathews has over 16 years of banking experience with ANZ Bank since 1986 till 2002. Whilst with ANZ Bank, she worked her way up from a graduate trainee to Training Officer and to a Senior Human Resources Officer. Her last position was that of Manager Sales and Services, Waigani. She Joined NMB on 26 October 2009. May holds a BA degree and certificate in Banking.

Staff Development

In this age where human capital is recognized as being an organization's key strategic asset, with focus on bringing out the best of its people, Nationwide Microbank is at the forefront viewing employee training and development as a key to promoting good governance, employee satisfaction and retention.

NMB strongly believes that by identifying the right employees and by providing the right training and development, at the right time, performance and synergy will result. The outlay is not seen as a cost but as an investment.

The bank has therefore arranged several in-house training programs for Branch Managers, Microfinance Officers and Tellers as well as regularly sending staff to PNGIBBM courses. The most recent course was held in March 2010 when a total of 22 Microfinance Officers from all the Branches attended a three-day program at the Head

Office. The focus was to impart good lending practice. The feedback received from the staff after the course was very positive with participant comments such as 'I was awoken to the wider NMB world' and 'I have a better understanding of my responsibility to lend sensibly and securely'. As one summed it in a few words during the closing session, 'when we lend, we must recover'.

A comprehensive training plan is being developed for 2010. The Bank had a total staff of 107 at the beginning of the year and this has increased to 148 at the end of the year.

Also the Bank has sought the services of an experienced HR Consultant to advise on Performance Appraisal, HR Management, Remuneration, Training and Development and revision of the HR Manual.

Our aim is to be an 'Employer of Choice'.



A Training Session in progress



Ray Clark
Chairman

Ray Clark has been associated with the establishment and development of the PNG-ADB Microfinance Project since its inception in 2002, leading to the opening of the Wau Microbank in 2004. In addition to in-depth knowledge and understanding of the financial services industry, over a lengthy career he has gained diverse business experience in airlines, mining, stock broking, telecommunications and public utilities. He has been the Executive Director of the PNG Institute of Banking and Business Management (IBBM) since 1995, has served on a number of Boards, is a Fellow of the Australian Institute of Company Directors and is a Founding Member and President of the PNG Institute of Directors.



Douglas Anayabere
Deputy Chairman

Douglas Anayabere commenced his career in October 1993 with Renison Gold Fields as a Financial Accountant based initially in Port Moresby and later in Sydney, Australia. In January 1996 Douglas joined Coopers & Lybrand as a Graduate Auditor and was promoted to Audit Supervisor, the position which he held up to the time of his resignation in October 1997. He has also worked in leading private sector companies such as Remington Technologies Group, Services and Kiddie & Associates. In 2002, Douglas established his own accounting practice A&A Associates. Douglas holds an MBA in Accounting from Trinity University, Utah, USA, a Degree in Accounting from the PNG University of Technology and he is an Associate Certified Practising Accountant (CPAPNG). He is Chairman of the NMB Audit and Risk Committee.



Brian Komun
Director

Brian is a founding director of the Nationwide Microbank. He started his relationship with the NMB as a foundation member of the Project Steering Committee under the Bank of PNG/ADB Microfinance & Employment Project in 2000 representing the Small Business Development Corporation (SBDC). Brian was involved in the Wau microfinance pilot project through the Project Steering Committee. He was the CEO of the SBDC for more than 6 years. He has also worked with a number of organizations in the public sector in a wide range of capacities. Brian is a graduate of the University of PNG with a Bachelor of Commerce Degree. He is a member of the NMB Audit and Risk Committee.



Anthony Smare
Director

Anthony has a bachelor of Law and bachelor of Applied Science (Geology) from the Queensland University of Technology. He is a lawyer with expertise in corporate finance and natural resources law and practiced law in Australia and PNG. Formerly a partner in the Port Moresby office of Australian law firm Allens Arthur Robinson, he is currently General Manager - Corporate & Legal for Barrick Gold (PNG) Limited, owners of the Porgera Gold Mine. He is the Chairman of the board of directors of PNG mobile phone company, beMobile Limited, and is on the board of directors of Kalang FM Limited and PNG Mineral Resources Authority. He is also Executive Trustee of disaster fund Halivim Wantok Disaster Fund and a director of the Kumul Foundation. Anthony is a member of the Bank's Board Sub Committee on Credit.



A.M Tony Westaway
Director
(Joined in 2009)

Tony Westaway joined the Board in early 2009. He has been a career banker for 30 years, having spent more than 10 years with the Bank of South Pacific. A former Director of Banklink Limited, Tony was instrumental in the early development of electronic banking in PNG. He led the integration exercise of the former PNGBC and BSP and subsequently became the General Manager Retail Bank. Tony is currently a Lecturer in Business Studies.



Lionel Somaratne - Chief Executive Officer

Somaratne has more than 35 years experience in central banking, development banking and microfinance. He started his career with the Central Bank of Sri Lanka and has worked for more than 20 years as the Vice President of the National Development Bank of Sri Lanka, one of the largest banks in the Country. He also had been with the International Finance Corporation (IFC) of the World Bank Group for nearly two years as the Head of Advisory Services for Sri Lanka and Maldives. He holds a Master of Economics and a Bachelor Degree in Business Administration. He is also an Associate Member of the Chartered Institute of Management Accountants, London.



Ravindra Ranjith - Chief Operating Officer

Ranjith has more than 32 years in commercial banking, development banking, Finance Company activities and microfinance. He started his career at the Commercial Bank of Ceylon Ltd (which is the best bank for last 7 years in Sri Lanka) for nearly 9 years, LB Finance Ltd (a lending Finance Company) for 4 years, Sampath Bank Ltd (first Sri Lankan local bank to provide state of the art unit-banking system) for nearly 8 years and finally at the National Development Bank of Sri Lanka (NDB) for over 11 years. At the time of leaving NDB he was the Assistant Vice President- Head Leasing Operations. He carries a vast knowledge in Branch Banking/SME lending, operations and recoveries. He is an Associate and Life Member of Institute of Bankers in Sri Lanka.



Paul Wama - Head of Finance and Administration

Paul has more than 10 years in the field of Accounting experienced in various industries including Retailing, Aviation and Agriculture. Before joining Nationwide Microbank in March of 2005, he was the Group Accountant for WM Middleton & Sons Ltd in Madang. He holds a Degree in Business Studies majoring in Accounting from Divine Word University and a member of CPAPNG as an Accounting Technician.



Ms Benneth Kome - Head of Corporate Affairs

Ms Kome started her career in the banking and financial industry in 1997 with Bank of South Pacific Ltd (BSP). Since leaving BSP in 2001, she has worked with Finance Corporation Ltd and Rural Development Bank (now NDB). Before joining Nationwide Microbank in June 2008, she worked as a Senior Legal Officer with Investment Promotion Authority (IPA). Ms Kome holds a degree in Law at the University of PNG (1990 - 1996).

NATIONWIDE MICROBANK LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 2009

Notes	2009	2008
	K	K
SHAREHOLDER'S EQUITY		
Issue share capital	3 8,350,203	8,350,203
Reserves	672,122	95,244
SURPLUS OF SHAREHOLDER'S EQUITY	K 9,022,325	8,445,447
	-	-
Represented by:		
CURRENT ASSETS	13 33,808,525	21,850,075
Cash on hand, at bank and deposits		
Consumer loans	4 12,947,659	9,154,230
Other receivables	5 1,148,483	335,705
	47,904,667	31,340,010
CURRENT LIABILITIES		
Payables	161,233	84,341
Depositors	6 52,105,612	26,611,238
Provision for employee benefits	8 39,102	39,102
Provision for taxation	7 267,967	95,558
	52,573,914	26,830,239
NET CURRENT ASSET	(4,669,247)	4,509,771
NON CURRENT ASSETS		
Consumer loans	4 2,872,908	1,725,353
Capitalised pre-operating expenditure	9 -	30,039
Deferred tax	7 151,436	38,205
Security deposit with BPNG	10 6,808,904	-
Goodwill on acquisition	11 170,271	194,221
Fixed assets	12 3,688,053	1,947,858
	K 9,022,325	K 8,445,447

The accompanying notes form part of these financial statements.



Naiman Daniel – Manager Mount Hagen Branch

Naiman joined Nationwide Microbank in Sept 2003. He has been with NMB since its inception in 2003 as a Branch Accountant in Wau and then promoted to a Trainee Manager in 2004. He was then promoted to Branch Manager in 2005. Before joining Nationwide Microbank in March of 2003 he was the Head of Accounts with Missionary Aviation Fellowship from 1988-2000. He holds a Bachelor Degree in Accountancy from the University of Technology, Lae in 1985.



Peter Mark – Manager Wewak Branch

Peter has a Diploma in Management and is a member of the Financial Services Institute of Australia – FINSIA and is also an affiliate of the Australasian Institute of Banking and Finance. Peter is a career banker spanning over 16 year experience in banking. He joined the Papua New Guinea Banking Corporation in 1993 as a junior and made his way up to being a Lending Officer in 1997 at their Highlands Regional Office in Mount Hagen. He was then appointed Assistant Manager at Kainantu Branch in 2003 before taking up the post of Manager, Bank South Pacific Maprik Branch in 2005. He joined NMB in August 2008 as the manager of Wewak Branch and was transferred to Kainantu Branch on 20 October 2009



Michael Aniyeli – Manager Port Moresby Branch

Michael commenced his career at PNGBC and worked for 10yrs and joined BSP and worked for 10 yrs prior to his appointment as Sales Manager for the Highlands Region National Development Bank Ltd where he served for 01 year. He has followed Senior Management Programme at the Melbourne Business School.



Kupa Besi – Manager Wau Branch

Kupa completed his university studies at Lae University of Technology in 1978. He joined Nationwide Microbank in December 2008. Prior to this, he worked for 24 years with PNGBC from 1980-2004 in various departments as a Team Leader.



James Manaseh – Manager Kundiawa Branch

James joined Nationwide Microbank in January 2009. Prior to joining NMB, he worked with Bank South Pacific Business Lending Dept for 3 years as a Credit Assistant. He started his career with a shipping company, Consort Express Lines Ltd as a Graduate Trainee Scheme and resigned in 2005 to pursue his banking career. He holds a Bachelor Degree in Business Economics in 2004 and a Diploma Certificate in Accountancy in 2002.



Chris Mota – Manager – Lae Branch and Finschhafen Sub Branch

Chris holds a Bachelor of Business Economic from University of PNG in 2000. His work experience includes the Savings & Loans Societies, Microfinance Consultant with the PNG-ADB Microfinance Project. He has been involved in different microfinance models practiced in different countries. He is accredited by the National Trainer Council. He joined Nationwide Microbank in January 2009.



Gerard Amdi-Manager Bulolo Branch

Gerard Joined Nationwide Microbank in May2007 as a Microfinance Officer at Lae Branch. He was sent to Bulolo Branch as the acting Manager in May 2009. Mr. Amdi holds a Bachelors Degree in Business Economics and a Diploma in Business Management from the University of Technology, Lae. Prior to that, Gerard was an Accounts Assistant of Capital Life Assurance (former Pan Asia Pacific Assurance) at the head Office in POM (2002 – 2004) and later the Officer in charge of Capital Life Insurance – Mt Hagen Branch (2005 – 2006).

Nigel Katumapula – Manager Buka Branch (Resigned in 2010)

He started his career at Finance Corporation Limited (FinCorp) Alotau as the Sales Representative in 1999, and joined PNG Microfinance Ltd Alotau Branch as Business Loans Officer in 2006. Before joining NMB he was the Branch Manager – Balimo in PNG Microfinance Ltd.

Betty KAGL - Manager Madang Branch (Resigned in 2009)

Betty started her banking career with Bank South Pacific, formerly known as Papua New Guinea Banking Corporation in August 1993. She held various roles in several branches and her final role with BSP was as Supervisor Branch Operations. She joined Nationwide Microbank on the 15 January 2008 as the Branch Manager for Madang branch and is currently in this position. She holds two diplomas namely Diploma in E – Commerce and Diploma in Systems Administrations.

Albert Negehove – Manager Lihir Branch (Resigned in 2010)

Albert started his career with PNG Banking Corporation for a year and then with Ok Tedi Development Foundation Microfinance for 2 years. He joined Nationwide Microbank in May 2008. Prior to joining NMB he worked with PNG Microfinance for 4 years. He holds a Bachelor Degree in Science.

Philip Witne - Manager – Kainantu Branch (Resigned in 2009)

Philip started his carrier with the Papua New Guinea Banking Corporation (PNGBC) in September of 1980. In 2001, he was appointed the Manager Loans after the merger with Bank of South Pacific Ltd in Mt Hagen. Before joining Nationwide Microbank in May 2008, he was the Highlands Business Relationship Manager.

Jonathan Jasi – Manager Port Moresby Branch (Resigned in 2009)

Jonathan holds a diploma in Tropical Agriculture from University of Vudal – 1990. He started his career at Ministry of Public Service & Lands in 1992, in 1997 moved to Pacific Privilege Park Royal Hotel as Sales Consultant. He joined FinCorp as a Sales Consultant in 1998. He held several positions at FinCorp and finally as the Branch Manager POM Branch. He joined NMB in 2008 from Niu Finance Limited where he worked as the Branch Manager POM Branch

NATIONWIDE MICROBANK LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2009

	Notes	2009 K	2008 K
Revenue from principal operations		9,086,194	4,846,925
Finance Expenses			
Interest and charges		411,926	124,911
		8,674,268	4,722,014
Operating expenses			
Depreciation		688,207	407,663
Staff costs		3,798,845	2,380,279
Other operating expenses		4,019,094	1,870,172
		8,506,146	4,658,114
Profit before other income		168,122	63,900
Other income		467,934	36,179
Profit before taxation		636,056	100,079
Taxation	7	335,705	129,730
Current period		172,409	36,651
Deferred taxation		(113,231)	(1,765)
Profit after taxation		K 576,878	K 65,193

(i) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. The carrying amount of fixed assets is reviewed annually by the directors to ensure it is not in excess of the recoverable amount for those assets. The recoverable amount is assessed on the basis of the expected net cash follows which will be received from the assets employed and subsequent disposal.

Depreciation is calculated on the diminishing value method so as to write off the net costs of the various classes of fixed assets during their effective working lives. Additions are depreciated from the date of purchase in the year of acquisition.

The principal annual rates in use are:-

Furniture and Fittings	20%
Plant and equipment	20%
Motor Vehicles	20%
Leasehold improvements	20%

(j) Investments

Investments brought to account are at the lower of cost or net recoverable value. The carrying amount of investments is reviewed annually by the directors to ensure it is not in excess of the recoverable amount of the investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entity.

(k) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in "at call" deposits with banks or financial institutions investments in money market instruments maturing within six months, net or bank overdrafts.

(l) Employee Benefits

The liability or amounts expected to be paid to employees for their pro-rata entitlement to long service leave, annual leave and leave fares are accrued annually at current pay rates having regard to period of service and statutory obligations.

(m) Income Tax

The company has adopted tax effect accounting procedures whereby the income tax expense in the income account is matched with the accounting profit (after allowing for permanent differences). The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realization. Income tax on net cumulative timing differences is set aside to the deferred income tax and future tax benefit accounts at the rates which are expected to apply when those timing differences reverse. The current rates have been used for this purpose.

(n) Leases

Where the company is the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Net lease rentals receivable after more than one year are shown as non-current assets.

Where the company is the lessee

The leases entered into by the company are finance leases. In accordance to IAS 17, the company recognizes the asset and liability in the balance sheet at the amount equal to the fair value of the leased asset. The leased asset is depreciated over its useful life and the lease payments apportioned between the finance charge and the reduction of the outstanding liability.

(o) Financial Assets

The company classifies its financial assets in the following categories: loans and receivables and held to maturity investments. Management determines the classification of its investments at initial recognition.

(a) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money directly to a debtor with no intention of trading the receivable. They are carried at recoverable amount represented by the gross value of the outstanding balance adjusted for provision for impairment losses and unearned income. Third Party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

(b) Held to maturity

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. Where the company is to sell other than an insignificant amount of held to maturity assets, the entire category would be tainted and reclassified as available for sale.

p) Impairment of Financial Assets

The company assess at balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets are impaired and impairment losses

NATIONWIDE MICROBANK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2009

	SHARE CAPITAL	RETAINED EARNINGS	TOTALS
	K	K	K
Balance at 31.12.2007	6,350,203	30,051	6,380,254
	-	-	-
Share issue	6,539,725	-	6,539,725
Funds pending share issue	(4,539,725)	-	(4,539,725)
Profit for the year before taxation	-	65,193	65,193
Dividend	-	-	-
Balance at 31.12.2008	8,350,203	95,244	8,445,447
Profit for the year after taxation and prior year	-	576,878	576,878
Dividend	-	-	-
Balance at 31.12.2009	K 8,350,203	K 672,122	K 9,022,325

NATIONWIDE MICROBANK LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2009

	Note	2009 K	2008 K
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		636,056	100,079
Depreciation		634,218	286,422
Gain on fixed asset disposal		(428)	(36,179)
Amortisation of set up costs		30,039	97,291
Amortisation of goodwill		23,950	23,950
Provision for doubtful debts		374,104	111,147
Bad debts		(161,006)	(119,366)
Provision for staff welfare		-	14,102
		1,536,933	477,446
Movements in working capital			
Increase in receivables		(1,334,781)	(5,914,821)
Increase in payables		25,571,266	12,717,689
		24,236,485	6,802,868
Net cash flow from operating activities		25,773,418	7,280,314
CASH FLOW FROM INVESTING ACTIVITIES			
Shares issued		-	2,000,000
Refund of security deposit from Bank of PNG		-	300,000
Purchase of fixed assets		(2,450,037)	(1,743,954)
Sale of fixed assets		76,053	63,667
Investment at BSP Capital		(6,500,000)	-
Net cash from investing activities		(8,873,984)	619,713)
CASH FLOW USED IN FINANCING ACTIVITIES			
Loans to customers		(4,940,984)	(1,725,353)
		-	-
Net cash used in financing activities		(4,940,984)	(1,725,353)
		-	-
NET DECREASE IN CASH & CASH EQUIVALENTS		11,958,450	6,174,674
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		21,850,075	15,675,401
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	K 33,808,525	K 21,850,075

NATIONWIDE MICROBANK LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL FOR THE YEAR ENDED 31 DECEMBER 2009

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented in accordance with the Papua New Guinea Companies Act 1997 and comply with applicable financial reporting standards and other mandatory professional reporting requirements approved for use in Papua New Guinea by the Accounting Standards Board (ASB). The ASB has adopted International Financial Reporting Standards (IFRS) and interpretations issued by the Standard Interpretations Committee as the applicable financial reporting framework. The fundamental accounting assumptions recognized as appropriate for the measurement and reporting of results, cash flows and the financial position have been followed the preparation of these financial statements.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The accounts have been prepared on a going concern basis.

(a) History Cost Convention

The financial statements have been prepared und the historical cost convention and have not been adjusted to take account of the current costs of specific assets or their impact on the operating results, or changes in the general purchasing power of the kina.

(b) Foreign Currency

All amounts are expressed in Papua New Guinea currency unless otherwise stated. All foreign currency monetary assets and liabilities are revalued at the rates of exchanged ruling at balance date. Unrealized profits and losses arising from these revaluations are recognized immediately in the income statement.

(c) Recognition of Revenue and Expenditure

All revenue and expenditure is taken to account in accordance with the principal of matching income and expenses.

(d) Unearned Income

Unearned income on installment loans and leasing is brought to account progressively over the term of the contract.

(e) Fee and Commission Income

Fee and commission income are generally recognized when the service has been provided.

(f) Interest Income and Expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accruals basis using the effective yield method based on the purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bill and other discounted instruments. Interest income is suspended when loans become doubtful of collection, 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.

(g) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the recorded value of the identifiable net assets acquired. Goodwill is amortised over the anticipated period from which economic benefits are expected to be derived from the goodwill.

(h) Bad and Doubtful Debts

Provisions for doubtful debts comprise a specific provision for identified doubtful debts and general provisions, where necessary, to cover unidentified risks inherent in the overall loan portfolio which experience has indicated could emerge in the future. Specific 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 general provision is raised periodically through the year based upon average bad debts experience and growth in the overall level of loans and advances.

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 recognized 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.

	2009	2008
	K	K
8. PROVISION FOR EMPLOYEE BENEFITS		
Provision for annual leave - on acquisition	-	10,217
- post acquisition	39,102	28,885
	39,102	39,102.9
9. CAPITALISED PREOPERATING EXPENDITURE		
Pre operating expenses	213,964	213,964
amortisation for 2009	(213,964)	(183,925)
	-	-
	-	30,039
	-	-
10. INVESTMENTS		
BSP Capital notes, maturing on 9th June 2012	5,000,000	-
BSP Capital notes, maturing on 28th September 2014	1,500,000	-
Accrued interest	308,904	-
	-	-
	6,808,904	-
11. GOODWILL ON ACQUISITION		
Goodwill	239,496	239,496
Accumulated amortisation	(69,225)	(45,275)
	170,271	194,221

12. FIXED ASSETS

	Cost	Additions	Disposals	Total
	K	K	K	K
Furniture and fittings	85,622	79,553	-	165,175
Motor vehicles	1,165,441	502,487	100,833	1,567,095
Plant and equipment	557,555	841,637	-	1,399,192
Leasehold improvements	487,952	1,026,360	-	1,514,312
	-	-	-	-
	2,296,570	2,450,037	100,833	4,645,774
	-	-	-	-
	Accum Deprec	Deprec	Disposals	Total
	K	K	K	K
Depreciation:				
Furniture and fittings	25,577	23,623	-	49,200
Motor vehicles	169,168	272,676	25,208	416,636
Plant and equipment	100,207	165,597	-	265,804
Leasehold improvements	53,760	172,321	-	226,081
	-	-	-	-
	348,712	634,217	25,208	957,721
	-	-	-	-
Written down value 31st December 2009				3,688,053
Written down value 31st December 2008				1,947,858

are incurred, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the company about the following loss events:-

- (i) Significant financial difficulty of the issuer or obligor;
- (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) The company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) It becoming probable that the borrower will enter bankruptcy or other financial re-organisation;
- (v) The disappearance of an active market for that financial asset because of financial difficulties or
- (vi) Observable data indicating that there is a measurable decrease in the estimate future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including;

- Adverse changes in the payment status of borrowers in the group; or
- National or local economic conditions that correlate with defaults on the assets in the group.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individual significant, and individually or collectively for financial assets that are not individually significant. If the company 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 recognized are not included in a collective assessment of impairment.

A credit risk provision is established if there is sufficient evidence as determined by management that the company 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 and lease debts 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 recognized 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 of decrease and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtors credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognized in the income statement.

STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2009

	2009	2008
	K	K
2. LOSS BEFORE TAXATION		
The loss before taxation is arrived at after charging and crediting the following items:		
After charging:-		
Auditor's remuneration	30,000	24,000
- Other services	57,275	7,106
Amortisation - set up costs	30,039	97,29
Amortisation - goodwill	23,950	23,950
Depreciation	634,218	286,422
Directors' fees	155,400	69,800
Interest and charges	411,926	126,885
Provisions		
- doubtful debts	374,104	374,104
- employee benefits	-	14,102
And crediting:-		
Interest from lending	4,994,921	2,773,614
Interest from deposits	1,822,817	627,079
Proceeds from grants	467,506	-
Proceeds from membership and loan fees	2,268,456	1,446,232
Profit on disposal of fixed assets	428	36,179
3. SHARE CAPITAL		
Issued and fully paid 8,150,202 ordinary shares of K1.00 per share (2007: 1,610,477 shares)	8,150,202	8,150,202
Share application funds received (2007: 4,539,726 of which 4,539,725 was converted to shares during 2008 at an issue price of K1.00 per share)	200,001	200,001
	8,350,203	8,350,203
4. CONSUMER LOANS AND LEASES		
Loans to customers	16,286,251	11,132,169
Less: Provision for doubtful debts		
- on acquisition	-	(154,120)
- post acquisition	(465,684)	(98,466)
	15,820,567	10,879,583
Comprised of: Current	12,947,659	9,154,230
Non current	2,872,908	1,725,353
	15,820,567	10,879,583
Provision for doubtful debts		
At 31st December 2009, the company had provided K465,684 for doubtful debts. The provision K91,580 in excess of the minimum bad debt provisioning required by the Bank of Papua New Guinea		

5. OTHER RECEIVABLES

Staff advances	60,067	45,314
Rental deposits	164,673	84,131
Passbook inventory	5,375	10,518
Interest withholding tax and debit tax	45,794	538
Interest receivable on loan	119,655	-
Prepayments	365,926	91,764
Reimbursement branch cost	108,296	58,440
Due from tellers	108,697	25,000
Due from managers	170,000	20,000
	1,148,483	335,705

6. DEPOSITORS

Deposit liabilities	52,656,743	27,709,438
Interbranch transactions	(551,131)	(1,098,200)
	52,105,612	26,611,238

7. TAXATION Income account charge

Prima facie tax on accounting profit	190,817	30,024
Tax effect-permanent difference	(131,638)	4,862
Tax effect-timing differences	113,230	1,765
	172,409	36,651

Provision for taxation

Taxation payable at 1.1.08	58,907	58,907
Taxation charge for the year	172,409	36,651
Taxation paid during the year	-	-
Taxation payable at 31.12.08	267,967	95,558

Deferred taxation

Timing differences with respect to:		
- employee benefits	39,102	28,885
- bad debts provision	465,684	98,466
	-	-
	504,786	127,351

Deferred tax at 30%

	2009	2008
	K	K
5. OTHER RECEIVABLES		
Staff advances	60,067	45,314
Rental deposits	164,673	84,131
Passbook inventory	5,375	10,518
Interest withholding tax and debit tax	45,794	538
Interest receivable on loan	119,655	-
Prepayments	365,926	91,764
Reimbursement branch cost	108,296	58,440
Due from tellers	108,697	25,000
Due from managers	170,000	20,000
	1,148,483	335,705
6. DEPOSITORS		
Deposit liabilities	52,656,743	27,709,438
Interbranch transactions	(551,131)	(1,098,200)
	52,105,612	26,611,238
7. TAXATION Income account charge		
Prima facie tax on accounting profit	190,817	30,024
Tax effect-permanent difference	(131,638)	4,862
Tax effect-timing differences	113,230	1,765
	172,409	36,651
Provision for taxation		
Taxation payable at 1.1.08	58,907	58,907
Taxation charge for the year	172,409	36,651
Taxation paid during the year	-	-
Taxation payable at 31.12.08	267,967	95,558
Deferred taxation		
Timing differences with respect to:		
- employee benefits	39,102	28,885
- bad debts provision	465,684	98,466
	-	-
	504,786	127,351
Deferred tax at 30%	151,436	38,205

13. RECONCILIATION OF CASH

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments

Cash at the end of financial year as shown in the statement of cash flows is reconciled to related items in the balance sheet as follows:-

	2009	2008
	K	K
Cash on hand	1,039,354	926,083
Cash at bank	3,308,638	3,346,970
Deposits with bank - First Investment Finance Limited	10,188,496	16,000,000
Deposits with bank -BSP Capital Limited	18,754,016	1,500,000
Interest accrued on IBD	518,021	77,022
	-	-
	33,808,525	21,850,075
	-	-

14. 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.

	2009	2008
	K	K
Core capital (K'000)	8,445	8,148
Supplementary capital (K'000)	398	100
Risk weighted assets (K'000)	18,186	20,123
Tier 1 capital adequacy ratio	46.40%	40.49%
Total capital adequacy ratio	48.60%	40.99%
Required tier 1 capital adequacy ratio minimum	8.00%	8.00%
Required total capital adequacy ratio minimum	12.00%	12.00%

15. MATURITY ANALYSIS OF MONETARY ASSETS AND LIABILITIES

	Due in 12 months or less	Due after 12 months to 2 years	Due after 2 years	Total
	K	K	K	K
As at 31st December 2009				
Assets				
Cash on hand and at bank	4,347,992	-	-	4,347,992
Due from other banks	29,460,533	-	-	29,460,533
Consumer loans	12,947,659	2,872,908	-	15,820,567
Investments	-	-	6,808,904	6,808,904
Other receivables	875,113	108,697	164,673	1,148,483
	-	-	-	-
Total Monetary Assets	47,631,297	2,981,605	6,973,577	57,586,479
	-	-	-	-
Liabilities				
Deposits held	52,105,612	-	-	52,105,612
Other payables	200,335	267,967	-	468,302
	-	-	-	-
Total Monetary Liabilities	52,305,947	267,967	-	52,573,914
	-	-	-	-

16. FINANCIAL INSTRUMENTS

Nature of activities and management policies with respect to financial instruments.

(i) Financial risk management

The group's activities expose it to a variety of financial risks, including the effects of changes in market places and interest rates. The company monitors these financial risks and seeks to minimise the potential adverse effects on the financial performance of the company. The company does not use any derivative financial instruments to hedge these exposures.

(ii) Currency risk

The group does not undertake any significant transactions in foreign currencies and consequently is not exposed to any foreign currency risks.

(iii) Credit risk

In the normal course of its business the group incurs credit risk from trade debtors and financial institutions. The group performs credit evaluations of its group and there are no significant concentrations of credit risk except as noted elsewhere on the financial statements. The group maintains its cash and bank balances with financial institutions which have a high credit standing. The group has satisfactorily provided for bad debts at balance sheet date.

(iv) Interest rate risk

The group has short-term deposits with various financial institutions and commercial banks at commercial rates of interest. The group's management monitors the interest rate risk arising from the interest rate differences in its lending assets and deposit liabilities.

(v) Liquidity risk

The group aims to prudently manage liquidity risk by maintaining sufficient cash and other liquid assets or the availability of funding through uncommitted credit facilities to meet its financial obligations as and when they arise.

(vi) Fair value

The face values less any estimated credit adjustments for financial assets and liabilities are assumed to approximate their fair values.

17. SEGMENT INFORMATION**Business segment**

Nationwide Microbank Limited operates in the business segment of:

- Banking and finance

Geographical segment

Nationwide Microbank Limited operates exclusively in the geographical segment of Papua New Guinea.

18. CONTINGENT LIABILITIES

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

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

19. EVENTS SUBSEQUENT TO BALANCE DATE

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 items, transaction or event of a material and unusual nature likely to affect significantly the operations of the company and group, in subsequent financial years.

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2009

	2009	2008
	K	K
INCOME		
Interest on members loans	4,994,921	2,773,614
Interest on investments	1,822,817	627,079
Membership and loan fees	2,268,456	1,446,232
	9,086,194	4,846,925
COST OF FUNDS		
Interest	227,323	34,205
GROSS PROFIT FROM FINANCE ACTIVITIES	8,858,871	4,812,720
OTHER INCOME		
Grants	467,506	-
Profit on disposal of fixed assets	428	36,179
	9,326,805	4,848,899
EXPENSES		
Accountancy and audit	87,275	32,106
Advertising and promotion	100,333	66,766
Amortisation	30,039	97,291
Amortisation of goodwill	23,950	23,950
Bank charges	184,603	90,706
Cleaning	10,949	3,586
Consultants	8,030	5,877
Depreciation	634,218	286,422
Directors fees	155,400	69,800
Electricity and water	125,741	47,898
Fees and registrations	55,197	30,054
GST for exempt supply	-	44,663
Insurance	134,771	74,597
Legal	32,030	-
Motor vehicle	186,684	133,604
Office	187,720	148,579
Postage, freight and courier	155,434	56,228
Printing and stationery	160,115	148,274
Provision for doubtful debts	374,104	111,147
Provision for employee benefits	-	14,102
Recruitment	11,472	14,102
Rent	884,159	442,228
Repairs and maintenance	50,854	75,977
Salaries and wages	2,562,370	2,046,17
Security	212,590	93,783
Staff training	19,529	11,749
Staff welfare	703,598	12,769
Subscriptions	17,007	6,668
Telephone, facsimile and internet	801,180	197,164
Theft	423,449	126,107
Travel	357,948	211,584
Write off of fixed assets	-	3,587
TOTAL EXPENSES	8,690,749	4,748,820
OPERATING PROFIT FOR THE YEAR	636,056	100,079