

Branches

BULOLO

Branch Manager
NMB Ltd
PO Box 66, Bulolo
Morobe Province
Tel: 474 5466 Fax: 474 5574
Email: nmbbulolo@online.net.pg

FINSCHAFEN

NMB Ltd
Unit Manager
PO Box 159, Finschafen
Morobe Province
Tel: 737 1005 Fax: 737 1014
Email: nmbfinsch@online.net.pg

KAINANTU

NMB Ltd
Branch Manager
Hardware Supplies Building,
Anari Drive
PO Box 38, Kainantu
Eastern Highlands Province
Tel: 737 1005 Fax: 737 1014
Email: nmbkainantu@online.net.pg

KUNDIAWA

Branch Manager
NMB Ltd
PO Box 817, Kundiawa
Chimbu Province
Tel: 735 1247 Fax: 735 1074
Email: nmbkundiawa@online.net.pg

LAE

Branch Manager
NMB Ltd
PO Box 2932, Lae
Morobe Province
Tel: 472 1917 Fax: 472 1913
Email: nmblae@online.net.pg

BUKA

Branch Manager
NMB Ltd - Buka
PO Box 550
Autonomous Region of Bougainville
Tel: 973 9890
Dir: 973 9880
Fax: 973 9770
Mobile: 7202 5165
Email: nmbuka@online.net.pg

LIHIR

Branch Manager
NMB Ltd
PO Box 209, Lihir
New Ireland Province
Tel: 986 4232 Fax: 986 4642
Email: nmblihir@online.net.pg

MADANG

Branch Manager
NMB Ltd
Modilon Road
PO Box 1300, Madang
Madang Province
Tel: 856 0820 Fax: 852 2241
Email: nmbmadang@online.net.pg

MT HAGEN

Branch Manager
NMB Ltd
PO Box 1587, Mt Hagen
Western Highlands Province
Tel: 542 0988 Fax: 542 0997
Email: nmbhagen@online.net.pg

PORT MORESBY

Branch Manager
NMB Ltd
PO Box 1654, Port Moresby
National Capital District
Tel: 323 3386 Fax: 323 2723
Email: nmbportmoresby@online.net.pg

WAU

Branch Manager
NMB Ltd
Old West Building,
Eddie Creek Road
PO Box 63, Wau
Morobe Province
Tel: 474 6057 Fax: 474 6055
Email: nmbwau@online.net.pg

WEWAK

Branch Manager
NMB Ltd - Wewak
PO Box 1117, Wewak
East Sepik Province
Tel: 856 2023 Fax: 856 2038
Email: nmbwewak@online.net.pg

KIMBE

Branch Manager
NMB Ltd - Kimbe
PO Box 215, Kimbe, WNB
Dir: 983 4842 Tel: 983 4883 Fax: 983 5402
Mobile: 7200 5164
Email: nmkimbe@online.net.pg

annual report 2008





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.

Corporate Information

Registered Office

C/ Allen Arthur Robinson
Level 5, Pacific Place
Cnr. Musgrave Street and Champion Parade
Port Moresby

Principal Business Address

PO Box 179
Lawes Road
Vanama Crescent
Port Moresby
National Capital District
Email: headoffice@microbank.com.pg

Postal Address

Nationwide Microbank Limited
PO Box 179
Port Moresby
National Capital District

Directors

Brian Komun
David John Kelso (resigned 23/10/2008)
Anthony Raymond Clark
Anthony Mark Smare
Douglas Anayabere
A.M Tony Westaway Sin

Auditor

Sinton Spence Chartered Accountants
2nd Floor Brian Bell Plaza
Turumu Street
Boroko, NCD
PO Box 6861, Boroko
National Capital District

STATEMENT OF TAXABLE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2008

INCOME TAX 2009

TC

K

K

STAFF TRAINING

MF Pacifica

Lionel Somaratne

1,367

Able Computing - Training on Payroll System

Yana Monding

660

CPA Annual Conference

Paul Wama

605

Florence Binene

605

Cost of Various in- house trainings for Branch Managers Tellers provided by Chief Operating Officer and Chief Executive Officer

K11,749

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	2004	2005	2006	2007	2008
Savings					
New Accounts Opened	1,046	3,991	8,827	12,360	25,349
Cumulative No. of Savers	935	4,778	13,157	24,680	49,571
Deposits (K000)	307	2,562	6,315	14,424	28,670
Average per Account (K)	329	536	480	585	578
Lending					
Number of Loans	39	1,179	2,360	5,110	15,058
No. of Borrowers	28	701	1,198	2,783	3,764
Total Outstanding (K 000)	12	762	1,695	3,697	11,132
Average Loan per Borrower (K)	426	1,088	1,415	1,334	2,844
Financial					
Gross Income (K000)	38	423	1,021	1,910	4,846
Profit Before Tax (K000)	(414)	(62)	298	52	100
Total Assets (K000)	1,608	4,030	7,846	25,622	39,985
Total Equity (K000)	811	1,133	1,431	6,380	8,445

STATEMENT OF TAXABLE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2008

INCOME TAX 2009

	TC	K	K
ITEM 7(c) Rent			
Paid to:			
Pacific Equity & Investments Ltd.		51,360	
Arthur Strachan		94,380	
Eddie Creek Mine		22,800	
PNG Forest Products Ltd.		27,500	
Poka Investments Ltd.		38,500	
Kainantu Hardware Suppliers		30,000	
Francias Sakias		16,000	
Ray White Real Estate		77,440	
Lihir Properties		35,750	
LJ Hooker Real Estate		48,510	
		-	
			K442,240
ITEM 7(o) Depreciation			
See attached schedule			K286,422
ITEM 7(p) Repairs and maintenance			
Repairs and maintenance were in respect of the company's furniture and equipment			
No items are capital in nature.			
ITEM 7(s) Subscriptions			
PNG Law Society		1,452	
CPA PNG		1,946	
Lae Chamber of Commerce		636	
Pacifica Microfinance Network		1,236	
Air Niugini Executive Club		1,398	
		-	
			K6,668
ITEM 7(z) Sundry creditors			
Audit		30,030	
Interest		48,000	
Debit tax		1,831	
Withholding tax		8,623	
Group tax		(621)	
Nasfund		(3,522)	
		-	
			K84,341

STATEMENT OF TAXABLE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2008

INCOME TAX 2009

	TC	K
Profit per financial statements		100,079
Add: Depreciation per financial statements	286,422	
Increase in provision for employee benefits	14,102	
Amortisation of goodwill	23,950	12,059
	-	324,474
		-
		424,553
Less: Depreciation for taxation purposes	286,422	
Reduction in provision for doubtful debts	8,219	
Non assessable capital gain	7,743	
	-	302,384
		-
		122,169
Profit for taxation purposes		122,169
Section 101 loss brought forward		-
		-
Taxable income		122,169
		-
Taxation thereon at 30%		36,651

The Asian Development Bank (ADB) carried out a study in 2000 on the economy of PNG 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 US \$1 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 study 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 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.

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, micro banking piloting was started in 2004 at Wau under the name of Wau Microbank with a limited license from the Bank of PNG (BPNG). The pilot scheme proved to be a success and demonstrated that microfinance can be carried out on a sustainable basis under very difficult circumstances. As such the promoters of the Microbank decided to expand the operations of the Microbank on a commercial scale. 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 WMB Limited changed its name 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 7 provinces operating 11 Branches in Wau, Lae, Kainantu, Wewak, Bulolo, Madang, Port Moresby, Lihir, Mt Hagen, Finschhafen and Kundiawa. The Branch network will be extended to other Provinces during the next 2-3 years increasing the number of Branches approximately 20.

CHAIRMAN'S MESSAGE

FINANCIALS

In April 2004 the Wau Microbank opened its doors in Wau Morobe Province as a pilot scheme developed under the PNG-ADB Microfinance Project. As Executive Director of the Project Implementing Agency, I was privileged to receive the Certificate of Exemption, under which the Microbank was to operate, from Bank of PNG Governor, Mr. L. Wilson Kamit.

I doubt that anyone who was present at that opening ceremony would have envisaged that within the space of 5 years the Pilot Microbank would have grown in the way that it has, to be operating nine Branches and providing a wide range of microfinance services to over 50,000 grass roots people of Papua New Guinea, as at 31 December 2008.

It has certainly been an exciting period of transformation, the major milestone being achieved in June 2008 when, at the opening of the Port Moresby Branch, the Governor replaced the Certificate of Exemption with a Licence under the BFIA.

The growth of NMB has been the direct result of incorporation of WMB Limited in February 20 07 (changed to Nationwide Microbank Limited in April 2008) and the firm direction provided by a strong Board comprising fellow Directors Douglas Anayabere, Brian Komun, Anthony Smare and David Kelso. (Mr. Kelso resigned from the Board in October 2007 and we are grateful for his valuable contribution during the 18 months of his appointment.)

The first step taken by the Board was to appoint a Chief Executive Officer and after an extensive international search Mr. Lionel Somaratne was appointed and commenced in September 2007.

The time and expense taken in making the appointment has certainly paid dividends and CEO Somaratne has done a sterling job in following the course set by the Board and achieving the results recorded in this Annual Report.

The history of microfinance shows that it is rare for a Microbank to be able to record an after tax profit in the early years of operation and we are justly proud that Nationwide Microbank has been able to do so in both 2007 and 2008. This is due to strong leadership by management and the commitment of the Company's staff of over 100 to whom the Board expresses its appreciation. However, whilst profitability is essential for sustainable operation and growth, the real measure of success for Nationwide is the continuing increase in the number of grass roots people throughout PNG that the Microbank is able to provide with relevant and affordable financial services. This growth will continue through an expansion program designed to have twenty micro banking centers by the end of 2011 thereby very largely meeting the main objective of the PNG-ADB Microfinance Project that gave birth to the venture.

I urge all Papua New Guineans to 'grow with us'.

**Ray Clark,
Chairman**

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2008

	2008	2007
	K	K
INCOME		
Interest on members loans	2,773,614	961,564
Interest on investments	627,079	260,585
Membership and loan fees	1,446,232	688,214
	4,846,925	1,910,363
COST OF FUNDS		
Interest	34,205	23,802
GROSS PROFIT FROM FINANCE ACTIVITIES OTHER INCOME		
OTHER INCOME		
Profit on disposal of fixed assets	36,179	-
	4,848,899	1,886,561
EXPENSES		
Accountancy and audit	32,106	71,049
Advertising and promotion	66,766	32,354
Amortisation	97,291	86,633
Amortisation of goodwill	23,950	21,325
Bank charges	90,706	33,504
Cleaning	3,586	2,003
Consultants	5,877	32,024
Depreciation	286,422	90,897
Directors fees	69,800	65,178
Electricity and water	47,898	27,106
Fees and registrations	30,054	7,983
GST for exempt supply	44,663	52,350
Insurance	74,597	19,631
Legal	-	25,962
Motor vehicle	133,604	57,470
Office	148,579	31,442
Postage, freight and courier	56,228	27,653
Printing and stationery	148,274	45,477
Provision for doubtful debts	111,147	106,685
Provision for employee benefits	14,102	14,783
Recruitment	38,968	-
Rent	442,228	135,026
Repairs and maintenance	75,977	28,616
Salaries and wages	2,046,173	615,016
Security	93,783	30,765
Staff training	11,749	27,662
Staff welfare	12,769	12,059
Subscriptions	6,668	5,528
Telephone, facsimile and internet	197,164	66,075
Theft	126,107	1,779
Travel	211,584	56,421
Write off of fixed assets	-	3,587
TOTAL EXPENSES	4,748,820	1,834,043
OPERATING PROFIT FOR THE YEAR	100,079	52,518

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. CONTINGENT LIABILITIES

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

18. 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.

Introduction

I am happy to state that for the first time in the history of Wau Microbank/Nationwide Microbank Limited (NMB), we are publishing an Annual Report.

The creation of NMB in 2004 under 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 in the rural areas of the Country.

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. 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 commercial banks. The balance of 1.9 million people form 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.

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 these two objectives that needs to be developed and tracked.

Throughout the world today the microfinance sector has focused on building financially sustainable institutions capable of providing credit and other banking services to underserved and unbanked members of the society on a sustainable basis. NMB is also following this international trend. In following the 'double bottom line' approach NMB focuses on two key concepts – 'sustainability' and 'outreach'.

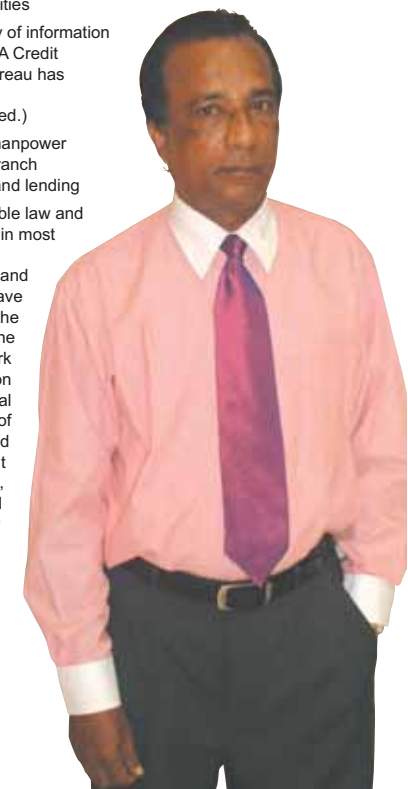
The Microbank achieved sustainability or Operational Self Sufficiency (OSS) - in 2006 and has been able to maintain this in 2007 and 2008. The OSS ratio for 2006 was 104%, 109% for 2007 and 106% for 2008. The challenge before us is to maintain this sustainability whilst meeting our social obligations. 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 60,000 clients. The average savings per deposit is K575 whilst the average loan is K2,880.

The Microbank does not charge a Fee for maintaining accounts as do the commercial banks. The maintenance of a large number of accounts with small balances without charging an account maintenance fee produces a very high administrative cost. Although NMB has more savings than lending, the opportunities to earn a reasonable risk free return on excess funds are limited. 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 other key concept the management follows in managing the Microbank is the 'Outreach'. We endeavour to provide services to a large number of people living in all the Provinces. Up to now it covers 7 Provinces and provides services to around 60,000 people. The Microbank faces numerous difficulties and constraints 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.)
- Experienced manpower especially in branch management and lending
- The unfavourable 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 by now have at least 15 Branches and double the outreach.



NMB's Strategy for Future

A team consisting of the CEO of NMB and Two consultants from PNG-ADM Microfinance Project developed a three year strategy for the Microbank covering the period 2008-2010. This three year strategy has been approved by the Board of Directors and is now under implementation. During the three year period the Microbank will complete its transformation in 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 will be served with demand-driven credit, savings and other financial products such as fund transfers and remittances.

As the Microbank was originally set up in Wau it was named 'Wau Microbank', and there was a perception among the general public that the Microbank's services were limited to Morobe Province. In order to change this perception the name was therefore changed in June 2009 to 'Nationwide Microbank'. A Country wide marketing campaign was launched in the second half of the year to market the new brand and also the NMB motto of 'Grow with us'.

The creation of a national image was a part of the three year strategy.



Team in Kundiawa.

The expansion strategy adopted by NMB consists of two components. The first component is horizontal expansion by way of increasing geographical coverage and this will be the primary source of increased business. Most of the Provinces will be covered by establishing a total of at least 20 Branches by the end of 2010.

The other component of the expansion strategy is the vertical expansion. Under this strategy NMB will broaden its product mix by introducing new banking products and also by up-scaling the market segment move in to the SME sector. The 3-year strategy seeks to increase the NMB client base to about 250,000 by the end of 2010.

A vital component of the strategy is the introduction of a 'state of the art' IT system to replace the present system. The new system has been acquired from Cranes Software International Ltd of India. With the new system all Branches will be connected on line on 'real time' and NMB will be able to provide a speedy and more efficient service to its customers. The new system will be fully operational by end of July 2009.

Most of the financial institutions in developing countries experience difficulties in establishing Branches in remote 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. The services of an international specialist is being sought to develop the Microbank's strategy for BB.

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:-

	2008	2007
	K	K
Cash on hand	926,083	399,611
Cash at bank	3,346,970	1,960,790
Deposits with bank - First Investment Finance Limited	16,000,000	11,700,000
Deposits with bank -BSP Capital Limited	1,500,000	1,500,000
Interest accrued on IBD	77,022	155,00
	-	-
	21,850,075	15,675,401
	-	-

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.

	2008	2007
	K	K
Core capital (K'000)	8,148	6,096
Supplementary capital (K'000)	100	53
Risk weighted assets (K'000)	20,123	14,344
Tier 1 capital adequacy ratio	40.49%	42.49%
Total capital adequacy ratio	40.99%	42.86%
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 2008				
Assets				
Cash on hand and at bank	58,990	26,632	-	85,622
Due from other receivables	4,273,053	-	-	4,273,053
Consumer loans	1,098,201	460,116	84,131	1,642,448
Other receivables	9,154,230	1,725,353	-	10,879,583
	1,098,201	460,116	84,131	1,642,448
	-	-	-	-
Total Monetary Assets	32,102,506	2,185,469	84,131	34,372,106
	-	-	-	-
Liabilities				
Deposits held	26,611,238	-	-	26,611,238
Other payables	84,341	-	-	84,341
	-	-	-	-
Total Monetary Liabilities	26,695,579	-	-	26,695,579
	-	-	-	-

FINANCIALS

STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008

	2008	2007		
	K	K		
8. PROVISION FOR EMPLOYEE BENEFITS				
Provision for annual leaves				
- on acquisition	10,217	10,217		
- post acquisition	28,885	14,783		
	39,102	25,000		
	-	-		
9. CAPITALISED PROOPERATING EXPENDITURE				
Pre operating expenses	213,964	213,964		
Amortization for 2008	(183,924)	(86,633)		
	-	-		
	30,040	127,331		
	-	-		
10. SECURITY DEPOSIT				
Bank of Papua New Guinea	-	300,000		
	-	-		
11. GOODWILL ON ACQUISITION				
Goodwill	239,496	239,496		
Accumulated amortisation	(45,275)	(21,325)		
	-	-		
	194,221	218,171		
	-	-		
12. FIXED ASSTS				
	Cost	Additions	Disposals	Total
	K	K	K	K
Furniture and fittings	58,990	26,632	-	85,622
Motor vehicles	325,079	896,286	55,924	1,165,441
Plant and equipment	145,685	411,870	-	557,555
Leasehold improvements	78,786	409,166	-	487,952
	-	-	-	-
	608,540	1,743,954	55,924	2,296,570
	-	-	-	-
	Accum Deprec	Deprec	Disposals	Total
	K	K	K	K
Depreciation:				
Furniture and fittings	7,967	17,610	-	25,577
Motor vehicles	46,054	151,550	28,436	169,168
Plant and equipment	29,476	70,731	-	100,207
Leasehold improvements	7,229	46,531	-	53,760
	-	-	-	-
	90,726	286,422	28,436	348,712
	-	-	-	-
Written down value 31st December 2008				1,947,858
Written down value 31st December 2007				517,814

Financial Performance

During the audit of financial accounts for year 2008, the Auditors, found a fundamental error with the Microbank's financial statements for 2007. As previously mentioned, the banking business of the Microfinance Pilot Project was carried out under the name of Wau Microbank until February 2007 and a limited liability company was formed (WMB Limited) and all assets and liabilities of Wau Microbank were transferred to WMB Limited at that time. As such, WMB/Nationwide Microbank Limited only commenced business in February 2007. The audited accounts for 2007 had overlooked this technicality and the Auditor for the 2008 accounts has therefore revised and restated the 2007 accounts. The accounts for 2007 shown herein are therefore modified from the previously published 2007 accounts.

The performance results for 2008, which have been analyzed in greater details elsewhere in this report, demonstrate strong sustainability and profitability even though the Microbank has embarked on an ambitious expansion program on which the initial operational expenses are substantial. Branches generally take 6 to 9 months to reach break-even stage.

These favorable results also reflect benefits generated from the implementation of the three year strategy. Overall, the size of the balance sheet has grown by 80% in 2008 over the previous year. The lending portfolio in 2008 has grown by over 200% while the investment portfolio has grown by 32% over the year 2007. The deposit portfolio increased by nearly 100%. Gross income grew by 157% while the total expenses including interest cost has increased by 132% during the year 2008. The increase in cost is mainly on account of additional operational expenses incurred on 5 new Branches without any corresponding income from these Branches. A pre-tax operating profit of K100,079 was generated for the year 2008 after writing off of K126,107 on account of a theft from Wewak Branch and teller losses in some Branches.



Team in the Head Office.

Overview



Team in Madang.

The international financial crisis originated from the failure of the sub-prime mortgage market in the US not only affected the banking sector in US starting from 2007, it affected banks in most developed countries as well as developing countries. Even very strong international banks fell victim to the crisis and some banks faced bankruptcy. Most international banks had to write-off huge amounts on account of bad debt and the respective governments had to step-in to rescue these banks. The crisis in the banking and financial sector slowed down the growth of the global economy while some western economies experienced recession resulting in negative growth in their respective economies.

It is heartening to note that the impact of this international crisis had only a minimal impact on the banking sector in PNG. This was mainly because the dependency of banks and financial institutions in PNG on financial institutions outside of the Country for raising funds is very limited. The banks in PNG raise most of their funding requirements 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. This non-dependency on the external banking sector for borrowings and/or lending helped the banking sector in PNG to steer clear of the international banking and financial crisis.

Based on information published by the Bank of PNG, the economy of PNG has shown continued growth in 2008 even though the economy had shown a down turn in the second half of the year. Increased exports, high international commodity prices and continuation of large scale investment Projects have contributed towards the continuous economic growth in 2008. The inflation measured in terms of Consumer Price Index (CPI) has experienced a declining trend and it was 11.2% in December down from 13.5% in September 2008. The level of employment has increased by 6.3 % during 2008.

The Country has foreign exchange reserves sufficient to cover total imports for 7.5 months.

Based on the above information, it can be observed that the PNG economy has performed well in 2008. The banking sector has not faced any crisis in spite of the international banking and financial crisis. The NMB has carried out its banking business in 2008 under these favorable conditions in the economy and also in the banking sector.

It can be seen from the operational data for the year 2008 that NMB is growing steadily with a plan to increase the Branch Network to 15 by 2010. NMB has performed extremely well during the Financial Year 2008 and it was the best performing year on all aspects since the inception of the Microbank. Performance Indicators are positive reflecting a remarkable growth. The Loan Book has grown by 188.4% while Savings has grown by almost 100%.

NMB has achieved financial sustainability in 2006 and has been able to maintain it in 2007 and 2008 mainly due to the implementation of the three year strategic plan and the introduction of a proper credit culture that intensified the internal controls without impacting upon core objectives.

A Branch expansion program commenced early in 2008 as required of the 3-Year Strategic Plan.

The strategic plan also envisaged the changing of the name of the Microbank to "Nationwide Microbank" from the then "Wau Microbank" to create a National image for the Microbank; this was done in June 2008. Whilst it was proposed to expand the Branch Network from four Branches to 11 Branches by the end of 2008, due to logistical difficulties only nine Branches were opened. In the year 2009, it is proposed to open 5 additional Branches.



Team in Lihir.

STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008

	2008	2007
	K	K
5. OTHER RECEIVABLES		
Staff advances	45,314	18,944
Rental deposits	84,131	42,244
Passbook inventory	10,518	14,015
Interest withholding tax and debit tax	538	538
Prepaid insurance	91,764	29,846
Reimbursement branch cost	58,440	-
Due from tellers	25,000	24,143
Due from managers	20,000	-
	-	-
	<u>335,705</u>	<u>129,730</u>
	-	-
6. DEPOSITORS		
Deposit liabilities	27,709,438	14,346,843
Interbranch transactions	(1,098,200)	(469,875)
	-	-
	<u>26,611,238</u>	<u>13,876,968</u>
	-	-
7. TAXATION Income account charge		
Prima facie tax on accounting profit	30,024	15,755
Tax effect-permanent difference	4,862	6,712
Tax effect-timing differences	1,765	36,440
	-	-
	<u>36,651</u>	<u>58,907</u>
	-	-
Provision for taxation		
Taxation payable at 1.1.08	58,907	-
Taxation charge for the year	36,651	58,907
Taxation paid during the year	-	-
	-	-
	<u>95,558</u>	<u>58,907</u>
	-	-
Deferred taxation		
Timing differences with respect to:		
- employee benefits	28,885	14,783
- bad debts provision	98,466	106,685
	-	-
	<u>127,351</u>	<u>121,468</u>
	-	-
Deferred tax at 30%	<u>38,205</u>	<u>36,440</u>
	-	-

FINANCIALS

STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008

	2008	2007
	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		71,049
- Auditor	24,000	-
- Other services	7,106	21,325
Amortisation - set up costs	97,291	86,633
Amortisation - goodwill	23,950	-
Depreciation	286,422	90,897
Directors' fees	69,800	65,178
Interest and charges	126,885	57,306
Provisions		
- doubtful debts	111,147	106,685
- employee benefits	14,102	14,783
And crediting:-		
Interest from lending	2,773,614	961,564
Interest from deposits	627,079	260,585
Proceeds from membership and loan fees	1,446,232	688,214
Profit on disposal of fixed assets	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	11,610,477
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	4,739,726
	-	-
	8,350,203	6,350,203
	-	-
4. CONSUMER LOANS AND LEASES		
Loans to customers	11,132,169	3,697,969
Less: Provision for doubtful debts		
- on acquisition	(154,120)	(154,120)
- post acquisition	(98,466)	(106,685)
	-	-
	10,879,583	3,437,164
	-	-
Comprised of: Current	9,154,230	3,437,164
Non current	1,725,353	-
	-	-
	10,879,583	3,437,164
	-	-
Provision for doubtful debts		
As at 31st December 2008, the company had provided K252,586/= for doubtful debts. The provision is compliant with the minimum bad debt provisioning required by the Bank of Papua New Guinea.		

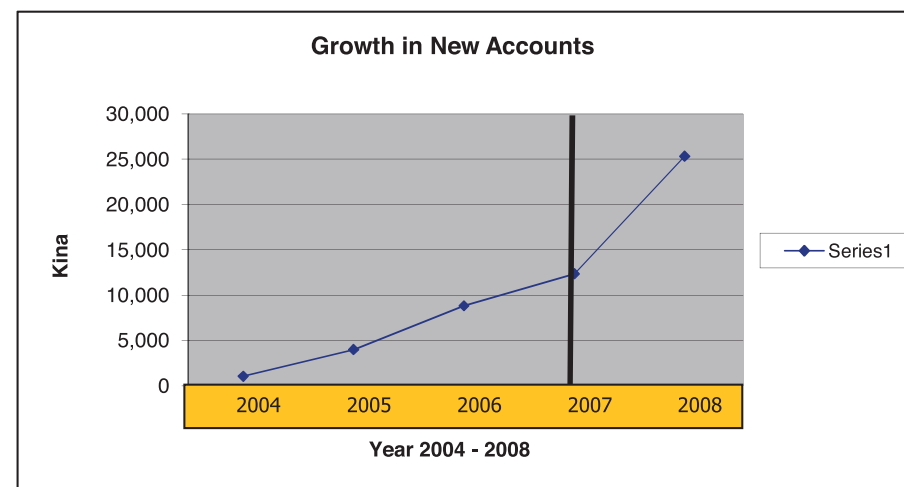
Savings Performance

The provision of pass book savings is one of the main services provided by NMB. There are five types of savings products designed for different market segments. The year started with a total Savings Portfolio of K14.4 million and it grew to K28.7 million during the year, a growth rate of 98.8%. The number of savers grew from 24,680 at the end of December 2007 to 49,571 at the end of December 2008 which is a 100% growth. The following table and the Graph show the trend in savings from the inception of the Microbank.

Yearly comparison of Savings is given below

K'000

INDICATORS	2004	2005	2006	2007	2008	Cummul to date
1. New accounts opened	1,046	3,991	8,827	12,360	25,349	51,3732
2. Accounts closed	112	148	310	1,232	-	1,8023
3. No. of Savers outstanding	935	4,778	13,157	24,680	49,571	49,5714
4. No. of Savers per MFO	311	1,592	1,644	1,371	1,770	5,1175
5. No. of MFOs	3	3	8	18	28	28
6. Amount of deposits O/s	307	2,562	6,315	14,424	28,670	28,670
7. Average Balance per Saver	329	536	480	585	578	578



Lending Performance



Officers in discussion of a lending proposal.

Lending is another major service provided by NMB, carried out through its Branch network. 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 3.77 million which grew by K 7.44 million during the year to K 11.13 million. The growth in the portfolio is almost 200% mainly due to the activity of the new Branches.

15,058 loans have been disbursed since the Microbank's inception of which 3764 loans were outstanding at the end of 2008. NMB employs 28 Micro Finance Officers (MFOs) attached to 9 Branches and the average portfolio handled by each MFO was around K380,000 through approximately 135 loans per MFO. The average size of a loan shows an upward trend during the 5 year period. The average loan size in 2004 was K691 and this has increased to K 2,088 in 2008. The trend in lending by the Microbank since its inception is shown in the following table and the graph.



Crocodile farm assisted by the bank.



Bank is also involved in house financing.

(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.

(o) 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 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.

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(h) 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%

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

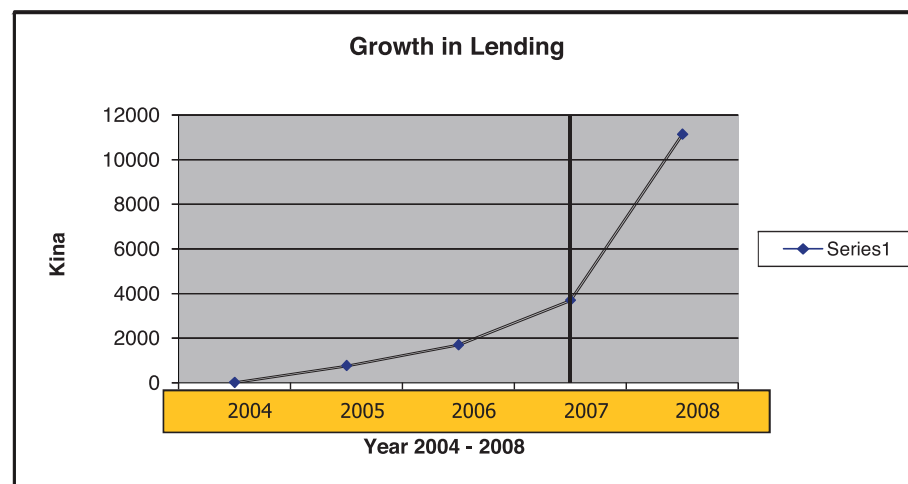
(n) Financial Assets

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.

INDICATORS	2004	2005	2006	2007	2008	Cummul to date
1. No. of loans disbursed	39	1,179	2,360	5,110	15,058	23,746
2. value of loans dbursed (K)	27	1,540	3,349	6,9543	1,7103	1,352
3. Average loan size/ Borrower(K)	691	1,227	1,394	1,361	2,082	2,082
4. Ave loans disbursed / MFO	9	146	142	386	1,120	1,120
5. Number of Borrowers OS (K)	28	701	1,198	2,783	3,764	3,764
6. Total Loans Outstanding (K000)	12	762	1,695	3,697	11,132	11,132
7. Average Loan OS /borrower(K)	426	1,088	1,415	1,334	2,844	2,844
8. Ave Loan portfolio Per MFO(K)	3,974	254,144	211,916	206,215	382,327	382,327



Loans Vs Deposits

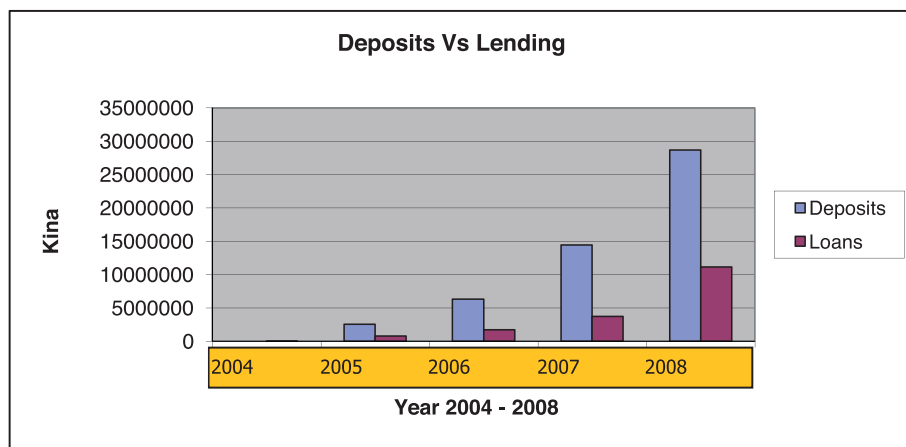


Team in Lae.

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.

K'000

Activity	2004	2005	2006	2007	2008
Deposits	307,000	2,562,000	6,315,000	14,424,661	28,670,094
Loans	11,923	762,431	1,695,325	3,711,866	11,132,159
% of Deposits	3.9%	29.8%	26.8%	25.7%	37.3%



NATIONWIDE MICROBANK LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL FOR THE YEAR ENDED 31 DECEMBER 2008

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.

(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) 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.

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NATIONWIDE MICROBANK LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2008

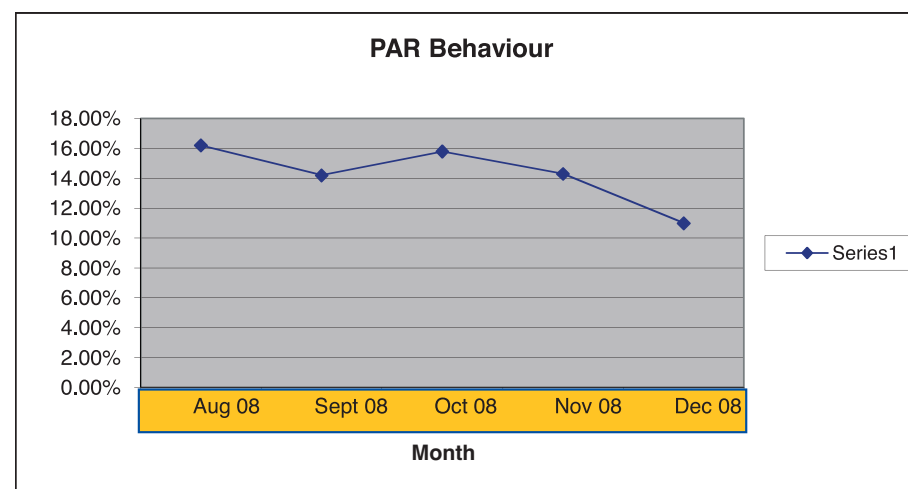
Note	2008 K	2007 K
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	100,079	52,518
Depreciation	286,422	90,897
Gain on fixed asset disposal	(36,179)	3,587
Amortisation of set up costs	97,291	86,633
Amortisation of goodwill	23,950	21,325
Provision for doubtful debts	111,147	-
Bad debts	(119,366)	-
Provision for staff welfare	14,102	25,000
	-	-
	477,446	279,960
Movements in working capital		
Increase in receivables	(5,914,821)	(129,730)
Increase in payables	12,717,689	13,977,890
	-	-
	6,802,868	13,848,160
	-	-
Net cash flow from operating activities	7,280,314	14,128,120
CASH FLOW FROM INVESTING ACTIVITIES		
Share application money received	-	4,739,726
Shares issued	2,000,000	1,610,477
Refund of security deposit from Bank of PNG	300,000	(300,000)
Purchase of fixed assets	(1,743,954)	(612,298)
Sale of fixed assets	63,667	-
Goodwill acquired	-	(239,496)
Capitalised pre-operating expenses	-	(213,964)
	-	-
Net cash from investing activities	619,713	4,984,445
CASH FLOW USED IN FINANCING ACTIVITIES		
Loans to customers	(1,725,353)	(3,437,164)
	-	-
Net cash used in financing activities	(1,725,353)	(3,437,164)
	-	-
NET DECREASE IN CASH & CASH EQUIVALENTS	6,174,674	15,675,401
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,675,401	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	21,850,075	15,675,401

Portfolio At Risk (PAR)

An important measure used by MFIs in measuring the quality of the lending portfolio is the 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 30th Nov 2008 was at all time high at 21.9% of the Loan Portfolio. PAR stood at K1,61 million which was 14.9% of the total portfolio.

In December 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 arrears by 30%. Arrears reduced by K0.71 million in absolute terms maintaining the total arrears at K1.56 million which is 14.6% on the portfolio (a drop from 21.9%), and PAR reduced to K1.25 million which is 11.0% of the portfolio (a drop from 14.9%). The following table and the graph show the trend in PAR.

Period	Total Loan Outstanding	Outstanding Principal only	Principal in Arrears	Principal not yet due	Total Principal with no arrears	PAR more than 30 days	
						Amount OS with arrears over 30 days	As % of total loan portfolio OS
	a	b = c + d	c	d	e	f	G
Aug'08	8,768	2,236	1,009	1,507	6,252	1,417	16.2%
Sep	9,867	2,177	1,230	947	7,690	1,379	14.2%
Oct	9,975	2,094	921	1,173	7,855	1,572	15.8%
Nov	10,746	2,301	832	1,603	8,445	1,539	14.3%
Dec	11,132	1,549	964	585	9,583	1,225	11.0%

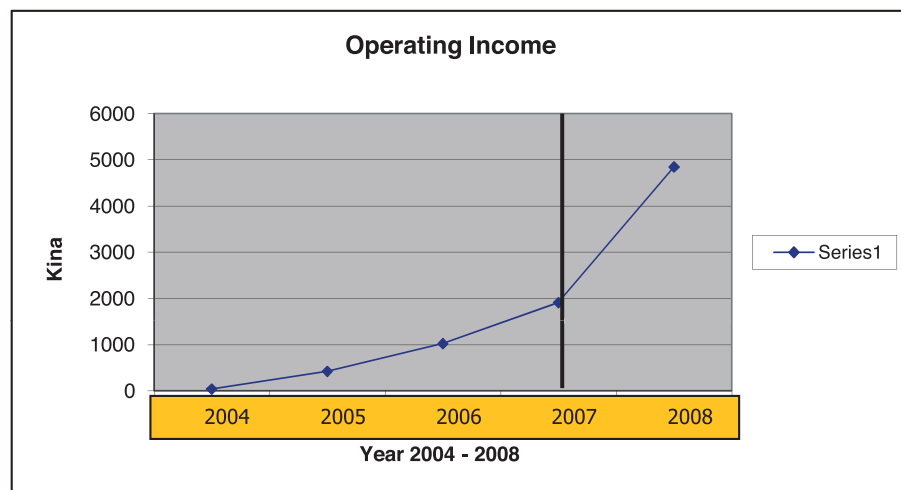


Financial Review

NMB's main sources of income during 2008 were the interest income from lending and interest earned investments. The following table gives the summary of the financial results from the inception of the Microbank.

K'000

As at 31 December	2004	2005	2006	2007	2008
1. Operating Income	38	422	1,021	1,910	4,846
2. Operating Expense	452	484	703	1,858	4,782
3. Operating Profit	(414)	(62)	319	52	226
4. Other Income/write-offs	-	-	21	-	(90)
5. Net Profit	(414)	(62)	298	52	100



Operational revenue has increased by almost 154% during 2008 over the previous year. The enhanced income is due to the growth in lending by the Branches which were in operation in 2007 and also due the establishment of 5 new Branches during the year. Of the new Branches, Mt Hagen has performed extremely well in terms of both lending and deposits. Of the total operating revenue around 56% is from lending activity, 30% from fees and 13 % from the investments.

The 2008 operating revenue has increased by 157% over the year 2007. The operating expenses also show a rapid increase in 2008 corresponding to the increase in total revenue. The total operating expenses mainly consist of

staff benefits and property rents. To facilitate the Branch expansion program new staff had to be recruited and buildings leased. The cost of staff benefits accounts for approximately 44% of the total operating cost. The total operating cost as a percentage of total operating revenue is around 43%. As at end of December 2008 NMB had 101 employees.

The Microbank started generating operating profits from the year 2006. The operating profits for year 2007 is low when compared with 2006 mainly due the adjustments made on account of transfer of the business from Wau Microbank to the newly established limited liability company.

NATIONWIDE MICROBANK LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2008

	SHARE CAPITAL	RETAINED EARNINGS	TOTALS
	K	K	K
Balance at 31.12.2006	-	-	-
Share issue	1,610,477	-	1,610,477
Funds pending share issue	4,739,726	-	4,739,726
Profit for the year before taxation	-	30,051	30,051
Dividend	-	-	-
Balance at 31.12.2007	6,350,203	30,051	6,380,254
Share issue	6,539,725	-	6,539,725
Funds applied	(4,539,725)	-	(4,539,725)
Profit for the year after taxation and prior year adjustment	-	65,193	65,193
Dividend	-	-	-
Balance at 31.12.2008	K 8,350,203	K 95,244	K 8,445,447

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NATIONWIDE MICROBANK LIMITED BALANCE SHEET AS AT 31ST DECEMBER 2008

Notes	2008 K	2007 K
SHAREHOLDER'S EQUITY		
Issue share capital	8,350,203	6,350,203
Reserves	95,244	95,244
	K 8,445,447	6,380,254
	-	-
SURPLUS OF SHAREHOLDER'S EQUITY		
Represented by:		
CURRENT ASSETS	13	21,850,075
Cash on hand, at bank and deposits		21,850,075
Consumer loans	4	9,154,230
Other receivables	5	335,705
		129,730
	-	-
	31,340,010	19,242,295
	-	-
CURRENT LIABILITIES		
Payables	84,341	100,922
Depositors	6	26,611,238
Provision for employee benefits	8	39,102
Provision for taxation	7	95,558
	-	-
	26,830,239	14,061,797
	-	-
NET CURRENT ASSET	4,509,771	5,180,498
NON CURRENT ASSETS		
Consumer loans	4	1,725,353
Capitalised pre-operating expenditure	9	30,039
Deferred tax	7	38,205
Security deposit with BPNG	10	-
Goodwill on acquisition	11	194,221
Fixed assets	12	1,947,858
	-	-
	K 8,445,447	6,380,254
	-	-

The accompanying notes form part of these financial statements.

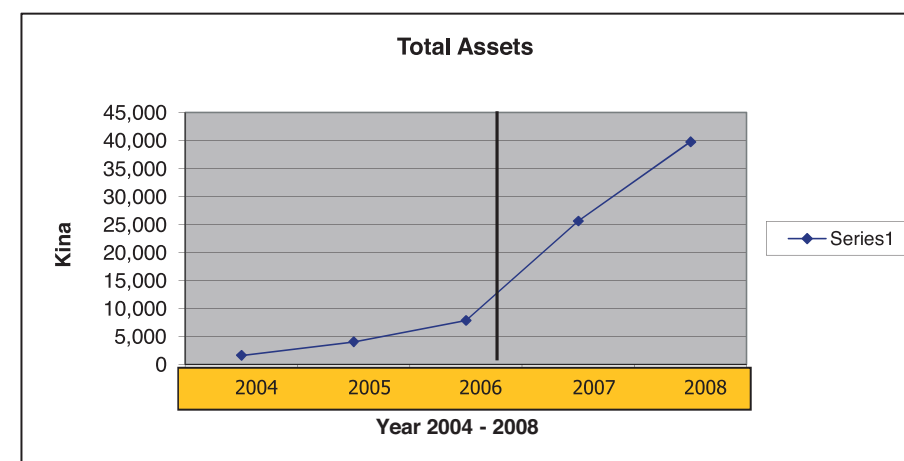
The operating profits for 2008 do not correspond well with the growth of operating revenue in this year due the high operational expenses incurred in setting up of new 5 Branches without any corresponding income. New Branches take around 9 months to generate profits.

The In 2008 NMB was compelled to write-off K 65,000 of a theft of K 85,000 in Wewak and a further K61,000 on account of teller losses. The Balance Sheet at 31 December 2008 shows a strong financial position with high liquidity. Capital adequacy is far above the minimum requirements specified by BPNG. The following table summarizes the Balance Sheets since inception and the graph shows the trend.

K'000

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

	2004	2005	2006	2007	2008
Total Assets	1,608	4,030	7,846	25,622	39,785



Total Assets show a rapid increase during the five year period and the year 2007 has recorded the highest growth. Total Assets have grown by 225 % in 2007 over the year 2006. The growth of Total Assets in 2008 over the year 2007 was 55%. The growth has come mainly from the increase in the lending portfolio which has grown by more than 200% during the year. The investment portfolio has grown by 33% during the year.

Customer savings in 2007 increased by 119% over 2006 and the growth in 2008 over 2007 was 92%.

Equity increased in 2007 due to the increased contribution by the Government of PNG through the ADB Loan facility and the increase in 2008 was due the investment by the Lihir Sustainable Development Company Ltd. of K2 million and a further contribution from GoPNG of K200,000.



Team in Finschhafen.

NATIONWIDE MICROBANK LIMITED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2008

	Notes	
	2008	2007
	K	K
Revenue from principal operations	4,846,925	1,910,363
Finance expenses		
Interest and charges	124,911	57,306
	-	-
	4,722,014	1,853,057
	-	-
Operating Expenses		
Depreciation	407,663	198,855
Staff Costs	2,380,279	791,119
Other Operating Expenses	1,870,172	810,565
	-	-
	4,658,114	1,800,539
	-	-
Profit before other income	63,900	52,518
Other Income	36,179	-
	-	-
Profit before taxation	100,079	52,518
	-	-
Taxation	8 (7,898)	5,899
Current period	36,651	58,907
Deferred taxation	(1,765)	(36,440)
	-	-
	34,886	22,467
	-	-
Profit after taxation	K65,193	K30,051

The accompanying notes form part of these financial statements.

BOARD OF DIRECTORS

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.

Nigel Katumapula – Manager Designate Buka Branch

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.

Chris Mota - Manager - Branch Development

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.

Steven K. Nori - Head of 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 15th of September 2008.



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 Practicing 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 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 and is the Chairman of the NMB Credit Committee.



Lionel Somaratne
Chief Executive Officer

Somararatne 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 and worked for nearly 9 years at LB Finance Ltd (a lending Finance Company in Sri Lanka) for 4 years at Sampath Bank Ltd for nearly 8 years and finally at the National Development Bank of Sri Lanka (NDB) for over 11 Years. At the time 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 & Administrator

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 (1994 – 1996).

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.

Taituku Simeon Manager - Lae and Finschhafen Branches

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.

Betty KAGL - Manager Madang Branch

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.

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.

Philip Witne - Manager – Kainantu Branch

Philip started his career 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.

Albert Negehove – Manager Lihir Branch

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.

Jonathan Jasi – Manager Port Moresby Branch (till 14th May 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.

Michael Aniyeli – Manager Port Moresby Branch (from 15th May 2009)

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.