National Bank of Malawi plc

54th Annual General Meeting

54th Annual General Meeting

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Notice of the 54th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE FIFTY FOURTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF NATIONAL BANK OF MALAWI PLC WILL BE HELD VIRTUALLY AND PHYSICALLY FROM SUNBIRD MOUNT SOCHE IN BLANTYRE ON 24TH JULY 2026 AT 14:00 HOURS.

A. PROCEDURES FOR THE SHAREHOLDERS ATTENDING THE AGM VIRTUALLY WILL BE AS FOLLOWS:

1. The AGM Pack, proxy form, and voting form will be sent to shareholders through their email addresses and can be accessed by texting on 0885 514 442 and visiting the Company's website (www.natbank.co.mw) from 30th June 2026. Printed copies will be made available to shareholders on request.

2. The meeting link for the AGM will be provided to shareholders through their registered email addresses or WhatsApp numbers.

3. A selection of questions and answers shall be read out and commented upon during the meeting.

4. Shareholders will be required to send the proxy forms and voting forms by 20th July 2026.

B. THE FOLLOWING BUSINESS WILL BE TRANSACTED AT THE MEETING:

AS ORDINARY BUSINESS:

1. DIRECTORS' APPOINTMENTS, RE-ELECTION AND RETIREMENT

1.1. To confirm the appointment of Dr. Grant Kabango as a Director who was co-opted during the year to fill a casual vacancy that arose in the course of the year. Dr. Kabango has over 40 years of experience in central banking. He previously served as Deputy Governor of the Reserve Bank of Malawi for two consecutive five-year terms, from 2012 to 2022. During this period, he was initially responsible for oversight of the supervision of financial institutions; and, subsequently for the management of the economics and regulatory functions of the Central Bank. Before becoming Deputy Governor, he held several senior roles within the Central Bank, including Director of International Operations, Director of Research and Statistics, Executive Assistant in the Governor's

Office, and General Manager of Economic Services. His contribution to the Central Bank was mainly in the formulation and implementation of macroeconomic and development policies, leveraging research and technical analysis to promote price and financial stability. He served as a Board Director of the Reserve Bank of Malawi, a member of the Monetary Policy Committee, and Chairman of the Financial Sector Stability and Development Committee. Dr. Kabango holds a PhD in Economics, an MPhil in Development Economics, and a Post-Graduate Diploma in Development Policy, all from the University of Glasgow, Scotland, UK. He also has a Bachelor of Social Science degree in Economics from the University of Malawi, Chancellor College and over the years has received recognition from international institutions, including the World Bank, International Monetary Fund, Federal Reserve System, Bank for International Settlements, and Citigroup.

1.2. To confirm the appointment of Mr. Tavona Biza. Mr. Biza is a seasoned business leader with extensive experience in financial services, specializing in leadership, insurance, pensions, and actuarial science. He was appointed as the Group Chief Executive Officer of Old Mutual Malawi in 2024. Prior to this role, Mr. Biza served as the Group CEO of Old Mutual Ghana. Before his tenure in Ghana, he served as the Managing Director of Old Mutual Life Assurance and Pension Services in Malawi. His earlier experience includes executive roles at Old Mutual Zimbabwe and Old Mutual South Africa.

He is a qualified actuary and a Fellow of the Institute and Faculty of Actuaries (UK). Mr. Biza holds an MBA from the University of Cape Town and has completed executive education at INSEAD and WITS Business School. He has also served as a Director on various industry boards in Zimbabwe, Malawi and Ghana.

Beyond his corporate career, Mr. Biza is passionate about social impact, actively supporting InnerCity Missions, which provides aid to street children worldwide.

1.3. To re-elect Mr. Crispin Mzengereza who retires by rotation in terms of Article 63 of the Articles of Association, but being eligible, has offered himself for re-election. Mr. Mzengereza has a Bachelor of Arts in Public Administration from the University of Malawi, Chancellor College, a Post-Graduate Diploma in Business Administration from the University of Stirling, a Bachelor of Commerce (Honours) in Money & Banking and a Master of Commerce in Money & Banking from the University of the Free State.

He has vast experience in financial sector regulation having worked with the Reserve Bank of Malawi. He was appointed to the Board on 15th May 2019.

1.4. To re-elect Mr. MacLeod Nkhoma who retires by rotation in terms of Article 63 of the Articles of Association and, being eligible, has offered himself for re-election.

Mr. Nkhoma holds a Master of Business Administration (MBA) and a Postgraduate Diploma in Management Studies from MANCOSA Graduate School of Business, South Africa. He is a Fellow (FCIS) and Chartered Governance Professional, as well as a Chartered Secretary of the Institute of Chartered Secretaries and Administrators (UK). He completed his undergraduate studies in Business Studies at the University of Malawi - The Polythechnic, providing a strong academic foundation for his professional career.

He was appointed to the Board on 17 March 2020.

1.5. To re-elect Mr. Raymond Banda who retires by rotation in terms of Article 63 of the Articles of Association, but being eligible, has offered himself for re-election. Mr. Banda holds an MBA (International Business) from University of Birmingham and a Bachelor of Science (B.Sc.) degree from the University of Malaw, Chancellor College. He has over 38 years of experience and has sat on various boards including Barque M Limited, Abacus VC Limited and Tybalt Corporation Limited. He was appointed to the board of National Bank of Malawi plc on 11th December 2017.

1.6. To note the retirement of Mr. James Mhura who retired in the course of the year having served as the Company's Director from August 2015.

1.7. To note the retirement of Mr. Jimmy Lipunga who retired in the course of the year having served as the Company's Director from January 2024.

2. APPROVAL OF MINUTES

To approve the Minutes of the 53rd Annual General Meeting held on 30th June 2025.

3. FINANCIAL STATEMENTS

To receive and consider the Directors' and Auditors' Report and Financial Statements of the Company for the year ended 31st December 2025.

4. DIVIDEND

To declare a final dividend amounting to K52.3b making a total dividend of K92.4b in respect of 2025 profits representing K197.92 per ordinary share, having already paid a first interim dividend of K16.6b in October 2025 and a second interim dividend of K23.5b in April 2026.

5. APPOINTMENT OF AUDITORS

To re-appoint Messrs. Ernst & Young – Chartered Accountants as Auditors for ensuing year and to authorize the Directors to determine their remuneration.

6. EXECUTIVE DIRECTORS' REMUNERATION

To authorize the Non-Executive Directors to determine the remuneration of Executive Directors..

7. NON-EXECUTIVE DIRECTORS' REMUNERATION

To approve an increase in the net fees and sitting allowances of the Chairman and Non-Executive Directors with effect from 1st January 2026 as follows:

8. DIRECTORS FEES:

Chairman:	K33,815,880 (2025: K26,838,000) per annum
Non-Executive Directors:	K22,217,670 (2025: K17,633,070) per annum

9. SITTING ALLOWANCES

Chairman:	K1,050,445 (2025: K833,685) per sitting
Non-Executive Directors:	K936,685 (2025: K743,400) per sitting

Dated the 26th day of June 2026

BY ORDER OF THE BOARD
ZUNZO E. MITOLE
COMPANY SECRETARY
Registered Office
National Bank of Malawi plc
7 Henderson Street
P O Box 945
BLANTYRE

The register of members will be closed from close of business on 31st July 2026 to 6th August 2026, both dates inclusive, and no transfer will be registered during that time. Only members whose names appear in the register as at 31st July 2026 shall be eligible for the dividend, which will be payable on 14th August 2026. The Company's shares will trade ex-dividend from Wednesday 29th July 2026.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or more than one proxy) to attend and vote in his/her stead. A proxy need not be a member of the company.

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notary certified copy of that power or authority shall be deposited at the Company Secretary's Office, not less than forty eight (48) hours before the time for holding the meeting and in default the instrument of proxy shall not be treated as valid.

Minutes of the 53rd Annual General Meeting

MINUTES OF THE FIFTY THIRD ANNUAL GENERAL MEETING OF NATIONAL BANK OF MALAWI PLC HELD VIRTUALLY AND PHYSICALLY FROM SUNBIRD MOUNT SOCHE HOTEL ON 30TH JUNE 2025 AT 2:00 PM

Shareholders Present:

Zunzo Mitole
Henry Edwin Chipeta
D. G. Mwamwira
Gibson Ngalamila
R. P. Mwadiwa
Noel T. Z. Phiri
Frank Harawa
Chandrakant Makadia
Harold Jiya
Daniel Jere
Charles Dulira
Ussene Narandasse
Victor Mazimbe
Alex Chinyamu
Lovemore C. Tinto
Elia Ng'ambi
Jones T. Chidothe
Joe Maere
Thandie Mdoka Gondwe
Wilson Kuyokwa
Gift Chikhula
Tafadzwa Kapyola
Takondwa Mlenga
Jacqueline Kapyola
Prof. Brian Kampanje
Paul Jarafi
R. R. Katundu
Wesley Mankhomwa
Joseph Kalulu
Mjedo Mkandawire
Berta Trading
Bernadette. T. Maele
Martin Chauluka
Yankho Phiri
Douglas Masumbu
Lexa Mapira
Menard Kaumphawi
Annelisa Majamanda
Esther Chikasamba
Stephen L. Takomana
Lucy Kadawati
Tiwonge Chinunda
Christopher Beula

Proxies / Representatives

Press Corporation Limited - **Dr. Ronard Mangani**

Rupert Nkhono – Associated Pensions Trust, CFAO Mobility Malawi Ltd Pension Fund, Alliance One Tobacco (Malawi) Limited Group Pension Fund, Aviation Pension Fund, Apt Pension Fund, Nico General Insurance Limited, NICO Life Pension Fund, NICO Minors, NICO Timasuke Pension Fund, Nico Timasuke Pension Fund – Holdings, Nico Timasuke Pension Fund – NBS

Mr. Madalitso Kasalika - CHAM Pension Fund - OML, Old Mutual Life Assurance Company (Malawi) Ltd Old Mutual Life Assurance Co. Mw. Ltd , Old Mutual Malawi Ltd, OMIG RBM Pension Fund, OMIG Sucoma Group Pension Scheme, Madzi Pension Fund OML, FDH Financial Holdings Ltd Pension Fund OMIG, Illovo Sugar Malawi Pension Fund, TNM Pension Fund, First Merchant Bank Pension Fund , Standard Bank ITF OMUT Balanced Fund, CHAM Pension Fund, Public Service Pension Trust Fund OML

Mr. Gibson Ngalamila / Mrs. Madalitso Kazembe – Press Trust.

Lilian Macheso - LIFECO Life Insurance Limited, LIFECO Life Limited.

Lackson Nyala / Ernest Chinyanja - AHL Group Pension, CEAR Pension Fund.

Blessings Mchenga /Peter Chikunkhuzeni - BCL Nominees.

James Mbingwa / Waaza Phiri – CAM Nominees Clients.

In Attendance:

Directors:

Mr. Jimmy Lipunga Chairman
Mrs. Madalo Mwenelupembe
Mr. James Mhura
Mr. Mcleod Nkhoma
Mrs. Bessie Nyirenda
Mr. Jim Nsomba
Mr. Raymond Banda
Dr. Lyton Chithambo
Mr. Macfussy Kawawa
Mr. Harold Jiya
Mr. Crispin Mzengereza
Dr. Ronald Mangani
Mrs. Zunzo Mitole Company Secretary

External Auditors: Ernest & Young represented by:
Chiwemi Chihana,
Madalitso Kamwendo
Mbanangwa Kapakasa
Khama Elisa
Mary Lausin

Transfer Secretaries:
Edda Khulamba
Chrispin Kaisa
Cyrus Kasakula
Jacqueline Kachinjika

Observers:
Malawi Stock Exchange: John Robson Kamanga
Mercy Mulele
Bernadette Mnyanga
Pretence Sayenda
Akossa Hiwa
Alexander Chikwapula
Mutisunge Chibwana
Eneless Mlongoti
Sarah Gongwe
Memory Alfonso
Chikondi Peter Kamoto
Potina Herbert
T. Mitulo
Enock Msisya
Mark Mikwamba
Augustine Maere
Andrew Tembo
Goli Harawa
Abraham Chipeta
Dziwani Kabvalo
Clement Gulumba
Job Mwatikana
Noel Kadzakumanja
D. Milandu
Ward Mfungo
Linda Nkhonjera
Kanyumwa Banda

Takondwa Kamtangwala
Francis Chikadza
Henry Chikasamba
Lynn C. Banda
Elson Mankhomwa
Priscilla Soko
P Nyirenda
Rev. C. Nagoli
E. Mankhomwa
Maggie Phiri
Siri Maunde
Folo Majawa
Wongani F. Nyirenda
Bestone Kasoloka
Georgina Mbendera
Halima Mangani
Ibrahim Chapeyama
Maxwell Msimuko
Mike Biton
Mabvuto Jimu
W Wasili

Quorum

The Secretary confirmed that since there were more than three persons present entitled to vote either in person or in proxy, as provided for under Article 31 of the Company's Articles of Association, the quorum had been duly constituted. The Chairman then called the meeting to order at 2.06 pm.

53/01 Opening Remarks

The Chairman welcomed all those present to the Fifty Third Annual General Meeting.

The Company had received proxies that would be duly recorded.

53/02 Notice

The Notice of the Annual General Meeting which was circulated within the statutory notice period of 21 days was taken as read.

53/03 Adoption of Agenda

The Secretary announced that as at the time of the meeting, no items had been received for discussion under Any Other Business. The agenda was therefore adopted without any amendment.

53/04 Ordinary business

53/04/01 Minutes of the 52nd Annual General Meeting held on 27th July 2024.

On a proposal of the motion duly seconded and voted on, it was resolved that:

The Minutes of the 52nd Annual General Meeting held on 27th July 2024 be noted as a correct record of the deliberations of that day.

53/04/02 Receipt of the Directors' and Auditors' Report and the Financial Statements of the Company for the Year ended 31st December 2024.

On a proposal of the motion duly seconded and voted on, it was resolved that:

The Directors' and Auditors' Report and Financial Statements for the year ended 31st December 2024 be received and adopted, and that all matters and things undertaken and discharged by the Directors on behalf of the Company be confirmed.

53/04/03 Declaration of Dividend

On a proposal of the motion duly seconded and voted on, it was resolved that:

A final dividend amounting to K28.6 billion making a total dividend of K59.0 billion in respect of 2024 profits representing K126.35 per ordinary share, having already paid a first interim dividend of K13.0 billion in September 2024 and a second interim dividend of K17.4 billion in April 2025, be and is hereby declared.

53/04/04 Appointment of Auditors

On a proposal of the motion duly seconded and voted on, it was resolved that:

Messrs. Ernst & Young – Chartered Accountants be and are hereby re-appointed as Auditors for the year ending 31st December 2025 and that the Directors are authorized to determine their remuneration.

53/04/05 Directors' Retirement, Appointments and Re-Election

i. On a proposal of the motion duly seconded and voted on, it was resolved that:

Dr Lyton Chithambo, who retires by rotation and being eligible, offers himself for re-election, be and is hereby re-elected as director.

ii. On a proposal of the motion duly seconded and voted on, it was resolved that:

Ms. Moureen Mbeye who retires by rotation and being eligible, offers herself for re-election, be and is hereby re-elected as director.

iii. On a proposal of the motion and duly seconded and voted on, it was resolved that:

Dr. Ronald Mangani who was co-opted during the year to fill a casual vacancy be and is hereby appointed as director.

iv. On a proposal of the motion and duly seconded and voted on, it was resolved that:

Mrs. Madalo Mwenelupembe who was co-opted since the last Annual General Meeting to fill a casual vacancy, be and is hereby appointed as director.

v. The members noted retirement of Mr. Jimmy Lipunga who retires having served as the Company's Board Chairman since June 2022.

vi. The members noted the retirement of Mr. James Mhura who retires after serving on the Company's board for 9 years.

53/04/06 Approval of The Executive Directors' Remuneration

On a proposal of the motion duly seconded and voted on, it was resolved that:

The Directors be and are hereby authorized to determine the remuneration of Executive Directors.

53/04/07 Non-Executive Directors' Remuneration

On a proposal of the motion duly seconded and voted on, it was resolved that:

i. For Directors' Fees

The net fees of the Chairman and Non-Executive Directors with effect from 1st January 2025 be fixed as follows:

Chairman:	**K26,838,000 per annum (2024: K21,300,000)**
Non-Executive Directors:	**K17,634,000 per annum (2024: K13,995,000)**

ii. For Directors' Sitting Allowances

The net sitting allowances of the Chairman and Non-Executive Directors with effect from 1st January 2025 be fixed as follows:

Chairman:	**K833.685 per sitting (2024: K661,665)**
Non-Executive Directors:	**K743,400 per sitting (2024: K590,000)**

53/05 Other Business

As there was no further business to discuss for which prior notice had been given, the meeting was declared closed at 2:57 pm.

.....

Chairman

.....

Date

CHAIRMAN'S MESSAGE

95% ↑
Profit After Tax
K197.97b

Dr. Grant P. Kabango

Chairman's Message

The Group continued to register exceptional performances despite the difficult operating environment, to report a **profit after tax** of **K197.97b** representing a **95% increase** (2024: 41%) from the K101.71b reported in 2024.

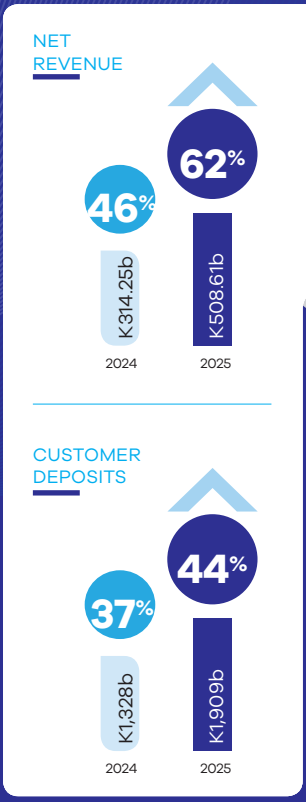
The Operating Environment

The Group delivered impressive results against a backdrop of major economic challenges including persistent foreign exchange scarcity, fuel shortages, elevated inflation, and stiff competition, to register a profit after tax of K197.97b representing a 95% increase from the K101.71b reported in 2024.

The official Malawi Kwacha exchange rate to the US Dollar remained unchanged in 2025 at K1,751/US$1. As a result, the gap between the official exchange rate and exchange rates attaining in informal currency markets remained wide. The Malawi economy continued to experience foreign exchange supply constraints throughout the year, which resulted in a subdued business environment for most customers whose businesses are dependent on imports of essential raw materials.

Performance

The Group continued to register exceptional performances despite the difficult operating environment, to report a profit after tax of K197.97b representing a 95% increase (2024: 41%) from the K101.71b reported in 2024. These results were largely driven by significant increase in net revenue to K508.61b from K314.25b representing growth of 62% (2024: 46%). Growth in customer deposits led to expansion of the loan portfolio, fixed income securities and other money market investments. Consequently, Net interest income grew by 47% (2024: 52%) from K199.67b to K294.06b.

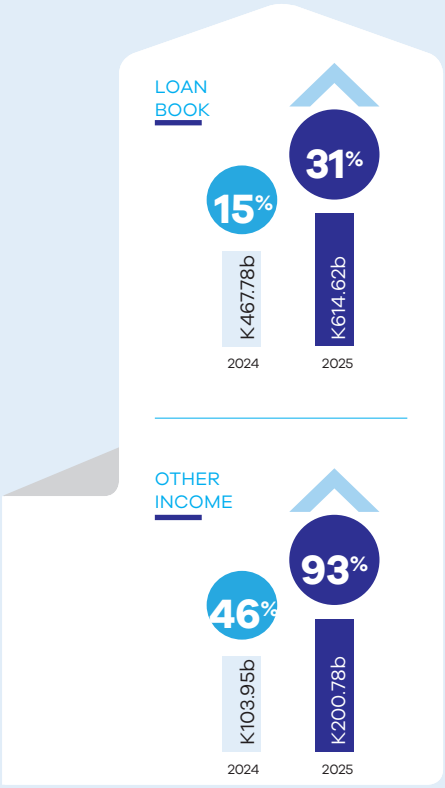


Customer deposits increased by 44% (2024: 37%) year on year from K1,328b to K1,909b while the loan book grew by 31% (2024: 15%) from K467.78b to K614.62b. Investment in fixed income securities increased by 33% (2024: 65%) from K628.54b to K836.33b.

Other income grew by 93% (2024: 46%), increasing from K103.95b to K200.78b driven by growth in profits on foreign exchange dealings, fees and commissions and capital appreciation on listed equity investments. Operating expenses increased by 25% (2024: 52%) from K134.44b to K167.59b. The increase was lower than the annual headline inflation of 28.4%. The Group benefitted from enhanced operating efficiencies from the disciplined execution of its strategy as well as effective cost containment measures.

Despite better performance of the loan book, the challenging macroeconomic conditions affected the forward-looking impairment drivers associated with fixed income securities. Accordingly, net impairment charges on financial assets grew by 69% (2024: 75%), increasing from K12.66b to K21.39b.

All subsidiaries of the Bank registered better performances compared to the previous year resulting in improved contribution to the Group's profitability. Efforts to turnaround Akiba Commercial Bank (ACB) in Tanzania have begun to bear positive outcomes. This resulted in a reduction in the loss reported by the subsidiary in the year under review compared to the previous year.



Dividends

The Board carefully considered the payment of a dividend for this financial year, taking into account future capital commitments and regulatory capital adequacy requirements. The Bank paid a first interim dividend of K16.64b in October 2025 (2024: K13.00b) and a second interim dividend of K23.49b in April 2025 (2024: K17.40b). I am, therefore, pleased to report that the Board has recommended a final dividend of K52.28b (2024: K28.60b) representing K111.97 per share to be approved at the annual general meeting. Once the final dividend has been approved and paid, the total dividend paid in respect of 2025 profits will be K92.41b (2024: K59.00b) representing K197.92 per share (2024: K126.35 per share) representing an increase of 56.6% over the dividends paid in respect of 2024 profits.

Strategy and Prospects

The economy is projected to grow by 3.8% in 2026 from 2.7% in 2025, supported by adequate rainfall in some parts of the country and increased public investment in agriculture, which is expected to boost food production and earnings from export crops like tobacco, tea, sugar, etc. In addition, increased public investment in tourism, mining and manufacturing sectors as well as growth enabling sectors of energy and infrastructure is expected to boost economic activity.

Despite this positive outlook, economic growth may be constrained by persistent foreign exchange shortages, high fuel and utility costs, and increased taxation amidst rising prices. This could weaken household incomes and dampen aggregate domestic demand.

Global geopolitical tensions and conflicts pose risks to the global and domestic economy, particularly through increases in oil prices and supply chain disruptions.

Headline inflation is projected to moderate from the elevated levels recorded in the previous year, with official and international forecasts ranging between 15% and 24.1%, supported by improved food supply conditions, increased investment in productive sectors, and continuation of tight fiscal and monetary policies.

While the operating environment remains challenging, the Board remains cautiously optimistic that the Group will continue to demonstrate resilience and deliver sustainable performance

Overall, while the operating environment remains challenging, the Board remains cautiously optimistic that the Group will continue to demonstrate resilience and deliver sustainable performance, supported by its skilled workforce, innovation, and strong strategic partnerships.

Board of Directors

I would like to take this opportunity to express my gratitude to fellow directors for their counsel, support, dedication, and co-operation in the year just ended as I settled in my role having joined the Board midway through the year. My predecessor, Mr. Jimmy Lipunga and Mr. James Mhura retired from the Board in June 2025 whilst Mrs. Madalo Mwenelupembe, who assumed the role of Chairperson of the Board Audit Committee, Mr. Tavona Biza and I joined the Board in February 2025, June 2025 and July 2025 respectively. The selection of the new Board members reflects the Group's commitment towards diversity and inclusiveness in our corporate governance approach. On behalf of the shareholders and the Board, I would like to register our profound gratitude

to Mr. Lipunga for his visionary leadership and invaluable contribution to the success of the Group over the three years he served as Chairman of the Board. Similarly, I also express my deepest gratitude to Mr. Mhura for his exemplary service during the nine years he diligently served as a director including serving as Chairman of the Board's Risk committee and Appointments, Remuneration and Governance committee at the time of his retirement.

NBM plc continues to embrace the principles encapsulated in the ESG (Environment, Social and Governance) principles. Our corporate social investments reflect the desire to be a responsible corporate citizen as demonstrated by our commitment to helping the less privileged and vulnerable communities. To ensure that we remain socially relevant within the communities in which we operate and a reliable development partner to the Government in uplifting the lives of the people of Malawi, we affirm our commitment to set aside 2% of prior year profits for that cause.

Management and Staff

I would like to express my sincere thanks to all members of staff, the **Bluehearts**, for your support, hard work, commitment and dedication to duty. These attributes and your loyalty have resulted in exceptional performances over the years. I have no doubt that you will keep hoisting the Bank of the Nation flag even higher in the years to come.

The year 2025 was the first full year of operation under the leadership of Mr. Harold Jiya as Chief Executive Officer and I am confident that the Board can count on the continued commitment of the senior leadership team to take the NBM Group to even greater heights.

Conclusion

Finally, I would like to thank all our shareholders for entrusting us with the stewardship of the NBM Group. On behalf of my fellow directors on the Board, I assure you that our collective efforts will continue to be motivated by the desire to exceed your expectations. We also pay tribute to our regulators, customers and suppliers for the enduring partnership that has seen us deliver strong results over the years.

Dr. Grant P. Kabango
Chairman

Directors' Report

For the year ended 31 December 2025

The directors have pleasure in presenting the consolidated and separate financial statements of National Bank of Malawi plc (NBM) for the year ended 31 December 2025.

Capital

The authorized share capital of the Bank is K500m (2024: K500m) divided into 500,000,000 Ordinary Shares of K1 each. The issued capital is K467m (2024: K467m) divided into 466,931,738 (2024: 466,931,738) fully paid Ordinary Shares of K1 each.

The shareholders and their respective shareholdings are:

	2025 %	2024 %
Press Corporation plc	51.5	51.5
Old Mutual Group	20.3	21.3
Members of the public	28.2	27.2
	100.0	**100.0**

Profit and Dividends

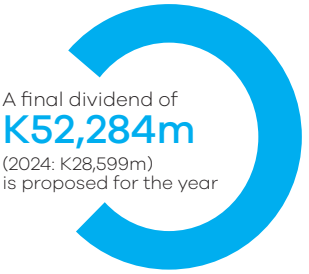
The directors are pleased to report a consolidated profit before tax of K319,633m for the year ended 31 December 2025 (2024: K167,147m).

On 17 March 2025, the Board declared a second interim dividend of K17,398m (representing K37.26 per share) in respect of 2024 profits and this was paid on 30 April 2025.

On 30 June 2025 the Board declared a final dividend of K28,599m in respect of 2024 profits which was paid on 18 July 2025.

A first interim dividend of K16,641m (2024: K12,999m) was declared and paid to shareholders in October 2025 in respect of 2025 profits.

The directors have proposed a second interim dividend of K23,490m, (2024: K17,398m) to be declared in February 2026 and to be paid in April 2026. A final dividend of K52,284m, (2024: K28,599m) is proposed for the year to be paid on a date to be determined at the annual general meeting. This will make a total dividend of K92,415m (2024: K58,999m), in respect of 2025 profits.



Directors

The following directors, appointed in terms of Article 52 of the Articles of Association, served in office during the year:

Name	Tenure	Nature of Directorship
Lipunga, J.	Chairman – Up to June 2025	Non-executive
Kabango, G. (Dr.)	Chairman – From July 2025	Non-executive
Mhura, J.	Up to June 2025	Non-executive
Biza, T.	From June 2025	Non-executive
Mangani, R. (Dr.)	All year	Non-executive
Nsomba, J.	All year	Non-executive
Chithambo, L. (Dr.)	All year	Non-executive
Mbeye, M. (Ms.)	All year	Non-executive
Mzengereza, C.	All year	Non-executive
Banda, R.	All year	Independent non-executive
Nyirenda, B. (Mrs.)	All year	Independent non-executive
Nkhoma, M.	All year	Independent non-executive
Mwenelupembe, M. (Mrs.)	From February 2025	Independent non-executive
Jiya, H.	All year	Executive

Directors' Interests

The following directors held shares in the Bank as at 31 December 2025:

Name of Director	No. of shares		Value of shares (K 'million)	
	2025	2024	2025	2024
Nsomba, J.	758	758	9	3
Jiya, H.	99,976	89,648	1,199	310
Mwenelupembe, M. (Mrs.)	9,233	-	111	-
Mbeye, M. (Ms.)	1,000	1,000	12	3
Total	**110,967**	**91,406**	**1,331**	**316**

There were no contracts between the Bank and its directors nor were there any arrangements to enable the directors to acquire shares in the Bank.

Directors' Remuneration

The directors' fees and remuneration for the Bank and its subsidiaries were as follows:

Entity	Non-Executive Directors fees and expenses K 'million	Executive Directors fees and expenses K 'million	Total K 'million
For the year ended 31 December 2025			
National Bank of Malawi plc	1,299	531	1,830
NBM Capital Markets Limited	60	234	294
NBM Securities Limited	-	-	-
National Bank of Malawi Nominees Limited	-	-	-
Stockbrokers Malawi Limited	12	-	12
NBM Bureau de Change Limited	-	-	-
NBM Pension Administration Limited	29	-	29
NBM Development Bank Limited	98	-	98
United General Insurance Company Limited	58	-	58
Akiba Commercial Bank plc	158	-	158
Total	**1,714**	**765**	**2,479**
For the year ended 31 December 2024			
National Bank of Malawi plc	763	663	1,426
NBM Capital Markets Limited	20	164	184
NBM Securities Limited	-	-	-
National Bank of Malawi Nominees Limited	-	-	-
Stockbrokers Malawi Limited	8	-	8
NBM Bureau de Change Limited	-	-	-
NBM Pension Administration Limited	19	-	19
NBM Development Bank Limited	50	-	50
United General Insurance Company Limited	48	-	48
Akiba Commercial Bank plc	150	-	150
Total	**1,058**	**827**	**1,885**

Corporate Governance

The Bank currently has a board of directors comprising twelve directors – eleven non-executive directors and one executive director. In accordance with the Articles of Association, each shareholder with a stake of 10% or more may appoint one director for each 10% stake held. Four out of the eleven non-executive directors are independent directors. Unless a director resigns, non-executive directors appointed by the major shareholders serve on the Board up until they are recalled by their appointing shareholder. Independent non-executive directors may serve on the Board for up to three terms but not exceeding ten years unless they reach the age of 70, in which case their continued stay is subject to annual re-election by shareholders at an annual general meeting.

Executive directors serve on the Board by virtue of their offices and their tenure is as per the terms of their contract of employment. Independent non-executive directors can retire at will while the tenure of the other non-executive directors is determined by their appointing shareholders. All directors must retire at the age of 70. Where the Bank wishes to retain their services beyond that age, this must be approved yearly at an annual general meeting.

On termination of their contract, three months' notice in writing must be given for executive directors whereas for the independent and other non-executive directors, termination of their appointment is effective immediately notice of termination of their appointment is received by the Company Secretary. There is no predetermined compensation on termination of the appointment of independent and the other non-executive directors.

In line with Corporate Governance Practice, the Group continues to embrace and abide by the main principles of modern corporate governance as contained in the Malawi Code II (Code of Best Practice for Corporate Governance in Malawi). In this regard, the Group has at Board level, seven committees, i.e., Board Audit Committee, Board Risk Committee, Board Credit Committee, Board Appointments, Remuneration and Governance Committee, Board IT & Digital Committee, Board Committee on Related Parties and Board Investments Committee. The Committees comprise Non-Executive and Independent Non-Executive Directors.

Overview of Subsidiaries

Subsidiaries' Corporate Governance

The subsidiaries have their own boards of directors having the rights and obligations to manage such companies in their best interests. The Bank has its representatives on the boards of subsidiary companies and monitors the performance of the companies regularly.

Subsidiaries' Boards of Directors

During the year ended 31 December 2025, none of the directors for the subsidiary companies had interest in any material contract relating to the businesses of their respective companies.

Information about subsidiaries' boards of directors and their interest in shares, if any, in the respective subsidiaries is shown below:

Subsidiary	Directors	Tenure	Directors' interest in shares of the subsidiary
NBM Capital Markets Limited	Jiya, H.	Chairman - All year	None
	Mukaka, H.	All year	None
	Jere, B.	All year	None
	Katsala, M	All year	None
	Singo, H. (Mrs.)	All year	None
	Jere, D.	From October 2025	None
	Mulele M. (Mrs.)	Company Secretary - All year	None
Stockbrokers Malawi Limited	Jiya, H.	Chairman - All year	None
	Mukaka, H.	All year	None
	Kafoteka, D.	All year	None
	Siwu, M.	All year	None
	Kadzakumanja, N.	Company Secretary – All year	None
NBM Pension Administration Limited	Kasunda, O.	Chairman – Up to May 2025	None
	Katsala, M.	Chairman – From May 2025	None
	Jere, D.	From May 2025	None
	Munthali, G.	All year	None
	Sitima, B.	All year	None
	Mkandawire, S. (Mrs.)	All year	None
	Chirwa, L. (Mrs.)	From February 2025	None
	Potani, E. (Mrs.)	From February 2025	None
	Mitole, Z. (Mrs.)	Company Secretary – All year	None
NBM Development Bank Limited	Jiya, H.	Chairman - All year	None
	Katsala, M.	All year	None
	Jere, D.	All year	None
	Sukasuka, A.	All year	None
	Muula, F.	All year	None
	Aroni, K.	All year	None
	Khofi, C. (Mrs.)	All year	None
	Mchiela, G. (Mrs.)	All year	None
	Kalilombe, C.	All year	None
	Mulele, M. (Mrs.)	Company Secretary - All year	None

Subsidiaries' Boards of Directors (Continued)

Subsidiary	Directors	Tenure	Directors' interest in shares of the subsidiary
Akiba Commercial Bank plc	Kimaryo, C. (Ms.)	Chairman - All year	None
	Juma, R. (Ms.)	Up to August 2025	None
	Kawawa, M.	All year	None
	Jiya, H.	All year	None
	Katsala, M.	All year	None
	Mitole, Z. (Mrs.)	All year	None
	Mahona, B.	All year	None
	Massawe, A.	All year	None
	Kamwendo, D.	All year	None
	Prof. J. Lotto	All year	None
	Wasonga, D.	Company Secretary - All year	None
National Bank of Malawi Nominees Limited	Mitole, Z. (Mrs.)	Chairman - All year	None
	Mukaka, H.	All year	None
	Mulele, M. (Mrs.)	Company Secretary - All year	None
NBM Bureau de Change Limited	Musyani, A.	Chairman - All year	None
	Boby, B.	All year	None
	Jiya, H.	All year	None
	Mitole, Z. (Mrs.)	Company Secretary - All year	None
United General Insurance Company Limited	Jiya, H.	Chairman - All year	None
	Kudenga, S.	All year	None
	Manika, N.	All year	None
	Katsala, M.	All year	None
	Chamba, H.	All year	None
	Kachingwe, M. (Mrs.)	All year	None
	Tandwe, L.	All year	None
	Ching'ang'a, M. (Ms.)	All year	None
	Chikuse, G. (Mrs.)	Company Secretary - All year	None

NBM Securities Limited does not have a board of directors. The company's business activities were incorporated into National Bank of Malawi plc.

Donations

During the year, the Group made charitable donations of K1,269m (2024: K458m).

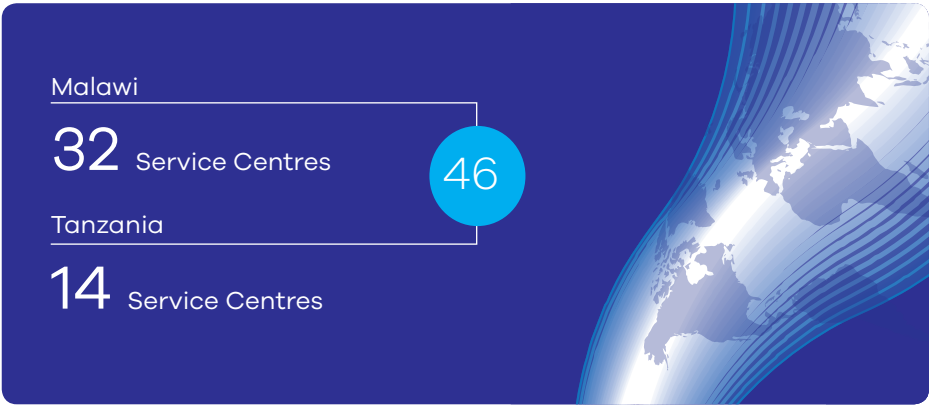
Activities

The Group is engaged in the business of commercial banking, development finance, investments and fund management, pension administration, stockbroking and general (non-life) insurance.

Subsidiaries of National Bank of Malawi Plc	Percentage of control	Nature of operations
NBM Capital Markets Limited	100% (2024: 100%)	Investments & fund management
NBM Securities Limited	100% (2024: 100%)	Dormant
National Bank of Malawi Nominees Limited	100% (2024: 100%)	Holding investments as nominee
Stockbrokers Malawi Limited	75% (2024: 75%)	Registered stockbroker
NBM Bureau de Change Limited	100% (2024: 100%)	Dormant
NBM Pension Administration Limited	100% (2024: 100%)	Pension administration
NBM Development Bank Limited	100% (2024: 100%)	Small & Medium Enterprises long-term financing
Akiba Commercial Bank plc	77.33% (2024: 60.48%)	Banking and related services
United General Insurance Company Limited	55% (2024: 57%)	General (non-life) insurance

Areas of Operation

The Group has 46 (2024: 49) service centres, i.e., 32 service centres in Malawi (2024: 32) and 14 in Tanzania (2024: 17). The Bank and its subsidiaries, except Akiba Commercial Bank plc (ACB), have their registered offices and principal places of business in Blantyre, Malawi. The registered office and principal place of business for ACB is in Dar es Salaam, Tanzania.



In 2025, we advanced initiatives focused on energy efficiency, emissions reduction, and support for renewable energy and climate-resilient projects

Environmental, Social and Governance

At National Bank of Malawi Plc (NBM), sustainability is integral to our mandate as a systemically important financial institution and a responsible corporate citizen. It reflects our commitment to transparency, regulatory compliance, and the creation of long-term value for all stakeholders.

The reporting period was marked by heightened macroeconomic pressures, climate-related risks, and evolving regulatory expectations within Malawi's financial sector. In response, the Board and Executive Management continued to strengthen governance arrangements to ensure effective oversight of sustainability-related risks and opportunities. ESG considerations are increasingly embedded within our enterprise risk management framework, credit processes, and strategic planning cycles.

Climate change persists as a material risk with implications for asset quality, operational continuity, and long-term financial performance. NBM has progressed the integration of climate-related risk identification, assessment, and management across its operations and lending activities. In 2025, we advanced initiatives focused on energy efficiency, emissions reduction, and support for renewable energy and climate-resilient projects, contributing to Malawi's transition to a more sustainable and reliable energy system while managing our carbon footprint.

Our climate strategy focuses on reducing carbon emissions, managing environmental risks, and supporting customers and communities as they transition towards

more sustainable economic models. In 2025, our climate action priorities included:

- The setting, monitoring, and management of Scope 1 and Scope 2 greenhouse gas emission reduction targets.
- The expansion of our green finance portfolio, supporting renewable energy, energy efficiency, and climate-resilient projects.
- Strengthening our position as Malawi's leading financier of renewable energy solutions, contributing to national energy security and emissions reduction efforts. Looking ahead, our focus will remain on deepening ESG integration, strengthening climate risk resilience, and delivering sustainable financial solutions that support Malawi's national development agenda and long-term economic stability.

Strategic Focus

At the heart of our transformation lies a deliberate focus on people, processes, and systems. These three pillars guide our operational excellence and strategic foresight. The Group is committed to ensuring that we have the right talent, robust systems, and future-ready processes at the Bank and across all its subsidiaries. From succession planning to productivity measurement, our structures are enhanced to deliver long-term value while remaining agile and responsive to stakeholders' needs.

We have therefore aligned our strategy to support inclusive development by expanding access to finance, empowering entrepreneurs, and strengthening small and medium-sized enterprises that are key drivers of employment. Our commitment goes beyond traditional banking; it is anchored in enabling meaningful economic participation and building financial resilience across the communities we serve.

Financial inclusion remains a strategic priority. In 2025, we continued to enhance access to affordable, accessible, and relevant financial solutions through digital innovation and customer-focused product development. Our secure WhatsApp-based Chatbot platform, offered at no monthly charge, supports unbanked and underserved communities with convenient digital access. We maintained strong system stability and uptime across our digital channels ensuring reliable and uninterrupted service delivery.

We also strengthened our focus on inclusive product design through targeted solutions that empower women, support children's financial security, and promote entrepreneurship. Our Customer Smart Onboarding System, currently under development, will further simplify account opening processes while enhancing due diligence and accessibility for new and underserved customers.

Our commitment to empowering people is demonstrated through ongoing initiatives and recognitions that reinforce our dedication to building an equitable workplace and society. In 2025, we strengthened our focus on

diversity, equity, and inclusion through the prioritisation of women's inclusion across leadership roles, our supply chain, and financial inclusion solutions, promoting diversity, gender equality, and inclusive decision-making. These efforts support a culture of fairness, opportunity, and shared value creation across the organisation and the communities we serve.

Strong governance and ethical conduct are central to maintaining trust in the financial system. The Group maintained robust internal controls, compliance frameworks, and ethical standards throughout the year. These measures are overseen by the Board and reinforced through continuous training and monitoring.

Auditors

On 30 June 2025, the National Bank of Malawi plc Annual General Meeting (AGM) approved the appointment of Ernst & Young (EY) as the auditor for the Group for the year ended 31 December 2025. EY have signified their willingness to continue in office and a resolution will be proposed at the forthcoming Annual General Meeting in relation to their appointment as auditors in respect of the year ending 31 December 2026.

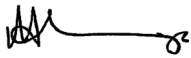
Auditors' Remuneration

Group Auditors' remuneration including VAT and expenses for the year was K1,159m (2024: K1,071m).

By order of the Board

Director (Kabango, G. (Dr.))

20 March 2026



Director (Mwenelupembe, M. (Mrs.))

20 March 2026

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2025

Statement of **Directors'** Responsibilities

For the year ended 31 December 2025

The Companies Act, 2013 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank and the Group as at the end of the financial year and of the operating results for that year.

The Act also requires the directors to ensure that the Bank and the Group keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and the Group and enable them to ensure that the financial statements comply with the Companies Act, 2013.

In preparing the consolidated and separate financial statements, the directors accept responsibility for ensuring the following:

- Maintenance of proper accounting records that correctly record and explain the transactions of the Bank and the Group;
- Selection of suitable material accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable Accounting Standards when preparing financial statements subject to any material departures being disclosed and explained in the financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the Bank and the Group will continue in business.

The Directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and the Group and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

The Directors also confirm that they have complied with the Companies (Corporate Governance) Regulations 2016 with respect to corporate governance.

The Directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the Bank and the Group and of their operating results for the year ended 31 December 2025, so far as concerns the members of the Group.
By Order Of The Board

Director (Kabango, G. (Dr.))
20 March 2026

Director (Mwenelupembe, M. (Mrs.))
20 March 2026

Shape the future with confidence

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Independent Auditor's Report to the Shareholders of National Bank of Malawi plc

Opinion

We have audited the consolidated and separate financial statements of National Bank of Malawi plc and its subsidiaries ("the Group") and company set out on pages 41 to 220 which comprise the consolidated and separate statements of financial position as at 31 December 2025, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year ended 31 December 2025, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 December 2025, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act, 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of the report. We are independent of the Group and Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* as applicable to audits of financial statements of public interest entities, and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. The matter noted below was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter. For the key audit matter noted below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report, including in relation to the key audit matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key Audit Matter applies to the audit of the consolidated and separate financial statements.

Level	Key audit matter
National Bank of Malawi plc **Akiba Commercial Bank Plc** **NBM Development Bank**	**Expected credit losses** The disclosures associated with Credit Risk are set out in the consolidated and separate financial statements in the following notes: • **Note 3.5** – *Measurement and recognition of Expected Credit Losses* • **Note 3.20** – *Classification and measurement of financial instruments under IFRS 9* • **Note 10** - *Government securities* • **Note 11** – *Loans and advances* • **Note 42(c)** – *Credit risk*

Valuation of expected credit losses on loans and advances to customers and Government securities	How the matter was addressed in the audit
We identified the audit of expected credit losses (ECL) as a key audit matter considering the following: • The National Bank of Malawi Group's loans and advances to customers at K642.8 billion and Government securities at K849.3 represent 25.8% and 34.0% of total assets and the associated impairment provision for expected credit losses of K28.2 billion for loans and advances to customers, and K13.0 billion for Government securities are material to the consolidated financial statements. • The high degree of estimation uncertainty, significant judgements and assumptions applied in estimating the ECL on loans and advances to customers and Government securities. • High volume of data extracted from the system to the end user computing tool. This increases the risk around accuracy and completeness of data used to create assumptions and operate the ECL model. • The Significant portion of ECL is calculated on a modelled basis. The development and execution of the model requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters. Significant increases in credit risk (SICR) are assessed based on the current risk of default of an account relative to its risk of default at origination. This assessment incorporates judgement and estimation by management, including impact of external factors.	**Our response to the key audit matter included performing the following audit procedures:** • We obtained an understanding of the Group's policies and procedures, including controls in place around determination of expected credit losses. We confirmed our understanding of the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification and loan impairment assessment including the oversight role of those charged with governance in the determination, accounting and reporting of expected credit losses. • We carried out procedures to ensure the data being used in the models is complete, accurate, and that assumptions used are reasonable and supportable. • Our internal specialists reviewed the models used to process data and the alignment of these models to the 'methodology' and recalibrations approved for use by the Group. • We assessed the input assumptions applied within the PD, EAD and LGD models (including forward looking information) for compliance with the requirements of IFRS 9 – *Financial Instruments* ("IFRS 9"). In addition, our procedures included assessing the appropriateness of the models through reperformance and validation procedures. • We obtained an understanding of the relevant internal controls relating to the approval of credit facilities, subsequent monitoring and remediation of exposures, key system reconciliations and collateral management. • Evaluated the appropriateness of the Significant Increase in Credit Risk (SICR) criteria used by assessing reasonableness of qualitative staging decisions such as the borrower's financial performance and accuracy of quantitative staging criteria based on days past due.

Valuation of expected credit losses on loans and advances to customers and Government securities (Continued)	How the matter was addressed in the audit
In particular we have focussed on the following areas of significant judgement: Determination of expected credit losses require consideration of multiple forward-looking macro-economic factors, including consideration of observable relationships between these factors and Non-Performing Loans (NPL) in the past projected into the future. The key factors considered by the Group include inflation, Gross Domestic Product (GDP), interest rates, fuel prices, and historical correlations between these inputs against the NPL rate. Calculation of expected losses utilizes models that utilize collateral reports from valuers, legal experts and credit specialists.	We have assessed the appropriateness of the macro-economic forecasts and scenario weightings by benchmarking these against external evidence and economic data. Our internal specialists reviewed the correlation between probabilities of default and external macro-economic factors using historical data and results thereof, including reviewing the appropriateness of the statistical methodologies used to project these relationships in the future. For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral. The collateral valuation techniques applied by management were benchmarked to the market practice and values compared to market achievable disposal values on the market.
Extensive disclosures are required in the financial statements in order to allow users of the financial statements to understand the additional level of judgement applied by management, this included additional disclosure with regards to management adjustments and sensitivity analyses. Due to the extensive nature of these disclosures which are non- routine and very specific to the environmental conditions, this required significant audit effort to assess the reasonability and compliance with IFRS Accounting Standards.	We reviewed the additional disclosures related to adequacy and appropriateness in accordance with the requirements of IFRS 7- *Financial Instruments: Disclosures.*
There are prudential requirements to be complied with in determination of expected credit losses for compliance reporting. Management has to consider these requirements and customize their models accordingly, including treatment of differences between the two reporting frameworks.	We reviewed the prudential models and assessed their compliance to the Asset Classification Directive of 2018. We also reviewed adjustments made in reconciliation of this directive to IFRS 9 *Financial Instruments* for accuracy and completeness.

United General Insurance Limited	**Valuation of insurance contract liabilities at United General Insurance** The disclosures associated with valuation of insurance contract liabilities are set out in the consolidated and separate financial statements in the following notes: • Note 4.2.11 - *Liability for remaining coverage* • Note 4.2.12 - *Liability for incurred claims*

Valuation of insurance contract liabilities at United General Insurance	How the matter was addressed in the audit
At 31 December 2025, insurance contract liabilities amounted to K10.8 billion and represent a significant portion of its total liabilities. There is a high degree of complexity involved in estimating elements such as present values of expected future cash flows (PVFCF), appropriate discount rates and the compensation required for non-financial risk. These elements are estimated with the help of complex statistical and actuarial models which require input from specialists, using assumptions about the future which are often based on a mixture of past data and expert judgement. There is a range of possible methodologies for developing estimates which comply with the principles of IFRS 17. The selection and application of an appropriate methodology requires the exercise of significant professional judgement. The actuarial assumptions and methodologies that involve management's judgements about future events, both internal and external to the Group, for which small changes in the assumptions used could result in a material impact to the valuation of insurance contract liabilities.	**Our response to the key audit matter included performing the following audit procedures** We obtained an understanding of the insurance contract liabilities valuation process with the focus on understanding the Group's IFRS 17 approach for classification of insurance contracts for the purpose of measuring insurance contract liabilities. • We reviewed controls over underwriting and claims processes up to booking of insurance contract liabilities. • We reviewed and evaluated the actuarial assessments by assessing the methodology and assumptions used in valuation of the insurance contract liabilities in respect to compliance with the Groups' policies and IFRS. • We assessed qualifications, professional competence and independence of the management actuary. • We reviewed reasonableness of the inputs into the valuation of insurance contract liabilities, including evaluating the nature, timing and completeness of changes recorded, and assessing whether individual changes were errors or refinements of estimates. • We performed procedures to ensure completeness and accuracy of data used in the determination of the estimates. We assessed the adequacy of the disclosures related to the valuation of the insurance contracts

Valuation of insurance contract liabilities at United General Insurance (Continued)	How the matter was addressed in the audit
The actuarial valuations are based on complex models and methodologies for which inadequate assumptions and or inaccurate input data may be used. Assumptions and changes on Liability for remaining coverage (LRC), the Liability for incurred claims (LIC), Risk Adjustment (RA) and Best Estimate Liability (BEL) impact insurance contract liabilities. Accordingly, given the complexity, significant judgement and estimation uncertainty involved, we have identified insurance contract liabilities as a key audit matter which includes PVFCF and risk adjustments for the remaining coverage.	

Other Information

The directors are responsible for the other information. The other information comprises the Directors' report as required by the Companies Act 2013, the Directors' statement of responsibilities for the year ended 31 December 2025, which we obtained prior to the date of this report and the Annual Report which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and

separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act, 2013; and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of Material accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chartered Accountants (Malawi)

Chiwemi Chihana
Registered Practicing Accountant

27 March 2026

Consolidated and Separate Statements of Financial Position

As at 31 December 2025

	Notes	GROUP 2025 K'm	GROUP 2024 K'm	COMPANY 2025 K'm	COMPANY 2024 K'm
Assets					
Cash and funds with Central Banks	5&39	170,785	171,927	136,517	142,136
Placements and deposits with other banks	6&39	197,819	101,662	194,086	100,778
Money market investments	7&39	446,674	181,617	95,362	8,746
Other assets	8	51,698	51,883	41,562	46,998
Equity investments at fair value through profit or loss	9	48,156	18,761	42,168	17,081
Government securities	10	836,329	628,542	803,460	573,132
Loans and advances to customers	11	614,615	467,783	510,839	372,467
Other insurance receivables	12	348	109	-	-
Reinsurance contract assets	12	2,406	2,605	-	-
Investment in subsidiaries	13	-	-	31,472	20,966
Equity investments at fair value through other comprehensive income	14	2,321	1,057	2,321	1,057
Investment properties	15	2,547	1,240	-	-
Property and equipment	16	81,728	69,126	78,740	66,203
Intangible assets	17	25,412	18,606	21,114	14,296
Right-of-use assets	18	3,878	6,132	1,910	3,113
Deferred tax assets	19	5,022	4,508	-	-
Current income tax receivable	23	414	-	-	-
Goodwill	20	4,647	4,647	-	-
Total assets		**2,494,799**	**1,730,205**	**1,959,551**	**1,366,973**
Liabilities and equity					
Liabilities					
Customer deposits	21	1,908,502	1,328,427	1,462,589	1,034,137
Amounts due to other banks	22	17,695	14,714	3,725	2,134
Current income tax liabilities	23	55,056	34,287	51,733	32,623
Loans	24	13,464	11,349	194	209
Provisions	25	9,756	7,765	8,621	7,055
Other liabilities	26	51,281	43,565	42,914	34,462
Insurance contracts liabilities	12	10,824	9,488	-	-
Reinsurance contracts liabilities	12	152	203	-	-
Lease liabilities	27	7,330	8,761	3,419	4,132
Deferred tax liabilities	19	7,106	972	7,106	726
Total liabilities		**2,081,166**	**1,459,531**	**1,580,301**	**1,115,478**
EQUITY					
Capital and reserves					
Share capital		467	467	467	467
Share premium		613	613	613	613
Loan loss reserve		23,491	13,959	23,796	13,959
Revaluation reserve		41,970	34,641	43,671	35,890
Foreign currency translation reserve		9,713	10,357	-	-
Retained earnings		331,812	208,444	310,703	200,566
Equity attributable to equity holders of the parent		408,066	268,481	379,250	251,495
Non-controlling interest		5,567	2,193	-	-
Total equity		**413,633**	**270,674**	**379,250**	**251,495**
Total liabilities and equity		**2,494,799**	**1,730,205**	**1,959,551**	**1,366,973**
Memorandum items					
Letters of credit and guarantees	37	64,174	81,894	61,092	77,616

These consolidated and separate financial statements were approved and authorised for issue by the Board of Directors on 20 March 2026 and were signed on its behalf by:

Director (Kabango, G. (Dr.))

Director (Mwenelupembe, M. (Mrs.))

Consolidated and separate statements of profit or loss and other comprehensive income

Consolidated and separate statements of profit or loss and other comprehensive income

		GROUP		COMPANY	
		2025	2024	2025	2024
	Notes	K'm	K'm	K'm	K'm
Income					
Interest and similar income	29	348,957	236,516	320,334	210,164
Interest expense and similar charges	29	(54,894)	(36,851)	(48,164)	(30,847)
Net interest income	29	294,063	199,665	272,170	179,317
Insurance revenue	12	13,772	10,628	-	-
Commission and fee income	30	89,965	65,807	68,734	54,853
Profit from dealing in foreign currencies		64,557	29,856	63,934	28,956
Income from operating leases		185	146	112	146
Fair value gain on equity investments at fair value through profit or loss	9	35,977	7,299	31,693	6,807
Profit/(loss) on disposal of equity investments at fair value through profit or loss		6,180	(56)	6,180	(56)
Profit on disposal of Government securities		1,985	-	1,985	-
Net profit on modified and restructured loans	11	61	59	61	59
Dividend income		635	426	3,653	1,603
Properties fair value gain	16&33	194	153	194	153
Fair value gain on Investment properties	15	1,008	200	-	-
Profit on disposal of properties and equipment		29	64	33	38
Total income		**508,611**	**314,247**	**448,749**	**271,876**
Expenditure					
Staff costs	31	(63,040)	(53,692)	(49,693)	(39,508)
Insurance contracts service expenses		(8,862)	(7,504)	-	-
Depreciation & amortization	16&17	(10,101)	(7,938)	(7,777)	(6,770)
Other operating expenditure	32	(85,587)	(65,303)	(72,476)	(53,920)
Total operating expenditure		**(167,590)**	**(134,437)**	**(129,946)**	**(100,198)**
Profit before net impairment losses on financial assets		**341,021**	**179,810**	**318,803**	**171,678**
Recoveries on impaired loans and advances		6,734	4,287	5,646	3,161
Impairment losses on financial assets	28	(28,122)	(16,950)	(26,505)	(14,057)
Profit before tax		**319,633**	**167,147**	**297,944**	**160,782**
Income tax expense	34	(121,663)	(65,437)	(115,894)	(61,624)
Profit for the year		**197,970**	**101,710**	**182,050**	**99,158**
Other comprehensive income					
Other comprehensive income that will not be reclassified to the income statement					
Surplus on revaluation of properties	33	12,643	9,183	12,643	9,127
Fair value gain on equity instruments at fair value through other comprehensive income	14	1,264	946	1,264	946
Deferred tax on items that will not be classified to the income statement	19	(5,597)	(3,613)	(5,564)	(3,619)
Total other comprehensive income		**8,310**	**6,516**	**8,343**	**6,454**
Total comprehensive income for the year		**206,280**	**108,226**	**190,393**	**105,612**

Consolidated and separate statements of profit or loss and other comprehensive income (Continued)

For the year ended 31 December 2025

	Notes	GROUP 2025 K'm	GROUP 2024 K'm	COMPANY 2025 K'm	COMPANY 2024 K'm
Profit attributable to:					
Equity holders of the parent	35	194,557	102,283	182,050	99,158
Non-controlling interest		3,413	(573)	-	-
		197,970	**101,710**	**182,050**	**99,158**
Comprehensive income attributable to:					
Equity holders of the parent		202,867	108,799	190,393	105,612
Non-controlling interest		3,413	(573)	-	-
		206,280	**108,226**	**190,393**	**105,612**
Earnings Per Share					
Equity shareholders of the parent for the year:					
Earnings per share (K)	35	416.67	217.79		
Diluted earnings per share (K)	35	416.67	217.79		

Consolidated and Separate Statements of Changes in Equity

For the year ended 31 December 2025

GROUP	Share capital K'm	Share premium K'm	Loan loss reserve K'm	Revaluation and fair value reserve K'm	Foreign currency translation reserve K'm	Retained earnings K'm	Equity attributable to equity holders of the parent K'm	Non-controlling interests K'm	Total K'm
2025									
At the beginning of the year	467	613	13,959	34,641	10,357	208,444	268,481	2,193	270,674
Total comprehensive income	-	-	-	8,310		194,557	202,867	3,413	206,280
Transfer of excess depreciation	-	-	-	(562)	-	562	-	-	-
Transfer from retained earnings	-	-	9,532	-	-	(9,532)	-	-	-
Transfer of revaluation surplus on reclassification of property from property and equipment to investment property	-	-	-	(419)	-	419	-	-	-
Translation differences	-	-	-	-	(644)	-	(644)	-	(644)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	(39)	(39)
2024 Final dividend proposed and paid	-	-	-	-	-	(45,997)	(45,997)	-	(45,997)
2025 Interim dividend proposed and paid	-	-	-	-	-	(16,641)	(16,641)	-	(16,641)
At the end of the year	**467**	**613**	**23,491**	**41,970**	**9,713**	**331,812**	**408,066**	**5,567**	**413,633**

Consolidated and Separate Statements of Changes in Equity (Continued)

For the year ended 31 December 2025

GROUP	Share capital K'm	Share premium K'm	Loan loss reserve K'm	Revaluation and fair value reserve K'm	Foreign currency translation reserve K'm	Retained earnings K'm	Equity attributable to equity holders of the parent K'm	Non-controlling interests K'm	Total K'm
2024									
At the beginning of the year	467	613	962	28,573	7,151	168,709	206,475	1,299	207,774
Total comprehensive income	-	-	-	6,516	-	102,283	108,799	(573)	108,226
Transfer of excess depreciation	-	-	-	(448)	-	448	-	-	-
Transfer from retained profits	-	-	12,997	-	-	(12,997)	-	-	-
Acquired under a business combination	-	-	-	-	-	-	-	1,515	1,515
Translation differences	-	-	-	-	3,206	-	3,206	-	3,206
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	(48)	(48)
2023 Second Interim dividend proposed and paid	-	-	-	-	-	(13,999)	(13,999)	-	(13,999)
2023 Final dividend proposed and paid	-	-	-	-	-	(23,001)	(23,001)	-	(23,001)
2024 Interim dividend proposed and paid	-	-	-	-	-	(12,999)	(12,999)	-	(12,999)
At the end of the year	**467**	**613**	**13,959**	**34,641**	**10,357**	**208,444**	**268,481**	**2,193**	**270,674**

Consolidated and Separate Statements of Changes in Equity (Continued)

For the year ended 31 December 2025

COMPANY	Share capital K'm	Share Premium K'm	Loan loss reserve K'm	Revaluation and fair value reserve K'm	Retained earnings K'm	Total K'm
2025						
At the beginning of the year	467	613	13,959	35,890	200,566	251,495
Total comprehensive income	-	-	-	8,343	182,050	190,393
Transfer of excess depreciation	-	-	-	(562)	562	-
Transfer from retained earnings	-	-	9,837	-	(9,837)	-
2024 Final dividend proposed and paid	-	-	-	-	(45,997)	(45,997)
2025 Interim dividend proposed and paid	-	-	-	-	(16,641)	(16,641)
At the end of the year	**467**	**613**	**23,796**	**43,671**	**310,703**	**379,250**
2024						
At the beginning of the year	467	613	-	29,884	164,918	195,882
Total comprehensive income	-	-	-	6,454	99,158	105,612
Transfer of excess depreciation	-	-	-	(448)	448	-
Transfer from retained earnings	-	-	13,959	-	(13,959)	-
2023 Second Interim dividend proposed and paid	-	-	-	-	(13,999)	(13,999)
2023 Final dividend proposed and paid	-	-	-	-	(23,001)	(23,001)
2024 Interim dividend proposed and paid	-	-	-	-	(12,999)	(12,999)
At the end of the year	**467**	**613**	**13,959**	**35,890**	**200,566**	**251,495**

Consolidated and separate Statements of Cash Flows

For the year ended 31 December 2025

		GROUP		COMPANY	
		2025	2024	2025	2024
	Notes	K'm	K'm	K'm	K'm
Cash flows from operating activities					
Profit before tax		319,633	167,147	297,944	160,782
Adjustments for:					
Depreciation of property and equipment	16	7,332	6,293	6,094	5,319
Amortisation of intangible assets	17	2,769	1,645	1,683	1,451
Amortization of right-of-use assets	18	2,317	2,289	1,234	1,234
Interest expense on lease liabilities	27	2,032	2,274	1,124	1,271
Interest expense on loans	24	406	339	-	59
Profit on disposal of property and equipment		(29)	(64)	(33)	(38)
Write off of property and equipment	16	-	9	-	9
Impairment losses on financial assets	28	28,122	16,950	26,505	14,057
(Gains)/ losses on disposal of financial instruments classified as held through profit and loss		(6,180)	56	(6,180)	56
Fair value gain on financial instruments classified as held through profit and loss	9	(35,977)	(7,299)	(31,693)	(6,807)
Dividend income		(635)	(426)	(3,653)	(1,603)
Net fair value gains on properties	33	(1,202)	(353)	(194)	(153)
Net gain on modified and restructured loans	11	(61)	(59)	(61)	(59)
Operating cashflows before working capital movements		**318,527**	**188,801**	**292,770**	**175,578**
Movement in customer deposits	21	580,075	359,014	428,452	281,595
Movement in Government securities		202,153	87,536	175,893	103,362
Movement in liabilities to other banks	22	2,981	732	1,591	(6,103)
Movement in other liabilities and provisions	25&26	9,707	14,546	10,018	11,353
Movement in loans and advances to customers		(174,954)	(78,873)	(164,877)	(64,595)
Movement in other assets	8	185	(19,713)	5,436	(25,735)
Cash generated from operations		**938,674**	**552,043**	**749,283**	**475,455**
Tax paid	23	(101,285)	(58,019)	(95,968)	(54,991)
Net cash flow from operating activities		**837,389**	**494,024**	**653,315**	**420,464**

Consolidated and separate Statements of Cash Flows (Continued)

For the year ended 31 December 2025

	Notes	GROUP 2025 K'm	GROUP 2024 K'm	COMPANY 2025 K'm	COMPANY 2024 K'm
Cash flows from investing activities					
Gross receipts from Government securities		210,871	172,700	200,950	172,700
Gross payments for Government securities		(620,811)	(507,299)	(607,171)	(507,299)
Purchase of property and equipment	16	(7,643)	(8,137)	(6,014)	(6,855)
Purchase of intangible assets	17	(9,575)	(8,050)	(8,501)	(4,350)
Proceeds from disposal of property and equipment		289	304	253	244
Acquisition of United General Insurance net cash acquired		-	2,676	-	-
Purchase of equity investments held for trading		(2,631)	(1,083)	(877)	(1,083)
Proceeds from disposal of equity investments		16,137	545	13,723	545
Dividend received		635	426	3,653	1,603
Net cash used in investing activities		**(412,728)**	**(347,918)**	**(403,984)**	**(344,495)**
Cash flows from financing activities					
Increase in investments in subsidiaries and associates		-	-	(10,506)	(1,307)
Borrowing proceeds	24	3,000	3,000	-	-
Payment of interest on loans	24	(994)	(59)		(59)
Repayment of loans	24	(297)	(4,378)	(15)	(4,378)
Interest paid on lease liabilities	27	(2,032)	(2,274)	(1,124)	(1,271)
Payment of principal portion of lease liabilities	27	(1,589)	(610)	(743)	(215)
Dividends paid to non-controlling interest		(39)	(48)	-	-
Dividends paid to equity holders of the parent	36	(62,638)	(49,999)	(62,638)	(49,999)
Net cash used in financing activities		**(64,589)**	**(54,368)**	**(75,026)**	**(57,229)**
Net increase in cash and cash equivalents		360,072	91,738	174,305	18,740
Cash and cash equivalents at beginning of the year		455,206	363,468	251,660	232,920
Cash and cash equivalents at end of the year	**39**	**815,278**	**455,206**	**425,965**	**251,660**

Notes to the Consolidated and Separate **Financial Statements**

For the year ended 31 December 2025

1. General information

National Bank of Malawi plc Group (the Group) provides retail, small and medium enterprise, corporate and investment banking as well as stockbroking, insurance and pension administration services in Malawi and Tanzania. The Group has a network of 46 (2024: 49) service centres.

The Bank, which is licensed under the Banking Act, 2009, Part II, is a public listed company incorporated and domiciled in Malawi, which is listed on the Malawi Stock Exchange.

The address of its principal place of business and registered office is NBM Towers, 7 Henderson Street, Blantyre, Malawi.

The Group's parent company is Press Corporation plc (PCL), a public listed company domiciled in Malawi and listed on the Malawi Stock Exchange.

2. Adoption of new and revised IFRS Accounting Standards

2.1. New and amended standards

The following amendment to IAS 21 became effective for annual periods beginning on 1 January 2025:

Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

This amendment did not have a material impact on the Group's financial statements.

2.2 Standards and Interpretations in issue, not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

2. Adoption of new and revised IFRS Accounting Standards (Continued)

2.2 Standards and Interpretations in issue, not yet effective (Continued)

- A clarification that a financial liability is derecognised on the 'settlement date' and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments;
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods starting on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Group does not anticipate that the amendments will have a material effect on the Group's financial statements.

Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First - time Adoption of International Financial Reporting Standards, IFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows.

The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity; the amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows

2. Adoption of new and revised IFRS Accounting Standards (Continued)

2.2 Standards and Interpretations in issue, not yet effective (Continued)

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (Continued)

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The Group does not expect that the amendments will have a material impact on its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and

2. Adoption of new and revised IFRS Accounting Standards (Continued)

2.2 Standards and Interpretations in issue, not yet effective (Continued)

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Continued)

presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21

In November 2025, the Board issued Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21. The amendments require translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate.

If an entity's functional currency is the currency of a non-hyperinflationary economy, but its presentation currency is the currency of a hyperinflationary economy, its results and financial position are translated into the presentation currency by translating all amounts (i.e., assets, liabilities, equity items, income and expenses) and all comparatives at the closing rate at the date of the most recent statement of financial position.

An entity whose functional currency and presentation currency are the currency of a hyperinflationary economy, restates the comparative amounts of a foreign operation, whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of IAS 29, to the foreign operation's comparative figures. The amendments also introduce certain additional disclosure requirements.

The amendments apply for annual reporting periods beginning on or after 1 January 2027 and earlier application is permitted. The Group does not anticipate that the amendments will have a material effect on the Group's financial statements.

3. Material accounting policies

Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act, 2013.

3. Material accounting policies (Continued)

Basis of preparation

The consolidated and separate financial statements have been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments, which are measured at revalued amount or fair value at the end of the reporting period. No other procedures are adopted to reflect the impact on the financial statements of specific price changes or changes in the general level of prices. The principal material accounting policies of the Group, which are set out below, have been consistently followed in all material respects, unless otherwise stated.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's material accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

The consolidated and separate financial statements are presented in Malawi Kwacha (K), and all values are rounded to the nearest million Kwacha, except when otherwise indicated.

The Group has prepared its consolidated and separate financial statements on the basis that it will continue to operate as a going concern.

3.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries: Stockbrokers Malawi Limited, NBM Capital Markets Limited, NBM Pension Administration Limited, NBM Development Bank Limited, United General Insurance Company Limited and Akiba Commercial Bank plc. National Bank of Malawi Nominees Limited, NBM Securities Limited and NBM Bureau de Change Limited are dormant subsidiaries.

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2025. Subsidiaries are entities over which the Bank has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

3. Material accounting policies (Continued)

3.1. Basis of consolidation (Continued)

(a) Subsidiaries (Continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their material accounting policies in line with the Group's material accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-

3. Material accounting policies (Continued)

3.1. Basis of consolidation (Continued)

(a) Subsidiaries (Continued)

controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(b) Associates

Associated companies are those entities in which the Group has long-term interest of 20% or more of the voting power of the investee and has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provided for evidence of an impairment of the assets transferred. Material accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.2. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12: Income taxes and IAS 19: Employee benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquired or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based payment at the acquisition date and;

3. Material accounting policies (Continued)

3.2. Business combinations (Continued)

- assets (disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assts. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate with the corresponding gain or loss being recognised in profit or loss.

3. **Material accounting policies** (Continued)

3.2. **Business combinations** (Continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasurable to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss when such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.3. Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. Material accounting policies (Continued)

3.4. Comparatives

Where necessary, the Group adjusts comparative figures to conform to changes in presentation. There were no changes in the current year.

3.5. Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets

All regular-way purchases or sales of financial assets are recognised and derecognised on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on their classification.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial assets (Continued)

Classification of financial assets (Continued)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below). Receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

i). Amortised cost and effective interest method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets, i.e., assets that are credit impaired on initial recognition, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial assets (Continued)

i). Amortised cost and effective interest method (Continued)

measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit impaired financial assets, the Group recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "Interest income" line item (note 29).

ii). Debt instruments classified as at FVTOCI

Debt instruments classified as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these instruments had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

iii). Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial assets (Continued)

iii). Equity instruments designated as at FVTOCI (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group
- manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

iv). Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (ii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.
- Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default;
2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk where the borrower has a strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It also considers assets in the investment grade category to be low credit risk assets.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events: (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event (see (ii) above); (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or (e) the disappearance of an active market for that financial asset because of financial difficulties.

Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted using the approximated original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party. When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Reclassifications from stage 3 are however subject to a 'cooling off" period of 3 months.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of expected credit losses (Continued)

accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened, and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial assets (Continued)

Modification and derecognition of financial assets (Continued)

modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer solely payments of Principal and Interest (SPPI), change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then; and
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial assets (Continued)

Modification and derecognition of financial assets (Continued)

evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments (Continued)

in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific Material accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short term profit taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Interest expense' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Fair value is determined in the manner described in note 41.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not:

(i) contingent consideration of an acquirer in a business combination,
(ii) held for trading, or
(iii) designated as at FVTPL,

are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial guarantee contract liabilities (Continued)

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

3. Material accounting policies (Continued)

3.5. Financial instruments (Continued)

Financial liabilities and equity (Continued)

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.6. Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements.

3.7. Property, plant and equipment

Land and buildings are shown at valuation with subsequent additions at cost, less related depreciation and impairment losses. Revaluations of land and buildings are carried out with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the year-end date, as economic conditions dictate, by independent valuers. The basis of valuation used is the current market value. Surpluses on revaluations are recognised and treated as other comprehensive income in the statement of comprehensive income and transferred to the non-distributable reserve; on realisation (either through use or disposal) of the asset, the appropriate portion of the reserve is transferred to retained earnings. Deficits on revaluations are charged to profit and loss, except to the extent that they relate to revaluation surpluses previously transferred to the revaluation reserve in which case they are treated as other comprehensive income. An amount equivalent to the additional depreciation arising from revaluations is transferred annually, net of deferred tax, from the revaluation reserve to retained earnings.

Land and buildings comprise mainly service centres and offices.

Motor vehicles and equipment are stated at historical cost less related depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a

3. Material accounting policies (Continued)

3.7. Property, plant and equipmen (Continued)

separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Properties in course of construction for administration or for purposes not yet determined are carried at cost less any recognised impairment loss. Cost includes professional fees.

Depreciation on assets is calculated using the straight-line method to write-off their cost to their residual values over their estimated useful lives.

The assets' residual values, useful lives, and depreciation method are reviewed, and adjusted if appropriate, at each year-end date.

Freehold land and capital work in progress are not depreciated.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

3.8. Investment properties

Investment properties are properties which are held either to earn rental income or capital appreciation or for both. Investment properties are measured initially at cost, including transaction costs. After initial recognition, investment properties are measured at fair value. An external valuer, having an appropriate recognized professional qualification and recent experience in the category of property being valued, values the portfolio annually.

The fair values are based on market values being estimated amount for which a property could be exchanged on the date of valuation between willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognized in the statement of profit or loss and other comprehensive income.

Reclassification to investment properties

Property that is being constructed for future use as investment property is accounted for as property and equipment until construction or development is complete, at which time it is re-measured to fair value and reclassified as investment property. Any gain or loss arising on re-measurement is recognised in the statement of profit or loss and other comprehensive income.

3. Material accounting policies (Continued)

3.8. Investment properties (Continued)

Reclassification to investment properties (Continued)

When the use of a property changes from owner occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is directly recognised to equity. Any loss is recognised immediately to the statement of profit or loss and other comprehensive income.

3.9. Intangible assets

Intangible assets are reported at cost less accumulated amortisation and impairment losses. All the Group's intangible assets have finite useful lives. Intangible assets comprise mainly of software. The useful life for each software is determined by the software license agreement. These vary from four (4) to fifteen (15) years. Residual value for each software is determined to be zero. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure the expenditure attributable to the intangible asset reliably during its development

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired.

3. Material accounting policies (Continued)

3.10. Leases

Group as a lessee

The Group assesses whether a contract is or contains a lease at the inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted at the implicit rate in the lease. If this cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lease term reflects the exercise of an option to terminate the lease; and
- Payments or penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability balance is presented on the face, and its details are disclosed in the notes of the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed, or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

3. Material accounting policies (Continued)

3.10. Leases (Continued)

Group as a lessee (Continued)

- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

In accordance with the standard, the Group reassessed the lease liability as at 31 December 2024. Based on the assessment, the Group concluded that there were no circumstances necessitating remeasurement of lease liability. Accordingly, the Group maintained the prior-year measurements, adjusted for interest accruals and rental repayments.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation to dismantle and remove a leased asset, restore the site on which it is located, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter of the lease term and the underlying asset's useful life. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation commences on the lease commencement date.

The right-of-use assets are presented on the face of the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee to not separate non-lease components and instead account for any lease and associated non-lease components as a single

3. Material accounting policies (Continued)

3.10. Leases (Continued)

Group as a lessee (Continued)

arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the contract consideration to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to financing arrangements for customers' acquisition of equipment and motor vehicles.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the contract consideration to each component.

3.11. Impairment of tangible and intangible assets, excluding goodwill and financial assets

At each year-end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

3. Material accounting policies (Continued)

3.11. Impairment of tangible and intangible assets, excluding goodwill and financial assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.12. Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

(a) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the plan has either commenced or been publicly announced. Costs relating to the Group's ongoing activities are not provided for.

3. Material accounting policies (Continued)

3.12. Provisions (Continued)

(b) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost to terminate the contract and the expected net cost to continue the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

(c) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and on weighting all possible outcomes by their associated probabilities.

3.13. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year-end date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which these deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the

3. Material accounting policies (Continued)

3.13. Taxation (Continued)

Deferred tax (Continued)

temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised, based on tax rates (and tax laws) that have been enacted or substantially enacted at the year-end date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the Group expects, at the year-end date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination.

3.14. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and balances with central banks, placements and deposits with other banks and money market investments.

3.15. Employee benefits

(a) Pension obligations – Defined Contribution Plan

The Group contributes to a defined contribution pension plan for employees called the National Bank of Malawi Pension Fund. Contributions are charged to the statement of comprehensive income as incurred.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employment service in the current and prior periods.

3. Material accounting policies (Continued)

3.15. Employee benefit (Continued)

(b) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.16. Foreign currency translation

(a) Functional and presentation currency

The consolidated and separate financial statements are presented in Malawi Kwacha, which is also the parent company's functional currency. For each entity in the group, the Bank determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into Malawi Kwacha using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

On consolidation, the assets and liabilities of foreign operations are translated into Malawi Kwacha at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rate for the period. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income (OCI). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

3.17. Revenue recognition

Interest income and expense

Interest income and expense for all interest-bearing financial instruments except for those classified as held for trading or designated at fair value through profit and loss are recognised within "interest income" and "interest expense" in the statement of comprehensive income using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest

3. Material accounting policies (Continued)

3.17. Revenue recognition (Continued)

Interest income and expense (Continued)

expense over the relevant period. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For financial assets that have subsequently become credit–impaired (stage 3), interest income is recognised by applying the effective interest rate to the amortised cost (gross carrying amount less loss allowance) of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the financial asset's gross carrying amount.

Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan once it is withdrawn. Loan syndication fees are recognised as revenue when the syndication has been completed, and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised in accordance with the applicable service contracts, usually on a time-apportionment basis. Asset management fees related to investment funds are recognised reliably over the period in which the service is provided. The same principle applies to wealth management, financial planning, and custody services that are continuously provided over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

Profit from dealing in foreign currencies (Premium on foreign exchange deals)

Profit from dealing in foreign currencies is recognised once the foreign currency cash or cheques are delivered and consideration received.

3. Material accounting policies (Continued)

3.17. Revenue recognition (Continued)

Dividend income

Dividends are recognised in the statement of comprehensive income when the Group's right to receive payment is established.

Insurance revenue

Refer to note 3.21.7 below.

3.18. Share capital and reserves

Share issue costs: Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares: Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's Directors. Dividends for the year that are declared after the year-end date are dealt with in the subsequent events note.

Dividend per share: The calculation of the dividend per share is based on dividends declared during the period, divided by the number of ordinary shareholders on the register of shareholders as at year-end.

Earnings per share: The calculation of earnings per share is based on net profit for the year and the weighted-average number of shares in issue throughout the year. Where new equity shares have been issued by way of capitalisation or subdivision, the profit is apportioned over the shares in issue after the capitalisation or subdivision and the corresponding figures for all earlier periods are adjusted accordingly.

Loan Loss Reserve: Loan loss reserve represents the surplus of Expected Credit Losses (ECL) computed in accordance with the Central Banks' regulations over ECL for loans and advances computed in accordance with IFRS Accounting Standards.

Foreign Currency Translation Reserve (FCTR): FCTR represents the accumulated gain or loss resulting from the translation of financial statements denominated in a foreign currency into the Group's reporting currency

Property Revaluation Reserves and fair value gains on unquoted investments: The property revaluation reserves and fair value gains relate to unrealised capital profits (net of related deferred tax) on valuation of properties and unquoted investments respectively; and are not available for distribution in terms of the Companies Act.

3. Material accounting policies (Continued)

3.19. Fiduciary activities

The Group commonly acts as a trustee and in other fiduciary capacities, holding or placing assets on behalf of individuals, trusts, retirement benefit plans, and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

3.20. Classification and measurement of financial instruments under IFRS 9

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group applies the following business models:

(i) Holding financial instruments for trading to maximise income and reduce losses;
(ii) Holding financial instruments to maturity. Thus, the Group receives only principal and interest from the financial instruments; and
(iii) Holding financial instruments for liquidity management.

The adoption of IFRS 9 did not affect the Group's business models.

a. The Group classifies its financial assets in the following measurement categories:
   - Amortised cost;
   - Fair value through the profit or loss (FVTPL);
   - Fair value through other comprehensive income; or

b. Debt and loan instruments that are held by the Group whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are measured at amortised cost. For an asset to be classified and measured at amortised cost, its contractual terms should give rise solely to cash flows consisting of payments of principal and interest on the principal outstanding.

c. For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g., due to principal repayments). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period, and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

d. Contractual cash flows that are SPPI are consistent with the basic lending arrangement.

3. Material accounting policies (Continued)

3.20. Classification and measurement of financial instruments under IFRS 9 (Continued)

Contractual terms that introduce exposure to risks or volatility in contractual cash flows unrelated to the basic lending arrangement, such as changes in equity or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement, irrespective of whether it is a loan in its legal form.

e. The Group recognises loss allowances for expected credit losses on the financial instruments that are not measured at FVTPL but are carried at amortised cost: No impairment loss is recognised on equity investments. IFRS 9 eliminates impairment assessment requirements for investments in equity instruments as they are only measured at FVPL without recycling of fair value changes to profit and loss.

Below is a table that shows how all the assets have been classified

Categories	Business Model Criterion	Assets classified under this category
Amortised cost (Lending / customer financing activity)	Must meet all of the following: • Contractual cash flows are solely payments of principal and interest on the principal outstanding; • Manage through customer financing or lending activities with a primary focus on collection of substantially all contractual cash flows; and • Holder has the ability to manage credit risk by negotiating any potential adjustment of contractual cash flows with the counterparty in the event of a potential credit loss. Sales or settlements are limited to circumstances that would minimise losses due to deteriorating credit, or to exit a particular market • Not held for sale.	1. Loans and advances to customers; 2. Placements with other banks; 3. Government Securities; 4. Loan commitments and letters of credit issued; 5. Financial guarantee contracts issued; 6. Staff loans; 7. Debt investment securities
FVOCI (Investing activity)	Must meet all of the following: • Investing to: a. Maximise total return by collecting contractual cash flows or selling; and b. Manage the interest rate or liquidity risk of the entity by holding or selling;	1. Unquoted equity investments. - Irrevocable election at initial recognition.
FVPL (Held for sale/ trading activity)	Must meet either of the following: • Held for sale; and • Actively managed and monitored internally on a fair value basis.	1. Equity investments.

3. Material accounting policies (Continued)

3.20. Classification and measurement of financial instruments under IFRS 9 (Continued)

Reclassification

Reclassifications will only be required when business model changes. The change in business model must be:

1. Determined by senior management;
2. As a result of external or internal changes;
3. Significant to the entity's operations; and
4. Demonstrable to external parties –Expected to be "very infrequent".

Impairment and methodology

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent ECLs resulting from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group categorises its loans into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI) as described below:

a. Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2. Reclassifications from Stage 2 are however subject to 'cooling off' period of 3 months;
b. Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3. Reclassifications from stage 3 are however subject to a 'cooling off" period of 3 months;
c. Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECLs.
d. POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

3. Material accounting policies (Continued)

3.20. Classification and measurement of financial instruments under IFRS 9 (Continued)

Impairment and methodology (Continued)

Overview of the ECL principles (Continued)

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

The calculation of ECLs

The Group calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The 12–month and lifetime PDs of a financial instrument represent the probability of a default occurring over the next 12 months and over its expected lifetime respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. Internal risk rating grades are inputs to the IFRS 9 PD models and historic default rates are used to generate the PD term structure covering the lifetime of financial assets.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The Group's modelling approach for EAD reflects current contractual terms of principal and interest payments, contractual maturity date and expected utilisation of undrawn limits on revolving facilities and irrevocable off–balance sheet commitments.

LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. LGD estimates are based on historical loss data.

The Group segmented the loan book into various risk groups depending on the parameter being modelled. The grouping of exposures was based on shared credit risk characteristics. PD has 18 Risk groups for Stage 1 and another 18 risk groups for Stage 2 facilities. LGD has 6 risk groups. EAD has 14 risk groups.

3. Material accounting policies (Continued)

3.20. Classification and measurement of financial instruments under IFRS 9 (Continued)

The calculation of ECLs (Continued)

When estimating the ECLs, the Group considers the stages in which an asset is and also whether there has been a SICR. Each of the stages and the specific conditions of the assets is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure.

With the exception of overdrafts, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

a. Stage 1: The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
b. Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
c. Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans.
d. POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Group only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability weighting of the four scenarios, discounted by the credit-adjusted EIR.
e. Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

3. Material accounting policies (Continued)

3.20. Classification and measurement of financial instruments under IFRS 9 (Continued)

The calculation of ECLs (Continued)

For overdrafts, revolving facilities that include both a loan and an undrawn commitment and loans commitments, ECLs are calculated and presented together with the loans and advances.

a. Financial guarantee contracts - The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The ECLs related to financial guarantee contracts are recognised together with loans and advances.

b. Overdrafts and other revolving facilities - The Group's product offering includes a variety of corporate and retail overdraft facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period but instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained, but greater emphasis is also given to qualitative factors such as changes in usage. The interest rate used to discount the ECLs for overdrafts is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that some facilities are repaid in full each month and are consequently charged very little interest.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and retail products.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group uses multiple scenarios to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Group applies probabilities to the forecast scenarios

3. Material accounting policies (Continued)

3.20. Classification and measurement of financial instruments under IFRS 9 (Continued)

Incorporation of forward-looking information (Continued)

identified. The base case scenario is the single most likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

Macroeconomic model

The Group elected to develop a macro-economic model to predict the overall Group Non-Performing Loans (NPL) rate and determined the correlation of the NPL rate to the overall provisions. The macro-economic model is used to predict the NPL rate, after which a forward-looking scalar is derived and applied to existing NPL ratio to estimate the forward-looking NPL ratio. The predicated relationships between the key macro-economic indicators, the NPL rates and the overall provisions on the portfolio of financial assets was based on analysing historical data over the past five years.

Gross monetary claims on private sector and lending interest rates proved to be statistically significant in the macro-economic model. According to the estimated coefficients, the relationship between Economic PD and loans is negative while with interest rates is positive, as expected by economic theory. As such, the Group forecasted the future private sector and lending interest rates and calibrated NPL ratio accordingly which was incorporated in the calculation of the ECLs.

Sensitivity Analysis

The purpose of this sensitivity analysis is to assess the potential impact of changes in macroeconomic conditions on Expected Credit Losses (ECL). The analysis considers both favourable and stressed scenarios, which are derived from historical movements in key variables. Extreme sensitivity scenarios are based on the minimum and maximum values observed over time. The analysis is anchored on variations in the prime lending rate, which is considered the most significant macroeconomic driver of credit risk within the Bank's portfolio.

Sensitivity Analysis as at 31 December 2025

The following considerations were made during the scenarios set-up:

- Scenarios are dependent on the prime rate, given its importance in the economy
- Baseline scenario is calculated as having a constant prime rate, the current one.
- Two favourable and two stressed scenarios have been calculated in the sensitivity analysis

3. Material accounting policies (Continued)

3.20. Classification and measurement of financial instruments under IFRS 9 (Continued)

Sensitivity Analysis (Continued)

The table below presents an overview of the prime rates used to derive the scenarios. Green and orange colours show the prime rate changes selected for the sensitivity analysis.

The Economic Scenarios were derived based on historical information					
Upturn Economic Scenario			**Downturn Economic Scenario**		
Scenario	**Value of Prime**	**Change in Prime (decrease in current Prime)**	**Scenario**	**Value of Prime**	**Change in Prime increase in Prime)**
Best economic outlook of Prime in History	10	(16)	Worst economic outlook in History	75.33	49.33
Best economic outlook of Prime in last 20 years	12	(14)	Worst economic outlook in last 20 years	27.00	1.00
Best economic outlook of Prime in last 10 years	12	(14)	Worst economic outlook in last 10 years	27.00	1.00
Best economic outlook of Prime in last 5 years	12	(14)	Worst economic outlook in last 5 years	26.00	-
Best economic outlook of Prime in last 2 years	(24)	(2)	Worst economic outlook in last 2 years	26.00	-

The table below displays the expected results of the positive correlation which the Bank Rate has with the PD estimates. In a favourable economic scenario, customers are expected to default less and perform better and therefore the bank will expect to see a decline in the impairment number. In a stressed economic scenario, customers are expected to default and roll quicker into worse arrears buckets and will perform worse and therefore the bank will expect to see an increase in the respective impairment number.

	Impact on provisions as at 31 December 2025		
	Estimates	**Favourable Scenarios**	
Macro-economic scenarios	**Change in Prime Rate**	(16.00%)	(14.00%)
Impact	**ECL**	3.83%	3.88%
	Provision (K'm)	19,689	19,782
	Absolute Change	(1,868)	(1.580)
	Estimates	**Stress Scenarios**	
Macro-economic scenarios	**Change in Prime Rate**	1.00%	49.33%
Impact	**ECL**	4.22%	5.28%
	Provision (K'm)	21,701	27,162
	Absolute Change	143,717	5,604
	Estimates	**NO FLI OVERLAY**	**NO FLI OVERLAY**
Macro-economic scenarios	**Change in Prime Rate**	None	None
Impact	**ECL**	4.19%	4.05%
	Provision (K'm)	21,557	20,264

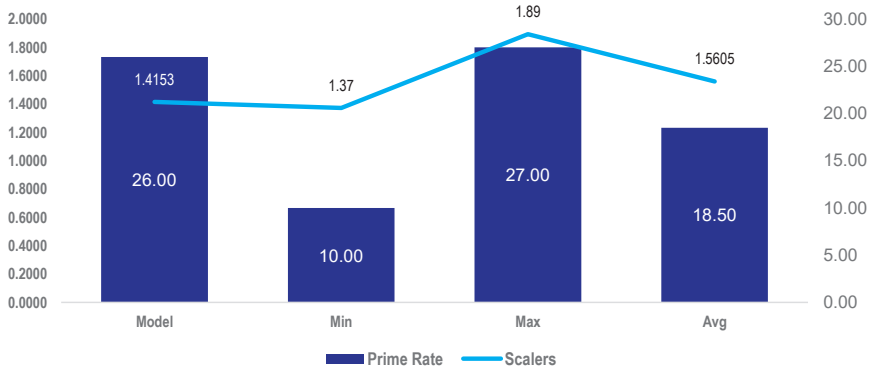
3. Material accounting policies (Continued)

3.20. Classification and measurement of financial instruments under IFRS 9 (Continued)

Sensitivity Analysis (Continued)

Scaler sensitivity analysis

Several macroeconomic factors were assessed for their impact on the Expected Credit Losses. Each different macro-economic scenario was derived from the history going back to January 2014 that were sourced from the Reserve Bank of Malawi. One Macro-Economic factors made it to the final model, and the table and the graph below show the scalar sensitivity analysis and the potential impact should those variables take extreme values as once observed in the 10-year history.



Low risk assets

In applying the IFRS 9 model, the Group identified the following as assets having a low credit risk:

1. Interbank Placements; and
2. Other trading and non-trading receivables.

The Group evaluated both internal and external factors related to the assets and concluded that as at the reporting date the risk of default for these assets was low, the borrowers had a strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but would not necessarily, reduce the ability of the borrowers to fulfil their contractual cash flow obligations.

The above factors coupled with extensive evaluation of credit histories resulted in classifying these assets in the investment grade.

3. Material accounting policies (Continued)

3.20. Classification and measurement of financial instruments under IFRS 9 (Continued)

Low risk assets (Continued)

Based on the assessment per each classification of assets, Probabilities of Default were assigned to these assets and an Expected Credit Loss was computed.

3.21 Insurance and reinsurance contracts classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Group issues non-life insurance to individuals and businesses. Non-life insurance products offered include property, marine, and personal accident. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Group also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities. The Group does not issue any contracts with direct participating features.

3.21.1 Separating components from insurance and reinsurance contracts

The Group assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group's products do not include any distinct components that require separation.

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive -either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contacts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss. IFRS 17.10 IFRS 17.B32.

3.21.2 Level of aggregation

The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.2 Level of aggregation (Continued)

becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Group makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Group has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The Group applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

3.21.2.1 Insurance and reinsurance contracts accounting treatment

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information;
- Results of similar contracts it has recognised;
- Environmental factors, e.g., a change in market experience or regulations.

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract. IFRS17.18.

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.3. Recognition

The Group recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Group recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

3.21.4. Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks or.
- Both of the following criteria are satisfied:
- The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.5. Insurance contracts- initial measurement

The Group applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary.
- For contracts longer than one year, the Group has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced by applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and the types of its lines of business.

For marine and personal accident insurance, the liability for remaining coverage is discounted to reflect the time value of money and the effect of financial risk. For all other business, there is no allowance for the time value of money as the premiums are received within one year of the coverage period. Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected from the contract.

Such onerous contracts are separately grouped from other contracts, and the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such an onerous group, depicting the losses recognised.

3.21.5.1 Reinsurance contracts held- initial measurement

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example, the generation of expenses or reduction in expenses rather than revenue.

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held, depicting the recovery of losses.

The Group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts by the percentage of claims on those contracts the Group expects to recover from the group of reinsurance contracts held. The Group uses

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.5. Insurance contracts- initial measurement (Continued)

3.21.5.1 Reinsurance contracts held- initial measurement (Continued)

a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying. The group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the asset's carrying amount to reflect remaining coverage.

3.21.5.2. Insurance contracts-subsequent measurement

The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus, premiums received in the period minus insurance acquisition cash flows, with the exception of the property insurance product line for which the Group chooses to expense insurance acquisition cash flows as they occur (please see Note 3.1.3);
- Plus, any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group;
- Plus, any adjustment to the financing component, where applicable;
- Minus the amount recognised as insurance revenue for the services provided in the period; and
- Minus any investment component paid or transferred to the liability for incurred claims.

The Group estimates the liability for incurred claims as the fulfilment of cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows; they reflect current estimates from the perspective of the Group and include an explicit adjustment for non-financial risk (the risk adjustment). The Group does not adjust future cash flows for the time value of money or the effect of financial risk in measuring liabilities for incurred claims expected to be paid within one year of their incurrence.

Disclosure showing the reconciliation from the opening to the closing balance of liabilities for remaining coverage as shown below:

	2025 K'm	2024 K'm
Balance as at 1 January	2,354	2,085
Change in insurance contract revenue	1,091	262
Change in amortised deferred acquisition cost	(159)	7
Closing balance as at 31 December	3,286	2,354

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.5. Insurance contracts- initial measurement (Continued)

3.21.5.2. Insurance contracts-subsequent measurement (Continued)

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised. Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

3.21.5.3 Reinsurance contracts held -subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. Where the Group has established a loss-recovery component, the Group subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

3.21.5.4 Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. With the exception of the property insurance product line, for which the Group chooses to expense insurance acquisition cash flows as they occur, the Group uses a systematic and rational method to allocate:

(a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
i). to that group; and
ii). to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

(b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.5. Insurance contracts- initial measurement (Continued)

3.21.5.4 Insurance acquisition cash flows (Continued)

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts. The time bands when the Group expects to derecognise the above asset for insurance acquisition cash flows are disclosed in Note 12.

At the end of each reporting period, the Group revises the amount of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used. After any reallocation, the Group assesses the recoverability of the asset for insurance acquisition cash flows if the facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Group applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted, and an impairment loss is recognised in profit or loss.

The Group recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

3.21.6 Insurance service contract

3.21.6.1 Classification and measurement

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group.

Under IFRS 17, the Group's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the PAA. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA are as follows:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage includes an adjustment for the time

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.6 Insurance service contract (Continued)

3.21.6.1 Classification and measurement (Continued)

value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.

- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Group's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

3.21.6.2 Measurement of insurance acquisition cashflows

The Group expenses its insurance acquisition cash flows for its property insurance product line immediately upon payment and capitalises insurance acquisition cash flows for all other product lines. For product lines where insurance acquisition cash flows are not immediately expensed, the Group allocates these cash flows to groups of insurance contracts issued or expected to be issued on a systematic and rational basis. Insurance acquisition cash flows include those directly attributable to a group and to future groups expected to arise from contract renewals within that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another IFRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement of the insurance liability for the remaining coverage of the related group at initial recognition.

The Group's classification and measurement of insurance and reinsurance contracts is explained in Note 3.21.5.

3.21.6.3 Presentation and disclosure

For presentation in the statement of financial position, the Group aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of insurance and reinsurance contracts issued that are liabilities;

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.6 Insurance service contract (Continued)

3.21.6.3 Presentation and disclosure (Continued)

- Portfolios of reinsurance contracts held that are assets; and
- Portfolios of reinsurance contracts held that are liabilities. The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

IFRS 17 requires the separate presentation of:

- Insurance revenue;
- Insurance service expenses;
- Insurance finance income or expenses; and
- Income or expenses from reinsurance contracts held.

The Group provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts;
- Significant judgements and changes in those judgements, when applying the standard;

The Group has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the mount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Group disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.7 Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Group changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time. Refer to note 12 for Insurance revenues.

3.21.7.1 Loss components

The Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in Note 3.21.2 indicate that a group of insurance contracts is onerous, the Group establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined in Note 3.21.5.3. Accordingly, by the end of the coverage period of the group of contracts, the loss component will be zero.

3.21.7.2 Loss-recovery components

As described in Note 3.21.5.2 above, where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held, depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

3.21.7.3 Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.7.3 Insurance finance income and expense (Continued)

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk. IFRS 17.87; and
- The Group does not disaggregate all business lines for finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVPL.

3.21.7.4 Net income or expense from reinsurance contracts held

The Group presents separately on the face of the statement of profit or loss and other comprehensive income the amounts expected to be recovered from reinsurers, and allocates the reinsurance premiums paid. The Group treats reinsurance cash flows contingent on claims under the underlying contracts as part of the claims expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from the allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's Material accounting policies described above (note 3), management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. Critical judgements in applying the Group's Material accounting policies

Critical judgements made by the directors during the current period that would have a material impact on the financial statements relate to the recoverability of loans and advances to customers. The credit risk management policies are outlined in note 42 (c) below.

4.1.1. Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 3). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is

4. Critical accounting judgments and key sources of estimation uncertainty (Continued)

4.1. Critical judgements in applying the Group's Material accounting policies (Continued)

4.1.1. Business model assessment (Continued)

evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reasons for their disposal and whether those reasons are consistent with the business objective for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate, and, if it is not, whether there has been a change in business model and, so, a prospective change to the classification of those assets. No such changes were required during the periods presented.

4.1.2. Significant increase in credit risk

As explained in note 3, Expected Credit Losses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group considers qualitative and quantitative forward-looking information that is reasonable and supportable.

4.1.3. Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk (refer to note 3 above).

4.1.4. Insurance and reinsurance contracts

The Group applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

4.2. Key sources of estimation uncertainty

4.2.1. Useful lives and residual values of property and equipment

The Group reviews the estimated useful lives and residual values of plant and equipment at the end of each reporting period. These estimates are subjective by nature, as they require assessment of financial and non-financial information in arriving at the residual values and useful lives which can only be borne out by future events.

4. Critical accounting judgments and key sources of estimation uncertainty (Continued)

4.2. Key sources of estimation uncertainty (Continued)

4.2.2. Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment, at least, on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Key assumptions used:

a) Cash flows arising from repayment agreements are aggregated over yearly intervals and assumed to arise at the end of the period;
b) Where there is an agreement but no security in place and cash flows in the subsequent years are doubtful, total future estimated cash flows are assumed to be nil;
c) Unsupported guarantees are assumed to result in nil cash flows; and
d) No cash flows are assumed to arise where there is no repayment agreement and no security and repayments are erratic or unpredictable.

4.2.3. Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

4.2.4. Incorporating collateral and applying haircuts to market values of securities

Group includes collateral in calculation of LGD for an exposure. The Group applies different haircuts on various types of collateral depending on the asset's liquidity and price volatility. The collateral values are based on open market valuations. According to the Group's policy collateral is revalued every five years. However, the Group inspects the assets offered as collateral every year. Customers are required to carry out professional desk-top valuations every 3 years.

4. Critical accounting judgments and key sources of estimation uncertainty (Continued)

4.2. Key sources of estimation uncertainty (Continued)

4.2.5. Probability of Default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4.2.6. Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

4.2.7. Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to note 41 for more details on fair value measurement.

4.2.8. Determination of life of revolving credit facilities

The Group measures ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments, the Group measures ECL over the period that it is exposed to credit risk, and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

4.2.9. Determination of lease term

In estimating the lease term, the Group assumed a five-year lease period. This was based on the average lease contract periods, and also in order to appropriately align it to the Group's strategic planning period, and also to ensure best estimates as recommended by IFRSs.

4.2.10. Determination of Discount Factor for determining lease liabilities

The Group used the incremental borrowing rate as the discount factor. The choice was made because it was not practical to ascertain the interest implicit in the leases due to a lack of information on the valuation of the assets being leased.

4.2.11. Liability for remaining coverage

Insurance acquisition cash flows

For personal accident insurance, marine insurance and liability reinsurance products, where groups are not eligible to recognise an expense immediately, insurance acquisition cash flows are allocated to related groups of insurance contracts recognised in the

4. Critical accounting judgments and key sources of estimation uncertainty (Continued)

4.2. Key sources of estimation uncertainty (Continued)

4.2.11. Liability for remaining coverage (Continued)

Insurance acquisition cash flows (Continued)

statement of financial position (including those groups that will include insurance contracts expected to arise from renewals). An asset for insurance acquisition cash flows is recognised for acquisition cash flows incurred before the related group of insurance contracts has been recognised. IFRS I7.59(a).

The effect of electing to recognise insurance acquisition cash flows as an expense when incurred for a group of insurance contracts is to increase the liability for remaining coverage and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to the statement of profit or loss and other comprehensive income on incurring the expense, offset by an increase in profit released over the coverage period.

Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

Time value of money

For all insurance product lines, the Group adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition. IFRS 17.56.

4.2.12. Liability for incurred claims

The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bomheutter-Ferguson methods. The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs.

These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by reserving at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in historical claims' development data on which the projections are based. Additional qualitative judgement is used to assess the extent

4. Critical accounting judgments and key sources of estimation uncertainty (Continued)

4.2. Key sources of estimation uncertainty (Continued)

4.2.12. Liability for incurred claims (Continued)

to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive

at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved. IFRS I 7.11 7(a).

4.2.13. Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates. IFRS 1 7.117.

4.2.14. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 90th percentile. That is, the Group has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 90th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Group has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

4.2.15. Liabilities and related assets under Liability Adequacy Test

At each statement of financial position date, liability adequacy tests are performed by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. Where a shortfall is identified, an additional provision is made, and the Group recognises the deficiency in the statement of comprehensive income for the year.

4. Critical accounting judgments and key sources of estimation uncertainty (Continued)

4.2. Key sources of estimation uncertainty (Continued)

4.2.16. Subrogation and Salvage recoveries

In certain circumstances the Group acquires the right to pursue third parties for losses paid to policyholders under insurance contracts. The Group has recognised and disclosed all identifiable and measureable amounts it expects to recover, in future, from the past loss events, as separate asset on the statement of financial position.

4.2.17. Assets for insurance acquisition cash flows

The Group applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about the amounts allocated to insurance contracts expected to arise from renewals of existing insurance contracts in a group and the volume of expected renewals from new contracts issued in the period.

At the end of each reporting period, the Group revisits the assumptions made to allocate insurance acquisition cash flows to groups and where necessary revises the amounts of assets for insurance acquisition cash flows accordingly.

Assets for insurance acquisition cash flows relating to the nine classes of business were tested for impairment in the current year and there was a write back of K11.7 million (2024: loss of K395 million) for insurance assets and a loss of K46 million (2024: K472 million for reinsurance assets were recognized respectively.

4.2.18 Deferred tax

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the tax losses can be utilised. Judgement is required to determine the amount of tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

5. Cash and funds with Central Banks

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Cash	50,363	44,143	41,710	33,347
Balances with Central Banks	120,439	127,795	94,816	108,800
Expected credit losses	(17)	(11)	(9)	(11)
Total cash and funds with Central Banks	**170,785**	**171,927**	**136,517**	**142,136**

5. Cash and funds with Central Banks (Continued)

The currency analysis of cash is in note 42(e).
Balances with Central Banks represent minimum LRR amount. However, there are no restrictions on the excess amount with the Central Banks over and above the LRR.

Balances held at central banks which are denominated in Malawi Kwacha, United States Dollars and Tanzanian shilling are non-interest bearing and regulated as disclosed in note 42(e).

6. Placements and deposits with other Banks

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Balances with other banks	197,838	101,672	194,105	100,788
Expected credit losses	(19)	(10)	(19)	(10)
Total placements and deposits with other Banks	**197,819**	**101,662**	**194,086**	**100,778**

Placements and deposits with other banks are denominated in the following currencies:

	Average interest rates		Group		Company	
	2025	2024	2025 K' m	2024 K' m	2025 K' m	2024 K' m
US Dollar denominated	3.65%	5.01%	184,598	82,786	181,100	82,786
GBP denominated	1.75%	1.75%	11,649	12,053	11,649	12,053
Euro denominated	1.84%	2.82%	213	2,676	57	2,676
ZAR denominated	5.93%	7.52%	1,257	3,220	1,226	3,220
Other			102	927	54	43
			197,819	**101,662**	**194,086**	**100,778**

Placements and deposits with other banks are held to maturity and mature within three months (2024: three months) of the year-end.

7. Money market investments

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Money market investments with Central Banks and other banks	446,675	181,618	95,363	8,747
Expected credit losses	(1)	(1)	(1)	(1)
	446,674	**181,617**	**95,362**	**8,746**

7. Money market investments (Continued)

Money market investments with the Reserve Bank of Malawi, Bank of Tanzania and other banks are held to maturity and mature within one month (2024: one month) after the year-end. The deposits earned an average interest rate of 23.6 % (2024: 24.3%) per annum.

8. Other assets

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Financial assets				
Sundry receivables	3,351	752	1,613	820
Office accounts	16,490	14,681	9,108	9,895
Other investments	127	142	127	114
Due from local banks	22,777	26,708	21,721	26,708
Expected credit losses on other assets	(1,230)	(3)	(1,200)	(3)
Total financial assets	41,515	42,280	31,369	37,534
Non-financial assets				
Prepayments	6,088	6,032	6,098	5,893
Operating inventories	889	365	889	365
Employee benefit subsidy	3,206	3,206	3,206	3,206
Total non-financial assets	10,183	9,603	10,193	9,464
Total other assets	**51,698**	**51,883**	**41,562**	**46,998**

Office accounts

Office accounts mainly comprise of internal accounts used for processing of transactions between National Bank and other banks.

Employee benefit subsidy

In accordance with IAS 19 Employee Benefits, the fair value adjustment to staff loans is recognised as an asset representing a future employee benefit which is expensed as and when the employees render their services to the Group.

Due from local banks

Amounts due from local banks relate to settlements account balance with other banks in Malawi in favour of the NBM Group.

9. Equity investments at fair value through profit or loss

Group	2024 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2025 K'm	Cost K'm
Illovo Sugar (Malawi) plc 1,316,521 (2024: 1,168,833) Ordinary shares of K0.02 each at a market price of K2,230.12 (2024: K1,355.08) per share	1,584	-	1,352	2,936	559
NICO Holdings plc 5,447,108 (2024: 17,148,278) Ordinary shares of K0.20 each at a market price of K1,736.51 (2024: K419.02) per share	7,185	(6,019)	8,293	9,459	404
Malawi Property Investment Company plc Nil (2024: 10,000,000) Ordinary shares of K0.05 each at a market price of K19.51 (2024: K18.53 per share	185	(185)	-	-	-
National Investment Trust plc 2,000,000 (2024: 4,000,000) Ordinary shares of K1.00 each at a market price of K3,938.51 (2024: K440.00) per share	1,760	943	5,174	7,877	1445
NBS Bank plc 9,479,513 (2024: 20,495,080) Ordinary shares of K0.50 each at a market price of K913.76 (2024: K174.07) per share	3,568	(1,574)	6,668	8,662	1,608
Standard Bank plc 499,276 (2024: 117,000) Ordinary shares of K1.00 each at a market price of K4,248 (2024: K6,483.95) per share	759	(559)	1,921	2,121	251
FDH Bank Plc 8,394,606 (2024: 6,497,477) Ordinary shares of K1.00 each at a market price of K599.89 (2024: K148.23) per share	963	300	3,773	5,036	540

9. Equity investments at fair value through profit or loss (Continued)

Group	2024 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2025 K'm	Cost K'm
Sunbird Tourism plc 6,262,197 (2024: 6,137,964) Ordinary shares of K0.05 each at a market price of K977.50 (2024: K240.08) per share	1,475		4,646	6,121	455
Telekom Networks Malawi plc 24,094,087 (2024: 25,044,632) Ordinary shares of K0.04 each at a market price of K31.46 (2024: K24.99) per share	625		133	758	348
FMBCH plc 1,277,104 (2024: 1,000,000) Ordinary shares of K1.00 each at a market price of K3,197.86 (2024: K555.00)	555		3,529	4,084	177
Airtel Malawi plc 9,026,820 (2024: 1,000,000) Ordinary shares of K1.00 each at a market price of K120.77 (2024: K90.00) per share	90	512	488	1,090	573
Old Mutual plc 791 (2024: 1,750) Ordinary shares of K1.00 each at a market price of K3,790.04 (2024: K1,950.01) per share	3			3	3
Blantyre Hotels plc 650,000 (2024: 650,000 `) Ordinary shares of K1.00 each at a market price of K15.05 (2024 K14.55) per share	9			9	8
Total equity investments at fair value through profit and loss	**18,761**	**(6,582)**	**35,977**	**48,156**	**6,371**

The above investments are listed on the Malawi Stock Exchange and are carried at market value.

9. Equity investments at fair value through profit or loss (Continued)

Group	2023 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2024 K'm	Cost K'm
Illovo Sugar (Malawi) plc 1,168,833 (2023: 1,012,368) Ordinary shares of K0.02 each at a market price of K1,355.08 (2023: K1,260.03) per share	1,276	197	111	1,584	559
NICO Holdings plc 17,148,278 (2023:16,941,054) Ordinary shares of K0.20 each at a market price of K419.02 (2023: K150.40) per share	2,548	31	4,606	7,185	404
Malawi Property Investment Company plc 10,000,000 (2023: 24,119,431) Ordinary shares of K0.05 each at a market price of K18.53 (2023: K15.00) per share	362	(212)	35	185	150
National Investment Trust plc 4,000,000 (2023:4,000,000) Ordinary shares of K1.00 each at a market price of K440.00 (2023: K409.99) per share	1,640	-	120	1,760	500
NBS Bank plc 20,495,080 (2023:10,000,000) Ordinary shares of K0.50 each at a market price of K174.07 (2023: K114.90) per share	1,149	1,438	981	3,568	1,608
Standard Bank plc 117,000 (2023: 100,000) Ordinary shares of K1.00 each at a market price of K6,483.95 (2023: K3,950.00) per share	395	67	296	759	251
FDH Bank Plc 6,497,477 (2023:5,000,000) Ordinary shares of K1.00 each at a market price of K148.23 (2023: K70.00) per share	350	170	443	963	240

9. Equity investments at fair value through profit or loss (Continued)

Group	2023 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2024 K'm	Cost K'm
Sunbird Tourism plc 6,137,964 (2023: 5,637,964) Ordinary shares of K0.05 each at a market price of K240.08 (2023: K191.07) per share	1,077	96	302	1,475	455
Telekom Networks Malawi plc 25,044,632 (2023: 22,435,090) Ordinary shares of K0.04 each at a market price of K24.99 (2023: K18.70) per share	420	48	157	625	348
FMBCH plc 1,000,000 (2023:631,854) Ordinary shares of K1.00 each at a market price of K555.00 (2023: K315.00)	199	139	217	555	177
Airtel Malawi plc 1,000,000 (2023:6,457,827) Ordinary shares of K1.00 each at a market price of K90.00 (2023: K60.00) per share	387	(326)	30	90	61
Old Mutual plc 1,750 (2023: N/A) Ordinary shares of K1.00 each at a market price of K1,950.01 (2023: N/A) per share	-	3	-	3	3
Blantyre Hotels plc 650,000 (2023: N/A) Ordinary shares of K1.00 each at a market price of K14.55 (2023: N/A) per share	-	8	1	9	8
Total equity investments at fair value through profit and loss	**9,803**	**1,659**	**7,299**	**18,761**	**4,764**

The above investments are listed on the Malawi Stock Exchange and are carried at market value.

9. Equity investments at fair value through profit or loss (Continued)

Company	2024 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2025 K'm	Cost K'm
Illovo Sugar (Malawi) plc 1,012,368 (2024: 1,012,368) Ordinary shares of K0.02 each at a market price of K2,330.12 (2024: K1,355.08) per share	1,372		987	2,359	362
NICO Holdings plc 5,276,410 (2024: 16,775,799) Ordinary shares of K0.20 each at a market price of K1,736.51 (2024: K419.02) per share	7,030	(4,819)	6,952	9,163	348
Malawi Property Investment Company plc Nil (2024: 10,000,000) Ordinary shares of K0.05 each at a market price of K19.51 (2024: K18.53) per share	185	(185)	-	-	-
National Investment Trust plc 2,000,000 (2024:4,000,000) Ordinary shares of K1.00 each at a market price of K3,938.51 (2024: K440.00) per share	1,760	(880)	6,997	7,877	500
NBS Bank plc 6,792,862 (2024: 15,000,000) Ordinary shares of K0.50 each at a market price of K913.76 (2024: K174.07) per share	2,611	(1,574)	5,169	6,206	931
Standard Bank plc 500,000 (2024: 100,000) Ordinary shares of K1.00 each at a market price of K4,248.41 (2024: K6,483.95) per share	648		1,476	2,124	184
FDH Bank Plc 7,394,278 (2024: 6,497,477) Ordinary shares of K1.00 each at a market price of K599.89 (2024: K148.23) per share	963	300	3,173	4,436	540

9. Equity investments at fair value through profit or loss (Continued)

Company	2024 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2025 K'm	Cost K'm
Sunbird Tourism plc 5,637,964 (2024: 5,637,964) Ordinary shares of K0.05 each at a market price of K977.50 (2024: K240.08) per share	1,354		4,158	5,512	359
Telekom Networks Malawi plc 20,544,632 (2024: 20,544,632) Ordinary shares of K0.04 each at a market price of K31.46 (2024: K18.70) per share	513		133	646	264
FMBCH plc 1,000,000 (2024: 1,000,000) Ordinary shares of K1.00 each at a market price of K3,197.86 (2024: K555.00)	555		2,643	3,198	177
Airtel (Malawi) plc 5,358,028(2024:1,000,000) Ordinary shares of K1.00 each at a market price of K120.77 (2024: K90.00 per share	90	552	5	647	613
Total equity investments at fair value through profit and loss	**17,081**	**(6,606)**	**31,693**	**42,168**	**4,278**

The above investments are listed on the Malawi Stock Exchange and are carried at market value.

9. Equity investments at fair value through profit or loss (Continued)

Company	2023 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2024 K'm	Cost K'm
Illovo Sugar (Malawi) plc 1,012,368 (2023: 1,012,368) Ordinary shares of K0.02 each at a market price of K1,355.08 (2023: K1,260.03) per share	1,276	-	96	1,372	362
NICO Holdings plc 16,775,799 (2023:16,941,054) Ordinary shares of K0.20 each at a market price of K419.02 (2023: K150.40) per share	2,548	(25)	4,506	7,030	348
Malawi Property Investment Company plc 10,000,000 (2023: 24,119,431) Ordinary shares of K0.05 each at a market price of K18.53 (2023: K15.00) per share	362	(212)	35	185	150
National Investment Trust plc 4,000,000 (2023:4,000,000) Ordinary shares of K1.00 each at a market price of K440.00 (2023: K409.99) per share	1,640	-	120	1,760	500
NBS Bank plc 15,000,000 (2023:10,000,000) Ordinary shares of K0.50 each at a market price of K174.07 (2023: K114.90) per share	1,149	761	701	2,611	931
Standard Bank plc 100,000 (2023: 100,000) Ordinary shares of K1.00 each at a market price of K6,483.95 (2023: K3,950.00) per share	395	-	253	648	184
FDH Bank Plc 6,497,477 (2023:5,000,000) Ordinary shares of K1.00 each at a market price of K148.23 (2023: K70.00) per share	350	170	443	963	240

9. Equity investments at fair value through profit or loss (Continued)

Company	2023 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2024 K'm	Cost K'm
Sunbird Tourism plc 5,637,964 (2023: 5,637,964) Ordinary shares of K0.05 each at a market price of K240.08 (2023: K191.07) per share	1,077	-	277	1,354	359
Telekom Networks Malawi plc 20,544,632 (2023: 22,435,090) Ordinary shares of K0.04 each at a market price of K24.99 (2023: K18.70) per share	420	(36)	129	513	264
FMBCH plc 1,000,000 (2023:631,854) Ordinary shares of K1.00 each at a market price of K555.00 (2023: K315.00)	199	139	217	555	177
Airtel (Malawi) plc 1,000,000 (2023:6,457,827) Ordinary shares of K1.00 each at a market price of K90.00 (2023: K60.00) per share	387	(326)	30	90	61
Total equity investments at fair value through profit and loss	**9,803**	**471**	**6,807**	**17,081**	**3,576**

The above investments are listed on the Malawi Stock Exchange and are carried at market value.

9. Equity investments at fair value through profit or loss (Continued)

	Group			
	Level 1 K' m	Level 2 K' m	Level 3 K' m	Fair value 2025 K' m
Equity investments in listed companies	48,156	-	-	48,156

	Group			
	Level 1 K' m	Level 2 K' m	Level 3 K' m	Fair value 2024 K' m
Equity investments in listed companies	18,761	-	-	18,761

	Company			
	Level 1 K' m	Level 2 K' m	Level 3 K' m	Fair value 2025 K' m
Equity investments in listed companies	42,168	-	-	42,168

	Company			
	Level 1 K' m	Level 2 K' m	Level 3 K' m	Fair value 2024 K' m
Equity investments in listed companies	17,081	-	-	17,081

10. Government securities

	Average interest rates		Group		Company	
	2025	2024	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Government securities - Treasury Bills	26.00%	25.89%	137,049	130,371	130,239	98,211
Government securities - Treasury Notes	30.18%	28.63%	685,029	479,347	678,591	474,978
Government securities – Bonds	11.62%	11.62%	19,621	18,881	-	-
Government Securities - Promissory notes	21.00%	-	7,631	-	7,631	-
Expected credit losses			(13,001)	(57)	(13,001)	(57)
			836,329	**628,542**	**803,460**	**573,132**

10. Government securities (Continued)

The Government securities are due to mature as follows:

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Within three months	42,766	56,962	35,196	20,136
Between three months and one year	141,939	173,203	122,317	173,500
Over one year	651,624	398,377	645,947	379,496
	836,329	628,542	803,460	573,132

Government of Malawi treasury bills and treasury notes are denominated in Malawi Kwacha. Government bonds are in Tanzanian shillings. All the securities are held to maturity. The Group assessed the Government securities for impairment and impairment losses have been recognised in the statement of comprehensive income.

The ECL raised primarily relates to the impact of deteriorating macroeconomic factors including rising sovereign debt to significant levels which in turn impacted forward looking credit impairment drivers.

11. Loans and advances to customers

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Gross loans and advances	629,139	470,923	527,983	380,122
Staff loans	13,698	11,937	7,805	6,217
Total loans and advances	642,837	482,860	535,788	386,339
Expected credit losses	(28,222)	(15,077)	(24,949)	(13,872)
Net loans and advances	**614,615**	**467,783**	**510,839**	**372,467**
Due to mature as follows:				
Within three months	38,575	47,810	34,130	41,198
Between three months and one year	152,170	112,036	135,618	93,886
Over one year	426,013	308,920	343,228	238,360
Interest in suspense*	(2,143)	(983)	(2,137)	(977)
	614,615	**467,783**	**510,839**	**372,467**

*Interest calculated on the gross-carrying amount of credit impaired loans and advances. Only the portion of interest income calculated on amortized cost of credit impaired assets is recognized as income (Note 3.5(i)).

11. Loans and advances to customers (Continued)

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Analysis of net loans by currency				
Malawi Kwacha denominated	453,933	277,016	433,224	263,116
Tanzania shillings denominated	83,067	81,393	-	-
US Dollar-denominated	77,615	109,374	77,615	109,351
	614,615	**467,783**	**510,839**	**372,467**

The Malawi Kwacha average lending rate for the Bank's loans and advances as at 31 December 2025 was 31.77% (2024: 32.1%) per annum, the US Dollar denominated loans carried an average interest rate of 7.6% (2024: 8.15%) per annum and the Tanzanian shilling denominated loans were at an average interest rate of 26.01% (2024: 26.68%).

Movement on interest in suspense				
At the beginning of the year	983	2,629	977	2,623
Suspended in the year	1,160	6,074	1,160	6,074
Applied against advances during the year	-	(7,720)	-	(7,720)
At the end of the year	**2,143**	**983**	**2,137**	**977**
Recoveries on impaired loans and advances				
Debts previously written off	6,734	4,287	5,646	3,161
Provision	-	-	-	-
Total recoveries recognised in income statement	**6,743**	**4,287**	**5,646**	**3,161**

	Group and Company	
	2025 K' m	2024 K' m
Finance lease receivables		
Gross investment in finance lease receivable:		
Within three months	2,546	328
Between three months and one year	1,349	2,082
After one year and not later than five years	52,435	52,225
	56,330	54,635
Unearned future income on finance leases	(18,438)	(20,006)
	37,892	34,629
Impairment provision	(101)	(423)
Net investment in finance leases	**37,791**	**34,206**
The net investment in finance leases matures as follows:		
Within three months	2,531	300
Between three months and one year	1,205	1,834
After one year and not later than five years	34,055	32,072
	37,791	**34,206**

11. Loans and advances to customers (Continued)

The finance leases mainly relate to motor vehicle leases. The residual value of the leases in all cases is guaranteed by the lessee and is fully secured. The lease income included in the statement of comprehensive income did not include any contingent rents. The average term of the leases is 3 years (The maximum is 5 years and the minimum 1 year). The average effective interest rate for the year ended 31 December 2025 was 32.1% (2024: 32.42%).

The table below summarises the loans and advances to customers by days past due:

Group **Days past due**	**31-Dec-25 Gross carrying amount K' m**	**31-Dec-25 Loss allowance K' m**	**31-Dec-24 Gross carrying amount K' m**	**31-Dec-24 Loss allowance K' m**
0-29 days	557,051	11,366	386,502	3,989
30-90 days	23,527	3,703	17,510	294
91-180 days	6,164	787	30,827	8,353
181-360 days	16,886	5,680	21,334	1,028
More than 360 days	39,209	6,686	26,687	1,413
Total	**642,837**	**28,222**	**482,860**	**15,077**
Company				
0-29 days	464,583	11,366	299,897	3,904
20-90 days	18,682	3,703	14,382	290
91-180 days	4,474	787	28,250	8,259
181-360 days	12,404	2,406	19,898	1,028
More than 360 days	35,645	6,687	23,912	391
Total	**535,788**	**24,949**	**386,339**	**13,872**

Restructured loans and modifications

During the year, loans with a total carrying amount of K4,055m (2024: K3,876m) were restructured (modified). Their total fair value after restructuring was K4,004m (2024: K3,821m) resulting into a net fair value loss of K51m (2024: net loss of K55m) which was recognised in the statement of profit or loss.

The Group has also recognised a net gain of K112m (2024: K114m) relating to amortisation of the gains and losses on loans that were modified in 2018, 2019, 2020, 2021, 2022, 2023, 2024 and 2025.

The net gain recognised in the statement of profit or loss for the year ended 31 December 2025 is therefore K61m (2024: K59m).

11. Loans and advances to customers (Continued)

Movement in allowance for impairment in loans and advances are as follows:

Group
At 31 December 2025

	Stage 1 K' m	Stage 2 K' m	Stage 3 K' m	Total K' m
At 1 January 2025	6,475	519	8,083	15,077
Changes in the loss allowance				
Transfer to stage 1	1,146	(507)	(639)	-
Transfer to stage 2	(21)	561	(540)	-
Transfer to stage 3	(79)	(276)	355	-
Write offs	-	-		
Recoveries	-	-	(1)	(1)
Charge to statement of profit or loss	6,340	4,309	1,013	11,662
Changes in loss allowance for off balance sheet assets	(14)	41	(20)	7
New financial assets originated	(1,660)	-	(570)	(2,230)
Financial assets that have been de-recognised	1,883	500	1,324	3,707
At 31 December 2025	**14,070**	**5,147**	**9,005**	**28,222**

Group
At 31 December 2024

Loss allowance - Loans and advances to customers at amortised cost	Stage 1 K' m	Stage 2 K' m	Stage 3 K' m	Total K' m
At 1 January 2024	6,028	339	6,296	12,663
Changes in the loss allowance				
Transfer to stage 1	356	(82)	(274)	-
Transfer to stage 2	(155)	259	(104)	-
Transfer to stage 3	(289)	(530)	819	-
Write offs	-	-	(3,210)	(3,210)
Charge to statement of profit or loss	623	(2)	4,495	5,116
Changes in loss allowance for off balance sheet assets	29	-	1	30
New financial assets originated	82	536	135	753
Financial assets that have been de-recognised	(199)	(1)	(75)	(275)
At 31 December 2024	**6,475**	**519**	**8,083**	**15,077**

11. Loans and advances to customers (Continued)

Company
At 31 December 2025

Loss allowance - Loans and advances to customers at amortized cost	Stage 1 K' m	Stage 2 K' m	Stage 3 K' m	Total K' m
At 1 January 2025	4,725	258	8,889	13,872
Changes in the loss allowance				
Transfer to stage 1	90	(81)	(9)	-
Transfer to stage 2	(16)	357	(341)	-
Transfer to stage 3	(74)	(276)	350	-
Write offs	-	-	-	-
Recoveries	-	-	(1)	(1)
Charge to statement of profit or loss	5,750	4,309	1,013	11,072
Changes in loss allowance for off balance sheet assets	(14)	40	(20)	6
At 31 December 2025	**10,461**	**4,607**	**9,881**	**24,949**

The Bank's charge to statement of comprehensive income of K26,505m includes loans and advances written down during the year amounting to K3,210m and net impairment losses of investments and other assets amounting to Km 13,078m (Notes 5, 6, 7,8 and 10).

At 31 December 2024

Loss allowance - Loans and advances to customers at amortized cost	Stage 1 K' m	Stage 2 K' m	Stage 3 K' m	Total K' m
At 1 January 2024	4,136	261	6,130	10,527
Changes in the loss allowance				
Transfer to stage 1	304	(73)	(231)	-
Transfer to stage 2	(83)	180	(97)	-
Transfer to stage 3	(221)	(108)	329	-
Charge to income statement	560	(2)	2,757	3,315
Changes in loss allowance for off balance sheet assets	29	-	1	30
At 31 December 2024	**4,725**	**258**	**8,889**	**13,872**

12. Insurance revenue and insurance and reinsurance contracts

Insurance revenue

The table below is the disclosure of insurance revenue by product:

	2025 Group K'm	2024 Group K'm
Agriculture	1,226	960
Engineering	360	273
Fire	2,071	1,759
Liability	746	654
Marine	203	18
Miscellaneous	799	571
Motor	7,729	5,857
Personal Accident	584	502
Transport	54	34
Total	13,772	10,628

Insurance and reinsurance contracts

The breakdown of the groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in asset position and those in a liability position is set in the table below:

Net Insurance Liabilities at the end of the year

	2024			2025		
	Insurance Liabilities K'm	Reinsurance Assets K'm	Net K'm	Insurance Liabilities K'm	Reinsurance Assets K'm	Net K'm
Agriculture	5	(3)	2	2	(69)	(67)
Engineering	178	(92)	86	177	(83)	94
Fire	962	(658)	304	1,087	(1,056)	31
Liability	1,011	(145)	866	1,033	(238)	795
Marine	75	(31)	44	38	(18)	20
Miscellaneous	378	(130)	248	363	(134)	229
Motor	7,088	(653)	6435	5,898	(815)	5,083
Personal Accident	437	(103)	334	354	(147)	207
Transport	147	(79)	68	82	(45)	37
Total	**10,281**	**(1,894)**	**8,387**	**9,034**	**(2,605)**	**6,429**
Insurance acquisition liability	543	(512)	31	454	-	454
Premium deficiency reserve	-	-	-	-	-	-
Overall Total	**10,824**	**(2,406)**	**8,418**	**9,488**	**(2,605)**	**6,883**

12. Insurance revenue and insurance and reinsurance contracts (Continued)

Reinsurance contracts held as at end of the year

	2024			2025		
	Assets K'm	Liabilities K'm	Net K'm	Assets K'm	Liabilities K'm	Net K'm
Agriculture	(5)	-	(5)	(69)	-	(69)
Engineering	(812)	-	(812)	(83)	-	(83)
Fire	(107)	-	(107)	(1,056)	-	(1,056)
Liability	(172)	-	(172)	(238)	-	(238)
Marine	(38)	-	(38)	(18)	-	(18)
Miscellaneous	(170)	-	(170)	(134)	-	(134)
Motor	(862)	-	(862)	(815)	-	(815)
Personal Accident	(135)	-	(135)	(147)	-	(147)
Transport	(105)	-	(105)	(45)	-	(45)
Assets reinsurance held		152	152	-	203	203
Total	**(2,406)**	**152**	**(2,254)**	**(2,605)**	**203**	**(2,402)**

12.1 Reconciliation of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

Below is the analysis of the amounts presented on the statement of financial position for insurance contracts liabilities and assets, reinsurance assets and liabilities and all these categories are current portion of the balances.

The Group's products are in nine classes namely agriculture, engineering, fire, liability, marine, miscellaneous, motor, personal accident, transport held but have been aggregated into five classes such as engineering, fire, liability, motor, and accident.

12. Insurance revenue and insurance and reinsurance contracts (Continued)

12.1 Reconciliation of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (Continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims
Premium allocation approach
Fire, motor, accident and liability **2025**

Insurance contracts issued) (All inclusive	LRC Excluding Loss K'm	Liability for contracts acquisition K'm	Premium deficiency reserve K'm	LIC K'm	Total K'm
AInsurance contract liabilities as at 01 January 2025	2,355	453	-	6,680	9,488
Insurance revenue measured under PAA	(13,772)	-	-	-	(13,772)
Insurance service expenses					
Other direct attributable expenses	-	-	-	3,332	3,332
Incurred claims and other direct attributable expenses	-	-	-	5,339	5,339
Other expenses or income adjustment	-	-	-	12	12
Insurance service adjustment	-	-	-	(14)	(14)
Insurance acquisition cashflows amortization	1,574	-	-		1,574
Total insurance services expenses	**1,574**	**-**	**-**	**8,669**	**10,243**
Total amounts recognised in statement of profit or loss and other comprehensive income	(12,198)	-	-	8,669	(3,529)
Cash flows					
Premiums received	14,864	-	-	-	14,864
Claims and other directly attributable -	-	-	-	(5,104)	(5,104)
Expenses paid	-	-	-	(3,251)	(3,251)
Insurance acquisition cashflows	(1,734)	90	-	-	(1,644)
Total cashflows	13,130	90	-	(8,355)	4,865
Insurance liabilities as at 31 December 2025	**3,287**	**543**	**-**	**6,994**	**10,824**

12. Insurance revenue and insurance and reinsurance contracts (Continued)

12.1 Reconciliation of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (Continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims
Premium allocation approach
Fire, motor, accident and liability **2024**

Insurance contracts issued (All inclusive)	LRC Excluding Loss K'm	Liability for contracts acquisition K'm	Premium deficiency reserve K'm	LIC K'm	Total K'm
Insurance contract liabilities as at 01 January 2024	**2,085**	**446**	**314**	**6,870**	**9,715**
Insurance revenue measured under PAA	(10,628)	-	-	-	(10,628)
Insurance service expenses					
Incurred claims and other direct attributable expenses	-	-	-	6,478	6,478
Other expenses or income adjustment	-	-	-	(395)	(395)
Insurance acquisition cashflows amortization	1,199	-	-	-	1,199
Total insurance services expenses	**1,199**	**-**	**-**	**6,083**	**7,282**
Total amounts recognised in statement of profit or loss and other comprehensive income	(9,429)	-	-	6,083	(3,346)
Cash flows					
Premiums received	10,890	-	-		10,890
Claims and other directly attributable	-	-	-	(4,821)	(4,821)
Expenses paid	-	-	-	(1,452)	(1,452)
Insurance acquisition cashflows	(1,191)	7	(314)	-	(1,498)
Total cashflows	9,699	7	(314)	(6,273)	3,119
Insurance liabilities as at 31 December 2024	**2,355**	**453**	**-**	**6,680**	**9,488**

12. Insurance revenue and insurance and reinsurance contracts (Continued)

12.1 Reconciliation of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (Continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims
Premium allocation approach
Fire, motor, accident and liability **2025**

Insurance contracts issued (All inclusive) Reinsurance contracts held	LRC Excluding Loss K'm	Liability for contracts acquisition K'm	Premium deficiency reserve K'm	LIC under PV future cashflows K'm	Risk adjustment K'm	Total K'm
Insurance contract liabilities as at 01 January 2025	**2,354**	**453**	**-**	**6,276**	**405**	**9,488**
Insurance revenue measured under PAA	(13,772)	-	-	-	-	(13,772)
Insurance service expenses						
other direct attributable expenses	-	-	-	3,332	-	3,332
Incurred claims	-	-	-	5,339	-	5,339
Other expenses	-	-	-	12	-	12
Insurance service adjustments	-	-	-	(14)	-	(14)
Risk adjustments	-	-	-	(71)	71	-
Insurance acquisition cashflows amortization	1,574	-	-	-	-	1,574
Total insurance services expenses	**1,574**	**-**	**-**	**8,598**	**71**	**10,243**
Total amounts recognised in statement of profit or loss and other comprehensive income	(12,198)	-	-	8,598	71	(3,529)
Cash flows						
Premiums received	14,864	-	-	-	-	14,864
Claims and other directly attributable	-	-	-	(5,104)	-	(5,104)
Expenses paid	-	-	-	(3,251)	-	(3,251)
Insurance acquisition cashflows	(1,734)	90		-	-	(1,644)
Total cashflows	13,130	90	-	(8,355)	-	4,865
Insurance liabilities as at 31 December 2025	**3,286**	**543**	**-**	**6,519**	**476**	**10,824**

12. Insurance revenue and insurance and reinsurance contracts (Continued)

12.1 Reconciliation of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (Continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims
Premium allocation approach
Fire, motor, accident and liability **2024**

Insurance contracts issued (All inclusive) **Reinsurance contracts held**	**LRC Excluding Loss K'm**	**Liability for contracts acquisition K'm**	**Premium deficiency reserve K'm**	**LIC under PV future cashflows K'm**	**Risk adjustment K'm**	**Total K'm**
Insurance contract liabilities as at 01 January 2024	**2,085**	**446**	**314**	**6,451**	**419**	**9,715**
Insurance revenue measured under PAA	(10,628)	-	-	-	-	(10,628)
Insurance service expenses						
Incurred claims and other direct attributable expenses	-	-	-	6,493	(15)	6,478
Other expenses or income adjustment	-	-	-	(395)	-	(395)
Insurance acquisition cashflows amortization	1,199	-	-	-	-	1,199
Total insurance services expenses	**1,199**	**-**	**-**	**6,098**	**(15)**	**7,282**
Total amounts recognised in statement of profit or loss and other comprehensive income	(9,429)	-	-	6,098	(15)	(3,346)
Cash flows				-		
Premiums received	10,890	-	-		-	10,890
Claims and other directly attributable	-	-	-	(4,821)	-	(4,821)
Expenses paid	-	-	-	(1,452)	-	(1,452)
Insurance acquisition cashflows	(1,191)	7	(314)	-	-	(1,498)
Total cashflows	9,699	7	(314)	(6,273)	-	3,119
Insurance liabilities as at 31 December 2024	**2,355**	**453**	**-**	**6,276**	**-**	**9,488**

12. Insurance revenue and insurance and reinsurance contracts (Continued)

12.1 Reconciliation of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (Continued)

2025

Fire, motor, accident, engineering and marine insurance contracts issued-Reinsurance contracts

Reconciliation of the remaining coverage and incurred claims components

Premium allocation approach

	Liability for remaining coverage		Incurred claims for Contract under present value of future cashflows K'm	Remaining	
Reinsurance contracts held	Exc total loss recovery component K'm	Reinsurance asset K'm		Risk adjustment K'm	Total K'm
Insurance contract assets as at 1 January 2025	**384**	**549**	**1,572**	**100**	**2,605**
Net income (expenses) from Reinsurance contracts held	(4,073)				(4,073)
Other incurred directly attributable expenses		(46)		2	(44)
Reinsurance adjustments				(5)	(5)
Incurred claims recoveries			1,277		1,277
Net income (expenses) from Reinsurance contracts held	**(4,073)**	**(46)**	**1,277**	**(3)**	**(2,845)**
Finance income from Reinsurance contracts held	891				891
Total amounts recognised in the statement of profit or loss and other comprehensive income	(3,182)	(46)	1,277	(3)	(1,954)
Cashflows					
Premium paid net of ceding	4,200		(1,519)		2,681
Claims recoveries		9			9
Reinsurance adjustments					-
Commission and directly attributable expenses paid	(935)				(935)
Total cashflows	**3,265**	**9**	**(1,519)**	-	**1,755**
Reinsurance contract assets as at 31 December 2025	**467**	**512**	**1,330**	**97**	**2,406**

12. Insurance revenue and insurance and reinsurance contracts (Continued)

12.1 Reconciliation of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (Continued)

2024

Fire, motor, accident, engineering and marine insurance contracts issued-Reinsurance contracts

Reconciliation of the remaining coverage and incurred claims components

Premium allocation approach

	Liability for remaining coverage		Incurred claims for Contract under present value of future cashflows	Remaining	
Reinsurance contracts held	Exc total loss recovery component K'm	Reinsurance asset K'm		Risk adjustment K'm	Total K'm
Insurance contract assets as at 1 January 2024	**235**	**739**	**1,379**	**90**	**2,443**
Net income (expenses) from Reinsurance contracts held	(3,499)	-	-	-	(3,499)
Other incurred directly attributable expenses	-	(473)	-	-	(473)
Incurred claims recoveries	-	-	1,726	10	1,736
Net income (expenses) from Reinsurance contracts held	**(3,499)**	**(473)**	**1,726**	**10**	**(2,236)**
Finance income from Reinsurance contracts held	740	-	-	-	740
Total amounts recognised in the statement of profit or loss and other comprehensive income	(2,759)	(473)	1,726	10	(1,496)
Cashflows					
Premium paid net of ceding	3,683	-	(1,533)	-	2,150
Claims recoveries	-	283	-	-	283
Commission and directly attributable expenses paid	(775)	-	-	-	(775)
Total cashflows	**2,908**	**283**	**(1,533)**	**-**	**1,658**
Reinsurance contract assets as at 31 December 2024	**384**	**549**	**1,572**	**100**	**2,605**

12. Insurance revenue and insurance and reinsurance contracts (Continued)

12.2 Other insurance receivables as at the end of the year

	2025 Km	2024 Km
IInsurance receivables	348	109
Expected credit losses	-	-
	348	109
Analysed as follows:		
Not past due	348	109
Past due (over 30 days) and not past due	-	-
Past due and impaired	-	-
	348	109

Included in the insurance contracts receivables are amounts due from insurance policy holders under brokers.

A significant portion of the Group's insurance business is transacted through brokers. As at the statement of financial position date K279m (2024: K98m) was due from the policyholders who are managed by the brokers. In preparing these financial statements, the Directors have considered recoverability of these amounts and further considered their carrying amount to approximate fair value.

The Group's credit risk is primarily attributed to its insurance and re-insurance contracts.

The credit risk exposure is spread over many customers more specifically the brokers who transact over 70% of the Group business. The Directors consider that the carrying amount of insurance contracts approximate to their fair value.

13. Investment in subsidiaries

	Company	
	2025 K' m	2024 K' m
NBM Development Bank Limited	7,572	7,572
United General Insurance Company Limited	2,796	2,796
NBM Pensions Administration Limited	250	250
Stockbrokers Malawi Limited	98	98
NBM Bureau de Change Limited	7	7
Akiba Commercial Bank plc	20,732	10,226
NBM Capital Markets Limited	17	17
Total investments in subsidiaries	31,472	20,966

NBM, through National Bank Nominees Limited, holds 75% (2024: 75%) stake in Stockbrokers Malawi Limited. The Bank also holds 100% (2024: 100%) stake in NBM Bureau de Change Limited, a 100% (2024: 100%) stake in NBM Capital Markets Limited, a 100% (2024: 100%)

13. Investment in subsidiaries (Continued)

stake in NBM Pension Administration Limited, a 100% (2024: 100%) stake in NBM Development Bank, a 55% (2024: 57%) stake in United General Insurance Company Limited and a 77.33% (2024: 60.48%) shareholding in Akiba Commercial Bank plc of Tanzania. NBM Bureau de Change ceased operations in 2013.

During the year, NBM stake in United General Insurance Company Limited went down from 57% to 55% following the exercising of a share rights issue by one of the other shareholders who did not do so in the prior year.

In December 2025, NBM injected additional capital of K10,506 million in Akiba Commercial Bank plc to address minimum capital shortfall and enhance business operations.

The Company assessed the investments in the subsidiaries for impairment. No impairment has been recognized in the financial statements.

14. Equity investments at fair value through other comprehensive income

The Group holds 60m shares out of 720m of National Switch Malawi Limited (Natswitch). In 2024, the investment had a value of K1,057m. Consistent with the Group policy, during the year the investment in Natswitch was fair valued and the price per share of Natswitch was determined to be K38.69 (2024: K17.61) resulting in a K2,321m fair valuation of the Group's shares. The Group therefore recognised a fair value gain of K1,264m (2024: K946m) in the statement of profit or loss and other comprehensive income for the year ended 31 December 2025.

15. Investment properties

Valuation	**2025 Group K'm**	**2024 Group K'm**
At the beginning of the year	1,240	1,040
Additions	12	-
Reclassified from PPE	287	-
Increase in fair value	1,008	200
At the end of the year	**2,547**	**1,240**
Comprising of:		
Original cost	80	80
Valuation uplift	2,467	1,160
Total	**2,547**	**1,240**

15. Investment properties (Continued)

Fair value measurement of the investment properties

Investment properties were revalued on an open market value basis by Press Properties registered valuation surveyors on behalf of the Directors of the Company as at 31 December 2025. The resultant surplus was taken to the statement of profit or loss and other comprehensive income in accordance with the requirement of IAS 40: *Investment Properties*

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the year are as follows:

	2025		2024	
	Level 2 K'm	Fair Value K'm	Level 2 K'm	Fair Value K'm
Investment property	2,547	2,547	1,240	1,240

Investment properties were designated as level 2 financial assets as valuations were based on observable market inputs to estimate the rentals and the capitalisation rate.

For investment properties, the assessed annual rental value at 31 December 2025 was K72.98 million and the capitalisation rate ranging from 20% to 65%. The final valuation is directly proportional to the rental value and inversely proportional to the capitalisation rate.

Every year, an external independent valuation expert, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued, values the Group's investment properties portfolios. The fair values are based on the market values, being the estimated amount for which properties could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of estimated cash flows expected to be received from renting out the properties. A capitalisation rate that reflects the specific risks inherent in the cash flow is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate: the type of tenant actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent review or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served valid and within the appropriate time.

15. Investment Properties (Continued)

The information in the table below discloses the significant unobservable inputs used at year end in measuring investment properties categorised at level 2:

Type of property	Valuation approach	Key unobservable inputs	Range of estimates for unobservable inputs
Investment property	Contractors approach (Restatement-as-new value basis valuation	• Internally generated financial forecasts • Prices contained in offered quotes • Inflation rate • Impact of devaluation	6.5% to 7.5%

Sensitivity analysis

The table below indicates the sensitivity of the aggregate property market values for a movement in discount and capitalisation rates and market rentals.

Year ended 31 December 2025	2025 K'm	2024 K'm
An increase of 1% in capitalisation rates would decrease the fair value by:1%	2,572	1,228
A decrease of 1% in capitalisation rates would increase the fair value by:1%	2,522	1,252
An increase of 10% in market rentals per m^2 would increase the fair value by:10%	2,802	1,364
A decrease of 10% in market rentals per m^2 would decrease the fair value by:10%	2,292	1,116

The fair value measurement of the Group's investment properties used capitalization rates ranges from 6.5% to 7.5%. Usually, capitalization rates vary inversely proportion to the fair value measurements as such a 1% increase in capitalization rates would result in a 1% decrease in fair values or vice versa.

While market rentals vary directly proportion to the increase in fair values as such 10% increase in market rentals would results in 10% increase in fair values or vice versa as demonstrated in the sensitivity analysis above.

16. Property and Equipment

	Freehold land & buildings K' m	Leasehold land & buildings K' m	Motor vehicles & equipment K' m	Work in progress K' m	Total K' m
Group					
Cost or valuation					
At 1 January 2025	41,377	13,313	43,362	-	98,052
Additions	287	776	6,580	-	7,643
Transfer between classes	(446)	446	-	-	-
Transfer to investment property	-	(287)	-	-	(287)
Disposals	-	-	(1,010)	-	(1,010)
Revaluation surplus	8,200	3,612	-	-	11,812
At 31 December 2025	**49,418**	**17,860**	**48,932**		**116,210**
At 1 January 2024	34,735	11,698	35,106	-	81,539
Additions	45	29	8,063	-	8,137
Acquired through business combination	-	181	1,322	-	1,503
Transfer from Intangible assets	-	-	251	-	251
Disposals	-	(137)	(1,199)	-	(1,336)
Write-offs	-	(331)	(181)	-	(512)
Revaluation surplus	6,597	1,873	-	-	8,470
At 31 December 2024	**41,377**	**13,313**	**43,362**	**-**	**98,052**
Depreciation					
1 January 2025	-	2,775	26,151	-	28,926
Charge for the year	820	430	6,082	-	7,332
Elimination on revaluation	(820)	(206)	-	-	(1,026)
Elimination on disposal	-	-	(750)	-	(750)
At 31 December 2025	-	**2,999**	**31,483**	-	**34,482**
Depreciation					
1 January 2024	-	3,078	21,354	-	24,432
Charge for the year	692	339	5,262	-	6,293
Acquired through business combination	-	-	665	-	665
Elimination on revaluation	(692)	(174)	-	-	(866)
Elimination on disposal	-	(137)	(959)	-	(1,096)
Write-offs	-	(331)	(171)	-	(502)
At 31 December 2024	**-**	**2,775**	**26,151**	**-**	**28,926**
Carrying amount					
At 31 December 2025	**49,418**	**14,861**	**17,449**	**-**	**81,728**
At 31 December 2024	**41,377**	**10,538**	**17,211**	**-**	**69,126**

16. Property and Equipment (Continued)

	Freehold land & buildings K' m	Leasehold land & buildings K' m	Motor vehicles & equipment K' m	Work in progress K' m	Total K' m
Company					
Cost or valuation					
At 1 January 2025	41,377	11,253	36,890	-	89,520
Additions	287	721	5,006	-	6,014
Transfer from Intangible assets	-	-	-	-	-
Disposals	-	-	(664)	-	(664)
Transfer between classes	(446)	446	-	-	-
Write-offs		-	-	-	-
Revaluation surplus	8,200	3,612	-	-	11,812
At 31 December 2025	**49,418**	**16,032**	**41,232**	**-**	**106,682**
At 1 January 2024	34,735	9,743	30,847	-	75,325
Additions	45	20	6,790	-	6,855
Transfer from Intangible assets	-	-	251	-	251
Disposals	-	-	(817)	-	(817)
Write-offs	-	(331)	(181)	-	(512)
Revaluation surplus	6,597	1,821	-	-	8,418
At 31 December 2024	**41,377**	**11,253**	**36,890**	**-**	**89,520**
Depreciation					
1 January 2025	-	943	22,374	-	23,317
Charge for the year	820	353	4,921	-	6,094
Elimination on revaluation	(820)	(205)	-	-	(1,025)
Elimination on disposal	-	-	(444)	-	(444)
Write-offs	-	-	-	-	-
At 31 December 2025		**1,091**	**26,851**		**27,942**
Depreciation					
1 January 2024	-	1,200	18,773	-	19,973
Charge for the year	692	244	4,383	-	5,319
Elimination on revaluation	(692)	(170)	-	-	(862)
Elimination on disposal	-	-	(611)	-	(611)
Write-offs	-	(331)	(171)	-	(502)
At 31 December 2024	**-**	**943**	**22,374**	**-**	**23,317**
Carrying amount					
At 31 December 2025	**49,418**	**14,941**	**14,381**	**-**	**78,740**
At 31 December 2024	**41,377**	**10,310**	**14,516**	**-**	**66,203**

16. Property and Equipment (Continued)

Group

Land and buildings

Cost or valuation at the end of the year (excluding capital work in progress) comprises the following:

		Group	
		2025 K' m	2024 K' m
Freehold	at 2025 valuation	49,418	-
	at 2024 valuation	-	41,377
Total freehold land and buildings		**49,418**	**41,377**
Leasehold	at 2025 valuation	17,860	-
	at 2024 valuation	-	13,313
Total freehold land and buildings		**17,860**	**13,313**

Included in property and equipment are assets under operating leases with the following net book values:

	Related parties K' m	Others K' m	Total K' m
2025			
Motor vehicles	-	67	67
2024			
Motor vehicles	-	225	225

The following useful lives were used in the calculation of depreciation:

Freehold buildings	-	useful economic lives as determined by professional valuers ranging from 25 to 50 years
Leasehold property	-	lower of period of lease and useful economic lives as determined by professional valuers ranging from 25 to 50 years
Equipment	-	4 - 10 years
Motor vehicles	-	3-8 years

The register of land and buildings is open for inspection at the registered offices of the Bank and its subsidiaries.

Valuations in 2025

Land and buildings for the Group were fair valued as at 31 December 2025 and 31 December 2024 by Bernard Mughogho, (Est. Mgt) MSIM of Knight Frank, qualified independent valuer on a current market value basis.

16. Property and Equipment (Continued)

Land and buildings (Continued)

Out of the K12,837 (2024: K9,336m) the Group's gross revaluation surplus, K194m (2024: K153m) was credited to the statement of comprehensive income to reverse decreases in fair values previously charged to the statement of comprehensive income and the balance of K12,643m (2024:K9,183m) was credited to the revaluation reserve through the statement of other comprehensive income (refer note 33).

Details of land and buildings at fair value and information about the fair value hierarchy as at 31 December are as follows:

	Level 1 K' m	Level 2 K' m	Level 3 K' m	Fair value 2025 K' m
Freehold land and buildings	-	49,418	-	49,418
Leasehold land and buildings	-	14,861	-	14,861

	Level 1 K' m	Level 2 K' m	Level 3 K' m	Fair value 2024 K' m
Freehold land and buildings	-	41,377	-	41,377
Leasehold land and buildings	-	10,538	-	10,538

Had land and buildings been carried at historical cost less depreciation and accumulated impairment losses, their carrying value would have been approximately K7,574m (2024: K8,136m).

The Group assessed its property and equipment for indicators of impairment. There were no impairments to the items of property and equipment. As such no impairment losses were recognized on these assets.

Sensitivity analysis

The table below shows the sensitivity of aggregate property market values to movements in discount and capitalisation rates and market rentals.

Year ended 31 December	2025 K'm	2024 K'm
An increase of 1% in capitalisation rates would decrease the fair value by:1%	(494)	(5,054)
A decrease of 1% in capitalisation rates would increase the fair value by:1%	494	6,492
An increase of 10% in market rentals per m^2 would increase the fair value by:10%	6,428	4,646
A decrease of 10% in market rentals per m^2 would decrease the fair value by:10%	(6,428)	(4,643)

16. Property and Equipment (Continued)

Sensitivity analysis (Continued)
Yield is the most sensitive input followed by rent, land and lastly vacancy rate. However, both rent and vacancy rate are equally sensitive only that in this case, the Group has used a smaller rate (1%) for the latter than the former (10%). Vacancy rate would become more sensitive when the property portfolio has many multi-tenanted properties. Similarly, land would become more sensitive especially when properties within the portfolio have many properties with larger plot sizes than standard sizes. Furthermore, when there are many vacant plots or many special properties.

While market rentals vary directly proportion to the increase in fair values as such 10% increase in market rentals would results in 10% increase in fair values or vice versa as demonstrated in the sensitivity analysis above.

17. Intangible assets

	Computer Software K' m	Work in progress K' m	Total K' m
Group			
Cost of valuation			
At 1 January 2025	19,521	9,323	28,844
Additions	-	9,575	9,575
At 31 December 2025	**19,521**	**18,898**	**38,419**
At 1 January 2024	16,179	5,211	21,390
Additions	-	8,050	8,050
Acquired through business combination	419	-	419
Transfer from work in progress	3,687	(3,687)	-
Transfer to Property and Equipment	-	(251)	(251)
Write-offs	(764)	-	(764)
At 31 December 2024	**19,521**	**9,323**	**28,844**
Amortization			
At 1 January 2025	10,238	-	10,238
Charge for the year	2,769	-	2,769
Write-offs	-	-	-
At 31 December 2025	**13,007**	**-**	**13,007**
At 1 January 2024	9,357	-	9,357
Charge for the year	1,645	-	1,645
Write-offs	(764)	-	(764)
At 31 December 2024	**10,238**	**-**	**10,238**
Carrying amounts			
31 December 2025	**6,514**	**18,898**	**25,412**
31 December 2024	**9,283**	**9,323**	**18,606**

17. Intangible assets (Continued)

	Computer Software K' m	Work in progress K' m	Total K' m
Company			
Cost of valuation			
At 1 January 2025	17,433	5,613	23,046
Additions	-	8,501	8,501
At 31 December 2025	**17,433**	**14,114**	**31,547**
At 1 January 2024	14,510	5,201	19,711
Additions	-	4,350	4,350
Transfer from work in progress	3,687	(3,687)	-
Transfer to Property and Equipment	-	(251)	(251)
Write-offs	(764)	-	(764)
At 31 December 2024	**17,433**	**5,613**	**23,046**
Amortisation			
At 1 January 2025	8,750	-	8,750
Charge for the year	1,683	-	1,683
At 31 December 2025	**10,433**	**-**	**10,433**
At 1 January 2024	8,063	-	8,063
Charge for the year	1,451	-	1,451
Write-offs	(764)	-	(764)
At 31 December 2024	**8,750**	**-**	**8,750**
Carrying amounts			
31 December 2025	**7,000**	**14,114**	**21,114**
31 December 2024	**8,683**	**5,613**	**14,296**

The Group assessed intangible assets for impairment. There were no indicators of impairment of the intangible assets which were in use during the year.

The write-off amounting to K764m in 2024 related to fully amortized software which is no longer in use.

18. Right-of-use assets

	K' m
Group	
Cost or valuation	
At 1 January 2025	11,360
Additions	191
Remeasurement	(128)
At 31 December 2025	**11,423**
At 1 January 2024	10,358
Additions	6,502
Derecognition during the year	(3,790)
Lease cancellation - Akiba	(1,710)
At 31 December 2024	**11,360**
Amortization	
At 1 January 2025	5,228
Charge for the year	2,317
At 31 December 2025	**7,545**
At 1 January 2024	6,720
Charge for the year	2,289
Derecognition during the year	(3,781)
At 31 December 2024	**5,228**
31 December 2025	**3,878**
31 December 2024	**6,132**
Company	
Cost or valuation	
At 1 January 2025	4,347
Additions	30
At 31 December 2025	**4,377**
At 1 January 2024	3,790
Additions	4,347
Derecognition during the year	(3,790)
At 31 December 2024	**4,347**
Amortization	
At 1 January 2025	1,234
Charge for the year	1,234
Derecognition during the year	
At 31 December 2025	**2,468**
At 1 January 2024	3,781
Charge for the year	1,234
Derecognition during the year	(3,781)
At 31 December 2024	**1,234**
Carrying amounts	
31 December 2025	**1,910**
31 December 2024	**3,113**

18. Right-of-use assets (Continued)

The Group enters into agreements with Property owners (Landlords) to occupy the whole building(s) or part of the building (area in square meters) to operate a service centre, an office, or install Auto Teller Machines (ATMs). In such cases, there is an identified asset which is the building or the floor space. The assets are explicitly specified in the contracts. The lease terms range from 1 year to 10 years but most of them have options for extensions which have generally been exercised. The Group adopted and applied IFRS 16 Leases to such contracts from 01 January2019. The Group assessed the Right-of-use assets for impairment. The factors to consider included operations disruptions, scaling down of use of space etcetera. Based on the assessment, there were no indicators of impairment. As such no impairment loss has been recognised on Right-of-use assets.

19. Deferred tax

(a) Deferred tax asset

Group 2025	Opening balance K' m	Transfer from deferred tax liability K' m	Charged to Profit & loss K' m	Charged to equity K' m	Closing balance K' m
Accelerated capital allowances	(1,088)	(246)	(277)	-	(1,611)
Revaluation of land and buildings	1,019	-	-	(33)	986
Tax losses*	1,452	-	-	-	1,452
Other temporary differences	3,125	-	1,070	-	4,195
Total deferred tax	**4,508**	**(246)**	**793**	**(33)**	**5,022**

2024	Opening balance K' m	Transfer to deferred tax liability K' m	Acquired through Business combination K' m	Charged to Profit & loss K' m	Charged to equity K' m	Closing balance K' m
Accelerated capital allowances	(1,136)	48	-	-	-	(1,088)
Revaluation of land and buildings	1,218	-	(135)	(70)	6	1,019
Tax losses*	1,452	-	22	(22)	-	1,452
Other temporary differences	669	-	2,265	191	-	3,125
Total deferred tax	**2,203**	**48**	**2,152**	**99**	**6**	**4,508**

*The tax losses relate to Akiba Commercial Bank plc. Under Income Tax Act, 2004 of Tanzania, tax losses can be carried indefinitely. However, when taxable profits start to be generated only 70% of the taxable profits can be offset with carried forward taxable losses in that particular year and 30% of those taxable profits will have to be subjected to tax in that year at 30%. The remaining taxable losses are allowed to be carried forward.

19. Deferred tax (Continued)

(b) Deferred tax liability

Group 2025	Opening balance K' m	Transfer to deferred tax asset K' m	Charged to Profit & loss K' m	Charged to equity K' m	Closing balance K' m
Accelerated capital allowances	2,793	246	(2,589)	-	(42)
Revaluation of land and buildings	5,783	-	-	5,058	10,841
Fair value on quoted shares	-	-	13,206	-	13,206
Fair value on unquoted shares	378	-	-	506	884
Other temporary differences	(7,982)	-	(9,801)	-	(17,783)
Total deferred tax	**972**	**(246)**	**816**	**5,564**	**7,106**

2024	Opening balance K' m	Transfer from deferred tax asset K' m	Charged to Profit & loss K' m	Charged to equity K' m	Closing balance K' m
Accelerated capital allowances	2,337	48	408	-	2,793
Revaluation of land and buildings	2,542	-	-	3,241	5,783
Fair value on unquoted shares	-	-	-	378	378
Other temporary differences	188	-	(8,170)	-	(7,982)
Total deferred tax	**5,067**	**48**	**(7,762)**	**3,619**	**972**

Company 2025	Opening balance K' m	Charged to Profit & loss K' m	Charged to equity K' m	Closing balance K' m
Accelerated capital allowances	2,547	(2,589)	-	(42)
Revaluation of land and buildings	5,783	-	5,058	10,841
Fair value on quoted shares	-	13,206	-	13,206
Fair value on unquoted shares	378	-	506	884
Other temporary differences	(7,982)	(9,801)	-	(17,783)
Total deferred tax	**726**	**816**	**5,564**	**7,106**

2024	Opening balance K' m	Charged to Profit & loss K' m	Charged to equity K' m	Closing balance K' m
Accelerated capital allowances	2,337	210	-	2,547
Revaluation of land and buildings	2,542	-	3,241	5,783
Fair value on unquoted shares	-	-	378	378
Other temporary differences	188	(8,170)	-	(7,982)
Total deferred tax	**5,067**	**(7,960)**	**3,619**	**726**

20. Goodwill

	Group	
	2025 K' m	2024 K' m
Balance at beginning of the year	3,959	3,959
Goodwill from United General Insurance Company Limited	688	688
Balance at end of the year	**4,647**	**4,647**

National Bank of Malawi plc (NBM) acquired Indebank Limited on 31 October 2015. The total purchase consideration was K6,616m and the goodwill arising on acquisition of K3,959m was recorded as at 31 December 2016. In 2018, the Group converted the Ex-Indebank to NBM Development Bank Limited to undertake long term financing business. The Bank commenced operations in May 2019.

The goodwill balance was allocated to Corporate Banking Division (CBD) as a cash-generating unit.

On 1 January 2024, National Bank of Malawi plc finalized the acquisition of additional shares in United General Insurance Limited (UGI) increasing its shareholding to 57% from 47% and hence gaining control of the investee. At 57% shareholding the total purchase consideration for UGI shares was K2,796m and the goodwill on acquisition date was K688m. In 2025, upon all shareholders exercising their rights, NBM's shareholding in UGI marginally declined from 57% to 55%.

Annual test for impairment-NBM Development Bank Limited

The Group determined the recoverable amount of the Cash Generating Unit (CBD) to be K64,037m (2024: K79,909m) based on the value in use model. The value in use was based on discounted future cash flows (using NBM's approved budgeted figures for 2026 and projections covering a 4-year period from 2027), discounted at a weighted average cost of capital of 39.2% (2024: 32.22%).

All forecasts used in the determination of value in use are extracted directly from the Bank's 2025 budget that was presented to the Board of Directors and approved by them.

Cashflow projections during the budget period were based on the same expected gross margins and price inflation through the budget period. The cash flows beyond that five-year period have been extrapolated using an average of 10% per annum growth rate, which is the projected long-term average growth rate for Corporate Banking Business. The directors believe that any reasonably possible change in the key assumption on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The carrying amount of the CGUs was K6,548m (2024: K5,247m). As such, in accordance with IAS 36 Impairment of Assets, NBM determined that the goodwill was not impaired as at 31 December 2025.

20. Goodwill (Continued)

Annual test for impairment-United General Insurance Company Limited
In accordance with IAS 36 Impairment of Assets, the Group assessed goodwill for impairment as at 31 December 2025 and determined that the goodwill was not impaired.

21. Customer deposits

	Average interest rates		Group		Company	
	2025	2024	2025 K'm	2024 K'm	2025 K'm	2024 K'm
Analysis by account type:						
Current accounts	0.00%	0.00%	560,132	386,566	545,085	357,106
Foreign currency accounts	0.50%	0.50%	226,643	207,717	226,643	198,947
Savings accounts	7.10%	7.10%	447,919	305,667	397,301	275,351
Deposit accounts	7.33%	7.33%	340,654	245,016	293,560	202,733
Client funds	22.55%	20.41%	333,154	183,461	-	-
Total customer deposits			**1,908,502**	**1,328,427**	**1,462,589**	**1,034,137**
Analysis by interest risk type:						
Interest-bearing deposits			1,348,370	941,119	917,504	677,031
Non-interest-bearing deposits			560,132	387,308	545,085	357,106
			1,908,502	**1,328,427**	**1,462,589**	**1,034,137**

All interest-bearing accounts, excluding deposit accounts, are at floating rates that are adjusted at the Bank's discretion, refer to note 42e.

Analysis by interest maturity:

Customer deposits are payable as follows:

Within three months	1,856,011	1,289,498	1,450,633	1,022,626
Between three months and one year	44,557	31,683	11,956	11,511
Over one year	7,934	7,246	-	-
	1,908,502	**1,328,427**	**1,462,589**	**1,034,137**

21. Customer deposits (Continued)

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Analysis by sector:				
Agriculture	99,302	38,592	99,302	38,534
Manufacturing	62,005	45,025	62,005	44,992
Wholesale and retail	273,949	208,102	273,949	166,939
Finance and insurance	115,172	103,587	115,172	81,008
Personal accounts	692,350	563,684	692,350	517,697
Construction	40,875	29,141	40,875	29,082
Electricity, gas, water and energy	60,248	22,626	60,248	22,625
Transport and storage	53,369	54,227	53,369	53,330
Restaurants and hotels	11,472	9,390	11,472	9,338
Mining and quarrying	39,290	57,617	39,290	57,617
Real estate	9,822	8,297	9,822	8,297
Clients Funds	333,154	183,461	-	-
Other	117,494	4,678	4,735	4,678
Total	**1,908,502**	**1,328,427**	**1,462,589**	**1,034,137**

The currency analysis of customer deposits is included in note 42 (e).

22. Amounts due to other banks

Liabilities in Malawi Kwacha	283	206	283	206
Liabilities in foreign currency	15,734	14,060	1,764	1,480
Bills in suspense in foreign currency	1,678	448	1,678	448
Total amounts due to other banks	**17,695**	**14,714**	**3,725**	**2,134**

23. Current income tax

Balance at the beginning of the year	34,287	19,008	32,623	18,030
Current charge (note 34)	121,640	73,298	115,078	69,584
Tax paid	(101,285)	(58,019)	(95,968)	(54,991)
Balance at end of the year	54,642	34,287	51,733	32,623
Represented by				
Current income tax asset	**(414)**	-	-	-
Current income tax liability	**55,056**	**34,287**	**51,733**	**32,623**

24. Loans

The Group's loans comprise lines of credit as detailed below. The carrying amounts of the group loans as at 31 December were as follows:

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Opening balance	11,349	12,447	209	4,587
Additions	3,000	3,000	-	-
Accrued interest	406	339	-	59
Principal paid	(994)	(59)	-	(59)
Interest paid	(297)	(4,378)	(15)	(4,378)
Total	**13,464**	**11,349**	**194**	**209**

24.1. Lines of credit

24.1.1 Malawi Government (denominated in Deutschemark (DM))

The loan is in two parts: Part 1 and Part 2. The two loans, which are unsecured, are for DM5.0m and DM6.6m, respectively. The amounts drawn against specific projects at the year-end are equivalent to DM4.78m and DM6.07m, respectively. Both loans are interest free. The loans are repayable to the Malawi Government in Malawi Kwacha starting in 2034 and 2043, respectively. The Malawi Kwacha value of the loan was set at the time of disbursement. The total carrying amount of the loan as at 31 December 2025 was K105m (2024: K105m).

United States Agency for International Development (USAID)

This is a two-part loan: The first loan, which is unsecured, is for USD1.2m and bears interest at 4% per annum. The Malawi Kwacha value of the loan was set at the time of disbursement. The loan is repayable to the Malawi Government in Malawi Kwacha over a period of 25 years commencing 30 June 1993. The carrying amount of the loan as at 31 December 2025 was K3m (2024: K3m). There is no agreement for the second loan. However, provision interest has been made at 4% per annum on the assumption that the terms of the first loan apply on the second loan. The carrying amount of the second loan as at 31 December 2025 was K9m (2024: K9m). The Group is yet to renegotiate with Malawi Government on a new repayment schedule for the second loan.

24.1.2. The Transport Sector Revolving Fund

The revolving fund loan for the transport sector bears interest at 3% per annum. The loan is repayable on such dates as the Government and the Bank shall mutually agree in writing. As of year-end, an agreement had not yet been reached. The carrying amount of the loan as at 31 December 2025 was K67m (2024: K67m).

24.1.3. Private Sector Revolving Fund

The private sector revolving fund loan is effectively interest-free. However, from 1 July 2004, the Group is obliged to pay an administrative fee pegged at 3% per annum on all sums advanced by the Government. The loan is repayable on such a date as the Government and the Bank shall mutually agree in writing. As at reporting date, an agreement had not yet been reached. The carrying amount of the loan as at 31 December 2025 was K25m (2024: K25m).

24. Loans (Continued)

24.1. Lines of credit (Continued)

24.1.4. Reserve Bank of Malawi Loan

In 2022, NBM Development Bank Limited signed an agreement with Reserve Bank of Malawi for unsecured Micro, Small and Medium Enterprise Line of Credit Facility amounting K3 billion to facilitate lending to Micro, Small and Medium Enterprises. The Bank pays Interest at the rate of 3% per annum, payable semi-annually.

In 2023, the Bank drew additional K5 billion under the same terms as the previous loan. The new facility expires on 28 February 2033. No repayments have been made yet towards the loan.

During the year, the Bank obtained K3 billion loan from the Reserve Bank of Malawi as part of the Micro, Small and Medium Enterprise line of Facility financial inclusion and entrepreneurship scaling project to finance working capital and investment requirements for MSMEs including mitigating effects of COVID-19. Interest on the loan is charged at a rate of 3% per annum. The Bank is required to make principal and interest repayments semi-annually. The loan is repayable over a period up to 2034.

25. Provisions

	Employee bonus K' m	Tevet levy K' m	Total K' m
Group			
2025			
At 1 January 2025	7,549	216	7,765
Provisions made during the year	9,204	416	9,620
Payments made during the year	(7,249)	(380)	(7,629)
At 31 December 2025	**9,504**	**252**	**9,756**
2024			
At 1 January 2024	6,013	242	6,255
Provisions made during the year	7,549	326	7,875
Payments made during the year	(6,013)	(352)	(6,365)
At 31 December 2024	**7,549**	**216**	**7,765**
Company			
2025			
At 1 January 2025	6,859	196	7,055
Provisions made during the year	8,369	384	8,753
Payments made during the year	(6,859)	(328)	(7,187)
At 31 December 2025	**8,369**	**252**	**8,621**
2024			
At 1 January 2024	5,772	231	6,003
Provisions made during the year	6,859	307	7,166
Payments made during the year	(5,772)	(342)	(6,114)
At 31 December 2024	**6,859**	**196**	**7,055**

26. Other liabilities

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Financial liabilities				
Unclaimed balances	1,575	1,460	1,575	1,460
Bank cheque	3,361	3,432	3,361	3,432
Office accounts	747	5,651	881	4,994
Trade and other payables	16,164	10,664	9,146	4,687
Cash security	21	22	21	22
Cards and other products	15,655	11,193	15,655	11,193
Total financial liabilities	37,523	32,422	30,639	25,788
Non-financial liabilities				
Deferred income	5,118	6,309	4,943	5,158
Other tax payables	8,640	4,834	7,332	3,516
Total non-financial liabilities	13,758	11,143	12,275	8,674
Total other liabilities	51,281	43,565	42,914	34,462

27. Lease liabilities

Opening lease liabilities as at 1 January	8,761	5,227	4,132	578
Additions	30	6,502	30	4,347
Interest on lease	2,032	2,274	1,124	1,271
Lease liability interest paid	(2,032)	(2,274)	(1,124)	(1,271)
Lease liability principal paid	(1,589)	(610)	(743)	(215)
Lease liability remeasurement	128	(2,358)	-	(578)
Closing balance as at 31 December	**7,330**	**8,761**	**3,419**	**4,132**

The lease liabilities relate to discounted future lease payments on contracts that meet the definition of a lease as provided for in IFRS 16 Leases (Refer to note 18). The interest on lease liability has been charged to Statement of Comprehensive Income (Refer to note 32). Out of the Group's lease payments of K3,621m (2024: K2,884m), K1,589m (2024: K610m) were towards settlement of the lease liability (principal) and K2,032m (2024: K2,274m) for payment of the interest on lease liability.

The maturity profiles for the lease payments are as follows:

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Year 1	2,841	2,747	1,733	1,650
Year 2	2,508	2,841	1,392	1,733
Year 3	1,590	2,508	463	1,392
Year 4	1,580	1,590	442	463
Year 5	1,685	1,580	535	442
Year 6	1,827	1,685	666	535
Year 7	139	1,827	139	666
Year 8	-	139	-	139
Total lease payments	**12,170**	**14,917**	**5,370**	**7,020**

The currency analysis of other liabilities is included in note 42(e).

28. Impairment losses /(Recoveries) on financial assets

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Government Securities	13,001	-	13,001	-
Loans and advances to customers	11,662	5,116	11,072	3,315
Write downs	3,285	11,745	2,296	10,653
Low risk assets*	(12)	26	(50)	26
Letters of credit, bank acceptances and guarantees	6	30	6	30
Overdrafts and credit card unused limits	144	23	144	23
Mpamba and Nano loans	36	10	36	10
Total impairment losses on financial assets	**28,122**	**16,950**	**26,505**	**14,057**
Recoveries on impaired loans and advances	(6,734)	(4,287)	(5,646)	(3,161)
Net impairment losses on financial instruments	**21,388**	**12,663**	**20,859**	**10,896**

These amounts represent movements in impairment losses on financial assets which have been recognized in the income statement.

*Low risk assets are comprised of cash and funds with central banks, money market investments, placements and deposits with other banks and other assets.

29. Net interest income

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Interest and similar income				
Interest on loans and advances*	120,979	98,514	103,328	79,491
Income from investments*	196,212	115,288	192,395	112,046
Income from lease financing*	9,073	8,826	9,073	8,826
Interest on placements with other banks*	11,722	6,571	4,583	2,541
Arrangement and other fee income	10,971	7,317	10,955	7,260
	348,957	**236,516**	**320,334**	**210,164**
Interest expense and similar charges				
Banks and customers*	52,156	32,992	46,772	28,268
Interest on Foreign Bank loan*	-	59	-	59
Interest on Reserve Bank of Malawi loan*	406	280	-	-
Money market loans and repos*	2,332	3,520	1,392	2,520
	54,894	36,851	48,164	30,847
Net interest income	**294,063**	**199,665**	**272,170**	**179,317**

*Interest income and expense is calculated using Effective Interest Rate (EIR) method.

30. Commission and fee income

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Commissions	82,241	60,627	64,329	50,262
Other income	7,724	5,180	4,405	4,591
Total commission and fee income	**89,965**	**65,807**	**68,734**	**54,853**

31. Staff costs

Salaries and wages	38,756	33,464	28,652	22,321
Other staff costs	11,136	9,228	9,691	7,885
Staff loans fair value adjustment	-	17	-	17
Staff bonus	9,204	7,549	8,369	6,859
Pension costs	3,944	3,434	2,981	2,426
Total staff costs	63,040	53,692	49,693	39,508

Pension scheme

The Group operates a fully defined contribution pension scheme for its employees. The contributions of employees and the employer are 5.5% (2024: 5.5%) and 11.0% (2024: 11.0%) of the fund members' basic pensionable salaries, respectively.

The funds are invested with NBM Pension Administration Limited. The amount charged against income during the year was K3,943m (2024: K3,418m).

The Pension Fund is a self-accounting Trust whose assets are not available to the National Bank of Malawi Group. The Trustees of the Fund are employees of the Bank. The Bank rents some of the Fund's properties at commercial rates. The Group incurred K826m (2024: K666m) in rentals for such properties during the year.

The Fund was valued by independent actuaries, Alexander Forbes, as at 31 December 2024. As per the actuarial valuation, the General Fund had a surplus of K21 423m (December 2023: surplus of 18,503m) representing a funding level of 137%.

32. Other operating expenditure

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Recurrent expenditure on premises and equipment	24,519	18,169	21,041	15,463
Amortisation of right-of-use assets	2,317	2,289	1,234	1,234
Interest expense on lease liability	2,032	2,274	1,124	1,271
Net insurance finance costs	-	180	-	-
Write-off of plant and equipment	-	9	-	9
Legal charges	544	888	213	410
Communication	5,210	4,744	4,969	4,544
Travel, hotel and meals	2,373	1,999	2,039	1,660
Office expenses	4,898	4,264	2,668	2,687
Security and insurance	7,544	5,829	6,345	4,619
Professional fees	6,313	3,493	5,764	3,220
Card expenses	12,979	9,101	12,950	8,900
Agent bank charges	2,306	1,597	1,968	1,270
Reserve Bank of Malawi supervisory fees and inspection charges	677	809	595	756
Customer cash collection expenses	105	56	105	56
Miscellaneous expenses and provisions	780	1,036	130	935
SMS Banking expenses	2,507	2,004	2,424	1,831
Auditor's remuneration including VAT and expenses	1,159	1,071	743	682
Directors' remuneration - fees for services as directors	542	423	247	179
- for managerial services	765	827	531	663
Board expenses	1,172	635	1,053	584
Other expenses	6,845	3,606	6,333	2,947
Total other operating expenses	**85,587**	**65,303**	**72,476**	**53,920**

33. Fair value gains and losses on property and unquoted equity investments

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Fair value gains on properties through the income statement	194	153	194	153
Fair value gains on investment property	1,008	200	-	-
Total fair value gains through income statement	**1,202**	**353**	**194**	**153**
Fair value gains on properties included in other comprehensive income	12,643	9,183	12,643	9,127
Fair value gains on unlisted equity investments	1,264	943	1,264	943
Total fair value gains through OCI	**13,907**	**10,126**	**13,907**	**10,070**
Total fair value gains	**15,109**	**10,479**	**14,101**	**10,223**

34. Income tax expense

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Income tax (note 23)	121,640	73,298	115,078	69,584
Deferred tax (note 19)	23	(7,861)	816	(7,960)
Total income tax expenses	**121,663**	**65,437**	**115,894**	**61,624**
Profit before tax	**319,633**	**167,147**	**297,944**	**160,782**
Reconciliation of rate of tax	%	%	%	%
Standard rate of taxation	30	30	30	30
Effects of excess 5% on profits above K5 billion	8	9	9	8
Effective rate of taxation	38	39	39	38

35. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the year.

	Group	
	2025	2024
Profit attributable to equity holders of the Company (K'm)	194,557	102,283
Net profit used to determine diluted earnings per share (K'm)	194,557	102,283
Weighted average number of Ordinary Shares in issue (million)	467	467
Weighted average number of Ordinary Shares for diluted earnings per share (millions)	467	467
Basic earnings per share (expressed in K per share)	416.67	217.79

35. Earnings per share (Continued)

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential ordinary shares. The Bank has nil outstanding share options which are dilutive potential ordinary shares. As such the diluted earnings per share are the same as basic earnings per share.

36. Dividend per share

	Group and Company	
	2025 K'm	2024 K'm
Second interim dividend (prior year)	-	13,999
Final dividend (prior year)	45,997	23,001
First interim dividend (current year)	16,641	12,999
	62,638	49,999
Weighted average number of Ordinary Shares in issue (millions)	467	467
Dividend per share	134.15	107.06

37. Contingencies

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Letters of credit and guarantees				
Foreign guarantees	3,987	5,779	905	5,779
Local guarantees and performance bonds	17,846	13,812	17,846	9,534
Letters of credit	42,341	62,303	42,341	62,303
Total Letters of credit and guarantees	**64,174**	**81,894**	**61,092**	**77,616**
Other contingencies				
Legal claims	1,756	1,972	1,549	1,889
Tax dispute	1,885	2,713	-	-
Customer funds under management	333,154	267,917	-	-
Total other contingencies	**336,795**	**272,602**	**1,549**	**1,889**

Letters of credit (LCs) relate to standby LCs issued on behalf of selected customers. By issuing these LCs, the Bank is guaranteeing payment to the third party in the event that the customer defaults on their contractual obligations on the transaction. These are non-cash upfront LCs and are therefore memoranda items only.

There are pending tax appeal cases in the Tax Revenue Appeals Tribunal in which Akiba Commercial Bank is contesting tax assessments which amounts to K1,885m (2024: K2,713m).

37. Contingencies (Continued)

Legal claims represent outstanding legal cases against the Group in the ordinary course of business, the outcome of which is uncertain. The amount disclosed represents an estimate of the cost to the Group in the event that legal proceedings find the Group to be in the wrong. In the opinion of the directors, the claims are not expected to give rise to a cost to the Group. Legal claims in favour of the Group as at the end of the year were K5,483m (2024: K6,094m).

Customer funds under management are those funds where the Group transacts in an agency capacity (typically in respect of pension funds) and earns an agreed management fee based on a percentage of the fund value or where the group earns a commission on the income earned by the customer (typically high net worth individuals). These funds are managed separately from the Group's own funds.

38. Commitments

Expenditure contracted for but not yet incurred	6,011	5,914	6,011	5,775
Expenditure approved by the Board but not contracted	6,974	8,227	6,974	8,227
Total commitments	**12,985**	**14,141**	**12,985**	**14,002**

These commitments are to be funded from internal resources.

39. Cash and cash equivalents

Cash and funds with Central Banks (note 5)	170,785	171,927	136,517	142,136
Placements and deposits with other banks (note 6)	197,819	101,662	194,086	100,778
Money market investments (note 7)	446,674	181,617	95,362	8,746
Total cash and cash equivalents	**815,278**	**455,206**	**425,965**	**251,660**

40. Financial assets and liabilities

Accounting categories and fair values

	Notes	Fair value through profit or loss K'm	Fair value through other comprehensive income K'm	Amortised cost K'm	Total carrying amount K'm	Fair value K'm
Group						
2025						
Assets						
Cash and bank balances with Central banks	5	-	-	170,785	170,785	170,785
Placements and deposits with other banks	6	-	-	197,819	197,819	197,819
Government securities	10	-	-	836,329	836,329	836,329
Equity investments at fair value through profit or loss	9	48,156	-	-	48,156	48,156
Loans and advances to customers	11	-	-	614,615	614,615	614,615
Money market i nvestments	7	-	-	446,674	446,674	446,674
Equity investments at fair value through other comprehensive income	14	-	2,321	-	2,321	2,321
Other assets	8	-	-	41,515	41,515	41,515
Total financial assets		**48,156**	**2,321**	**2,307,737**	**2,358,214**	**2,358,214**
Liabilities and equity						
Customer deposits	21	-	-	1,908,502	1,908,502	1,908,502
Amounts due to other banks	22	-	-	17,695	17,695	17,695
Loans	24	-	-	13,464	13,464	13,464
Provisions	25	-	-	9,756	9,756	9,756
Other liabilities	26	-	-	37,523	37,523	37,523
Lease liability	27	-	-	7,330	7,330	7,330
Total financial liabilities		**-**	**-**	**1,994,270**	**1,994,270**	**1,994,270**

40. Financial assets and liabilities (Continued)
Accounting categories and fair values (Continued)

	Notes	Fair value through profit or loss K'm	Fair value through other comprehensive income K'm	Amortised cost K'm	Total carrying amount K'm	Fair value K'm
Group						
2024*						
Assets						
Cash and bank balances with Central banks	5	-	-	171,927	171,927	171,927
Placements and deposits with other banks	6	-	-	101,662	101,662	101,662
Government securities	10	-	-	628,542	628,542	628,542
Equity investments at fair value through profit or loss	9	18,761	-	-	18,761	18,761
Loans and advances to customers	11	-	-	467,783	467,783	467,783
Money market investments	7	-	-	181,617	181,617	181,617
Equity investments at fair value through other comprehensive income	14	1,057	-	-	1,057	1,057
Other assets	8	-	-	42,280	42,280	42,280
Total financial assets		**19,818**	**-**	**1,593,811**	**1,613,629**	**1,613,629**
Liabilities and equity						
Customer deposits	21	-	-	1,328,427	1,328,427	1,328,427
Amounts due to other banks	22	-	-	14,714	14,714	14,714
Loans	24	-	-	11,349	11,349	11,349
Provisions	25	-	-	7,765	7,765	7,765
Other liabilities	26	-	-	32,422	32,422	32,422
Lease liability	27	-	-	8,761	8,761	8,761
Total financial liabilities		**-**	**-**	**1,403,438**	**1,403,438**	**1,403,438**

*2024 disclosures have been updated to align with IFRS 7 Financial Instruments: Disclosures requirements.

40. Financial assets and liabilities (Continued)

Accounting categories and fair values (Continued)

	Notes	Fair value through profit or loss K'm	Fair value through other comprehensive income K'm	Amortised cost K'm	Total carrying amount K'm	Fair value K'm
Company						
2025						
Assets						
Cash and bank balances with Central Banks	5	-	-	136,517	136,517	136,517
Placements and deposits with other banks	6	-	-	194,086	194,086	194,086
Government securities	10	-	-	803,460	803,460	803,460
Equity investments at fair value through profit or loss	9	42,168	-	-	42,168	42,168
Loans and advances to customers	11		-	510,839	510,839	510,839
Money market i nvestments	7	-	-	95,362	95,362	95,362
Equity investments at fair value through other comprehensive income	14	-	2,321	-	2,321	2,321
Other assets	8	-	-	31,369	31,369	31,369
Total financial assets		**42,168**	**2,321**	**1,771,633**	**1,816,122**	**1,816,122**
Liabilities and equity						
Customer deposits	21	-	-	1,462,589	1,462,589	1,462,589
Amounts due to other banks	22	-	-	3,725	3,725	3,725
Loans	24	-	-	194	194	194
Provisions	25	-	-	8,621	8,621	8,621
Other liabilities	26	-	-	30,639	30,639	30,639
Lease liability	27	-	-	3,419	3,419	3,419
Total financial liabilities		**-**	**-**	**1,509,187**	**1,509,187**	**1,509,187**

40. Financial assets and liabilities (Continued)
Accounting categories and fair values (Continued)

	Notes	Fair value through profit or loss K'm	Fair value through other comprehensive income K'm	Amortised cost K'm	Total carrying amount K'm	Fair value K'm
Company						
2024*						
Assets						
Cash and bank balances with Central Banks	5	-	-	142,136	142,136	142,136
Placements and deposits with other banks	6	-	-	100,778	100,778	100,778
Government securities	10	-	-	573,132	573,132	573,132
Equity investments at fair value through profit or loss	9	17,081	-	-	17,081	17,081
Loans and advances to customers	11	-	-	372,467	372,467	372,467
Money market investments	7	-	-	8,746	8,746	8,746
Equity investments at fair value through other comprehensive income	14	-	1,057	-	1,057	1,057
Other assets	8	-	-	37,534	37,534	37,534
Total financial assets		**17,081**	**1,057**	**1,234,793**	**1,252,931**	**1,252,931**
Liabilities and equity						
Customer deposits	21	-	-	1,034,137	1,034,137	1,034,137
Amounts due to other banks	22	-	-	2,134	2,134	2,134
Loans	24	-	-	209	209	209
Provisions	25	-	-	7,055	7,055	7,055
Other liabilities	26	-	-	25,788	25,788	25,788
Lease liability	27	-	-	4,132	4,132	4,132
Total financial liabilities		**-**	**-**	**1,073,455**	**1,073,455**	**1,073,455**

*2024 disclosures have been updated to align with IFRS 7 Financial Instruments: Disclosures requirements.

41. Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

a. Valuation techniques and assumptions applied for the purposes of measuring fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

b. Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading				
Level 1	**48,156**	**18,761**	**42,168**	**17,081**

c. Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

41. Fair value measurements (Continued)

c. Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Group
Financial assets/financial liabilities

	Fair value		Fair value hierarchy	Valuation technique(s) and key inputs(s)
	2025 K'm	2024 K'm		
Equity investments	48,156	18,761	Level 1	Quoted prices

Company
Financial assets/financial liabilities

	Fair value		Fair value hierarchy	Valuation technique(s) and key inputs(s)
	2025 K'm	2024 K'm		
Equity investments	42,168	17,081	Level 1	Quoted prices

d. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

42. Financial risk management

a) Introduction and overview

The Group's use of financial instruments is pronounced in the day-to-day activities of the Bank. The use of financial instruments is a major feature of the Bank's operations. It has been the Bank's policy to take deposits from customers at variable rates and investing these funds in a wide range of assets.

The Bank also seeks to raise its interest margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. The Bank's exposures are not restricted to just on-balance sheet loans and advances but, also, to guarantees and other commitments such as letters of credit, performance and other bonds.

This section details the risk governance structure and the overall process the Group has adopted to identify, measure, monitor and control these risks.

42. Financial risk management (Continued)

a) Introduction and overview (Continued)

Risk management framework

The Group's approach to risk management is based on a well-established governance process and relies both on individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances stringent corporate oversight with independent risk management structures within the business units.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board develops the risk appetite, risk tolerance limits appropriate to the Group's strategy and requires that management maintains an appropriate system of internal controls to ensure that these risks are managed within the agreed parameters. The Board delegates risk related responsibilities to six Board committees namely - the Risk Committee, the Credit Committee, the Audit Committee, the Appointments, Remuneration and Governance Committee, Related Parties Committee, IT & Digital Committee and the Investments Committee. The Board Committees comprise non-executive directors only and they report regularly to the main Board on their activities.

The Board Risk Committee has responsibility for risk management in the Group as delegated by the Board. Its main responsibility is to have the overall oversight in the credit, market, liquidity and operational risk management as well as any other risks that the Group may be exposed to in its course of business. It is also responsible for reviewing management's performance in implementing the Group's strategic plan and ensures that the Group's activities are consistent with the policies agreed by the Group's Board and directives of the RBM and other regulatory requirements.

The Board Audit Committee has the overall responsibility for the Bank's system of internal controls and for reviewing its effectiveness. The Committee also exercises the full powers and authority of the Board in accounting and financial reporting matters as guided by its terms of the Internal Audit Charter. Results of pre-arranged and surprise risk-based audits provide the Directors with information which assists them to assess the effectiveness of internal controls and management of risks in each business unit. The Board Audit Committee is assisted in these functions by an Internal Audit Division which undertakes both regular and ad-hoc reviews of risk management controls and procedures whose results are reported directly to it.

The Board Credit Committee is responsible for oversight of the Group's overall credit risk management issues. The Committee is responsible for reviewing and approving the Group's credit policies including provisioning, large loan exposures, counter-party lending and dealing limits.

The Board Appointments, Remuneration and Governance Committee is responsible for nominations and vetting of director appointments, good governance practices, ensuring that the Group has a robust succession plan, that the Group's human capital is best utilised, and that members of staff are remunerated commensurately with their responsibilities and effectiveness.

42. Financial risk management (Continued)

a) Introduction and overview (Continued)

Risk management framework (Continued)

The Board Related Parties Committee is responsible for considering credit applications from Companies and Individuals related to the Bank to ensure that all transactions are conducted at arm's length.

The Board IT & Digital Committee is responsible for reviewing and approving the Bank`s IT strategy and policy documents from time-to-time to ensure that management has an effective strategic planning process for IT issues in place and that the IT strategy is aligned with the business strategy. The Committee further reviews the annual IT and operational strategies, including the financial, tactical and strategic benefits of proposed major IT and operational related initiatives.

The Board Investment Committee is responsible for supporting and advising the Board in fulfilling its governance responsibilities over greenfield investments, mergers, acquisitions and divestiture undertakings of National Bank of Malawi Plc in line with all applicable laws, legislation, directives of the Reserve Bank of Malawi and the Malawi Stock Exchange.

At management level, there is the Enterprise Risk Committee (ERCO), which provides a holistic oversight of the risks affecting the Group and the control measures that should be put in place to mitigate the risks and thereby reduce the potential losses. In addition, the other management committees such as the Asset and Liability Committee (ALCO), Credit Committee and IT Policy Committee (ITPC) are all responsible for developing and monitoring the Group's risk management policies in their specified areas.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor and adhere to those policies and controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group strives to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group adopted three lines of defence in mitigation of the risk exposures namely: business unit management, risk and internal audit. This has been illustrated below:

First line of defence	Second line of defence	Third line of defence
Business Unit management. Assesses, evaluates, measures and controls risk exposures through the day-to-day activities of the business within the framework set by the second line of defence.	Risk management function including compliance. Sets frameworks within the parameters set by the Board and provides independent oversight of the first line of defence.	Internal Audit Provides independent assessment of the adequacy and effectiveness of the frameworks and thereby providing the overall assurance.
Reports to senior management	Reports to Enterprise Risk Committee (ERCO) and the Board Risk Committee	Reports to Board Audit Committee

42. Financial risk management (Continued)

a) Introduction and overview (Continued)

Risk management framework (Continued)

Risk Assessment

The Group operates its business in conformity with Malawi and Tanzanian legislation as well as directives issued by Reserve Bank of Malawi (RBM) and Bank of Tanzania (BoT) as Registrars of Financial Institutions of Malawi and Tanzania respectively. The Group is therefore committed to manage all risks inherent in the banking business. The Enterprise Risk Management Policy encompasses the scope of enterprise-wide risks to be managed by the Group. The Policy covers the following risks: Financial risk, Strategic risk, Credit risk, Liquidity risk, Market risk, IT Risk, Cyber risk, Operational risk, Environmental and social risk, Compliance risk, AML/CFT risk, Reputation risk, Project risk, Procurement Risk, Litigation risk and all other risks that affect the Bank.

Risk Management Philosophy

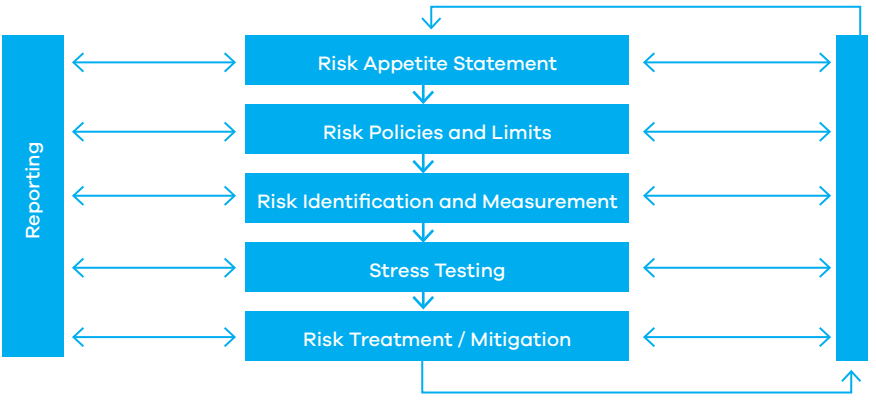
The Group's risk philosophy and approach towards effective enterprise-wide risk management shall be supported by the following pillars:

i). A risk-focused culture and proactive risk management process

ii). A robust corporate governance structure

Risk Management Process

The diagram below summarises the Bank's risk management process; -



42. Financial risk management (Continued)

b) Credit risk

Credit risk arises when customers or counterparties are not able to fulfil their contractual obligations. The Group has a 'three lines of defence' risk management and internal controls structure in mitigation risk exposures namely:

Business Units, Risk Division and Internal Audit

The Bank adopts three lines of defence framework to manage risk across the organization. The first line of defence comprises the Business Units, which are responsible for identifying, assessing, measuring, and managing risk exposures in the course of their day-to-day activities, within the framework established by the second line. The second line of defence is the Risk Division, which provides independent oversight, sets risk management policies, and monitors adherence to established risk limits and standards. The third line of defence is Internal Audit, which provides independent assurance on the effectiveness of internal controls, governance, and risk management processes. In addition, External Audit provides independent confirmation of the Bank's financial reporting.

Credit risk refers to the likelihood of financial loss to the Group arising from the failure of customers or counterparties to meet their contractual obligations. This risk primarily originates from the Group's loans and advances to customers, as well as other financial instruments. For risk management and reporting purposes, the Group adopts a comprehensive approach by considering and consolidating all elements of credit risk exposure, including individual obligor default risk, as well as country and sector concentrations.

Management of credit risk

The Board has the responsibility for approving and periodically reviewing the credit risk strategy and significant credit risk policies or departures therefrom of the Group as well as sanctioning facilities beyond management's delegated limits. The Board of directors has delegated this responsibility to its Board Credit Committee.

Additionally, there is a Management Credit Committee which comprises selected members of senior management. The Management Credit Committee has the responsibility of implementing the credit risk strategy approved by the Board and for formulating and developing policies and procedures for identifying, measuring, monitoring and controlling credit risk in existing as well as new products, activities and procedures in order to ascertain quality of the Bank's credit portfolio. The committee is also responsible for establishing the authorisation structure for the approval and renewal of credit facilities.

It also oversees development, maintenance and review of the Group's risk grading in order to categorise exposures according to the degree of risk of potential financial loss and focus management on the attendant risk. The risk grading system helps in determining where impairment provisions may be required against specific credit exposures. The current risk-grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. Risk grades are subject to regular reviews.

42. Financial risk management (Continued)

b) Credit risk (Continued)

Management of credit risk (Continued)

The Committee also reviews credit concentrations vis-à-vis the Bank's capital be they in the form of single borrowers or counterparties, a group of connected counterparties, sectors and products to ensure aggregate credit commitments to arrest widespread losses that can arise out of close linkages and correlated factors.

A separate Credit Management Division reporting to the Chief Executive Officer and the Board Credit Committee is responsible for oversight of the Group's overall credit risk management issues including:

i). To regularly review, formulate and approve Credit Policy documents and consider policy changes, making appropriate recommendations to the Board;

ii). To develop policies and procedures for identifying, measuring, monitoring and controlling credit risk;

iii). To establish overall credit limits at the level of individual borrowers and counterparties, and groups of connected counterparties that aggregate in a comparable and meaningful manner different types of exposures, both in the banking and trading book and on and off the balance sheet;

iv). To identify and manage credit risk inherent in all products and activities;

v). To ensure that the credit-granting function is being properly managed and that credit exposures are within levels consistent with prudential standards and internal limits; and

vi). To ensure that credit policies are communicated throughout the organisation, and are implemented through appropriate procedures, monitored, and periodically revised to take into account changing internal and external circumstances.

All Business Units have an obligation to implement the Bank's credit policies and procedures, within delegated credit approval authorities in line with the Group's Schedule of Authorities. Each Business Unit is headed by a member of Senior Management, who is accountable for all credit-related matters and reports, as appropriate, to the Credit Management Division. The Internal Audit Division conducts regular audits of business units and credit processes.

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance on a lifetime basis rather than a 12-month ECL basis.

In determining whether there has been a SICR, the Group considers 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;

42. Financial risk management (Continued)

b) Credit risk (Continued)

Significant increase in credit risk

iii). The Group 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 is becoming probable that the borrower will enter bankruptcy or other financial reorganisations;

v). The disappearance of an active market for that financial asset because of financial difficulties;

vi). The purchase or origination of a financial asset at a deep discount that reflects incurred credit losses; and

vii). Observable data indicating that there is a measurable decrease in the estimated 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:

a. -adverse changes in the payment status of borrowers in the Bank; and

b. national or local economic conditions that correlate with defaults on the assets in the Bank.

Internal credit risk ratings

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored, and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics etc.; and

42. Financial risk management (Continued)

b) Credit risk (Continued)

Internal credit risk ratings (Continued)

- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review, changes in the financial sector the customer operates etc.

The Group's principal financial assets are cash and balances with banks, treasury bills and loans and advances. The Group's credit risk is primarily attributable to these assets. The credit risks on balances with banks and treasury bills are limited because the counterparties are institutions with high credit ratings.

The Nature & Extent of Credit Risk

The Group's exposure as at 31 December 2025 was at K642,837m (2024: K482,860m)

with Non-Performing Loans (NPL) standing at 9.7% (2024: 16.33% The Bank's separate exposure as at 31 December 2025 was at K535,787m (2024: K386,339m) with Non-Performing Loans (NPL) standing at 9.8% (2024: 18.65%).

Incorporation of Forward Looking Information

Apart from the macroeconomic factors above, qualitative factors are considered when estimating the PD. These factors include general customer behaviour and changes in the customer business sector.

Extent of utilisation of granted limit

The Group closed 2025 with utilised overdrafts of K70,818m (2024: K81,988m) against limits of K98,015m (2024: K108,435m) representing 72% (2024: 76%) of the total limits. The Bank closed 2025 with utilized overdrafts of K70,818m (2024: K81,798m) against limits of K98,015m (2024: K108,059m) representing 72% (2024: 76%) of the total limits.

Forbearances (both requested and granted)

There are significant forbearances in the reporting period. Refer to note 11 for the impact of the forbearances (restructured and modified facilities).

Changes in business, financial and economic conditions

As discussed above on note 42 b) (i) the Economic risk remained high in 2025 as a result of weather-related shocks, oil price volatility, commodity price volatility among several factors. The Group remained resilient to these shocks, and it continues to monitor closely the lending portfolios.

Credit rating information supplied by external rating agencies

The Group uses the credit reference bureaus to obtain credit history of all the loan applications it gets before approving the loans. This enhances the credit risk management in that loans are only given out to customers who have s good credit history and the capability to repay.

42. Financial risk management (Continued)

b) Credit risk (Continued)

Loans and advances to customers at amortised cost categorised per sector

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the year-end date is shown below:

	Loans and advances to customers			
	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Concentration by sector				
Agriculture, forestry, fishing and hunting	84,010	70,256	77,865	65,899
Mining and quarrying	2,553	2,355	2,614	2,335
Manufacturing	80,280	34,332	75,570	32,461
Electricity, gas, water and energy	53,530	23,945	51,256	23,608
Construction	10,320	8,858	10,033	7,349
Wholesale and retail trade	80,329	65,559	55,624	30,024
Restaurants and hotels	52,155	52,621	43,251	47,051
Transport, storage and communications	29,834	31,902	16,168	25,035
Financial services	16,937	8,078	11,663	7,857
Community and social services	29,414	22,983	26,340	18,708
Real estate	8,476	8,508	8,620	7,782
Personal	166,777	138,386	131,835	104,358
	614,615	**467,783**	**510,839**	**372,467**

The risk that counterparties to trading instruments might default on their obligations is monitored on an on-going basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and the volatility of the fair value of trading instruments.

To manage the level of credit risk, the Group deals with counterparties of sound credit standing, enters into master netting agreements wherever possible, and when appropriate, obtains collateral. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

Group loans and advances to customers at amortised cost categorised by Stages

	2025 K'm	2024 K'm
Stage		
Stage 1	557,230	386,502
Stage 2	23,348	17,510
Stage 3	62,259	78,848
Total Gross Carrying Amount	**642,837**	**482,860**
Loss allowance	(28,222)	(15,077)
Carrying amount	**614,615**	**467,783**

42. Financial risk management (Continued)

b) Credit risk (Continued)

Company loans and advances to customers at amortised cost categorised by Stages

	2025 K'm	2024 K'm
Stage		
Stage 1	464,581	299,897
Stage 2	18,682	14,382
Stage 3	52,525	72,060
Total Gross Carrying Amount	**535,788**	**386,339**
Loss allowance	(24,949)	(13,872)
Carrying amount	**510,839**	**372,467**

Exposure to credit risk

Maximum exposure to credit risk without taking into account any collateral or other credit enhancements

The table below shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include those instruments defined and recognised under IFRS 9 Financial Instruments as well as other financial instruments not recognised. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

Gross maximum exposure

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Balances with the Central Banks	120,439	127,795	94,816	108,800
Placements and deposits with other banks	197,838	101,672	194,105	100,788
Government securities	849,330	628,599	816,461	573,189
Loans and advances to customers	642,837	482,860	535,788	386,339
Money market investments	446,675	181,618	95,363	8,747
Other assets	42,745	42,283	32,569	37,537
Total recognised financial instruments	**2,299,864**	**1,564,827**	**1,769,102**	**1,215,400**
Guarantees and performance bonds	21,833	19,591	18,751	15,313
Letters of credit	42,341	62,303	42,341	62,303
Total unrecognised financial instruments	**64,174**	**81,894**	**61,092**	**77,616**
Total credit exposure	**2,364,038**	**1,646,721**	**1,830,194**	**1,293,016**

42. Financial risk management (Continued)

b) Credit risk (Continued)

In respect of certain financial assets, the Group has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling net, or of realising the financial assets and settling the financial liabilities simultaneously. Consequently, the financial assets are not offset against the respective financial liabilities for financial reporting purposes. However, the exposure to credit risk relating to the respective financial assets is mitigated as follows:

	Carrying amount K'm	Offset K'm	Net exposure to credit risk K'm
Group			
2025			
Balances with Central banks	120,422	-	120,422
Placements and deposits with other banks	197,819	-	197,819
Government securities	836,329	-	836,329
Loans and payables	614,615	(28,500)	586,115
Money market investments	446,674	-	446,674
Other assets	41,515	-	41,515
	2,257,374	**(28,500)**	**2,228,874**
2024*			
Balances with Central banks	127,784	-	127,784
Placements and deposits with other banks	101,662	-	101,662
Government securities	628,542	-	628,542
Loans and payables	467,783	(20,543)	447,240
Money market investments	181,617	-	181,617
Other assets	42,280	-	42,280
	1,549,668	**(20,543)**	**1,529,125**

*2024 credit risk disclosures have been updated to align with IFRS 7 *Financial Instruments: Disclosures requirements.*

42. Financial risk management (Continued)

b) Credit risk (Continued)

	Carrying amount K'm	Offset K'm	Net exposure to credit risk K'm
Company			
2025			
Balances with Central banks	94,816	-	94,816
Placements and deposits with other banks	194,086	-	194,086
Government securities	803,460	-	803,460
Loans and payables	510,839	(23,542)	487,297
Money market investments	95,362	-	95,362
Other assets	31,369	-	31,369
	1,729,932	**(23,542)**	**1,706,390**
2024*			
Balances with Central banks	108,789	-	108,789
Placements and with other banks	100,778	-	100,778
Government securities	573,131	-	573,131
Loans and payables	372,467	(14,811)	357,656
Money market investments	8,746	-	8,746
Other assets	37,534	-	37,534
	1,201,445	**(14,811)**	**1,186,634**

*2024 credit risk disclosures have been updated to align with IFRS 7 *Financial Instruments: Disclosures requirements.*

The Group's credit risk is primarily attributed to overdraft and other loan facilities extended to its customers. The amounts presented in the statement of financial position are net of provisions for doubtful debts. The specific provision represents allowances for estimated irrecoverable amounts when there is objective evidence that the asset is impaired.

The credit risks on balances with other banks, treasury bills, bonds and local registered stocks are limited because the counterparties are institutions with low default risk. The book is spread over a relatively large number of counterparties and customers.

42. Financial risk management (Continued)

b) Credit risk (Continued)

Credit quality of loans and advances to customers

The credit quality of loans and advances is managed by the Group using internal credit ratings. The analysis below shows the credit quality of the loans and advances based on the Group's credit rating system.

	Group		Company	
	2025 K' m	2024 K' m	2025 K' m	2024 K' m
Individually impaired:				
Grade 9: Impaired	55,751	48,021	48,050	43,810
Grade 8: Impaired	5,191	30,827	4,474	28,250
Past due but not impaired:				
Grade 7: watchlist	21,676	17,391	18,682	14,382
Neither past due not impaired:				
Grade 1-3: low risk	530,305	106,330	438,800	31,494
Grade 4-6: Fair risk	29,914	280,291	25,782	268,403
Impairment provision	(28,222)	(15,077)	(24,949)	(13,872)
Total net carrying amount	**614,615**	**467,783**	**510,839**	**372,467**

Below is an analysis of the expected credit losses per risk grade:

	Group		Company	
	Gross amount K'm	Provision K'm	Gross amount K'm	Provision K'm
31 December 2025				
Risk grade				
Grade 9: Impaired	55,751	(8,843)	48,050	(8,574)
Grade 8 Impaired	5,191	(1,330)	4,474	(1,305)
Grade 7: Watch list	21,676	(3,808)	18,682	(3,703)
Grade 4 - 6: Fair risk	530,305	(13,535)	438,800	(10,807)
Grade 1-3: Low risk	29,914	(706)	25,782	(560)
Total gross carrying amount	**642,837**	**(28,222)**	**535,788**	**(24,949)**
31 December 2024				
Risk grade				
Grade 9: Impaired	48,021	(2,441)	43,810	(1,419)
Grade 8 Impaired	30,827	(8,353)	28,250	(8,259)
Grade 7: Watch list	17,391	(290)	14,382	(290)
Grade 4 - 6: Fair risk	280,291	(2,776)	268,403	(2,772)
Grade 1-3: Low risk	106,330	(975)	31,494	(890)
Total gross carrying amount	**482,860**	**(14,835)**	**386,339**	**(13,630)**

42. Financial risk management (Continued)

b) Credit risk (Continued)

Credit quality of loans and advances to customers (Continued)

The current year total carrying amount includes K87,121m (2024: K81,290m) and K18,205m (2024: K14,026m) loans and advances extended by Akiba Commercial Bank plc and NBM Development Bank Limited respectively. The provision related to Akiba Commercial Bank plc amounted K3,022m (2024: K1,022m) while for NBM Development Bank Limited amounted to K252m (2024: K183m) as at the reporting date.

Impaired loans and advances

Impaired loans and advances are loans and advances for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/advances agreement(s).

Past due but not impaired loans

These are loans and advances where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Allowance for impairment

The Group establishes an allowance for impairment losses in accordance with IFRS 9 as discussed under note 3.5.

Write-off policy

The Group writes off a loan balance (and any related allowances for impairment losses) when it has determined that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

During the year, the Group has written off financial assets amounting to K24,047m (2024: K14,988m) out of which K3,285 m (2024: K11,745m) has been charged to the statement of profit and loss and other comprehensive income and K20,762m (2024: K2,943m) has been written off against provisions. Refer to note 11. The whole amounts written off are subject to enforcement activity by the Group to recover.

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, cash, equities, registered securities over assets, guarantees and other forms of collateral. Estimates of fair values are based on the values of collateral assessed at the time of borrowing and generally are only updated when performing the annual review except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

42. Financial risk management (Continued)

b) Credit risk (Continued)

Write-off policy (Continued)

There were no significant changes in the Group's collateral policies and there were also no significant changes in the quality and values of the collateral during the period under review.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	Group		Company	
	2025 K'm	2024 K'm	2025 K'm	2024 K'm
Against individually impaired				
Motor vehicles/machinery	22,441	2,857	20,924	2,357
Commercial Property	97,131	25,237	90,565	23,337
Residential Property	28,847	12,584	26,897	2,006
Equities	694	-	647	-
Treasury Bills	618	-	576	-
Government Guarantees	-	12,600	-	12,600
Cash	5,766	713	5,376	711
Total	**155,497**	**53,991**	**144,985**	**41,011**
Against the set of the loan book				
Motor vehicles and machinery	89,221	40,185	47,175	29,556
Commercial property	268,824	184,742	80,892	136,903
Residential property	139,344	114,625	23,781	40,689
Cash	29,376	19,830	9,184	14,100
Equities	3,577	1,679	1,826	1,679
Treasury bills	-	4,327	-	4,262
Business chattels and stocks	-	946	-	-
Government guarantees	-	-	-	-
Total	530,342	366,334	162,858	227,189
Grand Total	**685,839**	**420,325**	**307,843**	**268,200**

Collateral repossessed

It is the Group's policy to dispose of repossessed collateral in an orderly fashion. The proceeds are used to reduce or repay the outstanding loan balance.

c) Liquidity risk

Liquidity Risk is the risk of loss arising from failure to meet obligations as they fall due or to fund increases in assets without incurring unacceptable costs or losses.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and

42. Financial risk management (Continued)

c) Liquidity risk (Continued)

Management of liquidity risk (Continued)

stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has a Liquidity and Funds Management Policy that provides guidance in the management of liquidity.

The daily management of liquidity is entrusted to the Treasury and Investment Banking Division (TIBD) at Head Office. The TIBD receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The TIBD then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units are funded through deposits from customers. Any short-term fluctuations are funded through treasury activities such as inter-bank facilities, repurchase agreements and other means.

The TIBD monitors compliance of all operating units of the Group with local regulatory limits on a daily basis.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of both the Group and operating units. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Reserve Bank of Malawi. Details of the reported Group ratio of net liquid assets to deposits from customers at the year-end date and during the reporting period were as follows:

	2025	2024
At 31 December	45%	38%
Average of the period	37%	42%
Maximum for the period	48%	46%
Minimum for the period	31%	37%

42. Financial risk management (Continued)

c) Liquidity risk (Continued)

The table below analyses assets and liabilities into relevant maturity profiles based on the remaining period to the contractual maturity date.

	Less than 1 month K'm	1 - 3 months K'm	3 - 12 months K'm	Over 1 year K'm	Total K'm	Carrying amount K'm
Group						
2025						
Financial assets						
Cash and funds with Central Banks	170,785	-	-	-	170,785	170,785
Placements and deposits with other banks	198,404	-	-	-	198,404	197,819
Government securities	-	45,914	183,733	1,035,365	1,265,012	836,329
Loans and advances	11,461	29,287	194,685	660,722	896,155	614,615
Money markets investments	455,459	-	-	-	455,459	446,674
Other assets	41,515	-	-	-	41,515	41,515
Total financial **assets**	**877,624**	**75,201**	**378,418**	**1,696,087**	**3,027,330**	**2,307,737**
Financial liabilities						
Long term borrowing	-	-	1,771	12,450	14,221	13,464
Customer deposits	176,930	1,709,381	47,663	9,040	1,943,014	1,908,502
Amounts due to other banks	17,695	-	-	-	17,695	17,695
Provisions	9,756	-	-	-	9,756	9,756
Other liabilities	37,523	-	-	-	37,523	37,523
Lease liability	-	-	2,841	11,354	14,195	7,330
Total financial liabilities	**241,904**	**1,709,381**	**52,275**	**32,844**	**2,036,404**	**1,994,270**
Contractual liquidity mismatch	**635,720**	**(1,634,180)**	**326,143**	**1,663,243**	**990,926**	**313,467**
Cumulative mismatch	**635,720**	**(998,460)**	**(672,317)**	**990,926**		

42. Financial risk management (Continued)

c) Liquidity risk (Continued)

	Less than 1 month K'm	1 - 3 months K'm	3 - 12 months K'm	Over 1 year K'm	Total K'm	Carrying amount K'm
Group 2024*						
Financial assets						
Cash and funds with Central Banks	171,927	-	-	-	171,927	171,927
Placements and deposits with other banks	102,052	-	-	-	102,052	101,662
Government securities	-	60,886	220,926	617,909	899,721	628,542
Loans and advances	315,499	79,999	46,256	70,762	512,516	467,783
Money market investments	185,295	-	-	-	185,295	181,617
Other assets	42,280	-	-	-	42,280	42,280
Total financial assets	**817,053**	**140,885**	**267,182**	**688,671**	**1,913,791**	**1,593,811**
Financial liabilities						
Long term borrowing	-	-	1,999	9,972	11,971	11,349
Customer deposits	1,080,296	217,626	33,547	8,098	1,339,567	1,328,427
Amounts due to other banks	14,714	-	-	-	14,714	14,714
Provisions	-	-	7,765	-	7,765	7,765
Other liabilities	32,422	-	-	-	32,422	32,422
Lease liability	-	-	2,023	6,738	8,761	8,761
Total financial liabilities	**1,127,432**	**217,626**	**45,334**	**24,808**	**1,415,200**	**1,403,438**
Contractual liquidity mismatch	**(310,379)**	**(76,741)**	**221,848**	**663,863**	**498,591**	**190,373**
Cumulative mismatch	**(310,379)**	**(387,120)**	**(165,272)**	**498,591**		

*2024 liquidity risk disclosures have been updated to align with IFRS 7 *Financial Instruments: Disclosures requirements.*

42. Financial risk management (Continued)

c) Liquidity risk (Continued)

	Less than 1 month K'm	1 - 3 months K'm	3 - 12 months K'm	Over 1 year K'm	Total K'm	Carrying amount K'm
Company						
2025						
Financial assets						
Cash and funds with Central Bank	136,517	-	-	-	136,517	136,517
Placements and deposits with other banks	194,660	-	-	-	194,660	194,086
Government securities	-	37,787	158,333	1,026,345	1,222,465	803,460
Loans and advances to customers	9,721	26,350	173,509	531,688	741,268	510,839
Money markets investments	97,237	-	-	-	97,237	95,362
Other assets	31,369	-	-	-	31,369	31,369
Total financial assets	**469,504**	**64,137**	**331,842**	**1,558,033**	**2,423,516**	**1,771,633**
Financial liabilities						
Long-term borrowing	-	-	-	206	206	194
Customer deposits	118,258	1,356,288	12,789	-	1,487,335	1,462,589
Amounts due to other banks	3,725	-	-	-	3,725	3,725
Provisions	8,621	-	-	-	8,621	8,621
Other liabilities	30,639	-	-	-	30,639	30,639
Lease liability	-	-	1,733	5,662	7,395	3,419
Total financial liabilities	**161,243**	**1,356,288**	**14,522**	**5,868**	**1,537,921**	**1,509,187**
Contractual liquidity mismatch	**308,261**	**(1,292,151)**	**317,320**	**1,552,165**	**885,595**	**262,446**
Cumulative mismatch	**308,261**	**(983,890)**	**(666,570)**	**885,595**	-	-

42. Financial risk management (Continued)

c) Liquidity risk (Continued)

	Less than 1 month K'm	1 - 3 months K'm	3 - 12 months K'm	Over 1 year K'm	Total K'm	Carrying amount K'm
Company 2024*						
Financial assets						
Cash and funds with Central Bank	142,136	-	-	-	142,136	142,136
Placements and deposits with other banks	101,164	-	-	-	101,164	100,778
Government securities	-	21,523	221,305	588,623	831,451	573,132
Loans and advances to customers	41,078	31,896	80,239	360,196	513,409	372,467
Money markets investments	8,923	-	-	-	8,923	8,746
Other assets	37,534	-	-	-	37,534	37,534
Total financial assets	**330,835**	**53,419**	**301,544**	**948,819**	**1,634,617**	**1,234,793**
Financial liabilities						
Long-term borrowing	-	-	215	-	215	209
Customer deposits	812,116	217,626	12,188	-	1,041,930	1,034,137
Amounts due to other banks	2,134	-	-	-	2,134	2,134
Provisions	-	-	7,055	-	7,055	7,055
Other liabilities	25,788	-	-	-	25,788	25,788
Lease liability	-	-	2,023	2,109	4,132	4,132
Total financial liabilities	**840,038**	**217,626**	**21,481**	**2,109**	**1,081,254**	**1,073,455**
Contractual liquidity mismatch	**(509,203)**	**(164,207)**	**280,063**	**946,710**	**553,363**	**161,338**
Cumulative mismatch	**(509,203)**	**(673,410)**	**(393,347)**	**553,363**	**-**	**-**

*2024 liquidity risk disclosures have been updated to align with IFRS 7 *Financial Instruments: Disclosures requirements.*

42. Financial risk management (Continued)

c) Liquidity risk (Continued)

The contractual liquidity mismatch shows the mismatch before any adjustments are made for product and customer behavioural assumptions. The Group's Asset and Liability Committee manages this mismatch by setting guidelines and limits for anticipated liquidity gaps and monitors these gaps daily. The Committee reviews the product and customer behavioural assumptions when there is indication that there is a shift in one or more variables.

d) Market risk

Market risk is the risk of loss arising from adverse movements in interest rates, exchange rates, and market prices associated with positions that are marked-to-market or fair-valued on a frequent basis, across both the banking and trading books of the Group. The Group adopts the Standardised Approach for the measurement and management of market risk, in line with regulatory requirements prescribed by the Reserve Bank of Malawi.

The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimising risk-adjusted returns. The Group's Market Risk Framework provides the structure for identifying, measuring, monitoring, and controlling market risk exposures.

Management of market risk

The Group separates its exposure to market risk between trading and non-trading portfolios. Market risk is assessed across key risk factors, including interest rate risk, foreign exchange risk, equity risk, and commodity risk.

Trading portfolios are primarily held within the Treasury and Investment Banking Division (TIBD) and include positions arising from market-making activities, proprietary trading, and financial instruments managed on a fair value basis.

Overall authority for market risk management is vested in the Asset and Liability Committee (ALCO). TIBD is responsible for developing detailed risk management policies, subject to review and approval by ALCO, and for the day-to-day monitoring and management of market risk exposures in line with approved limits and guidelines.

Exposure of interest rate risk: non-trading portfolio

The principal risk to which non-trading portfolio are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury and Investment Banking Division in its day-to-day monitoring.

activities. The table below summarises the exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by earlier of contractual re-pricing or maturity dates.

42. Financial risk management (Continued)

d) Market risk (Continued)

The Group does not bear any interest rate risk on off balance sheet items. A summary of the Group's maturity profile gap position on non-trading portfolio is as follows:

	Less than 1 month K'm	1 - 3 months K'm	3 - 12 months K'm	Over 1 year K'm	Non-interest sensitive K'm	Total K'm
Group 2025						
Financial assets						
Cash and funds with Central Bank	-	-	-	-	170,785	170,785
Placements and deposits with other banks	197,819	-	-	-	-	197,819
Government securities	-	42,766	141,939	651,624	-	836,329
Equity investments at FVPL	-	-	-	-	48,156	48,156
Loans and advances to customers	11,200	27,375	152,170	423,870		614,615
Money markets investments	446,674	-	-	-	-	446,674
Equity investments at FVOCI	-	-	-	-	2,321	2,321
Other assets	-	-	-	-	41,515	41,515
Total financial assets	**655,693**	**70,141**	**294,109**	**1,075,494**	**262,777**	**2,358,214**
Financial liabilities						
Long term borrowing	-	-	1,719	11,745	-	13,464
Customer deposits	175,908	1,119,971	44,557	7,934	560,132	1,908,502
Amounts due to other banks	17,695	-	-	-	-	17,695
Provisions	-	-	-	-	9,756	9,756
Other liabilities	-	-	-	-	37,523	37,523
Lease liability	-	-	2,841	4,489	-	7,330
Total financial liabilities	**193,603**	**1,119,971**	**49,117**	**24,168**	**607,411**	**1,994,270**
Interest sensitive gap	**462,090**	**(1,049,830)**	**244,992**	**1,051,326**	**(344,634)**	**363,944**
Cumulative gap	**462,090**	**587,740**	**(342,748)**	**708,578**	**363,944**	
Impact on profit after tax and equity of an increase in interest rates						
+1%	4,621	(10,498)	2,450	10,513		**7,086**
+2%	9,242	(20,997)	4,900	21,027		**14,172**
+3%	13,863	(31,495)	7,350	31,540		**21,257**
Impact on profit after tax and equity of a decrease in interest rates						
-1%	(4,621)	10,498	(2,450)	(10,513)		**(7,086)**
-2%	(9,242)	20,997	(4,900)	(21,027)		**(14,172)**
-3%	(13,863)	31,495	(7,350)	(31,540)		**(21,257)**

42. Financial risk management (Continued)

d) Market risk (Continued)

Exposure of interest rate risk: non-trading portfolio (Continued)

	Less than 1 month K'm	1 - 3 months K'm	3 - 12 months K'm	Over 1 year K'm	Non-interest sensitive K'm	Total K'm
Group 2024*						
Financial assets						
Cash and funds with Central Bank	-	-	-	-	171,927	171,927
Placements and deposits with other banks	101,662	-	-	-	-	101,662
Government securities	-	56,962	173,203	398,377	-	628,542
Equity investments at FVPL	-	-	-	-	18,761	18,761
Loans and advances to customers	308,920	75,195	36,841	46,827	-	467,783
Money markets investments	181,617	-	-	-	-	181,617
Equity investments at FVOCI	-	-	-	-	1,057	1,057
Other assets	-	-	-	-	42,280	42,280
Total financial assets	**592,199**	**132,157**	**210,044**	**445,204**	**234,025**	**1,613,629**
Financial liabilities						
Long-term borrowing	-	-	1,941	9,408	-	11,349
Customer deposits	687,718	214,472	31,683	7,246	387,308	1,328,427
Amounts due to other banks	14,714	-	-	-	-	14,714
Provisions	-	-	-	-	7,765	7,765
Other liabilities	-	-	-	-	32,422	32,422
Lease liability	-	-	2,023	6,738	-	8,761
Total financial liabilities	***702,432***	***214,472***	***35,647***	***23,392***	***427,495***	***1,403,438***
Interest-sensitive gap	**(110,233)**	**(82,315)**	**174,397**	**421,812**	**(193,470)**	**210,191**
Cumulative gap	**(110,233)**	**(192,548)**	**(18,151)**	**403,661**	**210,191**	**-**

*2024 interest rate risk disclosures have been updated to align with IFRS 7 *Financial Instruments: Disclosures requirements.*

Impact on profit after tax and equity of an increase in interest rates

+1%	(1,102)	(823)	1,744	4,218	-	4,037
+2%	(2,205)	(1,646)	3,488	8,436	-	8,073
+3%	(3,307)	(2,469)	5,232	12,654	-	12,110
Impact on profit after tax and equity of a decrease in interest rates						
-1%	1,102	823	(1,744)	(4,218)	-	(4,037)
-2%	2,205	1,646	(3,488)	(8,436)	-	(8,073)
3%	3,307	2,469	(5,232)	(12,654)	-	(12,110)

42. Financial risk management (Continued)

d) Market risk (Continued)

Exposure of interest rate risk: non-trading portfolio (Continued)

	Less than 1 month K'm	1 - 3 months K'm	3 - 12 months K'm	Over 1 year K'm	Non-interest sensitive K'm	Total K'm
Company						
2025						
Financial assets						
Cash and funds with Central Bank	-	-	-	-	136,517	136,517
Placements and deposits with other banks	194,086	-	-	-	-	194,086
Government securities	-	35,196	122,317	645,947		803,460
Equity investments at FVPL	-	-	-	-	42,168	42,168
Loans and advances to customers	9,500	24,630	135,618	341,091	-	510,839
Money markets investments	95,362	-	-	-	-	95,362
Equity investments at FVOCI	-	-	-	-	2,321	2,321
Other assets	-	-	-	-	31,369	31,369
Total financial assets	**298,948**	**59,826**	**257,935**	**987,038**	**212,375**	**1,816,122**
Financial liabilities						
Long term borrowing	-	-	-	194	-	194
Customer deposits	117,575	787,973	11,956	-	545,085	1,462,589
Amounts due to other banks	3,725	-	-	-	-	3,725
Provisions	-	-	-	-	8,621	8,621
Other liabilities	-	-	-	-	30,639	30,639
Lease liability	-	-	1,733	1,686	-	3,419
Total financial liabilities	**121,300**	**787,973**	**13,689**	**1,880**	**584,345**	**1,509,187**
Interest sensitive gap	**177,648**	**(728,147)**	**244,246**	**985,158**	**(371,970)**	**306,935**
Cumulative gap	**177,648**	**(550,499)**	**(306,253)**	**678,905**	**306,935**	

42. Financial risk management (Continued)

d) Market risk (Continued)

Exposure of interest rate risk: non-trading portfolio (Continued)

	Less than 1 month K'm	1 - 3 months K'm	3 - 12 months K'm	Over 1 year K'm	Non-interest sensitive K'm	Total K'm
Impact on profit after tax and equity of an increase in interest rates						
1%	1,776	(7,281)	2,442	9,852		6,789
2%	3,553	(14,563)	4,885	19,703		13,758
3%	5,329	(21,844)	7,327	29,555		20,367
Impact on profit after tax and equity of a decrease in interest rates						
-1%	(1,776)	7,281	(2,442)	(9,852)		(6,789)
-2%	(3,553)	14,563	(4,885)	(19,703)		(13,578)
-3%	(5,329)	21,844	(7,327)	(29,555)		(20,367)

42. Financial risk management (Continued)

d) Market risk (Continued)

Exposure of interest rate risk: non-trading portfolio (Continued)

	Less than 1 month K'm	1 - 3 months K'm	3 - 12 months K'm	Over 1 year K'm	Non-interest sensitive K'm	Total K'm
Company 2024*						
Financial assets						
Cash and funds with Central Bank	-	-	-	-	142,136	142,136
Placements and deposits with other banks	100,778	-	-	-	-	100,778
Government securities	-	20,136	173,500	379,496	-	573,132
Equity investments at FVPL	-	-	-	-	17,081	17,081
Loans and advances to customers	40,221	29,980	63,906	238,360	-	372,467
Money markets investments	8,746	-	-	-	-	8,746
Equity investments at FVOCI	-	-	-	-	1,057	1,057
Other assets	-	-	-	-	37,534	37,534
Total financial assets	**149,745**	**50,116**	**237,406**	**617,856**	**197,808**	**1,252,931**
Financial liabilities						
Long term borrowing	-	-	209	-	-	209
Customer deposits	451,048	214,472	11,511	-	357,106	1,034,137
Amounts due to other banks	2,134	-	-	-	-	2,134
Provisions	-	-	-	-	7,055	7,055
Other liabilities	-	-	-	-	25,788	25,788
Lease liability	-	-	2,023	2,109	-	4,132
Total financial liabilities	**453,182**	**214,472**	**13,743**	**2,109**	**389,949**	**1,073,455**
Interest sensitive gap (303,437)	**(164,356)**	**223,663**	**615,747**	**(192,141)**	**179,476**	
Cumulative gap	**(303,437)**	**(467,793)**	**(244,130)**	**371,617**	**179,476**	**-**

*2024 interest rate risk disclosures have been updated to align with IFRS 7 *Financial Instruments: Disclosures requirements.*

42. Financial risk management (Continued)

d) Market risk (Continued)

Exposure of interest rate risk: non-trading portfolio (Continued)

	Less than 1 month K'm	1 - 3 months K'm	3 - 12 months K'm	Over 1 year K'm	Non-interest sensitive K'm	Total K'm
2024						
Impact on profit after tax and equity of an increase in interest rates						
1%	(3,034)	(1,644)	2,237	6,157	-	3,716
2%	(6,069)	(3,287)	4,473	12,315	-	7,432
3%	(9,103)	(4,931)	6,710	18,472	-	11,149
Impact on profit after tax and equity of a decrease in interest rates						
-1%	3,034	1,644	(2,237)	(6,157)	-	(3,716)
-2%	6,069	3,287	(4,473)	(12,315)	-	(7,432)
-3%	9,103	4,931	(6,710)	(18,472)	-	(11,149)

42. Financial risk management (Continued)

e). Currency risk

The Group had the following significant foreign currency positions:

	MK K'm	USD K'm	GBP K'm	EURO K'm	ZAR K'm	OTHER K'm	TOTAL K'm
Group							
2025							
Financial assets							
Cash and funds with Central Banks	154,767	15,985	4	4	12	13	170,785
Placements and deposits with other banks	-	184,598	11,649	213	1,257	102	197,819
Government securities	836,329	-	-	-	-	-	836,329
Equity investments at FVPL	48,156	-	-	-	-	-	48,156
Loans and advances to customer	453,933	77,615	-	-	-	83,067	614,615
Money market investments	446,674	-	-	-	-	-	446,674
Equity investments at FVOCI	2,321	-	-	-	-	-	2,321
Other assets	41,515	-	-	-	-	-	41,515
Total financial assets	**1,983,695**	**278,198**	**11,653**	**217**	**1,269**	**83,182**	**2,358,214**
Financial liabilities							
Loans and borrowings	13,464	-	-	-	-	-	13,464
Customer deposits	1,669,008	205,232	10,899	22,933	430		1,908,502
Liabilities to other banks	1,980	1,303	25	35	382	13,970	17,695
Provisions	9,756	-	-	-	-	-	9,756
Other liabilities	37,523	-	-	-	-	-	37,523
Lease liability	7,330	-	-	-	-	-	7,330
Total financial liabilities	**1,739,061**	**206,535**	**10,924**	**22,968**	**812**	**13,970**	**1,994,270**
Net balance open position	**244,634**	**71,663**	**729**	**(22,751)**	**457**	**69,212**	**363,944**
Impact of a 10% strengthening of the Malawi Kwacha against other currencies on profit and equity		**7,166**	**73**	**(2,275)**	**46**	**6,921**	**11,931**
Impact of a 10% weakening of the Malawi Kwacha against other currencies on profit and equity		**(7,166)**	**(73)**	**2,275**	**(46)**	**(6,921)**	**(11,931)**

42. Financial risk management (Continued)

e). Currency risk (Continued)

	MK K'm	USD K'm	GBP K'm	EURO K'm	ZAR K'm	OTHER K'm	TOTAL K'm
Group 2024							
Financial assets							
Cash and funds with Central Banks	144,290	7,783	8	70	21	19,755	171,927
Placements and deposits with other banks	-	82,786	12,053	2,676	3,220	927	101,662
Government securities	600,081	-	-	-	-	28,461	628,542
Equity investments at FVPL	18,761	-	-	-	-	-	18,761
Loans and advances to customer	277,016	109,374	-	-	-	81,393	467,783
Money market investments	181,617	-	-	-	-	-	181,617
Equity investments at FVOCI	1,057	-	-	-	-	-	1,057
Other assets	42,280	-	-	-	-	-	42,280
Total financial assets	**1,265,102**	**199,943**	**12,061**	**2,746**	**3,241**	**130,536**	**1,613,629**
Financial liabilities							
Loans and borrowings	11,349	-	-	-	-	-	11,349
Customer deposits	1,046,376	159,700	11,406	11,141	301	99,503	1,328,427
Liabilities to other banks	7,648	773	-	-	535	5,758	14,714
Provisions	7,765	-	-	-	-	-	7,765
Other liabilities	32,422	-	-	-	-	-	32,422
Lease liability	4,132	-	-	-	-	4,629	8,761
Total financial liabilities	**1,109,692**	**160,473**	**11,406**	**11,141**	**836**	**109,890**	**1,403,438**
Net balance open position	**155,410**	**39,470**	**655**	**(8,395)**	**2,405**	**20,646**	**210,191**
Impact of a 10% strengthening of the Malawi Kwacha against other currencies on profit and equity							
	-	**(3,947)**	**(66)**	**840**	**(241)**	**(2,065)**	**(5,479)**
Impact of a 10% weakening of the Malawi Kwacha against other currencies on profit and equity							
	-	**3,947**	**66**	**(840)**	**241**	**2,065**	**5,479**

42. Financial risk management (Continued)

e). Currency risk (Continued)

	MK K'm	USD K'm	GBP K'm	EURO K'm	ZAR K'm	OTHER K'm	TOTAL K'm
Company							
2025							
Financial assets							
Cash and funds with central banks	135,754	747	2	2	12	-	136,517
Placements and deposits with other banks	-	181,100	11,649	57	1,226	54	194,086
Government securities	803,460	-	-	-	-	-	803,460
Equity investments at FVPL	42,168	-	-	-	-	-	42,168
Loans and advances to customers	433,224	77,615	-	-	-	-	510,839
Money market investments	194,086	-	-	-	-	-	194,086
Equity investments at FVOCI	2,321	-	-	-	-	-	2,321
Other assets	31,369	-	-	-	-	-	31,369
Total financial assets	**1,642,382**	**259,462**	**11,651**	**59**	**1,238**	**54**	**1,914,846**
Financial liabilities							-
Loans and borrowings	194	-	-	-	-	-	194
Customer deposits	1,235,599	192,786	10,873	22,901	430	-	1,462,589
Liabilities to other banks	1,980	1303	25	35	382	-	3,725
Provisions	8,621	-	-	-	-	-	8,621
Other liabilities	30,639	-	-	-	-	-	30,639
Lease liability	3,419	-	-	-	-	-	3,419
Total financial liabilities	**1,280,452**	**194,089**	**10,898**	**22,936**	**812**	**-**	**1,509,187**
Net balance open position	**361,930**	**65,373**	**753**	**(22,877)**	**426**	**54**	**405,659**
Impact of a 10% strengthening of the Malawi Kwacha against other currencies on profit and equity		**6,537**	**75**	**(2,288)**	**43**	**5**	**4,372**
Impact of a 10% weakening of the Malawi Kwacha against other currencies on profit and equity		**(6,537)**	**(75)**	**2,288**	**(43)**	**(5)**	**(4,372)**

42. Financial risk management (Continued)

e). Currency risk (Continued)

	MK K'm	USD K'm	GBP K'm	EURO K'm	ZAR K'm	OTHER K'm	TOTAL K'm
Company 2024							
Financial assets							
Cash and funds with central banks	141,156	948	6	12	13	1	142,136
Placements and deposits with other banks	-	82,786	12,053	2,676	3,220	43	100,778
Government securities	573,132	-	-	-	-	-	573,132
Equity investments at FVPL	17,081	-	-	-	-	-	17,081
Loans and advances to customers	263,116	109,351	-	-	-	-	372,467
Money market investments	8,746	-	-	-	-	-	8,746
Equity investments at FVOCI	1,057	-	-	-	-	-	1,057
Other assets	37,534	-	-	-	-	-	37,534
Total financial assets	**1,041,822**	**193,085**	**12,059**	**2,688**	**3,233**	**44**	**1,252,931**
Financial liabilities							
Loans and borrowings	209	-	-	-	-	-	209
Customer deposits	859,913	151,621	11,405	10,897	301	-	1,034,137
Liabilities to other banks	655	773	1	157	535	13	2,134
Provisions	7,055	-	-	-	-	-	7,055
Other liabilities	25,788	-	-	-	-	-	25,788
Lease liability	4,132	-	-	-	-	-	4,132
Total financial liabilities	**897,752**	**152,394**	**11,406**	**11,054**	**836**	**13**	**1,073,455**
Net balance open position	**144,070**	**40,691**	**653**	**(8,366)**	**2,397**	**31**	**179,476**
Impact of a 10% strengthening of the Malawi Kwacha against other currencies on profit and equity							
	-	**4,069**	**65**	**(837)**	**240**	**3**	**3,540**
Impact of a 10% weakening of the Malawi Kwacha against other currencies on profit and equity							
	-	**(4,069)**	**(65)**	**837**	**(240)**	**(3)**	**(3,540)**

42. Financial risk management (Continued)

(f) Insurance risk management

(i) Risk management objectives and mitigating insurance risk

The primary insurance activity carried out by the Group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, financial or other perils that may arise from an insurable event. As such the Group also has exposure to market risk through its insurance and investment activities.

The Group manages its insurance risk through underwriting limits; approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses and scenario analyses.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

(ii) Underwriting strategy

The underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over several years and, as such, it is believed that this reduces the variability of the outcomes. Most general insurance contracts are annual in nature and the underwriters have the right to refuse renewal or to re-price and change the conditions risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Only extensive expertise, well maintained data resources, and selective underwriting based on this information can produce risk adequate prices and conditions. Through selective underwriting, client focused claims handling and good reserving methods, the Group endeavours to minimise risks.

(iii) Reinsurance strategy

The Group obtains reinsurance cover to reduce risks from single events or accumulation of risks that could have a significant impact on the current year earnings or the Group's capital. This cover is placed on the local and international reinsurance market. The Group uses a number of modelling tools to monitor aggregation and to stimulate catastrophe losses in order to measure the effectiveness of the reinsurance programme and the net exposure of the Group.

The core components of the reinsurance programme comprise:

- A fire surplus treaty which covers business written. The cover ranges from material damage and loss of profits following fire, lightning, explosion, riot and strike.
- An excess of loss cover for fire, motor and accident business.

42. Financial risk management (Continued)

(f) Insurance risk management (Continued)

(iii) Reinsurance strategy (Continued)

- A motor, accident and liabilities excess of loss which covers motor, own damage covering property damage, public liability, personal accident, fidelity guarantees.
- A bonds and guarantees quota share treaty covering performance, maintenance, supply and customs bonds.

(iv) Reinsurance risk

The Group cedes insurance risk to limit exposure to underwriting losses under various agreements. These reinsurance agreements spread the risk and minimise the effect of losses. The amount each risk retained depends on the Group's evaluation of the specific risk, subject in certain circumstances to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded proportion of the claim in the event that the claim is paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

(v) Insurance and financial risk

Claims development

The estimates of cumulative incurred claims, including both claims notified and incurred but not reported (IBNR) for each successive accident year at each reporting date, together with cumulative payments to date.

As required by IFRS 17, in setting claims provisions, the Group gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

42. Financial risk management (Continued)

(f) Insurance risk management (continued)
(v) Insurance and financial risk (continued)

Gross claims development

The Group has disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

Gross Incurred Claims

	DEVELOPMENT YEAR								Total	Actual incurred claims (Gross)
Loss year	**0 K'm**	**1 K'm**	**2 K'm**	**3 K'm**	**4 K'm**	**5 K'm**	**6 K'm**	**7 K'm**	**K'm**	**K'm**
2017	1,003	1,550	308	203	92	71	31	16	**3,274**	**3,052**
2018	1,057	1,892	481	265	78	30	31	32	**3,866**	**3,144**
2019	1,137	1,807	527	234	59	353	75	-	**4,192**	**3,334**
2020	1,341	1,528	405	124	109	108	-	-	**3,615**	**4,266**
2021	1,204	1,613	253	259	133	-	-	-	**-**	**3,077**
2022	1,476	796	903	236	-	-	-	-	**3,411**	**5,121**
2023	1,011	1,853	513	-	-	-	-	-	**3,377**	**7,532**
2024	2,678	1,905	-	-	-	-	-	-	**4,583**	**4,631**
2025	3,978	-	-	-	-	-	-	-	**3,978**	**5,290**
Cumulative Claims paid	**(3,456)**	**(3,868)**	**(3,970)**	**(3,433)**	**(3,517)**	**(4,753)**	**(4,989)**	**(5,089)**	**(33,075)**	-
Gross cumulative net liabilities	**524**	**(1,962)**	**(3,457)**	**(3,197)**	**(3,385)**	**(4,645)**	**(4,915)**	**(5,058)**	**(26,095)**	-
Gross cumulative claims-Prior accident years		-	-	-	-	-	-	-	**6,980**	-
Effect of discounting		-	-	-	-	-	-	-	**(76)**	-
Effect of the risk adjustment for non-financial risk		-	-	-	-	-	-	-	**90**	-
Gross LIC for the contract or iginated		-	-	-	-	-	-	-	**6,994**	-

42. Financial risk management (Continued)

(f) Insurance risk management (continued)
(v) Insurance and financial risk (continued)

Net incurred Claims

	DEVELOPMENT YEAR								Total	Net claims incurred
Loss year	**0 K'm**	**1 K'm**	**2 K'm**	**3 K'm**	**4 K'm**	**5 K'm**	**6 K'm**	**7 K'm**	**K'm**	**K'm**
2017	730	1,198	336	123	56	40	21	14	**2,518**	2,925
2018	888	1,297	332	173	65	45	34	30	**2,864**	2,308
2019	1,030	1,355	395	260	60	217	76	-	**3,393**	2,622
2020	1,066	1,162	397	87	73	77	-	-	**2,862**	3,322
2021	994	1,313	203	198	90	-	-	-	**2,798**	3,393
2022	850	719	459	205	-	-	-	-	**2,233**	3,048
2023	709	1,552	393	-	-	-	-	-	**2,654**	4,003
2024	1,538	1,587	-	-	-	-	-	-	**3,125**	5,787
2025	3,045	-	-	-	-	-	-	-	**3,045**	2,894
Cumulative claims paid	**(2,742)**	**(2,972)**	**(2,758)**	**(2,804)**	**(2,677)**	**(3,846)**	**(3,456)**	**(4,170)**	**(25,425)**	-
Net cumulative net liabilities	**(347)**	**(1,052)**	**(2,496)**	**(2,558)**	**(2,731)**	**(2,460)**	**(3,808)**	**(3,443)**	**(18,895)**	- -
Net cumulative claims										-
Prior accident years	-	-	-	-	-	-	-	-	**6,530**	-
Prior years adjustment	-	-	-	-	-	-	-	-	**(1,227)**	-
Effect of discounting	-	-	-	-	-	-	-	-	**(114)**	-
Effect of the risk adjustment for non-financial risk	-	-	-	-	-	-	-	-	**379**	-
Net LIC for the contract originated	-	-	-	-	-	-	-	-	**5,568**	-

42. Financial risk management (Continued)

(f) Insurance risk management (continued)

(vi) Concentration of Insurance risks and policies mitigating the concentrations

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's resources. The Group monitors the concentration risk by geographical segment and class of business.

The Group principally issues the following types of non-life insurance contracts: Agriculture, Engineering, fire, liability, marine, miscellaneous, motor, personal accident and transport reinsurance. For non-life insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. The objective of the Group is to ensure that sufficient reserves are available to cover the liabilities associated with these insurance and reinsurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance held arrangements. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Group.

The following tables show the concentration of 2025 net reinsurance contracts by type of contracts

Reinsurance contracts

	Reinsurance premium Paid K'm	Earned Commission income K'm	Net K'm	Reinsurance claim recoveries K'm	Reinsurance Credit losses K'm
Agriculture	(890)	172	(718)	202	(4)
Engineering	(233)	59	(174)	(2)	(1)
Fire	(1,516)	414	(1,102)	176	(7)
Liability	(188)	22	(166)	(10)	(3)
Marine	(126)	33	(93)	6	(1)
Miscellaneous	(419)	110	(309)	12	(3)
Motor	(558)	40	(518)	737	(26)
Personal Accident	(134)	38	(95)	123	(2)
Transport	(9)	2	(7)	33	-
Total	(4,073)	890	(3,182)	1,277	(47)

42. Financial risk management (Continued)

(f) Insurance risk management (continued)

(vi) Concentration of Insurance risks and policies mitigating the concentrations

The following tables show the concentration of net insurance contract liabilities by type of contracts

Net insurance liabilities

2025	Insurance Liabilities K'm	Reinsurance assets K'm	Net K'm
AgrAgriculture	5	(3)	2
Engineering	178	(92)	86
Fire	962	(658)	304
Liability	1,011	(145)	866
Marine	75	(31)	44
Miscellaneous	378	(130)	248
Motor	7,090	(654)	6,436
Personal Accident	436	(103)	333
Transport	146	(78)	68
Total	**10,281**	**(1,894)**	**8,387**
Insurance acquisition liability	543	(512)	31
Total	**10,824**	**(2,406)**	**8,418**

The Group has exposure to all major lines of insurance business with very limited exposure to specialised areas of insurance. This exposure is consistent with the market and the Company's re insurance policy limits the losses, if any on each of the insurance business lines. Below is the table showing the level of net exposure per class of business with Motor and liability being the highest at 94% and 83%. The Company had average net exposure risk of 74%.

42. Financial risk management (Continued)

(f) Insurance risk management (continued)

	2025			2024		
	Gross written Premium K'm	Sum Insured K'm	Concentration %	Gross written Premium K'm	Sum Insured K'm	Concentration %
Fire	2,071	3,004,076	67%	1,759	2,782,214	74%
Motor	7,729	448,859	10%	5,857	284,016	8%
Accident	584	109,434	2%	502	56,680	2%
Engineering	360	576,200	13%	273	464,579	12%
Marine	203	80,923	2%	18	8,313	0%
Liability	746	119,101	3%	654	104,198	3%
Miscellaneous	799	80,495	2%	571	43,216	1%
Transport	54	11,599	0%	34	5,948	0%
Agriculture	1,226	37,582	1%	960	176	0%
Total	**13,772**	**4,468,269**	**100%**	**10,628**	**3,749,340**	**100%**

g) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities. The Group has an Operational Risk Management Framework that guides the management of operational risk.

The Group's objectives are to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the Risk Division by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

42. Financial risk management (Continued)

g) Operational risk (continued)

- requirements for the reporting of operational losses and proposed remedial action;
- prevention of business disruption and system failures and development of contingency plans;
- ethical and business standards;
- risk mitigation, including insurance where this is effective; and
- safeguarding assets against loss or damage.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Risk Division. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Enterprise Risk Committee and the Board Risk Committee.

h) Compliance risk

The risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, standards, and codes of conduct applicable to its banking activities with regulations imposed by the Reserve Bank of Malawi and other regulatory bodies.

The management of compliance risk has become a distinct discipline within the Group's overall risk management framework. Ultimate responsibility for this risk lies with the Board of Directors. A combination of key activities are undertaken to manage the risk such as identifying the regulatory universe and developing compliance programmes, training staff and other stakeholders on relevant regulatory requirements, and monitoring compliance.

The Group believes in a corporate culture that emphasises standards of honesty and integrity and in which the Board of Directors and Senior Management lead by example and that it concerns everyone within the Group and that should be viewed as an integral part of the Bank's business activities.

With regard to the AML/CFT obligations of the Bank, the Compliance function ensures that the Group has adequate processes and systems to prevent Group's services from being accessible to criminals. The Group has aligned its anti-money laundering policies including Know Your Customer policies, and procedures with country's Financial Crimes Legislation and Regulations. Furthermore, the Group conducts an AML/CFT Risk Assessment annually in accordance with Section 21 of Financial Crimes Act, 2017 where a financial institution is required to identify, assess, and understand the level of money laundering and terrorist financing risks for proper mitigation.

42. Financial risk management (Continued)

h) Compliance risk (continued)

Statutory requirements-National Bank of Malawi
In accordance with the Section 38 of Banking Act, 2010, the Reserve Bank of Malawi has established the following requirements as at the year-end date:

Liquidity reserve requirement
The Liquidity Reserve Requirement in the year were as follows:

a. 10 percent on local currency deposits; and
b. 3.75 percent on foreign currency deposits.

The Bank complied with the requirement throughout the reporting period.

Capital adequacy requirement as per Section 10(1) of the Banking Act, 2010
The clear threat to capital adequacy from 2020 onwards is the implementation of the directive on Supervision of Domestic Systemically Important Banks by Reserve Bank of Malawi which requires systemically important banks to put aside additional Tier 1 capital of between 1.00% and 3.50%. The assessment on National Bank by the Reserve Bank requires the Bank to set aside a capital surcharge of 1.5% above the core capital requirement of 10%. A Bank's available capital was raised to be a minimum of 11.5 % of its risk bearing assets and contingent liabilities.

At the end of the year, the National Bank's available capital was 27% (2024: 23%) of its risk bearing assets and contingent liabilities.

Prudential aspects of bank liquidity
Prudential Liquidity Directive was revised during the prior year reporting period; paragraph 5 on Computation of Minimum Liquidity Ratio was revised as follows:

a. All encumbered liquid assets of a bank shall not be included in the computation of liquidity ratio.
b. All deposits held for Liquidity Reserve Requirement purposes shall not be included in the computation of liquidity ratio.
c. The minimum prudential liquidity ratio is 25%.

The Bank's Risk Appetite statement was already amended to reflect the change in the regulation.

Liquidity ratios
At the end of the year, National Bank of Malawi plc's liquidity ratio was 45% (2024: 38%)

i) Capital management

Regulatory capital-National Bank of Malawi
The Reserve Bank of Malawi sets and monitors capital requirements for the Group as a whole. Regulatory capital requirement is the minimum amount of capital required

42. Financial risk management (Continued)

i) Capital management (continued)

Regulatory capital-National Bank of Malawi (continued)
by the Reserve Bank of Malawi, which if not maintained will usually require supervisory intervention.

In implementing current capital requirements, the Reserve Bank of Malawi requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The minimum capital ratios under the implemented Basel II are as follows:

- A core (Tier 1) capital of not less than 11.5% of total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items; and
- A total capital (Tier 2) of not less than 15% of its total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.

The regulatory capital is analysed into the two tiers as follows:

- Core capital (Tier 1) consists of ordinary share capital, share premium, retained profits, 60% of (unaudited) after-tax profits in the current year (or less 100% of current year loss), less any unconsolidated investment in financial companies.
- Total capital (Tier 2) consists of revaluation reserves and general provisions, when such general provisions have received prior approval of the Reserve Bank of Malawi plus Tier 1 capital. Supplementary capital must not exceed core capital, i.e., shall be limited to 100% of total core capital.

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-statement of financial position exposures.

The Board of Directors is responsible for establishing and maintaining at all times an adequate level of capital. The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a lower gearing position. The Group and other individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period. NBM's regulatory capital position at 31 December 2025 was as follows:

42. Financial risk management (Continued)

i) Capital management (continued)

Regulatory capital-National Bank of Malawi (continued)

	2025 K'm
Tier 1 capital	
Paid-up ordinary shares	467
Share premium	613
Retained profits	310,703
Total regulatory (tier 1) capital	**311,783**
Regulatory adjustments	(31,472)
TIER 1 Capital	**280,311**
General Loan Loss Reserves	23,796
Total qualifying capital	**304,107**
Computation of risk-weighted assets	
Total Risk-weighted Amount for Credit Risk	750,213
Calibrated Risk-weighted Amount for Operational Risk	418,436
Calibrated Risk-weighted Amount for Market Risk	68,605
Aggregate weighted assets .	1,237,254
Total regulatory capital	**27%**
Tier 1	**25%**

	2024 K'm
Tier 1 capital	
Ordinary share capital	467
Share premium	613
Retained earnings	200,225
Unconsolidated investment	(10,596)
Total regulatory (Tier 1) capital	**190,709**
Supplementary capital	
Revaluation reserve	35,322
Deferred tax -	
Unconsolidated investments	(10,596)
Total regulatory (Tier 2) capital	**215,435**
Risk-weighted assets	
Retail bank, corporate bank and treasury	**943,640**
Capital ratios	
Total regulatory capital expressed as a percentage of risk-weighted assets	**23%**
Total tier 1 capital expressed as a percentage of risk-weighted assets	**20%**

The Reserve Bank of Malawi, in 2015, revised the minimum capital requirements for Banks from USD5m to USD10m effective 1 January 2020. National Bank of Malawi is in full compliance with the revised minimum capital requirement.

42. Financial risk management (Continued)

i) Capital management (continued)

Akiba Commercial Bank Capital management

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial positions, are:

- To comply with the capital requirements set by are Bank of Tanzania (BoT).
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the BoT for supervisory purposes. The required information is filed with the BoT monthly.

The BoT required each bank of banking group to:

(a) Hold a minimum level of core capital of TZS15 billion
(b) Maintain of ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets or above the required minimum of 12.5%;
(c) Maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items; and
(d) Maintain a capital conservation buffer of 2.5% of risk-weighted assets and off-balance sheet exposures. The capital conservation buffer is to be made up of items that qualify as Tier 1 capital.

When a bank is holding capital conversation buffer of less than 2.5% of risk-weighted assets and off-balance sheet but is meeting minimum capital requirements the bank:

- Shall not distribute dividends to shareholders or bonuses to senior management and other staff members until the buffer is restored to at least 2.5%
- Shall submit a capital restoration plan to the Bank of Tanzania within a specified period by BoT including how the Bank is going to raise capital to meet its minimum requirement including capital conservation buffer with a specified period; and

If BoT does not approve the capital restoration plan, it may direct the bank to raise additional capital within a specified time to restore its capital conservation buffer.

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organization, pre-operating expenses, prepaid expenses, deferred charges, leasehold rights and any other intangible assets.
- Tier 2 capital: means general provisions which are held against future, presently unidentified losses and are truly available to meet losses which subsequently materialize, subordinated debts, commutative redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank.

42. Financial risk management (Continued)

i) Capital management (continued)

Akiba Commercial Bank Capital management (continued)

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2025 and year ended 31 December 2024.

Tier 1	**2025 TZS'm**	**2024 TZS'm**
Share capital	48,459	27,797
Share premium	5,811	2,432
Preference shares	2,432	11,623
Retained earnings	(27,685)	(23,621)
Deferred charges	(6,391)	(3,195)
Prepaid expenses	(1,369)	(1,255)
Total qualifying Tier 1 capital	**21,257**	**13,781**
Common equity Tier 1 capital	**15,446**	-
Tier 2		
Allowance supplementary capital	-	-
Total qualifying Tier 2 capital	-	-
Total regulatory capital (Tier 1 & Tier 2)	**21,257**	**13,781**
Risk-weighted assets		
On-balance sheet	104,450	99,001
Off-balance sheet	3,187	1,422
Operation risk	11,925	12,364
Market risk	230	192
Total risk-weighted assets, operational and market risk	**119,792**	**112,979**

	Bank's ratio 2025	**Bank's ratio 2024**
Common equity Tier (BoT minimum 11.0%)	12.89%	N/A
Tier 1 capital (BoT minimum 12.5%)	17.74%	20.20%
Tier 1 + Tier 2 capital (BoT minimum 14.5%)	17.74%	20.20%

42. Financial risk management (Continued)

i) Capital management (continued)

In February 2023, the Bank received US$2.44 million (TZS 5,663 million) from the National Bank of Malawi plc (NBM) under an agreement where additional Perpetual Non-Cumulative Preference shares with a par value of TZS1,000 per share were issued to NBM in continued efforts by the majority shareholder to ensure that the Bank was adequately capitalised. In March 2025, NBM approved further capital injection for the Bank of US$7 million and in January 2026, a further US$ 4 million was injected to meet minimum capital requirements as well as enhance business operations.

j) Basel III Regulatory Framework

The Malawian banking sector adopted the Basel III regulatory capital framework effective 1 January 2025 following implementation by the Reserve Bank of Malawi. Basel III strengthens the regulatory capital regime by improving the quality and quantity of capital held by banks, enhancing risk coverage and strengthening the resilience of the banking sector to financial and economic shocks.

Basel III places particular emphasis on Common Equity Tier 1 (CET1) capital as the highest quality component of regulatory capital and the primary buffer against unexpected losses. CET1 mainly comprises ordinary share capital, share premium and retained earnings, net of regulatory deductions such as goodwill and other intangible assets.

While National Bank of Malawi plc operates under the Basel III regulatory framework, some subsidiaries operate under different regulatory frameworks based on their jurisdiction and institutional mandate. Akiba Commercial Bank plc operates under regulatory capital requirements aligned with Basel II within its jurisdiction. NBM Development Bank Limited operates in Malawi as a development finance institution and is regulated under a separate regulatory framework applicable to development banks rather than the Basel III framework applicable to commercial banks. These differences in regulatory frameworks are considered in the preparation of consolidated regulatory information.

Risk Measurement Approaches

Under the Basel III framework, the Group computes its regulatory capital requirements across key risk categories using the standardised approaches prescribed by the regulator. Accordingly, the Group calculates regulatory capital for Operational Risk, Credit Risk and Market Risk using standardised methodologies. These approaches provide a structured framework for determining capital requirements across the Group's key risk exposures and support the Bank's overall risk management and capital adequacy processes.

Regulatory Capital Requirements

The Bank monitors its capital position using regulatory capital ratios calculated in accordance with prudential guidelines issued by the Reserve Bank of Malawi.

Under the regulatory framework prescribed by the Reserve Bank of Malawi, banks are required to maintain minimum capital ratios as follows:

Capital Ratio	Regulatory Minimum
Common Equity Tier I (CET1) Capital Ratio	≥ 8.5%
Tier I Capital Ratio	≥ 10%
Total Capital Ratio (Tier I + Tier II)	≥ 15%

42. Financial risk management (Continued)

j) Basel III Regulatory Framework (continued)

In addition, National Bank of Malawi plc has been designated as a Domestic Systemically Important Bank (D-SIB) by the Reserve Bank of Malawi. As a result, the Bank is subject to an enhanced Supervisory Review and Evaluation Process (SREP) capital requirement which requires the Bank to maintain a minimum core capital ratio of 13.5%

To ensure adequate buffers above regulatory minimum thresholds, the Bank also maintains internal capital management ranges that guide capital planning and risk management.

Capital Ratio	Internal Capital Range
Common Equity Tier I (CET1) Capital Ratio	8.5% – 10%
Tier I Capital Ratio	10% – 15%
Total Capital Ratio	15% – 20%

The Bank's capital ratios remained above the minimum regulatory thresholds under both Basel II and Basel III frameworks. The reduction in capital ratios under Basel III reflects the stricter capital deductions and enhanced risk-weighting requirements introduced under the new regulatory framework.

Overall, the Bank remained well capitalised as at 31 December 2025, maintaining adequate capital buffers to support its risk profile and ongoing business operations.

Capital Management
The Board's policy is to maintain a strong capital base in order to maintain confidence among depositors, creditors and regulators and to support the sustainable growth of the Bank's operations.

The Board of Directors monitors key financial performance indicators and reviews the statutory financial statements by comparing actual results against budgets and prior year performance.

There were no significant changes in the Bank's approach to capital management during the year.

k) Solvency margin for general (non-life) insurance business

The minimum solvency ratio set by the Reserve Bank of Malawi, which regulates the insurance business in Malawi is 20% [s5.4 of the Insurance (Minimum Capital and Solvency Requirements for General Insurers) Directive, 2017). The Group's solvency margin is calculated as the ratio of capital and reserves to net premium.

42. Financial risk management (Continued)

k) Solvency margin for general (non-life) insurance businessk (continued)

	Dec 2025 K'm	Dec 2024 K'm
Solvency ratio		
Net Assets (Total equity)	18,682	8,191
Adjustments on to a regulatory basis	(8,164)	(5,459)
Net (liability)/assets available to meet solvency	10,518	2,732
Net premium written	11,079	7,201
Solvency margin (%)	98.52%	37.9%
Solvency margin required by the regulator	20%	20%

The adjustments onto a regulatory basis represent assets inadmissible for regulatory reporting purposes.

The Company's solvency margin at year end was 98.52% (2024:37.9%) against the regulator's minimum requirement of 20%.

This solvency margin computation was based on IFRS4 because according to the regulator of Insurance Companies, the Reserve Bank of Malawi, the Capital Adequacy Directive of 2011 has not changed as such the solvency margin computation could not be changed.

The Board's policy is to maintain a strong capital base so as to maintain creditor and management confidence and to sustain future development of the business. The Board of Directors monitors the key financial performance indicators of the company. The Board reviews the statutory company financial statements by comparing the actual results against budgets and prior year. There were no changes in the Company's approach to capital management during the year.

l). Reputational risk policy

Reputation risk is the risk that the Group's reputation is damaged by one or more than one reputation risk event, as reflected from negative publicity about the Group's business practices, conduct or financial condition. Reputational risks can arise from a variety of causes including environmental, social and governance issues, as a consequence of operational risk events and as a result of employees acting in a manner inconsistent with the Group's Values. The Group's reputation depends upon the way in which it conducts its business and may be affected by the way in which clients, to which it provides financial services, conduct their business or use financial products and services.

The Group has a Reputational Risk Policy that provides guidance in the management of reputational risk at all levels. The Group therefore aims at; building reputation capital and earning the goodwill of key stakeholders by communicating proper and positive information to the marketplace and also identifying risk events as being either specific or systemic as this will determine the course of corrective action.

43. Related party transactions

The approval of the Reserve Bank of Malawi has been obtained for related party transactions in accordance with the terms of the Banking Act, 2009.

The Group transacts a portion of its business with organisations affiliated to the principal shareholders on an arm's length basis.

The Group is controlled by Press Corporation plc (incorporated in Malawi), which owns 51.5% (2024: 51.5%) of the Ordinary Shares. The Old Mutual Group owns 20.3% (2024: 21.3%) of the Ordinary Shares and the remaining 28.2% (2024: 27.2%) of the Ordinary Shares are widely held by individuals, corporate and institutional investors and are publicly traded on the Malawi Stock Exchange. Press Trust owns 47.6% (2024: 47.6%) of Press Corporation plc. Balances and transactions between the Bank and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Net outstanding balances as at the year-end with the shareholders and other related parties are as follows:

	Loans K'm	Deposits K'm	Net 2025 K'm	Net 2024 K'm
Press Corporation plc and its subsidiaries	9,240	(25,296)	(16,056)	(15,152)
Old Mutual Group	7	(11,551)	(11,544)	(4,704)
Limbe Leaf Tobacco Company Limited	-	(323)	(323)	(48)
Puma Energy Malawi Limited	-	(1,613)	(1,613)	(1,153)
Macsteel Limited	-	(234)	(234)	(35)
Press Trust	76	(2)	74	(10)
Press Agriculture Limited	-	(16)	(16)	(47)
Malawi Property Investment Company plc	276	(18)	258	(282)
Sunbird Tourism plc	3,350	(355)	2,995	3,040
Directors	260	(119)	141	234
Employees	-	-	-	12,830
Lifeco Group	-	(171)	(171)	(250)
Open Connect Limited	10,061	(54)	10,007	10,959
United General Insurance Company Limited	-	(253)	(253)	(51)
NBM Capital Markets Limited	-	(104)	(104)	(1,551)
NBM Development Bank Limited	-	(837)	(837)	(10)
NBM Pension unrestricted Fund	-	(802)	(802)	(614)
NBM Pension Administration Limited	-	-	-	(25)
Total related party balance	**23,270**	**(41,748)**	**(18,478)**	**3,131**

Limbe Leaf Tobacco Company Limited, Macsteel Limited and Puma Malawi Limited are associates of Press Corporation

43. Related party transactions (Continued)

Loans are granted and deposits accepted on normal banking terms. Loans are secured.

During the year, no amount due from a related party was written off against interest in suspense and provision for loan losses. There were no provisions in respect of loans granted to related parties as at the end of the year (2024: nil).

There were no material related party transactions with the ultimate holding entity of the Group, Press Trust, during the year.

The following transactions were conducted with related parties:

	2025 K'm	2024 K'm
Interest receivable		
Press Corporation Plc and its subsidiaries	1,382	1,817
Old Mutual Malawi	11	-
Directors	12	5
Press trust	1	-
Puma Energy Malawi Limited	53	46
Open Connect Limited	9	1,453
Mpico Limited	6	33
Macsteel limited	-	71
United General Insurance Company Limited	-	3
Sunbird Tourism plc	455	246
Employees	2,963	1,694
Average interest rate (%)	33%	30%
Interest payable		
Press Corporation Plc and its subsidiaries	25	2
Puma Energy Limited	248	-
Sunbird Tourism plc	1	1
Limbe Leaf Tobacco Limited	10	19
Employees	1,945	1,168
Purchases		
Press Corporation Plc and its subsidiaries	3,453	3,125
Puma Energy Malawi Limited	524	413
Commission income		
Press Corporation Plc and its subsidiaries	84	516
Limbe Leaf Tobacco Company Limited	25	20
Old Mutual Group	13	9
Open Connect Limited	2	-
Macsteel Limited	3	2
Puma Energy Malawi Limited	3	5
Press Agriculture Limited	1	-
Press Trust	1	1
Sunbird Tourism plc	2	1
Trade payables		
Press Corporation Plc and its subsidiaries	284	886

43. Related party transactions (Continued)

	Group		Company	
	2025 K'm	2024 K'm	2025 K'm	2024 K'm
Compensation of key management personnel				
Salaries, bonuses and benefits	7,422	6,862	6,356	5,459

No specific share options were offered to key management personnel during the year (2024: nil). No shares were exercised by key management during the year (2024: nil).

44. Business segments

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments.

The Group is organised on a national basis into four main business segments:

i). Retail banking – incorporating, savings, deposits, investment savings products, consumer loans, current accounts, overdrafts, loan and other credit facilities, trade finance and corporate leasing;

ii). Corporate banking– incorporating, savings, deposits, investments, current accounts, overdrafts, loan and other credit facilities, trade finance and corporate leasing;

iii). Treasury – incorporating financial instruments trading, dealings in foreign currency, stock broking and derivative products; and

iv). Other operations comprising fund management, custodial services and providing training services, none of which constitutes a separately reportable segment.

Transactions between the business segments are on normal commercial terms and conditions.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation and borrowings. There is no single external customer whose transactions with the Group earns the Group revenues amounting to 10 per cent or more of the Group's total revenues.

44. Business segments (Continued)

	Corporate banking K'm	Retail banking K'm	Treasury K'm	Other K'm	Total K'm
Group					
Statement of comprehensive income					
2025					
Total external income	168,832	60,581	317,464	14,500	561,377
Segment result	105,203	41,194	317,464	14,500	478,361
Unallocated expenses	-	-	-	-	(158,728)
Profit before tax	-	-	-	-	319,633
Corporate tax	-	-	-	-	(121,663)
Group profit for the year	-	-	-	-	197,970
Other information					
Unallocated depreciation	-	-	-	-	10,009
Revaluation surplus on property					
Unallocated fair value gain	-	-	-	-	-
Statement of financial position					
2025					
Total consolidated segment assets	359,576	294,663	1,483,211	357,349	2,494,799
Liabilities and equity					
Total consolidated segment liabilities	838,645	397,301	243,833	601,387	2,081,166
Other information					
Equity	-	-	-	-	413,633
Total	-	-	-	-	2,494,799

44. Business segments (Continued)

	Corporate banking K'm	Retail banking K'm	Treasury K'm	Other K'm	Total K'm
Group					
Statement of comprehensive income					
2024					
Total external income	126,587	52,154	159,996	17,594	356,331
Segment result	84,954	39,986	159,996	17,594	302,530,
Unallocated expenses	-	-	-	-	(135,383)
Profit before tax	-	-	-	-	167,147
Corporate tax	-	-	-	-	(65,437)
Group profit for the year	-	-	-	-	101,710
Other information					
Unallocated depreciation	-	-	-	-	7,938
Revaluation surplus on property					
Unallocated fair value gain	-	-	-	-	353
Statement of financial position					
2024					
Total consolidated segment assets	259,199	229,021	1,028,701	213,284	1,730,205
Liabilities and equity					
Total consolidated segment liabilities and equity	559,839	275,351	212,409	411,932	1,459,531
Other information					
Unallocated capital additions	-	-	-	-	270,674
Total	-	-	-	-	1,730,205

Summarized Statement of Financial Position 2025 for each company

	National Bank K'm	Stockbrokers K'm	NBM Bureau K'm	NBM Capital K'm	NBM PAL K'm	NBM Development Bank K'm	Akiba K'm	UGI K'm	Adjustments K'm	Consolidated K'm
Total assets	1,959,551	35,821	7	315,540	4,485	22,304	168,824	32,155	(43,888)	2,494,799
Total equity	379,250	1,468	(3)	12,207	3,700	7,844	21,613	18,682	(31,128)	413,633
Total liabilities	1,580,301	34,353	10	303,333	785	14,460	147,211	13,473	(12,760)	2,081,166
Total equity and liabilities	1,959,551	35,821	7	315,540	4,485	22,304	168,824	32,155	(43,888)	2,494,799

Statement of comprehensive income 2025

Total income	448,749	2,201	-	12,768	4,688	3,529	16,485	14,512	5,679	508,611
Total expenses	(129,946)	(1,272)	-	(1,533)	(1,099)	(1,060)	(19,205)	(4,690)	(8,785)	(167,590)
Net impairment provisions	(20,859)		-	-	-	(70)	(459)	- `	-	(21,388)
Profit Before Tax	297,944	929	-	11,235	3,589	2,399	(3,179)	9,822	(3,106)	319,633
Income tax expense	(115,894)	(269)	-	(3,945)	(1,117)	-626		188	-	(121,663)
Profit after tax	182,050	660	-	7,290	2,472	1,773	(3,179)	10,010	(3,106)	197,970

Summarized Statement of Financial Position 2024 for each company

	National Bank K'm	Stockbrokers K'm	NBM Bureau K'm	NBM Capital K'm	NBM PAL K'm	NBM Development Bank K'm	Akiba K'm	UGI K'm	Adjustments K'm	Consolidated K'm
Total assets	1,366,973	24,422	7	169,839	2,238	18,217	155,396	20,343	(27,230)	1,730,205
Total equity	251,495	963	(3)	7,416	1,715	6,269	14,221	8,548	(19,752)	270,674
Total liabilities	1,115,478	23,459	10	162,423	523	11,948	141,175	11,795	(7,478)	1,459,531
Total equity and liabilities	1,366,973	24,422	7	169,839	2,238	18,217	155,396	20,343	(27,230)	1,730,205

Summarized Statement of comprehensive income 2024 for each company

Total net income	271,876	931	-	6,262	2,264	2,378	18,585	13,364	(1,413)	314,247
Total Expenses	(100,198)	(604)	-	(1,012)	(791)	(799)	(20,788)	(10,306)	61	(134,437)
Net impairment provisions	(10,896)	-	-	-	-	(27)	(1,740)	-	-	(12,663)
Profit before Tax	160,782	327	-	5,250	1,473	1,552	(3,943)	3,058	(1,352)	167,147
Income tax expense	(61,624)	(112)	-	(1,585)	(449)	(579)	-	(890)	-	(65,437)
Profit after tax	99,158	215	-	3,665	1,024	973	(3,943)	2,168	(1,352)	101,710

45. Exchange rates and inflation

The average of the year-end buying and selling rates of the foreign currencies most affecting the performance of the Group are stated below together with the increase in the National Consumer Price Index which represents an official measure of inflation.

The following transactions were conducted with related parties:

	2025	2024
Kwacha/GBP	2,408	2,242
Kwacha/Rand	108	95
Kwacha/US Dollar	1,735	1,734
Kwacha/Euro	2,101	1,859
Inflation rate (%)	**26.0**	**28.0**

As at 27 March 2026 the above rates had moved as follows:

Kwacha/GBP	2,383
Kwacha/Rand	105
Kwacha/US Dollar	1,734
Kwacha/Euro	2,061
Inflation rate (as at February 2026)	**24.1%**

46. Events after reporting date

Capital gains tax

Subsequent to the reporting date, on 27 February 2026, on presentation of the 2026/27 Budget Statement, the Government announced an amendment in respect of capital gains tax (CGT) arising from the sale of listed shares on the Malawi Stock ~~Exchange, whereby the~~ existing framework will be replaced by a final withholding tax of 2% on the gross proceeds from the sale of such shares. As at 31 December 2025, listed shares were subject to CGT at the effective tax rate of 40% for the Bank, following an amendment to the Taxation Act that removed the exemption from CGT on listed shares that was effective on 30 December 2025. The announced revised amendment was not substantively enacted as at 31 December 2025 and, accordingly, no adjustment has been made to the deferred tax balance recognised in these financial statements in accordance with IAS 10- Events after the Reporting Period. Had the amended tax legislation been effective at the reporting date, the income tax expense for the year would have decreased by approximately K13.2 billion and deferred tax liabilities would have decreased by K13.2 billion. The amendment will be effective on 1 April 2026 after approval by Parliament and the impact will be reflected in the financial statements for the year ending 31 December 2026.

46. Events after reporting date (Continued)

Policy rate

On 5 March 2026, the Monetary Policy Committee reduced the Policy Rate by 200 basis points from 26% to 24%. This change will impact on results for the year ending 31 December 2026.

Dividends

The directors declared a second interim dividend of K23,490m (2024: K17,398m) in February 2026 which will be paid in April 2026. A final dividend for the year of K52,283m (2024: K28,599m) will be proposed at the AGM. These dividends will be accounted for in the consolidated and separate financial statements for the year ending 31 December 2026.

Notes

Notes

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National Bank of Malawi plc

Proxy / Voting Form

VOTING FORM

I/WE .....(name/s in block letters)

of .....(address)

being the member/members of the above named company and entitled to vote do hereby cast my/our vote on the proposed resolutions for the Fifty Second Annual General Meeting of the company to be held physically and virtually from Sunbird Mount Soche on Friday, 24th July 2026 at 14.00 hours and at any adjourned meeting thereof as follows:

PROXY FORM

I/WE .....(name/s in block letters)

of .....(address)

being the member/members of the above named company and entitled to vote do hereby appoint

1.....of .....or failing him/her

2.....of .....or failing him/her

3. the chairman of the meeting

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Fifty Forth Annual General Meeting of the Company to be held virtually from Sunbird Mount Soche on Friday 24th July 2026 at 14.00 hours and at any adjourned meeting thereof as follows:

Proxy / Voting Form (Continued)

	Agenda Item	Mark with X where applicable		
	Ordinary business	**In Favor**	**Against**	**Abstain**
1.	• To confirm the appointment of Dr. Grant Kabango as a Director who was co-opted during the year to fill a casual vacancy that arose in the course of the year.			
	• To confirm the appointment of Mr. Tavona Biza who was co-opted during the year to fill in a vacancy that arose during the year.			
	• To re-elect Mr. Crispin Mzengereza who retires by rotation in terms of Article 63 of the Articles of Association but being eligible, has offered himself for re-election.			
	• To re-elect Mr. MacLeod Nkhoma, who retires by rotation in terms of Article 63 of the Articles of Association but being eligible, has offered himself for re-election. • To re-elect Mr. Raymond Banda who retires by rotation in terms of Article 63 of the Articles of Association but being eligible, has offered himself for re-election.			
	• To note the retirement of Mr. James Mhura who retired in the course of the year having served as the Company's Director from August 2015.			
	• To note the retirement of Mr. Jimmy Lipunga who retired in the course of the year having served as the Company's Director from January 2024.			
2.	To approve the Minutes of the 53rd Annual General Meeting held on 30th June 2025.			
3.	To receive and consider the Directors' and Auditors' Report and Financial Statements of the Company for the year ended 31st December 2025.			
4.	To declare a final dividend amounting to K52.2b making a total dividend of K92.4b in respect of 2025 profits representing K197.92 per ordinary share, having already paid a first interim dividend of 16.6b in October 2025 and a second interim dividend of K23.5b in April 2026.			

	Agenda Item	Mark with X where applicable		
	Ordinary business	**In Favor**	**Against**	**Abstain**
5	To re-appoint Messrs. Ernst & Young – Chartered Accountants as Auditors for ensuing year and to authorize the Directors to determine their remuneration.			
	• Directors Fees Chairman: K33,815,880 (2025: K26,838,000) per annum			
	Non-Executive Directors: K22,217,670 (2025: K17,633,070) per annum			
	• Sitting Allowances Chairman: K1,050,445 (2025: K833,685) per sitting			
	Non-Executive Directors: K936,685 (2025: K743,400) per sitting			

Signed at .....on this .....day of.....2026

Signature .....

Assisted by me (where applicable) (see note 3)

.....

Full name/s of signatory/les if signing in a representative capacity (see note 4)

.....

NOTE

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.
2. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.
3. A minor must be assisted by his or her guardian.
4. In order to be effective, proxy forms must reach the registered office of the company at 7 Henderson Street, Blantyre or the Transfer Secretaries, National Bank of Malawi plc, P O Box 945, Blantyre or at 7 Henderson Street, Blantyre not later than 48 hours before the meeting.
5. If two more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted shall be regarded as the validly appointed proxy.
6. A proxy need not be a member of the company