



National Bank
of Malawi plc



Annual Report 2024



**16 years of cashless
convenience.**

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Financial Highlights

Total Assets
K1,730.21^b

Representing **36%** growth.

Net Profit
K101.71^b

Representing a **41%** increase from the K71.96^b reported in 2023.

Net Income & Similar Income
K119.67^b

Representing **52%** growth.

Net Revenue
K314.25^b

Overall this represents a **46%** growth.

Investment in Fixed Income Securities
K628.54^b

Representing **65%** growth.

In 2024, we invested in a number of corporate social investment (CSI) and sponsorships as part of our Environmental, Social and Governance (ESG) commitment to positively impact the communities where we operate. This is because as the Bank of the Nation, we care about our collective wellbeing, especially the most economically vulnerable in our society. We believe these initiatives help to grow our brand, endear us to our customers who share our values, thereby improving the rate of recall and brand affinity.

K0.416^b
Corporate Social Investment

Mothers' Fun Run - Supported the initiative in Chikwawa District with K70m.

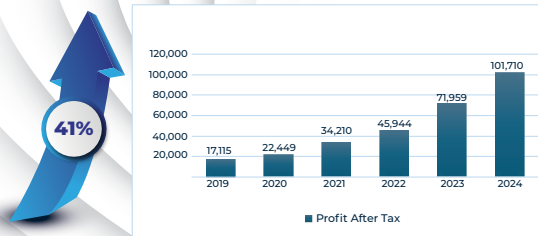
Presidential Charity Golf Initiative - K10.0m.

Donation of Drugs and Medical Supplies to Magomero Health Centre - K3.9m.

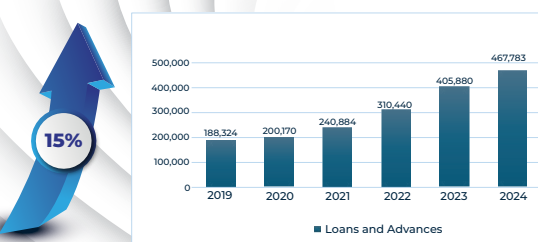
Support for Smallholder Farmers in Mulanje and Thyolo - K90.0m.

Financial Highlights

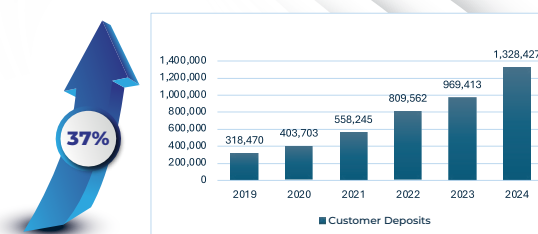
Profit After Tax (K'million)



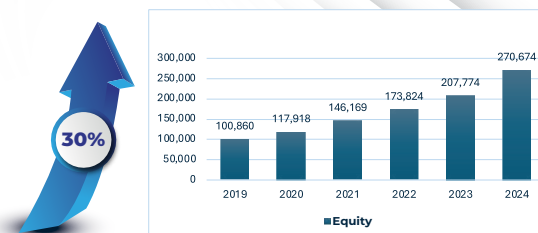
Loans and Advances (K'million)



Customer Deposits (K'million)



Equity (K'million)



Our Values

Customer Centred

We always strive to meet our customers' expectations and put the customer first.

Commitment

The Bank is committed to excellence in its performance and all employees have a clear understanding of NBM plc's strategic focus.

Teamwork

We build and maintain a culture of mutual respect, collaboration and recognition. We promote feedback, effective communication and group work.

Fairness and Equity

We always strive to provide fair opportunities for all employees based on their needs and abilities.

Integrity and Trust

As employees of NBM plc, we fully comply with and share the Bank's commitment to high moral, ethical and legal standards.

Socially Responsible

As a good corporate citizen, NBM plc actively invests in deserving charitable and social activities within local communities. We seek to increase transparency, investment in green technologies as well as diversity and inclusion initiatives.

Our Vision

To be the most successful financial institution in Malawi with an internationally visible presence.

Our Mission

To provide outstanding and inclusive financial solutions that deliver sustained stakeholder value.



16 years of keeping you connected.

Instant airtime top-ups



Board of Directors

Board of Directors



Jimmy Lipunga (61)
FCCA, CA(M),
Cert. PPP Specialist



Harold Jiya (54)
BCom, ACIB,
MBA



Macleod Nkhoma (62)
MBA, FCIS,
PGDIPL



Jim Nsomba (63)
BCom, FCCA,
CA(M)



James Mhura (48)
B.Acc, MBA
(Finance), ACMA



Moureen Mbeye (Ms) (43)
B.Acc, MBA,
FCCA, CA(M)

Chairman

Director

Director

Director

Director

Director



Crispin Mzengereza (66)
BA (Pub. Admin),
B.Com (Hons), PGD
(Bus. Admin),
M.Com.



Dr. Lyton Chithambo (45)
B.Acc, MSc (Finance),
PhD, FCCA, CA(M),
FHEA



Bessy Nyirenda (Mrs) (62)
BSc (Econ, Stat, Comp.
Sc), Dip. (Bus. Sys.
Analysis & Design), MSc
(Comp.), MBA
(Intl. Global Econ)



Raymond Banda (57)
Dip. Bus Admin,
B.Sc (Comp. Sc,
Math, Physics),
MBA (Intl. Bus.)



Zunzo E. Mitole (Mrs) (51)
LLB (Hons), MBA

Director

Director

Director

Director

**Company Secretary &
Head, Legal Services**

Directors' Report

For the year ended 31 December 2024

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 2024.

Capital

The authorized share capital of the Bank is K500m (2023: K500m) divided into 500,000,000 Ordinary Shares of K1 each. The issued capital is K467m (2023: K467m) divided into 466,931,738 (2023: 466,931,738) fully paid Ordinary Shares of K1 each.

The shareholders and their respective shareholdings are:

	2024	2023
	%	%
Press Corporation plc	51.5	51.5
Old Mutual Group	21.3	21.5
Members of the public	27.2	27.0
	100.0	100.0

Profit and Dividends

The directors are pleased to report a consolidated profit before tax of K167,147m for the year ended 31 December 2024 (2023: K120,129m).

On 28 February 2024, the Board declared a second interim dividend of K13,999m (representing K29.98 per share) in respect of 2023 profits and this was paid on 2 April 2024.

On 27 June 2024, the Board declared a final dividend of K23,001m in respect of 2023 profits which was paid on 28 July 2024.

A first interim dividend of K12,999m (2023: K10,973m) was declared and paid to shareholders in September 2024 in respect of 2024 profits.

The directors have proposed a second interim dividend of K17,400m, (2023: K14,000m) to be declared in March 2025 and will be paid in April 2025. A final dividend of K28,600m, (2023: K23,000m) is proposed for the year. This will make a total dividend of K58,999m, (2023: K47,973m) in respect of 2024 profits.

The directors are pleased to report a consolidated profit before tax of K167,147m for the year ended 31 December 2024 (2023: K120,129m).

Directors' Report

For the year ended 31 December 2024

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-All year	Non-executive
Mhura, J.	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
Ngwira, D. (Mrs.)	Up to 30 July 2024	Independent non-executive
Nyirenda, B. (Mrs.)	All year	Independent non-executive
Nkhoma, M.	All year	Independent non-executive
Malunga B. (Dr.)	Up to 31 August 2024	Independent non-executive
Kawawa, M.	Up to 30 June 2024	Executive
Jiya, H.	All year	Executive

Directors' Interests

The following directors held shares in the Bank as at 31 December 2024:

Name of Director	No. of shares		Value of shares (K 'million)	
	2024	2023	2024	2023
Kawawa, M.	-	128,255	-	269
Nsomba, J.	758	758	3	2
Jiya, H.	89,648	48,813	310	103
Mbeye, M.	1,000	1,000	3	2
Total	91,406	178,826		

Except for the additional shares acquired by Executive Director H Jiya, there were no other contracts between the Bank and its directors nor were there any further arrangements to enable the directors of the Bank 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 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
For the year ended 31 December 2023			
National Bank of Malawi plc	458	789	1,247
NBM Capital Markets Limited	21	160	181
NBM Securities Limited	-	-	-
National Bank of Malawi Nominees Limited	-	-	-
Stockbrokers Malawi Limited	10	-	10
NBM Bureau de Change Limited	-	-	-
NBM Pension Administration Limited	15	-	15
NBM Development Bank Limited	50	-	50
Akiba Commercial Bank plc	128	-	128
Total	682	949	1,631

Corporate Governance

In accordance with the Articles of Association, each shareholder with a stake of 10% shareholding or more may appoint one director for each 10% held. Unless a director resigns, non-executive directors appointed by the major shareholders serve on the Board up until they are recalled by the particular appointing major shareholder.

Executive directors serve on the Board by virtue of their offices and their tenure is as per the terms of their contract of employment.

On termination of the contract, three months' notice in writing must be given in case of executive directors whereas for non-executive directors, termination of their appointment is effective immediately when the notice of termination of their appointment is delivered

to the Company Secretary. There is no predetermined compensation on termination of the appointment of 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, a Board Audit Committee, Board Risk Committee, Board Credit Committee, Board Appointments, Remuneration and Governance Committee, Board IT Projects Oversight Committee, Board committee on Related Parties and Board Investments Committee. The Committees comprise 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 2024, none of the directors for the subsidiary companies had interest in any material contract relating to the businesses of their respective subsidiaries.

Information about subsidiaries' board 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	Mr. M. Kawawa	Chairman - Up to 30 June 2024	None
	Mr. H. Jiya	All year - Chairman From September 2024	None
	Mr. H. Mukaka	All year	None
	Mr. B. Jere	All year	None
	Mr. M. Katsala	All year	None
	Mrs. H. Singo	All year	None
	Mrs. M. Mulele	All year - Company secretary	None
Stockbrokers Malawi Limited	Mr. M. Kawawa	Chairman - Up to 30 June 2024	None
	Mr. D. Kafoteka	All year - Chairman From July 2024	None
	Mr. H. Mukaka	All year	None
	Mr. M. Siwu	All year	None
	Mr. N. Kadzakumanja	All year - Company Secretary	None

Subsidiaries Boards of Directors (Continued)

Subsidiary	Directors	Tenure	Directors' interest in shares of the subsidiary
NBM Pension Administration Limited	Mr. O. Kasunda	All year - Chairman	None
	Mr. H. Jiya	Up to 30 June 2024	None
	Mr. B. Boby	All year	None
	Mr. G. Munthali	All year	None
	Mr. B. Sitima	All year	None
	Mrs. S. Mkandawire	All year	None
	Mrs. C. Chithila	Up to 10 March 2024	None
NBM Development Bank Limited	Mrs. Z. Mitole	All year - Company Secretary	None
	Mr. M. Kawawa	Chairman - Up to 30 June 2024	None
	Mr. H. Jiya	All year - Chairman - From 9 October 2024	None
	Mr. M. Katsala	All year	None
	Mr. A. Sukasuka	All year	None
	Mr. F. Muula	All year	None
	Mr. K. Aroni	All year	None
	Mrs. C. Khofi	All year	None
Mrs. M. Mulele	All year - Company Secretary	None	
Akiba Commercial Bank plc	Ms. C. Kimaryo	All year - Chairperson	None
	Ms. R. Juma	All year	None
	Mr. M. Kawawa	All year	None
	Mr. H. Jiya	All year	None
	Mr. M. Katsala	All year	None
	Mrs. Z. Mitole	All year	None
	Mr. B. Mahona	All year	None
	Mr. A. Massawe	All year	None
	Prof. J. Lotto	All year	None
	Mr. D. Kamwendo	From 22 January 2024	None
National Bank of Malawi Nominees Limited	Mrs. Z. Mitole	All year - Chairperson	None
	Mr. H. Mukaka	All year	None
	Mrs. M. Mulele	All year - Company Secretary	None
NBM Bureau de Change Limited	Mr. A. Musyani	All year - Chairman	None
	Mr. B. Boby	All year	None
	Mr. H. Jiya	All year	None
	Mrs. Z. Mitole	All year - Company	None

Subsidiaries Boards of Directors (Continued)

Subsidiary	Directors	Tenure	Directors' interest in shares of the subsidiary
United General Insurance Company Ltd	Mr. H. Jiya	From July 2024 - Chairman	None
	Mr. M. Kawawa	Chairman - Up to 30 June 2024	None
	Mr. S. Kudenga	Full year	None
	Mr. N. Manika	Full year	None
	Mr. M. Katsala	Full year	None
	Mr. H. Chamba	Full year	None
	Mrs. M. Kachingwe	Full year	None
	Mr. L. Tandwe	Full year	None
	Ms. M. Ching'ang'a	From November 2024	None
	Mrs. G. Chikuse	Full year Company Secretary	None

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

Donations

During the year, the Group made charitable donations of K458m (2023: K464m). The donations were as follows: Natural Disasters K99m (2023: K304m), Medical and Health K30m (2023: K76m), Reforestation and Green Energy K146m (2023: K58m), Christmas cheering K87m (2023: K26m), Education K4m (2023: nil) and Farming K92m (2023: nil).



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% (2023: 100%)	Investments and fund management
NBM Securities Limited	100% (2023: 100%)	Dormant
National Bank of Malawi Nominees Limited	100% (2023: 100%)	Holding of investments as nominee (Dormant)
Stockbrokers Malawi Limited	75% (2023: 75%)	Registered stockbroker
NBM Bureau de Change Limited	100% (2023: 100%)	Dormant
NBM Pension Administration Limited	100% (2023: 100%)	Pension administration
NBM Development Bank Limited	100% (2023: 100%)	Small and Medium Enterprises and long-term financing
Akiba Commercial Bank plc	60.48% (2023: 60.48%)	Banking and related services.
United General Insurance Company Limited	57% (2023: 47%)	General (non-life) Insurance (additional 10% acquired during the year)

Areas of Operation

The Group has 49 (2023: 50) service centres: 32 service centres in Malawi and 17 service centres in Tanzania. The Bank and its subsidiaries, except Akiba Commercial Bank plc (ACB), have registered offices and principal places of business in Blantyre, Malawi. ACB's registered office and principal place of business is in Dar es Salaam, Tanzania.

Environmental, Social and Governance

The Group is deeply committed to sustainability principles, shaping its approach to sustainable development as a leading financial institution in Malawi. Recognizing its pivotal role in driving economic progress, the Group prioritizes environmental stewardship and social responsibility to create long-term value for stakeholders.

The Group is dedicated to minimizing its impact on the environment through strategic initiatives and sustainable investments. These include responsible lending, resource efficiency, and environmental restoration programs such as tree planting. These efforts contribute to the development of sustainable urban areas while safeguarding natural habitats for future generations. The Group's commitment to social responsibility extends beyond financial services, focusing on enhancing community well-being. The Group actively participates in initiatives that promote inclusive growth, improve access to education and healthcare, and empower marginalized groups. By investing in these social programs, the Group fosters opportunities, builds resilience, and drives shared prosperity. Internally, the Group places a high priority in maintaining a safe, supportive, and inclusive work environment. The Group promotes employee wellness through regular health checkups and guidance while encouraging staff involvement in sustainability efforts.

Environmental, Social and Governance (Continued)

Diversity and inclusion remain central to its workforce policies, ensuring that every team member feels valued and empowered to contribute meaningfully.

Sound governance practices form the foundation of the Group's operations, emphasizing transparency, accountability, and ethical conduct. The Group adheres to regulatory requirements, upholds global governance standards, and maintains integrity in all aspects of its operations. This governance framework protects stakeholder interests and supports long-term sustainability.

The Group shall not invest in or lend to, or engage in activities that are detrimental to the environment, harmful, or dangerous to people or communities. The environmental and social management system enables the Group to track and manage environmental and social aspects of its operations. This protects the Group against financial, legal and/or reputational risks arising from activities that are not compliant with sustainable development.

The Group's sustainability practices are guided by the following international and industry-specific standards:



Environmental, social and Governance (Continued)

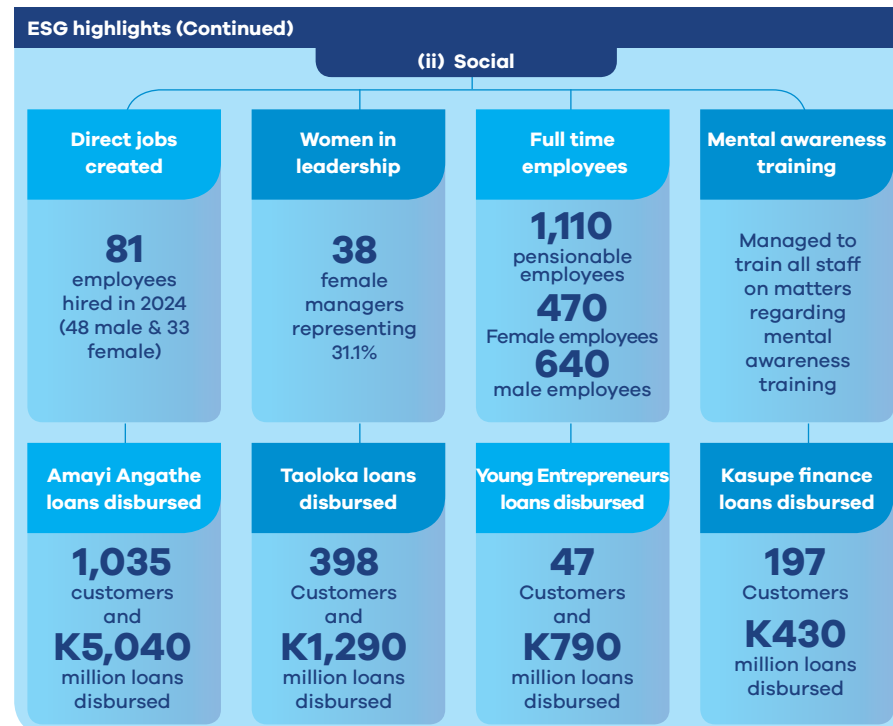
Through these frameworks, the Group integrates sustainability into its core operations, driving progress towards a more sustainable and inclusive future for Malawi. By integrating these frameworks, the Group continues to strengthen its commitment to sustainable finance, transparency, and the creation of long-term value for stakeholders.

The Group has established internal policies, procedures, and controls to ensure the accuracy and reliability of the data presented in this sustainability report. Oversight of Environmental, Social, and Governance (ESG) matters, including this report, is provided by the Board Risk Committee, reflecting the Group's commitment to accountability and transparency. The Group has carefully selected appropriate measurement metrics and reporting criteria that align with the nature of its business operations and sustainability objectives.

The Group acknowledges the critical importance of ESG disclosures and the integrity of the data that supports this process. To this end, its reporting processes are integrated with its internal business reporting systems. In areas where manual data sourcing and categorization are still used, the group actively works to develop and implement more robust processes to enhance the accuracy and efficiency of data collection. This continuous improvement ensures that the Group's ESG reporting not only meets the expectations of stakeholders but also aligns with global best practices, positioning the Group as a leader in sustainable banking in Malawi.



Environmental, social and Governance (Continued)



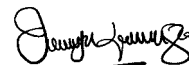
Auditors

On 27 June 2024, 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 2024. 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 2025.

Auditors' Remuneration

The total Group Auditors' remuneration including VAT and expenses for the year was K1,071m (2023: K736m).

By order of the Board



Director (Lipunga, J. (Mr))
17 March 2025



Director (Nkhoma, M. (Mr))
17 March 2025

Chairman's Report

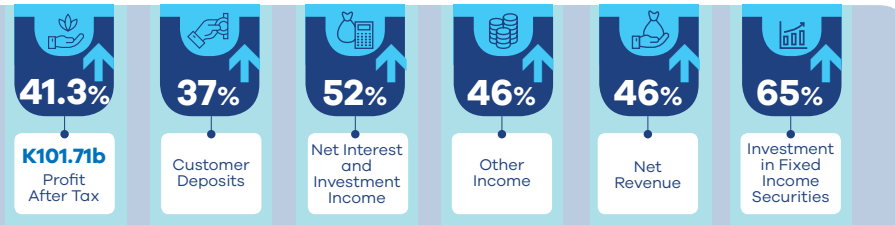
Jimmy Lipunga



The Group continued to perform exceptionally well notwithstanding the difficult operating environment

The Operating Environment

The Group has yet again delivered stellar results against a backdrop of major economic uncertainties including; high inflation, fuel shortages, foreign exchange scarcity and stiff competition, to register a profit after tax of K101.71b representing a 41.3% increase from the K71.96b reported in 2023.



The official Malawi Kwacha exchange rate to the US Dollar remained relatively stable, albeit that it devalued by 3% during the first quarter from K1700 to K1,751 and held steady to the end of the year. Despite the devaluation, foreign exchange supply challenges persisted, which resulted in a widening of the gap between the official exchange rate and the unofficial parallel market rate. This, in turn, undermined the supply of foreign exchange in the financial system. All in all, the operating environment was, inevitably, very challenging for business.

All but one subsidiary of the Bank posted profits



Performance

As stated earlier, the Group continued to perform exceptionally well notwithstanding the difficult operating environment, registering a profit after tax of K101.71b representing a 41.3% increase from the K71.96b reported in 2023. These results were largely driven by growth in customer deposits which resulted in increases in the loan book and fixed income securities. Consequently, Net interest and investment income grew by 52%. In addition, other income grew by 46% driven by fees and commissions on foreign exchange dealings and transaction processing on our digital platforms. Overall net revenue grew by 46%. Operating expenses increased by 52%, surpassing average inflation for the year, mainly due to consolidation of UGI's expenses, which became a subsidiary following an increase in the Group's shareholding during the year under review, and non-recurrent staff rationalization expenses at our Tanzania subsidiary, Akiba.

Net impairment losses continued to rise registering an increase by 75% (2023: 81%) reflecting the tough operating environment, both in Malawi and Tanzania.

Customer deposits increased by 37% (2023: 20%) year on year while the Bank's loan book grew by 15% (2023: 31%). Investment in Fixed Income securities grew by 65% (2023:10%).

All subsidiaries of the Bank posted profits that contributed positively to the Group performance except for Akiba Commercial Bank plc (ACB) in Tanzania, which posted a loss. This notwithstanding, significant positive strides were made including upgrading of the core banking system, staff rationalization, introduction of new product and service offering to our customers in the Tanzanian market, amongst other strategies, to support business growth and inevitable turnaround in the performance of the bank going forward.

DIVIDEND PAYMENTS AT A GLANCE



PROSPECTS

The Bank is expected to sustain its enviable performance and growth trajectory

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.

This positive outlook, however, is clouded by prevailing high inflation, potential fiscal slippages arising from general elections related spending in 2025, La Niña-induced weather shocks which could negatively impact agricultural production and food security, the falling off of the IMF-supported ECF program, and a highly uncertain global economic and geopolitical environment fueled by global trade war amongst the world's economic powers.

The Board envisages the operating environment to remain challenging due to the factors enumerated above. However, the Bank is still expected to sustain its enviable performance and growth trajectory by focusing on delighting its customers to grow its market share, leveraging on technology, innovation and strategic partnerships to exploit opportunities in the market. In addition, the Bank will aim to drive greater efficiencies to sweat its assets more and create value for its stakeholders, enhance its talent and employee culture, as well as implement sound good governance practices.

Board of Directors

I would like to take this opportunity to express my sincere gratitude to fellow directors for their counsel, support, dedication, and co-

Dividends

The Board carefully considered the payment of a dividend for this financial year, taking into account future capital commitments, and I am, therefore, pleased to report that first and second interim dividends were paid in September 2024 (K13b) and April 2025 (K17.4b). Meanwhile, a final dividend of K28.6b representing K61.25 per share has been recommended by Directors. Once the final dividend has been approved and paid, the total dividend paid will be K59b representing K126.35 per share in respect of 2024 profits. This is an increase of 22.9% over the dividends paid in respect of 2023 profits.

Strategy and Prospects

The economy is expected to grow by 3.2% in 2025 from an estimated 1.8 percent in 2024, fueled 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,

operation in the year just ended. Sadly, during the year, we lost one of our most committed directors, the late Mrs. Dorothy Ngwira due to illness (may her soul continue to rest in eternal and perfect peace). The late Mrs. Ngwira served the Board with distinction since her initial appointment in 2018. She died while serving as Chairperson of the Audit Committee. Our deepest sympathies go to her family and close friends and she is sorely missed. We also bade farewell to Dr. (Mrs.) Bernadette Malunga who left the Board on 31 August 2024 after serving on the Board since 2022. On behalf of the Board of directors, I wish Dr. (Mrs.) Malunga all the best in her future endeavours. A careful search for replacements to fill the vacancies on the Board were at an advanced stage as the year drew to a close and announcements will be made in due course. In keeping with international best practice, NBM plc is committed towards the promotion of diverse and inclusive boards within the group. Presently the board comprises a mixture of independent and non-independent directors with the former being in majority. Female directors accounted for 30% of the board composition and it is the intention of NBM plc to seek every opportunity to increase the number of female directors.

NBM plc continues to embrace the principles encapsulated in the ESG (Environmental, Social and Governance) principles. Our corporate social investments reflect the

desire to be a responsible corporate citizen as demonstrated by our commitment to set aside 2% of prior year profits for that cause. This ensures that NBM plc remains socially relevant within the communities in which it operates and a reliable partner to the Government in uplifting the lives of the people of Malawi.

Management and Staff

I would like to express my sincere thanks to all members of staff, the Bluehearts, for your support, hard work, commitment, dedication to duty and loyalty that has resulted in exceptional performances year on year.

Keep hoisting the Bank of the Nation flag even higher in the years to come.

Female directors accounted for 30% of the board composition and it is the intention of NBM plc to seek every opportunity to increase the number of female directors

The year 2024 was a year of leadership transition at management level for the Bank as it ushered in Harold Nester Jiya as the new Chief Executive Officer with effect from 1 July 2024 following the retirement of his predecessor, Mr. Macfussy Kawawa on 30 June 2024. Mr. Jiya is a seasoned, highly qualified and experienced banker who has been with the Group for the past 20 years serving in various senior leadership positions. The Board wishes Mr. Jiya well as he steers the Bank to a new era of greatness to sustain the growth trajectory of the Group. On behalf of the Board, I express gratitude

It is with great sadness that I inform you that I will be stepping down from the Board of National Bank of Malawi plc at the annual general meeting in June 2025



However, it is with great sadness that I inform you that I will be stepping down from the Board of National Bank of Malawi plc at the annual general meeting in June 2025. It is said a good dancer must know when to leave the stage and I feel this is the right time for me to go. It has been a momentous journey and a privilege for me to chair the Board of the Bank of the Nation for the past three years and I thank the Almighty God for such an incredible opportunity. I will be forever indebted to my principals, Press Corporation plc, for entrusting me with such enormous responsibility. My sincere gratitude goes to fellow directors for the support and encouragement rendered to me as they made this incredibly difficult task manageable. Once again, let me take this opportunity to thank you, our customers, business partners, and all stakeholders within our value chain for your support as, together, we navigated the challenging economic landscape to fulfil our shared dreams.

Jimmy Lipunga
CHAIRMAN

to Mr. Macfussy Kawawa for his exemplary leadership, commitment and dedication to duty as the Bank registered strong growth during his tenure at the helm. We wish him a long, healthy and happy retirement!

Conclusion

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

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16 years of making your health a priority

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NB The Bank of the Nation

Senior Management



Harold Jiya
BCom, ACIB,
MBA

Chief Executive Officer



Masauko Katsala
B.Com, FCCA,
CA(M), MBA.

Chief Operations Officer



Daniel Jere
B.Acc, MBA,
FCMA, CGMA,
CA(M)

Chief Financial Officer



Christopher Chilenga
B.Soc.Sc. (Comp & Econ),
ITIL, MBA

Head, Information Technology and Organisation Methods



William Kaunda
BSc, MSc (Bus Mgt)

Head, Digital Banking Services



William Chatsala
B.Com, MBA, FCIB

Head, Corporate Banking



Harry Mukaka
BA, MBA.

Head, Treasury & Investment Banking



Charles Dulira
BA, CTP, MBA

Head, Human Capital



Eluphy Salamba
B.Com (Bus Admin), MSc (LCM)

Head, Credit Management



Oswin Kasunda
B.Com, MSc (St. Mgt)

Head, Retail Banking



Noel Galazinyake Tomoka
B.Acc, FCCA, CA(M)

Acting Head, Internal Audit



Charles Ulaya
B.Acc, ACMA,
CA(M)

Chief Risk Officer



Brian Boby
B.Soc.Sc., MBA.

Head, Operations



Wilkins Mijiga
B.Soc.Sc. (Econ)

Head, Client Coverage



Zunzo E. Mitole (Mrs)
LLB (Hons), MBA

Company Secretary & Head, Legal Services

Senior Management

Chief Executive Officer's Statement

Harold Jiya



The Group registered a profit after tax of K101.71b representing a 41.3% increase from K71.96b reported in 2023.

Performance Overview

The Group registered a profit after tax of K101.71b representing a 41.3% increase from K71.96b reported in 2023. These results were largely driven by continued growth in customer deposits which in turn fueled growth of the loan book and fixed income securities. Consequently, Net interest and similar income grew by 52%. In addition, there was a 46% growth in other income from K84.31b to K103.95b.



It is pleasing that our turnaround strategies paid off dividends resulting in UGI, which became our subsidiary during the year under review posting profits.

Overall net revenue grew by 46%. Operating expenses increased by 52%, surpassing the average inflation for the year on account of high inflation in Malawi, non-recurrent staff rationalization expenses at our Tanzania subsidiary, Akiba and consolidation of UGI's expenses, which became a subsidiary following the increase in the Group's shareholding in the company from 47% to 57% during the year under review. Impairment losses surged further during the year reflecting the challenging operating environment.

Customer deposits increased by 37% year on year while the Bank's loan book grew by a modest 15% (2023: 31%) due to low utilisation of credit facilities by importing customers because of acute foreign exchange scarcity on the market apart from prevailing high interest rates which did not foster a conducive environment for new project investments. Investment in Fixed Income securities grew by 65% (2023: 10%).

It is pleasing that our turnaround strategies paid off dividends resulting in UGI, which became our subsidiary during the year under review posting profits. However, Akiba Commercial Bank (ACB) posted a loss, driven by once-off staff rationalization costs and credit impairment losses. However, we remain upbeat about Akiba's prospects as the macroeconomic fundamentals in Tanzania look promising and firm strategies

to return the Bank to profitability are in place.

Corporate Banking

The Corporate Banking Division provides banking solutions to the Bank's large private sector corporations, public institutions, international organizations, and NGOs.

The Division has a well-qualified and skilled team of Account Relationship Managers with proven expertise in providing customized solutions to meet our clientele's varied banking needs. The Division remains responsive to customers' needs and creates value for all stakeholders by leveraging on the strong partnerships that the Bank enjoys with its customers.

The year 2024 was, once again, characterized by acute foreign exchange scarcity on the market which led to low utilisation of credit facilities by importing customers. The Division did not fully meet the large ticket requirements of customers who needed to establish Letters of Credit for importation of petroleum products, fertilizers, pharmaceuticals, raw materials for the manufacturing sector and finished goods for the wholesale and retail sectors due to low supply of foreign currency. In addition, a weakening local currency, high inflation and interest rates increased the cost of doing business in the country. This adversely

affected levels of net interest income, non-interest income, operating costs, and credit loss provisions.

With the challenging operating environment, corporate loans and advances grew by a modest 16.9% to K242b during the year, whilst deposits from corporate customers grew by 25% to K545b.

The non-performing loans (NPL) ratio on the corporate loan book grew to 24.8%, principally due to large credit facilities to some customers in the hospitality, agricultural, mining, telecommunication and transport sectors which did not perform well. The Bank is actively pursuing recovery efforts including legal redress and collateral realization, whilst in other cases, debt restructuring is being explored to improve customers' debt serviceability.

The country is taking positive strides to improve the operating environment, and the Bank will seek to exploit opportunities that will emerge. However, foreign currency scarcity remains a key challenge. High inflation and interest rates pose real challenges to business recovery in 2025. However, the Division will build on its strengths to sustain its operations by, amongst other things, exploiting emerging prospects in mining, energy, agricultural mechanisation and alternative cash crops.

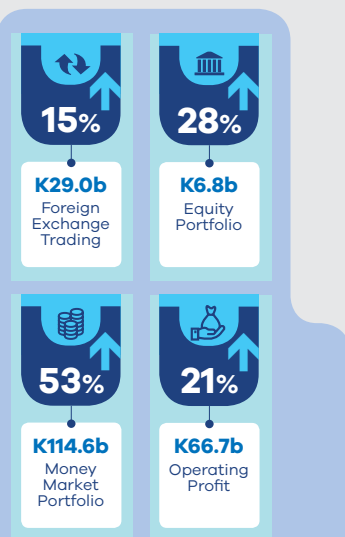
Treasury and Investment Banking

Treasury and Investment Banking division posted strong results in all their income lines in 2024 despite the challenging market conditions. Foreign exchange trading income at K29.0b was a modest 15% higher than the K25.3b recorded in previous year. This result was attained in an environment characterized by persistent foreign currency scarcity and stringent regulation.

The equity portfolio registered a strong performance as the stock market exhibited a bullish trend towards the end of 2024. The portfolio generated an income of K6.8b, which was 28% above K5.3b recorded in the previous year.

The money market portfolio also registered a very strong performance in 2024 as it generated income of K114.6b reflecting an impressive growth of 53% from K74.95b

Treasury and Investment Banking division posted strong results in all their income lines in 2024



recorded in the previous year. This performance was largely driven by growth in investments in fixed income securities, mainly government securities. Overall, the Division reported an operating profit of K66.7b (2023: K55.1b).

Retail Banking

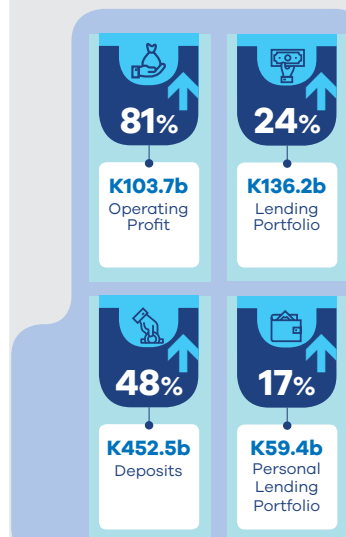
The Retail Banking Division is responsible for managing the small and medium enterprises (SMEs) and personal banking portfolios. With an extensive network of 32 service centres across the country, the Division also provides transactional services to all the Bank's customers.

The operating environment remained challenging, characterized by high inflation rates, foreign exchange shortages, and unfavourable weather patterns. These factors significantly impacted the ability of most SMEs to conduct business optimally.

Despite these challenges, the Division's non-performing loan (NPL) ratio improved to 5.0% from 9.7% recorded in the previous year. This improvement is attributed to improvement in the quality of business underwritten and effective debt management. This resulted in the Division registering an operating profit of K103.7b (2023: K57.2b) representing 81% growth.

The Division registered growth in its lending portfolio of 24% in the year under review from K109.4b to K136.2b. Deposits, on the other hand, grew by 48% to K452.5b from K306.5b registered in the previous year. The personal lending portfolio grew by 17% over prior year from K50.7b to K59.4b driven by growth of 15% on ordinary personal loans and 19% on premium platinum. The key driver of this growth was the introduction of innovative products to the personal customer segment, which included, amongst others, the share purchase loan product and enhancement of the employer supported loan schemes.

The SME lending portfolio, on the other hand, recorded a year-on-year decline of 13% from K37.8b to K33.01b largely due to persistent foreign currency scarcity. This severely impacted import-dependent customers leading to their reduced appetite to borrow. Growth in deposits was largely driven by the personal deposit portfolio which experienced a year-on-year growth of 44% from K218.1b to K313.9b. The unsegregated personal portfolio grew by 41%, whilst the



The unsegregated personal portfolio grew by 41%, whilst the Platinum and Gold portfolios grew by 59% and 90% respectively.

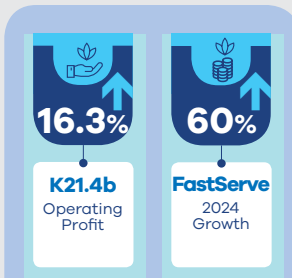
Platinum and Gold portfolios grew by 59% and 90% respectively. This growth is attributed to strategic partnerships with several reputable corporate employers on special packaged products for their employees and various mass customer recruitment campaigns.

The Division enhanced customer engagement through targeted visitations, SME interactions and business management workshops. These initiatives focused on various customer segments, including Large Depositors, SMEs, Taoloka Finance for vendors, Amayi Angathe product and service offering for women entrepreneurs. The objectives of these interactions were to drive business growth, enhance customer loyalty, and promote financial inclusion. Specifically, the interactions sought to retain and attract SME customers, gather feedback for product development, empower women and young entrepreneurs, and to expand access to banking services for the unbanked.

To drive business growth and transformation, the Division will adopt effective strategies focusing on innovation, enhancing operational efficiency, and strengthening service delivery across all customer touch points. Key initiatives to increase the customer base include strengthening corporate partnerships, increasing utilization of digital banking platforms and continuously reviewing and refining products and services to meet evolving customer needs.

Digital Financial Services

Digital Financial Services Division continued to champion the Bank's strides in the area of digital transformation in its quest to be the leading digital bank in Malawi. In the year under review, transactions processed digitally either through cards or electronic services accounted for 94.5% of the total number of transactions processed by the Bank. The Bank expanded its integration with various partners to enable seamless utility and fees payments to various partners. The Bank introduced digital credit solutions through its partners by financing nano loans as part of its quest to enhance financial access to the less privileged included as part of the financial inclusion drive. The growth in the proportion of digital transactions to the overall transactions referred above is indicative of a strong inclination by our customers to utilise various digital channels as opposed to branch network.



In the year under review, transactions processed digitally either through cards or electronic services accounted for 94.5% of the total number of transactions processed by the Bank.

The Division reported an operating profit of K21.4b (2023: K18.4b) representing growth of 16.3%. This marginal growth in profitability was largely driven by growth in business volumes reflecting an increased uptake in the Bank's digital solutions amidst stringent regulatory price controls, amongst other factors.

The Bank continued to grow its branchless banking service, NBM FastServe, a banking service conducted through agents, registering growth of 60% in 2024 over prior year. In terms of regional distribution 26% of the Agents were located in the Northern region, with 27%, 36% and 11% in the Central, Southern and Eastern regions respectively. Branchless banking services remained both cash-in and cash-out services, bill payments and mobile top-up.

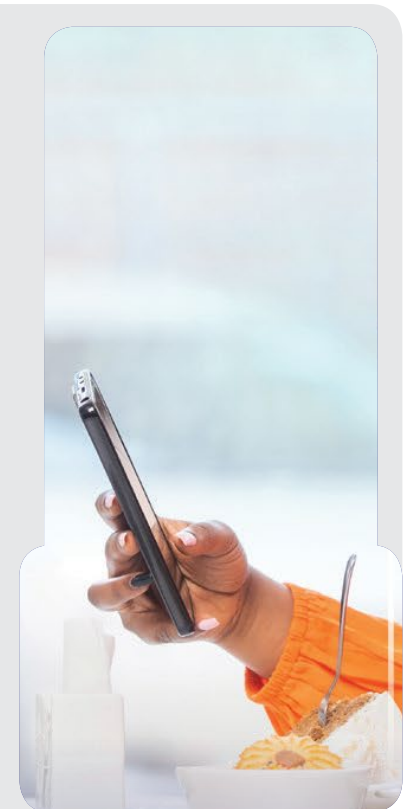
Looking ahead, the Bank plans to roll out its upgraded internet banking solution, introduce new digital products for SMEs and revamp the NBM FastServe solution. The Bank is also looking at expansion of financial access to the less included through the provision of specialised digital loans for this sector.

Information Technology Systems

In 2024, the Bank launched its new IT Strategy focused on leveraging technology to drive innovation, enhance customer experience, and improve operational excellence. Key initiatives undertaken included planning for the core banking system upgrade by 2026 and an ATM/POS Management System upgrade before December 2025.

The Bank also implemented an intelligent Software Defined Wide Area Network (SDWAN) for better connectivity and security; and acquired a new Business Intelligence (BI) system to enhance reporting, analytics, and AI adoption.

The Bank also onboarded new business partners as it continues to grow the digital payments ecosystem through digital banking platforms - Mo626*ice*, Mo626 Digital+ and BankNet360. Furthermore, the Bank provided valuable support in the successful T24 core banking upgrade project for its Tanzanian subsidiary, Akiba Commercial Bank, which went live in November 2024.



Talent Management Activities

In the year under review, the Bank rolled out the online performance management system which enabled employees to complete their performance appraisal reports in Sage 300 People system in record time. The adoption of the online performance management system was in line with the Bank's vision to digitize most of its Human Capital Management processes and achieve efficiencies through the reduction of operational costs by adopting paperless systems. The new system is greatly assisting to achieve transparency as both the appraisees and appraisers were actively engaged in the assessment process throughout the year, which ultimately led to performance improvement across all units of the Bank.

The Bank also focused its attention on employee engagement. The Bank carried out an Employee Engagement Survey during the year under review to gauge the level of engagement towards their employer. The results showed that 77% of the total workforce felt positively towards the Bank. This was quite encouraging as the results confirmed that the Bank had more employees with higher levels of engagement necessary to achieve high productivity levels and commitment for the achievement of organizational goals.

All divisions and service centres continued with the implementation of our Tiiphula culture through monthly meetings at which employees discussed the various themes as articulated in our cultural blueprint to achieve excellent customer service and business growth. Management visibility engagements were also done across all units to enhance interaction between the

leadership and employees. During such meetings, employees discussed measures and initiatives to enhance business growth, customer experience, operational efficiency and any other areas that required immediate attention by management to resolve customer pain points.



A total of 45 peer educators were trained and equipped with the requisite skills to serve all staff on health issues including HIV and AIDS.

Employee health and wellbeing were also given the necessary attention during the year. A total of forty-five (45) peer educators were trained and equipped with the requisite skills to serve all staff in their respective divisions and service centres better on health issues including HIV and AIDS. Additionally, the Bank continued to support staff by providing the in-house medical insurance scheme, NABMAS to all staff and their registered dependents to ensure they accessed affordable medical services whenever in need, which in turn helped improve their productivity in the workplace. Employee wellness activities also took centre stage as more employees were more engaged and participated in aerobics and other social sporting activities including Bankers' Day to keep fit.



Three of the Bank's employees were sponsored to pursue various postgraduate studies abroad

The Bank continued to invest in its employees' training and development during the year. Three of its employees were sponsored to pursue various postgraduate studies abroad - one in the United Kingdom for a Master's degree in Information Technology at the University of Sussex, and two in the Republic of South Africa at the University of Cape Town for a Master's degree programs in Commercial Law and Business Administration. The Bank's Leadership Centre also delivered forty-one short term courses in various fields to enhance employees' performance. The Bank also sponsored several of its employees to a total of seventy-three external courses during the year in line with its Training Master Plan.

Corporate Social Investment Activities

In 2024, we invested in a number of corporate social investment (CSI) and sponsorships as part of our Environmental, Social and Governance (ESG) commitment to positively impact the communities where we operate. This is because as the Bank of the Nation, we care about our collective wellbeing, especially the most economically vulnerable in our society. We believe these initiatives help to grow our brand, endear us to our customers who share our values, thereby improving the rate of recall and brand affinity. It is our firm belief that this goes a long way to grow our customer base to our target of 2 million by 31 December 2027.

We remain committed to corporate social investment (CSI) with the overarching goal of driving sustainable social impact. During the year, key focus was on Education, Health, Innovation, Clean Energy, Environmental Preservation and Agriculture.

A notable initiative pursued during the year

was the procurement of blood bank fridges for the Malawi Blood Transfusion Services (MBTS) in Mangochi, Mulanje, Phalombe, and surrounding areas. This initiative is set to benefit over 2 million people by ensuring safe blood storage. This investment will further strengthen ties between the Bank and MBTS.

In the Agricultural sector, we supported the Mulanje Banana Plantations project, aimed at revitalizing banana farming and boosting local economies. To promote sustainability and access to clean water and energy and in line with our ESG commitment, we invested in solar-powered boreholes and electricity systems for a number of underserved communities, amongst other deserving initiatives.

Through these strategic investments, the Bank continues to drive impactful change while reinforcing strong business partnerships and community engagement.



We supported the Mulanje Banana Plantations project, aimed at revitalizing banana farming and boosting local economies.

Forum, Malawi Defense Force Annual Drill Competition, African Union Day Celebrations and the Microfinance Annual Lakeshore Conference and others. These sponsorships were driven by the need to help further business unit objectives.

- **Product Activation Led Sponsorships** – ongoing partnership with Beerland Festival and the ongoing Mo626 Basketball games targeting the youth segments are examples of sponsorships undertaken to specifically drive product awareness and objectives (acquisition/usage/issue resolution).



Sponsorships

During the period under review, we invested in sponsorships which were essentially split into three segments as below:

- **Professional Bodies/Associations** – these included the Institute of Chartered Accountants Malawi, Institute of Internal Auditors Malawi Chapter, Bankers Association of Malawi and ICT Association of Malawi. These sponsorships were primarily to maintain good relations with professional bodies to which employees of the Bank are affiliated and foster growth and learning for the Bank's professionals.
- **Business Unit Led Sponsorships** – in support of the Malawi Mining Investment

Stakeholder Engagement

Multiple stakeholders were engaged spanning several segments.

Customer engagements for SMEs and large depositors were held across the country to push acquisition and usage of the Bank's products and services. These were tailored to specific products such as Taoloka and Amayi Angathe. Likewise, a golf tournament was hosted in Blantyre with the intention of fostering client relations and driving business leads.

For the second year running, the Bank hosted a stakeholder engagement forum which helped to normalize relations between NBM plc and its various stakeholders.

Internal employee engagement initiatives, such as the Africa Day commemoration, were undertaken to strengthen the Bank's Tiiphula culture. The Tiiphula cultural transformation anniversary celebrations were held in November 2024, embracing a vintage theme, with members of staff dressing in vintage attire and actively engaging in the festivities.

Product Promotion And Advertising

During the year, product activations were executed through, amongst other initiatives, advertising, consumer promotions, and sponsorships. For instance, the Popanda Chifukwa promotion boosted usage of the Bank's point of sale (POS) devices and the MoPay platform.

To enhance brand awareness and visibility of our products and services, the Bank expanded its Out of Home (OOH) advertising efforts in Q4. The number of sites grew from 5 in prior year to over 25 across the country. This was successfully implemented in key districts such as Ntcheu, Salima, and Chikwawa, thereby strengthening the Bank's presence.

Digital Marketing Initiatives

We recognize that millennials and Gen Zs are fast becoming key productive customers, making digital initiatives essential for maintaining a competitive edge. As of the fourth quarter of 2024, the Bank's total online audience had surged to 109,485 followers, reflecting a 40% growth from 77,915 the previous year. This growth was fueled by strategic marketing efforts. Such initiatives have significantly enhanced the NBM's online visibility and engagement, reinforcing its position as a forward-thinking and innovative bank.

The Bank's total online audience had surged to 109,485 followers, reflecting a 40% growth

The competitive social media landscape among banks remains intense, with National Bank of Malawi plc leading with 109,485 followers. While the Bank maintains its leadership, the close competition signals the need for continuous innovation and engagement strategies to strengthen its digital presence further.

In conclusion, the Bank will in 2025 continue to implement initiatives that drive brand awareness, build brand affinity, manage key stakeholders and attain business growth targets aligned to the #1-2-4-100# corporate strategy focus goal.

Subsidiaries and Associates

NBM Capital Markets Limited

NBM Capital Markets Limited (NBM Capital) is a wholly owned investment management subsidiary of National Bank of Malawi plc. The main business focus of the company is for the provision of investment management services to third party clients. Its business portfolio includes pension and gratuity funds, private wealth and settlement trusts and money market portfolios. The company also offers financial advisory services to individual and corporate clients and executes corporate finance mandates for its third party clients.

For the year ended 31 December 2024, the company recorded a profit before tax of just over K5.2b from K4.9b representing a modest 7% increase due to tight margins arising from fierce business competition, especially in money markets. However, the overall portfolio under management grew by 49% to K427b from K287b as at the close of the previous year, largely driven by good performance of listed equity investments on the Malawi Stock Exchange (MSE), organic growth and prudent investment management strategies.

The outlook for 2025 is uncertain due to the challenging macroeconomic and geopolitical environment. This notwithstanding, the company intends to employ active and prudent investment strategies to navigate and overcome any turbulences emanating from any adverse events. Management therefore anticipates a strong performance backed by bullish trends from the local capital market forecasts and planned initiatives in business development and marketing activities.



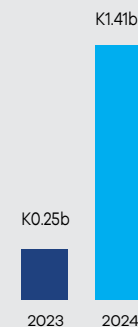
Profit Before Tax

NBM Pensions Administration Limited (NBM PAL)

NBM PAL is a wholly owned subsidiary of the Bank engaged in Pension administration. The Company recorded strong performance in 2024 registering a profit before tax of K1.41b representing growth of 575% compared to the prior year. The impressive turnaround in performance is largely attributed to growth in revenues upon introducing fees on the NBM PAL Unrestricted pension to align with industry practice, adjustment of tariffs and organic growth of the wage bill as a result of salary increments awarded by most employers.

Funds under Administration portfolio grew to K231b as at the end of the year 2024, from the prior year's closing position of K166b representing an increasing of 39%. The portfolio growth would have been even greater had it not been for an increase in claims, especially from members who exercised their option to access part of the pension benefits 5 years prior to their respective retirement ages.

Prospects for the year 2025 look promising after the Reserve Bank of Malawi appointed NBM PAL Unrestricted Fund to administer national pension scheme default fund. Business presentations have been made to key clients who are currently being serviced by our competitors in a bid to win more business.



Profit Before Tax

NBM Development Bank Limited (NBMDL)

NBM Development Bank Limited is a wholly owned subsidiary of National Bank of Malawi plc whose main business activity is the provision of long-term capital to the SME Sector. The Development Bank commenced its operations in 2019 and has now operated for five years.

In the year to December 2024, the Bank registered a profit before tax of K1.56b from K1.21b reported in the year 2023. These results were largely driven by growth of the loan book and funds under investments which resulted in total interest income growing by 25%.

The Bank's loan book grew from K10.8b to K14.0b representing a growth of 29% in 2024 (2023: 135%). During the year 2024, the Bank continued to finance high impact development projects in the Agribusiness, Tourism, Education and Health sectors.

The operating environment was largely subdued because of Inflationary pressures and acute foreign currency shortages which negatively impacted execution of projects in various sectors which the Bank finances. The Bank remains resilient and optimistic to continue in its growth trajectory in 2025 despite the tough operating environment. The uptake of credit facilities by SMEs is expected to increase during the year despite the envisaged challenges.



Profit Before Tax

Stockbrokers Malawi Limited (SML)

Stockbrokers Malawi Limited (SML), a 75% subsidiary of National Bank of Malawi plc recorded a profit before tax of K449m, which was 19% lower than K552m recorded in 2023.

Total revenues decreased by 6% from K1.1b in 2023 to K1.0b due to a slowdown in money market operations for much of 2024 due to pending regulatory review by the Reserve Bank of Malawi, which was only resolved after the yearend.

The company will continue to pursue its business growth strategy in 2025.



Profit Before Tax

United General Insurance (UGI)

In the year 2024, UGI implemented a comprehensive turnaround strategy, which resulted in the company delivering strong financial performance and showcasing resilience and adaptability.

The company fully adopted the new financial reporting standard, IFRS 17, and key highlights of the year include substantial growth in insurance contracts revenue, which increased by 33% to K10.6b, up from K8.0b in the prior year. This growth was primarily driven by the successful acquisition of new business, reflecting the effectiveness of strategic initiatives aimed at expanding market reach.

Net investment income also improved significantly, growing by 38% to K2.77b from K2.01b in the previous year. This was largely attributed to a more diversified and strategically optimized investment portfolio, which delivered enhanced returns.

Operational efficiency gains were evident in claims cost containment measures. Insurance service expenses declined by 26%, decreasing to K7.3b from K9.9b in 2023, underscoring the company's commitment to prudent claims management.

Despite these positive developments, the company also faced cost pressures, with other operating expenses increasing by 47% to K1.39b, compared to K0.94b in the previous year. This was primarily driven by rising commodity prices, which placed considerable strain on the cost base.

Profit after tax rebounded strongly to K2.17b, representing a 764% improvement from a loss of K0.33b in the previous year.

Total assets increased by 41%, reaching K20.3b from K14.4b, while cash balances rose sharply by 129%, to K6.12b from K2.68b in 2023. With the improved performance and a new capital injection of K2.8b, total equity rose by 143%, from K3.5b to K8.5b.

Looking forward, the company restructured its business model to be more sales-driven and customer-centric, positioning itself for sustainable long-term growth. We remain optimistic about the future and confident in our ability to navigate the evolving economic landscape.



Profit Before Tax

AKIBA Commercial Bank Plc (ACB)

National Bank of Malawi plc acquired 60.48% controlling stake in Akiba Commercial Bank Plc (ACB) in Tanzania in January 2021.

During the year under review, the Bank recorded a loss before tax of K3.9b compared to a loss before tax of K755m recorded in 2023, representing a 422% increase. This is largely attributed to weak revenue performance, an increase in credit impairment losses and once-off staff rationalization costs incurred in the year under review. In addition, a weak capital position for much of the year restricted the Bank's ability to do more lending business.

The Bank's business remains concentrated in business banking serving micro, small and medium enterprises. However, there were significant efforts during the year to grow the personal and corporate banking segments, with personal banking being the fastest growing segment. The Bank implemented new products during the year as it launched Visa cards and a new Agency banking platform. Digital banking channels such as internet banking and an enhanced mobile application were at pilot stage as at the end of the year. These new products and services will enhance customer experience and attract new customers in the various segments.

Total income increased by 51% to K24.5b from K16.2b registered in the previous year, driven mainly by a 266% increase in non-interest income specifically foreign exchange income.

Operating expenses increased by 18% to K20.1b from K16.9b in 2023 due to increases in depreciation expenses, software and internet expenses for Microsoft 365 and training expenses through the Credit academy. Staff costs increased by 27% due to the effects of the staff rationalization completed in April 2024 and the effects of the devaluation of the Malawi Kwacha late in 2023.



Customer deposits increased by 3% from K105.1b in 2023 to K108.4b while net loans and advances were relatively flat with a marginal increase of 0.3% from K73.4bn in 2023 to K73.6bn, mainly due to the growth of the personal consumer loans.

The Bank completed the fourth year of its five-year strategic plan for the period 2021 to 2025. The thrust of the strategy was to transform the Bank from a predominantly micro lending institution to a fully-fledged commercial bank. This was largely achieved in 2024 through reduced reliance on SME business with personal banking lending growing to 47% of the portfolio, with the new corporate banking division contributing 8%. The Bank upgraded its core banking system, finalized staff rationalization, initiated a cultural transformation programme, introduced internet banking and upgraded its mobile banking services.

The Bank has embarked on the development of a new five-year strategic plan from 2026 aimed at consolidating the efforts undertaken in the past few years focusing on operational efficiency, sustainability particularly deposits mobilization, enhanced product and service offering, cultural transformation, digital transformation, improved governance, risk management and internal controls to return to profitability.

Looking ahead, the Bank is upbeat about its prospects in 2025 as NBM plc has committed to recapitalize ACB through an additional capital injection of up to US\$6m, which is expected to drive improved performance in 2025. The Bank will be adequately capitalised to support turnaround efforts through revenue growth and enhanced portfolio quality. The Bank plans to launch the cultural transformation programme to instill a high-performance culture and appropriate staff attitudes to enhance customer experience, business growth and profitability.

NBM plc has committed to recapitalize ACB through an additional capital injection of up to US\$6m, which is expected to drive improved performance in 2025

Economic growth is projected to pick up to 3.2% in 2025

Outlook

Economic growth is projected to pick up to 3.2% in 2025, from the estimated 1.8 percent in 2024, fueled by adequate rainfall across the country, which coupled with increased public investment in agriculture, 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.

This positive outlook is, however, clouded by prevailing high inflation, general elections in 2025 which pose the risk of fiscal slippages, La Niña-induced weather shocks, uncertainty over renewal of the IMF-supported ECF program, and a highly uncertain global economic and geopolitical environment.

Headline inflation is projected to average 24% in 2025 driven by expected easing of commodity prices and increased investment in the productive sectors of the economy. Despite this relatively positive outlook, pressure on inflation is expected to remain high largely on account of expected growth in money supply due to general elections related expenditures, pressure on the currency exchange rate, and higher global oil prices. These developments will likely point to an even tighter monetary policy environment.

Looking ahead, whilst the Bank expects the operating environment to remain challenging due to the factors enumerated above, it is expected to sustain its performance and growth trajectory by leveraging on technology, innovation and strategic partnerships to exploit opportunities in the market whilst addressing the noted challenges.

Conclusion

I hereby express my profound gratitude to the Chairman and the Board of directors for their guidance, support and direction during my first year as CEO having taken over the mantle of leadership from my predecessor, Macfussy Kawawa, who retired after a long and distinguished career with the Group.

I wish to thank my predecessor for laying strong foundation, which we will build on, as we pursue our key strategic goal to be the leading digital bank in Malawi, with over 2 million customers, operating in four countries and achieving a profit after tax of US\$100 million, 12% of which shall be contributed by our subsidiaries by 31 December 2027. My gratitude also goes to my colleagues in senior management and all members of staff, Blue Hearts, for their commitment and dedication amidst the numerous challenges we encountered along the way.

Finally, I take this opportunity to sincerely thank our customers, correspondent banks worldwide for their custom and shareholders for the trust in us to steer our Bank to greatness.

Harold N. Jiya
Chief Executive Officer



Corporate Social Investment Activities

Through the Lens

We remain committed to corporate social investment (CSI) with the overarching goal of driving sustainable social impact. During the year, key focus was on Education, Health, Innovation, Clean Energy, Environmental Preservation and Agriculture.

- Harold Jiya

Following are a cross-section of activities the Bank carried out in the year under review:

Health



MBTS Mangochi (above) and MBTS Mulanje (below).



Health



Dr Failos Bonongwe, Board Member, St Joseph Catholic Mission Hospital (Nguludi) receiving Continuous Positive Airway Pressure (CPAP) machine from Oswin Kasunda, Head of Retail Banking.



On 11th December 2024, NBM plc handed over the Chilowa Community-Based Childcare Centre (CBCC) in Kabudula, Lilongwe — one of four sites handed over in partnership with Yamba Malawi and the Ministry of Gender and Child Welfare. The other centres are located in Mangochi (1), Lilongwe (2), and Mzimba (1).

Agriculture



NBM plc supported Mulanje Banana Plantation Project aimed at revitalizing banana farming and boosting local economies.



Sponsorships



Haggai Mungoni, Business Development Manager (right) handing over a symbolic cheque to Lyness Nkungula, CEO of Bankers Association of Malawi.



Mr Alick Mwale, President of Institute of Internal Auditors Malawi (left) receiving a symbolic cheque from Sarah Gondwe, Internal Audit Manager.

Sponsorships



Shadreck Malenga, Senior Manager, Corporate Banking handing over a symbolic cheque to Ambassador David Claude Pierre of African Union.

Sponsorships



Young Stunner from South Africa during Beerland Festival sponsored by NBM plc.



MAGU Wolves celebrating after being crowned the 2024 Mo626 College Basketball Champions at ABC. The MAGU She-Wolves were also crowned the 2024 Mo626 College Basketball Champions.

Product Activation



Popanda Chifukwa Promotion.



Popanda Chifukwa Promotion.

Stakeholder Engagement



NBM plc employees celebrated Africa Day.



NBM plc CEO joined staff in Zomba to celebrate the Tiiphula anniversary celebrations!

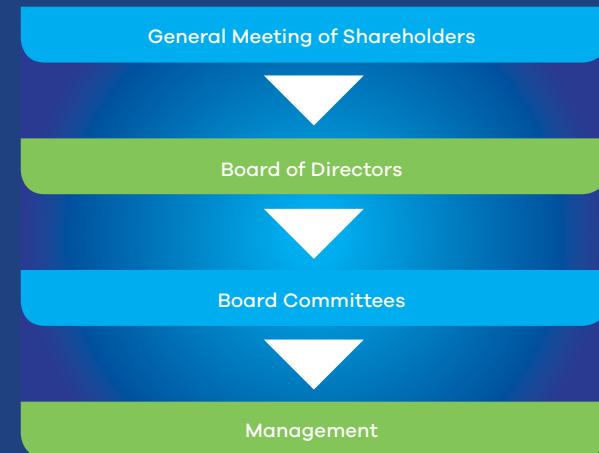
Corporate Governance

Corporate Governance Statement

The Board of Directors of National Bank of Malawi plc wishes to report that during the year ended 31st December 2024, the Company was in full compliance with the standards of good corporate governance. The Company followed principles of transparency, integrity and accountability as set out in the Malawi Corporate Governance Code in order to meet the standards. As a result, the Company had a cordial relationship with its shareholders, customers, strategic partners, suppliers of various goods and services, regulators, and staff.

The Company has enshrined principles of good governance in its Board Charter by clearly separating the responsibilities of the Board from those of Executive Management. The Charter further fosters the Board's oversight role by setting the strategic objectives and performance criteria of the Company, determining investment policies whilst the detailed planning and implementation of these objectives and policies is delegated to Management in accordance with delegated schedule of authorities.

The Governance structure of the Company is shown in the chart below:



Annual General Meeting

The Company held its Annual General Meeting (AGM) on 27th June 2024. The meeting was hybrid where some shareholders attended physically whilst others attended virtually. Shareholders who attended virtually were allowed to raise questions and vote before the meeting. The meeting was attended by 30 shareholders in person whilst 83 attended by proxy.

The Board



The Board has seven committees to which it delegates some of its compliance monitoring responsibilities. These committees are Risk, Audit, Appointments, Remuneration & Governance, IT Projects Oversight, Investments, Credit, and Related Parties. Each committee has its own specific terms of reference. The Chairpersons of these committees report on the proceedings of their respective committee meetings at the next meeting of the Board.

The Board maintains a robust system of internal controls for the Company to have effective and efficient systems with sound internal financial controls governing all its operations in line with best practice. These internal controls enable the Company to comply with relevant laws and regulations. The Board supports investments in information technology, accounting, financial and risk management systems to accomplish this function.

The Company's Articles of Association provide for 13 directors, including executive directors. As at 31 December 2024, the Board had 10 Directors, one of whom was an executive director. This followed the retirement of the former chief executive officer, Mr. Macfussy Kawawa, who served as an executive director, the departure of one and the untimely passing of another, both of whom served as non-executive directors. The Chairman is chosen from among these

directors and in the year 2024, Mr. Jimmy Lipunga continued to serve as Chairman of the Board.

The Directors have diverse professional backgrounds and they hold or have held senior leadership positions in the financial services, public and private sectors. As a result of this mix, the Board benefits from contributions from a wide range of skills and experience emanating from the holding of such positions combined with their respective individual strength of character, independence of judgement and opinion.

The Board held normal quarterly meetings in 2024 to review the Bank's compliance with policies and achievement of set objectives by holding Management accountable for its activities and performance. The Main Board and some of its committees also met outside of the regular scheduled meetings as and when necessary.

On a sad note, during the year, Director Mrs. Dorothy Ngwira passed on 30 July 2024. Furthermore, Dr. Bernadette Malunga left the Board on 31 August 2024.

Board and Committee Meetings

The Board met 8 times in the year 2024 while the Committees met as follows:

Name of Committee	Functions	Chairperson	Number of Meetings
Risk Committee	<ul style="list-style-type: none"> Provides crucial oversight and direction in relation to current and potential risk exposures and future risk strategy. Examines risk management reports covering credit, market, liquidity, and operational risks among other reports provided by the Risk Division of the Company. Monitors compliance with the Basel II Accord requirements. 	Mr. Raymond Banda	8
Audit Committee	<ul style="list-style-type: none"> Provides oversight over the Company's system of internal controls and review its effectiveness. Exercises the full powers and authority of the Board in accounting and financial reporting matters as guided by its terms of reference. Assesses the effectiveness of internal controls and management of risks in each business unit. 	Mrs. Dorothy Ngwira up to 30 July 2024. Mr. Macleod Nkhoma co-opted from 1 August 2024 up to 31 December 2024	4

Name of Committee	Functions	Chairperson	Number of Meetings
Appointments, Remuneration and Governance Committee	<ul style="list-style-type: none"> Responsible for succession planning for directors, board nominations and good governance practices. Ensures that the Company's human capital is best utilised, and that members of staff are remunerated commensurate to their responsibilities and effectiveness. Conducts board assessments which enables it to prepare for appropriate training for board members and helps with succession planning. 	Mr. Crispin Mzengereza	5
IT Projects Oversight Committee	<ul style="list-style-type: none"> Reviews and approves the Company'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. Reviews the annual IT and operational strategies, including the financial, tactical, and strategic benefits of proposed major IT and operational related initiatives. 	Mrs. Bessie Nyirenda	7
Credit Committee	<ul style="list-style-type: none"> Considers credit applications that are above management limit in line with the Company's Authorities Schedule approved by the Board. Reviews credit policies, quality of the Company's direct and contingent lending, the mix of industry concentration within agreed parameters, and dealing lines. Monitors the quality of the loan book through review of substandard debt schedules and lists of facilities granted to sensitive customers, related parties, and senior management. Monitors the quality of the loan book through review of substandard debt schedules and lists of facilities granted to sensitive customers, related parties, and senior management. 	Mr. Macleod Nkhoma	7

Name of Committee	Functions	Chairperson	Number of Meetings
Related Parties Committee	Considers credit applications from Companies and Individuals related to the Company to ensure that all transactions are conducted at arm's length.	Mr. Macleod Nkhoma	5
Investments Committee	Supports and advises the Board in fulfilling its governance responsibilities over greenfield investments, mergers, acquisitions and divestiture undertakings of the Company in line with all applicable laws, legislation, directives of the Reserve Bank of Malawi and the Malawi Stock Exchange.	Dr. Bernadette Malunga up to 31 August 2024. Mr. Macleod Nkhoma from 1 September 2024 to 31 December 2024	3

Meeting Attendance

The Directors' Board and Committee meeting attendances for the 2024 financial year is shown below:

Directors Board Meetings Attendance – 2024

Main Board

Name	Feb. 28	Special March 7	Special 3 April	May 30	AGM 27 June	Special 5 August	August 29	Dec. 2
Mr. J. Lipunga	✓	✓	✓	✓	✓	✓	✓	✓
Mr. J. Nsomba	✓	✓	✓	✓	✓	✓	✓	✓
Mr. R. Banda	✓	✓	✓	✓	✓	✓	✓	✓
Mr. J. Mhura	✓	✓	✓	✓	✓	✓	✓	✓
Mrs. D. Ngwira	✓	✓	✓	✓	✓	-	-	-
Mrs. B. Nyirenda	✓	✓	✓	✓	✓	✓	✓	✓
Mr. C. Mzengereza	✓	✓	✓	✓	✓	✓	✓	✓
Mr. M. Nkhoma	✓	✓	✓	✓	✓	✓	✓	✓
Dr. L. Chithambo	✓	✓	✓	✓	✓	✓	✓	✓
Ms. M. Mbeye	✓	-	-	-	-	-	✓	✓
Dr. B. Malunga	✓	✓	✓	✓	-	✓	✓	-

Board Credit Committee

Name	Feb. 21	Mar. 27	May 23	June 10	August 14	Oct. 14	Nov. 5
Mr. M. Nkhoma	✓	✓	✓	✓	✓	✓	✓
Dr. L. Chithambo	✓	✓	✓	✓	✓	✓	✓
Dr. B. Malunga	✓	✓	✓	✓	✓	-	-
Mrs. B. Nyirenda	-	-	-	-	-	✓	-

Board Committee On Related Parties

Name	Feb. 21	Mar. 27	May 23	June 23	August 14
Mrs. B. Nyirenda	✓	✓	✓	✓	✓
Mr. M. Nkhoma	✓	✓	✓	✓	✓

Board Audit Committee

Name	Feb. 26	May 27	Aug. 2	Nov. 26
Mr. J. Nsomba	✓	✓	✓	✓
Mrs. D. Ngwira	✓	-	-	-
Ms. M. Mbeye	✓	-	-	✓
Mr. M. Nkhoma (co-opted)	-	✓	✓	✓

Board Risk Committee

Name	Special Feb. 5	Feb. 20	Special May 8	May 16	August 7	August 13	Nov. 20	Special Nov. 21
Mr. J. Mhura	✓	✓	✓	✓	✓	✓	✓	✓
Mr. R. Banda	✓	✓	✓	✓	✓	✓	✓	✓
Mr. C. Mzengereza	✓	✓	✓	✓	✓	✓	✓	✓

Board Appointment & Remuneration Committee

Name	Feb 14	May 13	June 27	August 6	Nov. 18
Mr. J. Mhura	✓	✓	✓	✓	✓
Mr. C. Mzengereza	✓	✓	✓	✓	✓
Dr. L. Chithambo	✓	✓	✓	✓	✓

Board IT Oversight Committee

Name	Feb. 13	Feb. 19	Special April 29	May 28	Special July 22	August 6	Nov. 22
Mr. R. Banda	✓	✓	✓	✓	✓	✓	✓
Mrs. B. Nyirenda	✓	✓	✓	✓	✓	✓	✓
Dr. B. Malunga	✓	✓	✓	✓	✓	✓	-

Board Investment Committee

Name	Feb. 14	July 22	Nov. 4
Mr. M. Nkhoma	✓	✓	✓
Dr. L. Chithambo	✓	✓	✓
Dr. B. Malunga	✓	✓	-

Code of Ethics

The Company has implemented and strictly enforces a Code of Ethics. This reaffirms its commitment to fair dealing and integrity in the conduct of its business and ensures that business is conducted morally, honestly, fairly, legally and in a transparent manner.

Auditor Independence

The Board confirms that no aspect of the work of the external auditor was impaired. This was due to the systems that the Company has in place for ensuring independence, integrity, competence, and professionalism of auditors. The Annual General Meeting of 2024 re-appointed Ernst & Young as external auditors for the Company.

Board Information and Development

One responsibility of the Company Secretary is to ensure that the Board complies with applicable rules and regulations, corporate governance issues, and board procedures. All the directors have access to advice and services of the Company Secretary either as individuals or as committees, with the stewardship of the Chairman of the Board. The Company Secretary further coordinates the periodic training of the Company's Directors to ensure the efficient discharge of the Board's oversight responsibilities. The Company Secretary also organises Board orientation from time to time as new directors are appointed and conducts Board assessment in liaison with the Chairman of the Appointment, Remuneration and Governance Committee of the Board.





**16 years of uninterrupted
entertainment.**

DStv bills paid easily with Mo626



Consolidated and Separate Financial Statements

For the year ended 31 December 2024

Statement of Directors' Responsibilities

For the year ended 31 December 2024



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

The Companies Act 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 2024, so far as concerns the members of the Group.

By Order Of The Board

Director (Lipunga, J. (Mr))
17 March 2025

Director (Nkhoma, M. (Mr))
17 March 2025



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 ("the Group") set out on pages 69 to 211 which comprise the consolidated and separate statements of financial position as at 31 December 2024, 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 2024, 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 2024, 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) 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 period. 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.

Key Audit Matters (Continued)

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: <ul style="list-style-type: none"> • Note 3.5 – <i>Measurement and recognition of Expected Credit Losses</i> • Note 3.20 – <i>Classification and measurement of financial instruments under IFRS 9</i> • Note 11 – <i>Loans and advances</i> • Note 44(c) – <i>Credit risk</i>
Valuation of expected credit losses on loans and advances	How the matter was addressed in the audit
<p>We identified the audit of expected credit losses (ECL) as a key audit matter considering the following:</p> <ul style="list-style-type: none"> • The National Bank of Malawi Group's loan and advances at K467.8 billion represent 27.0% of total assets and the associated impairment provisions for expected credit losses of K15.1 billion 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. • 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. 	<p>Our response to the key audit matter included performing the following audit procedures:</p> <ul style="list-style-type: none"> • 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

Key Audit Matters (Continued)

Valuation of expected credit losses on loans and advances	How the matter was addressed in the audit
<p>In particular we have focussed on the following areas of significant judgement:</p> <p>Determination of expected credit losses require consideration of multiple forward-looking macroeconomic 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 bank include inflation, Gross Domestic Product (GDP), interest rates, fuel prices, and historical correlations between these inputs against the NPL rate.</p> <p>Calculation of expected losses utilizes models that utilize collateral reports from valuers, legal experts and credit specialists.</p> <p>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 nonroutine and very specific to the environmental conditions, this required significant audit effort to assess the reasonability and compliance with IFRS Accounting Standards.</p> <p>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.</p>	<p>decisions such as the borrower's financial performance and accuracy of quantitative staging criteria based on days past due.</p> <p>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.</p> <p>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.</p> <p>We reviewed the additional disclosures related to adequacy and appropriateness in accordance with the requirements of IFRS 7- <i>Financial Instruments: Disclosures</i>.</p> <p>We reviewed the prudential models and assessed their compliance to the <i>Asset Classification Directive</i> of 2018. We also reviewed adjustments made in reconciliation of this directive to IFRS 9 <i>Financial Instruments</i> for accuracy and completeness.</p>
United General Insurance Company Limited	Valuation of insurance contract liabilities, reinsurance contract assets and liabilities at United General Insurance Company Limited
	<p>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 – <i>Liability for remaining coverage</i> Note 4.2.12 – <i>Liability for incurred claims</i></p>

Key Audit Matters (Continued)

Valuation of insurance contract liabilities, reinsurance contract liabilities at United General Insurance	How the matter was addressed in the audit
<p>At 31 December 2024, insurance contract liabilities amounted to K9.5 billion and represent a significant portion of its total liabilities.</p> <p>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 nonfinancial 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.</p> <p>There is a range of possible methodologies for developing estimates which comply with the principles of IFRS 17.</p> <p>The selection and application of an appropriate methodology requires the exercise of significant professional judgement.</p> <p>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 and or inaccurate input data may be used.</p> <p>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.</p> <p>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.</p>	<p>Our response to the key audit matter included performing the following audit procedures</p> <p>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.</p> <ul style="list-style-type: none"> 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 with respect to compliance with the Group's 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. <p>We assessed the adequacy of the disclosures related to the valuation of the insurance contracts.</p>

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 2024, 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 controls as the directors determine to be 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 control.

Notes	GROUP		COMPANY	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Income				
Interest and similar income	31 236,516	158,129	210,164	141,456
Interest expense and similar charges	31 (36,851)	(26,683)	(30,847)	(23,174)
Net interest income	31 199,665	131,446	179,317	118,282
Insurance revenue	12 10,628	-	-	-
Commission and fee income	32 65,807	49,682	54,853	40,860
Profit from dealing in foreign currencies	29,856	25,533	28,956	25,287
Income from operating leases	146	30	146	30
Net gain on financial instruments classified as held through profit and loss	9 7,299	5,346	6,807	5,346
Profit/(loss) on disposal of financial instruments classified as held through profit and loss	(56)	2,986	(56)	2,986
Share of loss of associate	-	(26)	-	-
Net profit on modified and restructured loans	11 59	102	59	102
Dividend income	426	323	1,603	1,336
Properties fair value gain	17&35 153	130	153	130
Fair value gain on investment properties	16&35 200	-	38	-
Profit on disposal of plant and equipment	64	207	-	139
Total income	314,247	215,759	271,876	194,498
Expenditure				
Staff costs	33 (53,692)	(42,303)	(39,508)	(32,972)
Insurance contracts service expenses	(7,504)	-	-	-
Depreciation & amortization	17&18 (7,938)	(5,735)	(6,770)	(5,231)
Other operating expenditure	34 (65,303)	(40,347)	(53,920)	(33,073)
Total expenditure	(134,437)	(88,385)	(100,198)	(71,276)
Profit before net impairment losses on financial assets	179,810	127,374	171,678	123,222
Recoveries on impaired loans and advances	4,287	3,955	3,161	2,677
Impairment losses on financial assets	11 (16,950)	(11,200)	(14,057)	(10,779)
Profit before tax	167,147	120,129	160,782	115,120
Income tax expense	36 (65,437)	(48,170)	(61,624)	(45,934)
Profit for the year	101,710	71,959	99,158	69,186
Other comprehensive income				
<i>Other comprehensive income that will be reclassified to the income statement</i>				
Surplus on revaluation of properties	35 9,183	6,965	9,127	6,965
Deferred tax on revaluation surplus	(3,235)	(13,527)	(3,241)	(13,527)
	5,948	(6,562)	5,886	(6,562)
<i>Other comprehensive income that will not be reclassified to the income statement</i>				
Fair value gain on investment in unquoted shares	15 946	-	946	-
Deferred tax on fair value gains	20 (378)	-	(378)	-
	568	-	568	-
Total other comprehensive income/(loss)	6,516	(6,562)	6,454	(6,562)
Total comprehensive income for the year	108,226	65,397	105,612	62,624
Profit attributable to:				
Equity holders of the parent	37 102,283	72,245	99,158	69,186
Non-controlling interest	(573)	(286)	-	-
	101,710	71,959	99,158	69,186
Comprehensive income attributable to:				
Equity holders of the parent	108,799	65,683	105,612	62,624
Non-controlling interest	(573)	(286)	-	-
	108,226	65,397	105,612	62,624
Earnings Per Share				
Equity shareholders of the parent for the year:				
Earnings per share (K)	37 217.79	154.70	212.33	148.17
Diluted earnings per share (K)	37 217.79	154.70	212.33	148.17

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 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
2023									
At the beginning of the year	467	613	-	35,498	2,566	133,036	172,180	1,644	173,824
Total comprehensive income	-	-	-	(6,562)	-	72,245	65,683	(286)	65,397
Transfer of excess depreciation	-	-	-	(363)	-	363	-	-	-
Transfer from retained profits	-	-	962	-	-	(962)	-	-	-
Translation differences	-	-	-	-	4,585	-	4,585	-	4,585
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	(59)	(59)
2022 Second Interim dividend proposed and paid	-	-	-	-	-	(10,002)	(10,002)	-	(10,002)
2022 Final dividend proposed and paid	-	-	-	-	-	(14,998)	(14,998)	-	(14,998)
2023 Interim dividend proposed and paid	-	-	-	-	-	(10,973)	(10,973)	-	(10,973)
At the end of the year	467	613	962	28,573	7,151	168,709	206,475	1,299	207,774

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 International Financial Reporting 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.

Consolidated and separate Statements of Changes in Equity (Continued)

For the year ended 31 December 2024

	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
COMPANY						
2024						
As 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
2023						
As at the beginning of the year	467	613	-	36,809	131,342	169,231
Total comprehensive income	-	-	-	(6,562)	69,186	62,624
Transfer of excess depreciation	-	-	-	(363)	363	-
2022 Second Interim dividend proposed and paid	-	-	-	-	(10,002)	(10,002)
2022 Final dividend proposed and paid	-	-	-	-	(14,998)	(14,998)
2023 Interim dividend proposed and paid	-	-	-	-	(10,973)	(10,973)
At the end of the year	467	613	-	29,884	164,918	195,882

Analysis of Share Capital

Authorised
500,000,000 Ordinary Shares of K1 each

Issued and fully paid
466,931,738 Ordinary Shares of K1 each

	2024 K'm	2023 K'm
Authorised	500	500
Issued and fully paid	467	467

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.

Consolidated and Separate Statements of Cash Flows

For the year ended 31 December 2024

Note	GROUP		COMPANY	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Cash flows from operating activities				
Profit before tax	167,147	120,129	160,782	115,120
Adjustments for:				
Depreciation of property and equipment	17	6,293	4,322	5,319
Amortisation of intangible assets	18	1,645	1,413	1,451
Amortization of right-of-use assets	19	2,289	1,421	1,234
Interest on lease liability	28	2,274	976	1,271
Interest payable on loans	25 & 31	339	440	59
Profit on disposal of property and equipment		(64)	(207)	(139)
Write off of property and equipment	17 & 34	9	7	9
Movement in impairment losses on financial assets		16,950	11,200	14,057
(Gains)/ losses on disposal of financial instruments classified as held through profit and loss		56	(2,986)	56
Net gains on financial instruments classified as held through profit and loss	9	(7,299)	(5,346)	(6,807)
Dividend received		(426)	(323)	(1,603)
Net fair value gains on revaluation of properties	35	(353)	(130)	(153)
Share of loss of associate		-	26	-
Net gain on modified and restructured loans	11	(59)	(102)	(59)
Operating cashflows before working capital movements	188,801	130,840	175,578	122,338
Movement in customer deposits		359,014	159,851	281,595
Movement in investments		87,536	14,846	103,362
Movement in liabilities to other banks		732	(21,658)	(6,103)
Movement in other liabilities and provisions		14,546	8,804	11,353
Movement in loans and advances to customers		(78,873)	(106,620)	(64,595)
Movement in other assets		(19,713)	(9,707)	(25,735)
Cash generated from operations		552,043	176,356	475,455
Tax paid	24.1 & 24.2	(58,019)	(35,770)	(54,991)
Net cash flow from operating activities		494,024	140,586	420,464
Cash flows from investing activities				
Gross receipts from Government securities		172,700	168,868	172,700
Gross payments for Government securities		(507,299)	(218,171)	(507,299)
Purchase of property and equipment	17	(8,137)	(9,805)	(6,885)
Purchase of intangible assets	18	(8,050)	(3,959)	(4,350)
Proceeds from disposal of property and equipment		304	607	244
Acquisition of United General Insurance net cash acquired		2,676	-	-
Purchase of equity investments held for trading		(1,083)	-	(1,083)
Proceeds from disposal of equity investments		545	5,421	545
Dividend received		426	323	1,603
Net cash used in investing activities		(347,918)	(56,716)	(344,495)

Note	GROUP		COMPANY	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Cash flows from financing activities				
Increase in investments in subsidiaries and associates	-	-	(1,307)	(2,529)
Borrowing proceeds	25 3,000	5,000	-	-
Payment of interest on loans	25 (59)	(614)	(59)	(559)
Repayment of loans	25 (4,378)	(3,487)	(4,378)	(3,184)
Interest paid on lease liabilities	28 (2,274)	(976)	(1,271)	(225)
Repayments of lease liabilities	28 (610)	(1,735)	(215)	(1,267)
Dividends paid to non-controlling interest	38 (48)	(59)	-	-
Dividends paid	38 (49,999)	(35,973)	(49,999)	(35,973)
Net cash outflow from financing activities	(54,368)	(37,844)	(57,229)	(43,737)
Net increase in cash and cash equivalent	91,738	46,026	18,740	96,014
Cash and cash equivalents at beginning of the year	363,468	317,442	232,920	136,906
Cash and cash equivalents at end of the year	41 455,206	363,468	251,660	232,920
Additional information on operational cash flows from interest and dividends				
Interest received	105,207	79,114	82,033	64,520
Interest paid	(36,851)	(26,683)	(30,847)	(23,174)

Notes to the Financial Statements

For the year ended 31 December 2024

1. General information

National Bank of Malawi plc Group (the Group) provides retail, development financing, corporate and investment banking as well as stockbroking, insurance and pension administration services in Malawi and Tanzania. The Group has a network of 49 (2023: 50) service centres.

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

The consolidated and separate financial statements for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the directors on 17 March 2025.

2. Adoption of new and revised International Financial Reporting Standards

2.1. Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements

In the current year, the Group has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on or after 1 January 2024.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the

2. Adoption of new and revised International Financial Reporting Standards (Continued)

2.1. Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements (Continued)

objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 Climate-related Disclosures

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that are useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

The adoption of these new and revised Standards and Interpretations did not have a significant impact on the financial statements of the Group.

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2025 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

Lack of Exchangeability (Amendments to IAS 21)

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Amendments to the SASB standards to enhance their international applicability

The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics.

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

Amendments to the requirements relate to:

- Settling financial liabilities using an electronic payment system; and
- Assessing contractual cashflow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features

Amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs.

IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18, which replaces IAS 1. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures'

IFRS 19 enables simplification of reporting systems and processes for companies, reducing the costs of preparing eligible subsidiaries' financial statements, while maintaining the usefulness of those financial statements for their users.

Subsidiaries applying IFRS Accounting Standards for their own financial statements provide disclosures that are disproportionate to the information needs of their users.

Subsidiaries applying the IFRS for SMEs Accounting Standards in preparing their own financial

2. Adoption of new and revised International Financial Reporting Standards (Continued)

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

records because the requirements in these Standards differ from those in IFRS Accounting Standards.

IFRS 19 will resolve these challenges by:

- Enabling subsidiaries to keep only one set of accounting records – to meet the needs of both their parent company and the users of their financial statements; and
- Reducing the disclosure requirements – IFRS 19 permits reduced disclosures better suited to the needs of the users of subsidiaries' financial statements

The IASB expects that IFRS 19 would:

- Reduce costs for preparers.
- Improve their application of IFRS Accounting Standards within the Group; and
- Maintain the usefulness of financial statements for the users of an eligible subsidiary's financial statements.

A subsidiary is eligible to apply IFRS 19 if:

- a) The subsidiary is not public accountable (broadly speaking, it is not listed on a stock exchange and is not a financial institution); and
- b) The subsidiary's intermediate or ultimate parent produces consolidated financial statements that are available for public use and that comply with IFRS Accounting Standards.

The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the 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.

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 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of 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 statement on the basis that it will continue to operate as a going concern.

3. Material accounting policies (Continued)

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 2024. 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.

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.

3. Material accounting policies (Continued)

3.1. Basis of consolidation (Continued)

(a) Subsidiaries (Continued)

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-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 noncontrolling 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' postacquisition 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;
- 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

3. Material accounting policies (Continued)
3.2. Business combinations (Continued)

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 recognised 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 assets. 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.

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.

3.2. 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

3. Material accounting policies (Continued)
3.2. Goodwill (Continued)

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.

3.3. Comparatives

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

3.4. 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 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 the classification of the financial assets.

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)
3.4. Financial instruments (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 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 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 28).

3. Material accounting policies (Continued)
3.4. Financial instruments (Continued)

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. There were no debt instruments at FVTOCI during the year or as at the year end (2023: Nil)

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.

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 investments 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)
3.4. Financial instruments (Continued)

iv. Financial assets at FVTPL (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.

i. 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;
- 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.

3. Material accounting policies (Continued)
3.4. Financial instruments (Continued)

Financial assets (Continued)

i. Significant increase in credit risk (Continued)

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.

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

ii. 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.

iii. 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.

3. Material accounting policies (Continued)
3.4. Financial instruments (Continued)

Financial assets (Continued)

iv. Write-off policy (Continued)

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.

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 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

3. Material accounting policies (Continued)
3.4. Financial instruments (Continued)

Financial assets (Continued)

Reclassifications (Continued)

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 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

3. Material accounting policies (Continued)
3.4. Financial instruments (Continued)

Financial assets (Continued)

Modification and derecognition of financial assets (Continued)

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 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.

3. Material accounting policies (Continued)
3.4. Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments (Continued)

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

3. Material accounting policies (Continued)
3.4. Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

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.

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.

3. Material accounting policies (Continued)
3.4. Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities (Continued)

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.

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 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 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.

3. Material accounting policies (Continued)
3.7. Property, plant and equipment (Continued)

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.

When the use of a property changes from owner occupied to investment property are 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:

3. Material accounting policies (Continued)
3.9. Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

- 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 reliably the expenditure attributable to the intangible asset 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.

3.10. Leases

Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes 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 that are not paid at the commencement date, discounted by using the rate implicit 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.

3. Material accounting policies (Continued)

3.10. Leases (Continued)

Group as a lessee (Continued)

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 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).
- 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 for costs 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 recognized 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 period of lease term and useful life of the underlying asset. 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. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented on the face to 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 not to separate non-lease components, and instead account for any lease and associated non-lease components as a single 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 consideration in

3. Material accounting policies (Continued)

3.10. Leases (Continued)

Group as a lessee (Continued)

the contract 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 consideration under the contract 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.

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. Material accounting policies (Continued)

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 restructuring plan either has commenced or has been announced publicly. Costs relating to the on-going activities of the Group are not provided for.

(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 of terminating the contract and the expected net cost of continuing with 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 a weighting of all possible outcomes against 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

3. Material accounting policies (Continued)

3.13. Taxation (Continued)

Deferred tax (Continued)

will be sufficient taxable profits against which to utilise the benefits of the 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, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, short-term government securities and short term money market deposits.

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.

(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

Items included in the financial statements are measured using Malawi Kwacha, the functional currency of the primary economic environment in which the entire Group operates. The financial statements are presented in Malawi Kwacha (rounded to the nearest million), which is the Group's functional and presentation currency.

3. Material accounting policies (Continued)
3.16. Foreign currency translation (Continued)

(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.

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 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 of the financial asset. If, in subsequent reporting periods, the credit risk on the creditimpaired 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.

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 based on the applicable service contracts, usually on a time apportion basis. Asset management fees related to investment funds are recognised reliably over the period in which the service is provided. The same principle is applied 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 recognized 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

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 dividend per share is based on the 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 the 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.

3.19. Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of 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 instrumentby- 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.

3. Material accounting policies (Continued)

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

- a. The Group classifies its financial assets in the following measurement categories:
 - Amortised cost;
 - Fair value through the profit or loss (FVTPL); 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 to cash flows that are solely payments of principal and interest on the principal outstanding.
- c. For the purpose of 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. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time 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. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to the basic lending arrangement, such as exposure to changes in equity prices 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.

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of 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.

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: <ul style="list-style-type: none"> • Contractual cash flows 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 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 limited to circumstances that would minimize losses due to deteriorating credit, or to exit a particular market • Not held for sale. 	<ol style="list-style-type: none"> 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.

3. Material accounting policies (Continued)

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

Categories	Business Model Criterion	Assets classified under this category
FVOCI (Investing activity)	Must meet all of the following: <ul style="list-style-type: none"> • Investing either to: <ol style="list-style-type: none"> a. Maximise total return by collecting contractual cash flows or selling; b. Manage the interest rate or liquidity risk of the entity by holding or selling; and • Not held for sale. 	<ol style="list-style-type: none"> 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.
FVPL (Held for sale/trading activity)	Must meet either of the following: <ul style="list-style-type: none"> • Held for sale; and • Actively managed and monitored internally on a fair value basis. 	<ol style="list-style-type: none"> 1. Equity investments.

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 the ECLs that result 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:

- 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;

3. Material accounting policies (Continued)

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

- 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;
- Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECLs.
- 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.

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.

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.

3. Material accounting policies (Continued)

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

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:

- 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.
- 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.
- Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans.
- 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.
- 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.

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.

- 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.
- 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

3. Material accounting policies (Continued)

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

facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explain, 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 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 sensitivity analysis is to provide management with an outlook on possible macro-economic scenarios. The scenarios that were created in the analysis include both stressed and favourable scenarios. The extreme case sensitivity analysis was created by taking and the maximum and the minimum values as observed in history.

Sensitivity analysis as at 31 December 2024

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	8	(18)	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	18	(8)	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.

3. Material accounting policies (Continued)

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

Sensitivity Analysis (Continued)

Impact on provisions as at 31 December 2024				
Estimates		Favourable Scenarios		
Macro-economic scenarios	Change in Prime Rate	-14.0%	-8%	
Impact	ECL Provision (K'm)	4.51%	4.82%	
		17,428	18,632	
	Absolute Change	(1,952)	(748)	
Estimates		Stress Scenarios		
Macro-economic scenarios	Change in Prime Rate	1.00%	49.33%	
Impact	ECL Provision (K'm)	5.04%	6.65%	
		19,478	25,691	
	Absolute Change	98	6,311	
Estimates		NO FLI OVERLAY	NO FLI OVERLAY	
Macro-economic scenarios	Change in Prime Rate	None	None	
Impact	ECL Provision (K'm)	5.01%	3.31%	
		19,380	12,780	

Sensitivity analysis as at 31 December 2024

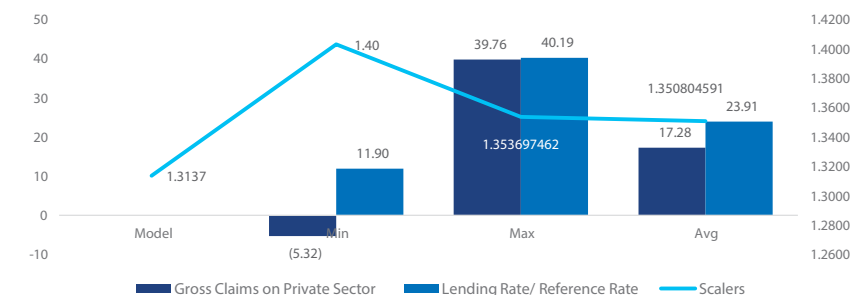
Scaler sensitivity analysis

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. Two Macro-Economic factor made it to the final model and the table and the graph below show the scaler sensitivity analysis and the potential impact should those variables take extreme values as once observed in the 10-year history. The model was enhanced during the year 2023 and the FLI model was changed. This therefore resulted in the change in sensitivity analysis output.

3. Material accounting policies (Continued)

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

Sensitivity Analysis (Continued)



ECL Changes Based on Extreme cases				
	Model (K'm)	Minimum (K'm)	Maximum (K'm)	Average (K'm)
Exposure	334,631	334,631	334,631	334,631
Coverage ratio with scaler	3.23	3.32	3.27	3.27
ECL Value	10,797	11,120	10,955	10,945
ECL Extreme Case Changes	-	323	158	148

Low risk assets

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

1. Malawi Government Securities;
2. Interbank Placements; and
3. 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.

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

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification

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 contracts 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 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.

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.2 Level of aggregation (Continued)

3.21.2.1 Insurance and reinsurance contracts accounting treatment (Continued)

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. IFRS 17.18.

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.

3. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.4. Contract boundary

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.

3.21.5. 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 applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and 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 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 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 and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. The Group uses 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 group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for 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:

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)

- Plus, premiums received in the period minus insurance acquisition cash flows, with the exception of 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 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 the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

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

	K'm
Balance as at acquisition date of 1 January 2024	2,085
Change in insurance contract revenue	262
Change in amortised deferred acquisition cost	7
Closing balance as at 31 December 2024	2,354

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

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)

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.

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 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 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.

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)

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 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 nonfinancial 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 the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in 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 at initial recognition of the insurance liability for remaining coverage of the related group.

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;
- 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 separate presentation of:

- Insurance revenue;
- Insurance service expenses;

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)

- 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 carrying amount 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.

3.21.7 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. Material accounting policies (Continued)

3.21 Insurance and reinsurance contracts classification (Continued)

3.21.7 Insurance revenue (Continued)

3.21.7.2 Loss-recovery components

As described in Note 3.21.5.2 above, where the Group recognizes 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:

- 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 an allocation of the reinsurance premiums paid. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an 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 factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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 period 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 which 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 43 (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

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)

relevant evidence including how the performance of the assets is 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 reason for their disposal and whether the reasons are consistent with the objective of the business 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 appropriate 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 takes into account qualitative and quantitative reasonable and supportable forward-looking information.

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.

4.2.2. 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.

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 (Continued)

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:

- Cash flows arising from repayment agreements are aggregated over yearly intervals and assumed to arise at the end of the period;
- 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;
- Unsupported guarantees are assumed to result in nil cash flows; and
- 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.

4.2.5. 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 42 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. Critical accounting judgments and key sources of estimation uncertainty (Continued)

4.2. Key sources of estimation uncertainty (Continued)

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 contracts 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 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 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 17.59(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.

The following information relates to finance income resulted from discounting of claims incurred in the period.

	2024
Finance income from insurance contracts	(168)
Finance expenses from reinsurance contracts	(12)
Net finance income due to discounting of reserves	(180)

4.2.12. Liability for incurred claims

The ultimate cost of outstanding claims is estimated by 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 the observed development of

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)

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 being reserved 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 the historical claims' development data on which the projections are based. Additional qualitative judgement is used to assess the extent 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 17.117(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 17.117.

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.

4.2.16. 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

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

4.2. Key sources of estimation uncertainty (Continued)

4.2.17. Assets for insurance acquisition cash flows (Continued)

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 K395m for insurance assets and a loss of K554m for reinsurance assets 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	
	2024 K' m	2023 K' m	2024 K' m	2023 K' m
Cash	44,143	36,141	33,347	29,367
Balances with Central Banks	127,795	40,616	108,800	24,642
Expected credit losses	(11)	(2)	(11)	(2)
Total cash and funds with Central Banks	171,927	76,755	142,136	54,007

The currency analysis of cash is in note 44f.

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 noninterest bearing and regulated as disclosed in note 44f and 44h.

6. Placement with other Banks

Balances with other banks	101,672	136,211	100,788	135,169
Expected credit losses	(10)	(14)	(10)	(14)
Total cash placement with other Banks	101,662	136,197	100,778	135,155

Placements with other banks are denominated in the following currencies:

	Average interest rates		Group		Company	
	2024	2023	2024 K' m	2023 K' m	2024 K' m	2023 K' m
US Dollar denominated	5.01%	5.01%	82,786	107,574	82,786	106,532
GBP denominated	1.75%	1.75%	12,053	9,927	12,053	9,927
Euro denominated	2.82%	3.80%	2,676	16,766	2,676	16,766
ZAR denominated	7.52%	8.10%	3,220	1,929	3,220	1,929
Other			927	1	43	1
			101,662	136,197	100,778	135,155

Money market placements with other banks are held to maturity and mature within three months (2023: three months) of the yearend.

7. Other money market deposits

	Group		Company	
	2024 K' m	2023 K' m	2024 K' m	2023 K' m
Money market deposits with Central Banks and other banks	181,618	150,520	8,747	43,762
Expected credit losses	(1)	(4)	(1)	(4)
	181,617	150,516	8,746	43,758

Money market investments with the Reserve Bank of Malawi, Bank of Tanzania and other banks are held to maturity and mature within one month (2023: one month) after the year-end. The deposits earned an average interest rate of 24.3% (2023: 19%) per annum.

8. Other assets

Sundry receivables	752	226	820	219
Office accounts	14,681	9,959	9,895	3,338
Prepayments	6,032	3,910	5,893	3,825
Due from local banks	26,708	15,824	26,708	15,824
Employee benefit subsidy	3,206	2,179	3,206	2,179
Operating inventories	365	312	365	312
Other investments	142	228	114	228
Expected credit losses on other assets	(3)	(2)	(3)	(2)
Total other assets	51,883	32,636	46,998	25,923

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 balances with other banks in Malawi in favour of the NBM Group.

9. Equity investments

Group	2023 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2024 K'm	Cost K'm
<u>Illovo Sugar (Malawi) plc</u> 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
<u>NICO Holdings plc</u> 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
<u>Malawi Property Investment Company plc</u> 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
<u>National Investment Trust plc</u> 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
<u>NBS Bank plc</u> 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
<u>Standard Bank plc</u> 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
<u>FDH Bank Plc</u> 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
<u>Sunbird Tourism plc</u> 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
<u>Telekom Networks Malawi plc</u> 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
<u>EMBCH plc</u> 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

9. Equity investments (Continued)

Group	2023 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2024 K'm	Cost K'm
<u>Airtel Malawi plc</u> 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
<u>Old Mutual plc</u> 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
<u>Blantyre Hotels plc</u> 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 investment	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.

Company	2023 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2024 K'm	Cost K'm
<u>Illovo Sugar (Malawi) plc</u> 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
<u>NICO Holdings plc</u> 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
<u>Malawi Property Investment Company plc</u> 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
<u>National Investment Trust plc</u> 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
<u>NBS Bank plc</u> 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

9. Equity investments (Continued)

Company	2023 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2024 K'm	Cost K'm
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
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
FM BCH 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 investment	9,803	471	6,807	17,081	3,576

9. Equity investments (Continued)

Group and Company	2022 K'm	Additions/ (disposals) K'm	Fair value adjustment K'm	2023 K'm	Cost K'm
2023					
Illovo Sugar (Malawi) plc 1,012,368 (2022: 3,615,930) Ordinary shares of K0.02 each at a market value of K1 260.03 (2022: K540.00) per share	1,953	(1,406)	729	1,276	547
NICO Holdings plc 16,941,054 (2022: 17,048,832) Ordinary shares of K0.20 each at a market value of K150.40 (2022: K60.00) per share	1,023	(7)	1,532	2,548	373
Malawi Property Investment Company plc 24,119,431 (2022: 34,119,431) Ordinary shares of K0.05 each at a market value of K15.00 (2022: K20.64) per share	704	(206)	(136)	362	119
National Investment Trust plc 4,000,000 (2022: 6,663,759) Ordinary shares of K1.00 each at a market value of K409.99 (2022: K124.99) per share	833	(333)	1,140	1,640	500
NBS Bank Plc 10,000,000 (2022: 15,000,000) Ordinary shares of K0.50 each at a market value of K114.90 (2022: K34.00) per share	510	(170)	809	1,149	170
Standard Bank of Malawi plc 100,000 (2022: 101,900) Ordinary shares of K1.00 each at market value of K3 950.00 (2022: K2 000) per share	204	(4)	195	395	184
FDH Bank plc 5,000,000 (2022: 5,000,000) Ordinary shares of K1.00 each at market value of K70.00 (2022:17.37) per share	87	-	263	350	70
Sunbird Tourism plc 5,637,964 (2022: 5,637,964) Ordinary shares of K0.05 each at a market value of K191.07 (2022: K92.06) per share	519	-	558	1,077	359

9. Equity investments (Continued)

Group and Company	2022	Additions/ (disposals)	Fair value adjustment	2023	Cost
	K'm	K'm	K'm	K'm	K'm
Telekom Networks Malawi plc 22,435,090 (2022: 32,435,090) Ordinary shares of K0.04 each at a market value of K18.70 (2022: K14.00) per share	454	(139)	105	420	300
FMB Capital Holdings plc 631,854 (2022: 631,854) Ordinary shares of K1.00 each at a market value of K315.00 (2022: 110.00) per share	70	-	129	199	37
Airtel Malawi plc 6,457,827 (2022: 9,457,827) Ordinary shares of K1.00 each at a market value of K60.00 (2022: K56.64) per share	535	(170)	22	387	52
Total equity investment	6,892	(2,435)	5,346	9,803	2,711

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

Details of the Group's and Bank's equity investments in listed companies on the Malawi Stock Exchange and information about the fair value hierarchy are as follows:

	Group			Fair value 2024 K' m
	Level 1 K' m	Level 2 K' m	Level 3 K' m	
Equity investments in listed companies	18,761	-	-	18,761
	Group			Fair value 2023 K' m
	Level 1 K' m	Level 2 K' m	Level 3 K' m	
Equity investments in listed companies	9,803	-	-	9,803
	Company			Fair value 2024 K' m
	Level 1 K' m	Level 2 K' m	Level 3 K' m	
Equity investments in listed companies	17,081	-	-	17,081
	Company			Fair value 2023 K' m
	Level 1 K' m	Level 2 K' m	Level 3 K' m	
Equity investments in listed companies	9,803	-	-	9,803

10. Government securities

	Average interest rates		Group		Company	
	2024	2023	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Government securities - Treasury Bills	25.89%	17.85%	130,371	95,339	98,211	74,843
Government securities - Treasury Notes	28.63%	22.50%	479,347	267,461	474,978	267,086
Government securities Bonds	11.62%	11.62%	18,881	17,631	-	-
Expected credit losses			(57)	(34)	(57)	(34)
			628,542	380,397	573,132	341,895
The Government securities are due to mature as follows:						
Within three months			56,962	96,171	20,136	57,669
Between three months and one year			173,203	105,846	173,500	105,846
Over one year			398,377	178,380	379,496	178,380
			628,542	380,397	573,132	341,895

Government of Malawi treasury bills and treasury notes are denominated in Malawi Kwacha. Government bonds are in Tanzanian Shilling. All the securities are held to maturity. The Group assessed the Government securities for impairment.

No impairment has been recognised in the financial statements.

11. Loans and advances

Gross loans and advances	470,923	409,607	380,122	327,212
Staff loans	11,937	8,916	6,217	5,244
Total loans and advances	482,860	418,523	386,339	332,456
Expected credit losses	(15,077)	(12,663)	(13,872)	(10,527)
Net loans and advances	467,783	405,860	372,467	321,929
Due to mature as follows:				
Within three months	47,810	48,315	41,198	44,136
Between three months and one year	112,036	79,354	93,886	64,243
Over one year	308,920	280,820	238,360	216,173
Interest in suspense	(983)	(2,629)	(977)	(2,623)
	467,783	405,860	372,467	321,929
Analysis of net loans by currency				
Malawi Kwacha denominated	277,016	240,930	263,116	230,102
Tanzania shillings denominated	81,393	73,038	-	-
US Dollar denominated	109,374	91,892	109,351	91,827
	467,783	405,860	372,467	321,929

The Malawi Kwacha average lending rate for the Bank's loans and advances as at 31 December 2024 was 32.1% (2023: 33.50%) per annum, the US Dollar denominated loans carried an average interest rate of 8.15% (2023: 7.49%) per annum and the Tanzanian shilling denominated loans were at an average interest rate of 26.68% (2023: 19.07%).

11. Loans and advances (Continued)

	Group		Company	
	2024 K' m	2023 K' m	2024 K' m	2023 K' m
Movement on interest in suspense				
At beginning of the year	2,629	2,374	2,623	2,370
Suspended in the year	6,074	255	6,074	253
Applied against advances during the year	(7,720)	-	(7,720)	-
At end of the year	983	2,629	977	2,623
Recoveries on impaired loans and advances				
Debts previously written off	4,287	3,955	3,161	2,677
Provision	-	-	-	-
Total recoveries recognised in income statement	4,287	3,955	3,161	2,677

	Group and Company	
	2024 K' m	2023 K' m
Finance lease receivables		
Gross investment in finance lease receivable:		
Within three months	328	283
Between three months and one year	2,082	1,941
After one year and not later than five years	52,225	35,603
	54,635	37,827
Unearned future income on finance leases	(20,006)	(11,550)
	34,629	26,277
Impairment provision	(423)	(919)
Net investment in finance leases	34,206	25,358
The net investment in finance leases matures as follows:		
Within three months	300	240
Between three months and one year	1,834	1,331
After one year and not later than five years	32,072	23,787
	34,206	25,358

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 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 reporting period ended 31 December 2024 was 32.42% (2023: 28.72%).

11. Loans and advances (Continued)

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

Group	31-Dec-23	31-Dec-23	31-Dec-24	31-Dec-24
	Gross carrying amount K' m	Loss allowance K' m	Gross carrying amount K' m	Loss allowance K' m
Days past due				
0-29 days	350,696	5,385	386,502	3,989
30-90 days	18,094	338	17,510	294
91-190 days-360 days	11,023	2,311	30,827	8,353
191-360 days	33,282	3,775	21,334	1,028
More than 360 days	5,428	854	26,687	1,413
Total	418,523	12,663	482,860	15,077
Company				
0-29 days				
20-90 days	282,994	4,255	299,897	3,904
91-180 days	7,149	300	14,382	290
191-360 days	8,873	2,113	28,250	8,259
More than 360 days	30,895	3,431	19,898	1,028
Total	2,545	428	23,912	391
	332,456	10,527	386,339	13,872

Restructured loans and modifications

During the year, loans with a total carrying amounting of K3,876m (2023: K1,474m) were restructured (modified). Their total fair value after restructuring was K3,821m (2023: K1,519m) resulting into a net fair value loss of K55m (2023: net gain of K45m) which was recognised in the statement of profit or loss.

The Group has also recognised a net gain of K114m (2023: K57m) relating to amortization of the gains and losses on loans that were modified in 2018, 2019, 2020, 2021, 2022, 2023 and 2024. The net gain recognised in the statement of profit or loss for the year ended 31 December 2024 is therefore K59m (2023: K102m).

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

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 (Continued)

The consolidated charge to the statement of profit or loss of K16,950m includes loans and advances written down during the year amounting to K11,778m and net impairment losses of investments and other assets amounting to K26m (Notes 5, 6, 7,8 and 10).

Group

At 31 December 2023

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 2023	4,554	596	3,360	8,510
Changes in the loss allowance				
Transfer to stage 1	38	(16)	(22)	-
Transfer to stage 2	(135)	137	(2)	-
Transfer to stage 3	(102)	(210)	312	-
Write offs	-	-	-	-
Charge to income statement	1,647	80	3,763	5,490
Changes in loss allowance for off balance sheet assets	(4)	(9)	(122)	(135)
New financial assets originated	798	8	195	1,001
Financial assets that have been derecognized	(768)	(247)	(1,188)	(2,203)
At 31 December 2023	6,028	339	6,296	12,663

The consolidated charge to the statement of profit or loss of K11,200m includes loans and advances written down during the year amounting to K5,831m and net impairment losses of investments and other assets amounting to K14m (Notes 5, 6, 7,8 and 10).

Company

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	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

The Bank's charge to statement of comprehensive income of K14,057m includes loans and advances written down during the year amounting to K10,686m and net impairment losses of investments and other assets amounting to K26m (Notes 5, 6, 7,8 and 10).

11. Loans and advances (Continued)

Company

At 31 December 2023

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 2023	2,639	195	2,759	5,593
Changes in the loss allowance				
Transfer to stage 1	13	(10)	(3)	-
Transfer to stage 2	(117)	119	(2)	-
Transfer to stage 3	(26)	(109)	135	-
Charge to income statement	1,631	75	3,363	5,069
Changes in loss allowance for off balance sheet assets	(4)	(9)	(122)	(135)
At 31 December 2024	4,136	261	6,130	10,527

The Bank's charge to statement of comprehensive income of K10,779m includes loans and advances written down during the year amounting to K5,831m and net impairment losses of investments and other assets amounting to K14m (Notes 5, 6, 7,8 and 10).

12. Insurance revenue and insurance and reinsurance contracts

Insurance revenue

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

As at 31 December 2024	Group K'm
Agriculture	960
Engineering	273
Fire	1,759
Liability	654
Marine	18
Miscellaneous	571
Motor	5,857
Personal Accident	502
Transport	34
Total	10,628

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

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 as at 31 December 2024

	Insurance Liabilities K'm	Reinsurance Assets K'm	Net K'm
Agriculture	2	(69)	(67)
Engineering	177	(83)	94
Fire	1,087	(1,056)	31
Liability	1,033	(238)	795
Marine	38	(18)	20
Miscellaneous	363	(134)	229
Motor	5,898	(815)	5,083
Personal Accident	354	(147)	207
Transport	82	(45)	37
Total	9,034	(2,605)	6,429
Insurance acquisition liability	454	-	454
Premium deficiency reserve	-	-	-
Overall Total	9,488	(2,605)	6,883

Reinsurance contracts held as at 31 December 2024

	Assets K'm	Liabilities K'm	Net K'm
Agriculture	(69)	-	(69)
Engineering	(83)	-	(83)
Fire	(1,056)	-	(1,056)
Liability	(238)	-	(238)
Marine	(18)	-	(18)
Miscellaneous	(134)	-	(134)
Motor (815) - (815)	-	-	-
Personal Accident	(147)	-	(147)
Transport	(45)	-	(45)
Assets reinsurance held	-	203	203
Total	(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)

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

Reconciliation of the remaining coverage and incurred claims components

Premium allocation approach

	LRC Excluding Loss K'm	Liability for contracts acquisition K'm	Premium deficiency reserve K'm	LIC K'm	Total K'm
Insurance contracts issued (All inclusive)					
Insurance contract liabilities as at 01 January 2024	2,085	446	314	6,871	9,716
Insurance revenue measured under PAA	(10,628)	-	-	-	(10,628)
Insurance service expenses					
Incurred claims and other direct attributable expenses	-	-	-	6,477	6,477
Other expenses or income adjustment	-	-	-	(395)	(395)
Insurance acquisition cashflows amortization	1,199	-	-	-	1,199
Total insurance services expenses	1,199	-	-	6,082	7,281
<i>Total amounts recognised in statement of profit or loss and other comprehensive income</i>	(9,429)	-	-	6,082	(3,347)
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 insurance contract issues

Premium allocation approach

Fire, motor, accident and liability

	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
Reinsurance contracts held)						
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
<i>Total amounts recognised in statement of profit or loss and other comprehensive income</i>	(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)

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 Risk adjustment K'm	Total K'm
	Exc total loss recovery component K'm	Reinsurance asset K'm			
Reinsurance held					
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
<i>Total amounts recognised in the statement of profit or loss and other comprehensive income</i>	(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 31 December 2024

	Km
Insurance receivables	109
Expected credit losses	-
	<u>109</u>
Analysed as follows:	
Not past due	109
Past due (over 30 days) and not past due	-
Past due and impaired	-
	<u>109</u>

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 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 Company'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 Company business. The Directors consider that the carrying amount of insurance contracts approximate to their fair value.

13. Investment in associates

	Group		Company	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
At 1 January	892	992	992	992
Share of accumulated results	-	(100)	-	-
Transfer to investments in subsidiaries	-	-	(992)	-
Elimination on consolidation	(892)	-	-	-
At 31 December	<u>-</u>	<u>892</u>	<u>-</u>	<u>992</u>
Assets	N/A*	15,009		
Liabilities	N/A*	(11,353)		
Net assets	N/A*	<u>3,656</u>		
Group's share of net assets of associates	<u>N/A*</u>	<u>1,718</u>		
Total revenue	<u>N/A*</u>	<u>6,351</u>		
Loss before tax for the year	<u>N/A*</u>	<u>(475)</u>		
Loss after tax for the year	<u>N/A*</u>	<u>(56)</u>		

13. Investment in associates (Continued)

*N/A means not applicable. During the year, National Bank of Malawi plc increased its shareholding in United General Insurance Limited (UGI) from 47% to 57%. This resulted in National Bank of Malawi plc having a control in UGI and as such its financial statements for the year ended 31 December 2024 have been fully consolidated. UGI's principal place of business and registered office is the Old National Bank of Malawi Head Office Building, Victoria Avenue, Blantyre.

14. Investment in subsidiaries

	Company	
	2024 K'm	2023 K'm
NBM Development Bank Limited	7,572	7,572
NBM Pensions Administration Limited	250	250
Stockbrokers Malawi Limited	98	98
NBM Bureau de Change Limited	7	7
Akiba Commercial Bank plc	10,226	10,226
United General Insurance Company Limited	2,796	-
NBM Capital Markets Limited	17	17
Total investments in subsidiaries	<u>20,966</u>	<u>18,170</u>

NBM, through National Bank Nominees Limited, holds 75% (2023: 75%) stake in Stockbrokers Malawi Limited. The Bank also holds 100% (2023: 100%) stake in NBM Bureau de Change Limited, a 100% (2023: 100%) stake in NBM Capital Markets Limited, a 100% (2023: 100%) stake in NBM Pension Administration Limited, a 100% (2023: 100%) stake in NBM Development Bank, a 57% (2023: 47%) stake in United General Insurance Company Limited and a 60.48% (2023: 60.48%) shareholding in Akiba Commercial Bank plc of Tanzania. NBM Bureau de Change ceased operations in 2013.

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

14.1. Akiba Commercial Bank plc

Entity	Principal activity	Effective date of acquisition	Interest acquired	Consideration transferred K' m
Akiba Commercial Bank plc	Commercial banking	1 January 2021	60.48%	5,585

National Bank of Malawi plc holds 16,813,000 out of 27,797,416 ordinary shares of Akiba Commercial Bank plc. Akiba was acquired as an international growth strategy for NBM. The consideration transferred to materialise the acquisition was cash. NBM obtained control of Akiba through its shareholding of 60.48%.

14. Investment in subsidiaries (Continued)
14.1. Akiba Commercial Bank plc (Continued)

14.1.1 Impact of acquisition on the results of the Group

Included in the profit for the year is a loss of K3,943m (2023: loss of K989m) attributable to the additional business generated by Akiba Commercial Bank plc. Income for the year includes K18,585m (2023: K16,220m) in respect of Akiba Commercial Bank plc.

14.2. United General Insurance Company Limited

Entity	Principal activity	Effective date of acquisition	Interest acquired	Consideration transferred K'm
United General Insurance Company Limited	General Insurance	1 January 2024	57%	2,695

National Bank of Malawi plc increased its shareholding in United General Insurance Company Limited from 47% to 57% following a recapitalization exercise on the investee.

Acquisition of United General Insurance company Limited

	K'mn
Consideration paid	1,803
Non-controlling interest	1,516
Fair value of previously acquired equity interest	892
	4,211
<i>Less</i>	
Net Assets	3,523
Goodwill	688

14.2.1 Fair value of assets acquired, and liabilities recognised as at the date of acquisition

Assets	K'm
Property, plant and equipment	1,259
Investment properties	1,040
Deferred tax asset	2,152
Staff investments loans	150
Investment in unquoted shares	497
Investment in listed companies	1,398
Insurance contracts assets	1,195
Other receivables	217
Reinsurance contracts assets	2,442
Related party receivables	117
Income tax recoverable	229
Investment in bonds	1,082
Money market investments	2,421
Cash and bank balances	255
Total assets	14,454

14. Investment in subsidiaries (Continued)
14.2. United General Insurance Company Limited (Continued)

14.2.1 Fair value of assets acquired, and liabilities recognised as at the date of acquisition

Liabilities	K'm
Insurance contracts liabilities	9,716
Reinsurance contracts liabilities	387
Other payables	615
Related party payables	213
Total Liabilities	10,931
Net Assets' fair value	3,523

14.2.2 Non-Controlling Interest (NCI) fair value

The non-controlling interest of 43% recognized at the acquisition date was by reference to the net asset fair value of the NCI amounting to K1,514.5m.

14.2.3 Impact of acquisition on the results of the Group

Included in the profit for the year is a profit of K2,168m attributable to the additional business generated by United General Insurance Company Limited. Income for the year includes K10,628m in respect of United General Insurance Company Limited.

15. Investment in unquoted shares held at fair value

The Group holds 60m of 630m shares of National Switch Malawi Limited (Natswitch). In 2023, the investment had a carrying amount of K111m and was reported under other assets (note 8). Consistent with the Group policy, during the year the investment in Natswitch was fair valued using the estimated discounted future cashflows of the investee. Based on the discounted cashflows, the price per share of Natswitch was determined to be K17.61 resulting in a K1,057m fair valuation of the Group's shares. The Group therefore recognised a fair value gain of K946m in the statement of profit or loss and other comprehensive income for the year ended 31 December 2024.

16. Investment properties

	Group K'm
Valuation	
Balance as at acquisition date of 1 January 2024	1,040
Increase in fair value	200
Balance as at 31 December 2024	1,240
Comprising of:	
Original cost	80
Valuation uplift	1,160
Total	1,240

Fair value measurement of the investment properties.

Investment properties were revalued on an open market value basis by Francis R. Chalozza, MSc, B Soc, MSIM of Park Hill Associates registered valuation surveyors on behalf of the Directors of the Company as at 31 December 2024. The resultant surplus was taken to the statement of profit or loss and other comprehensive income in accordance with the requirement of IAS 40:

16. Investment properties (Continued)

Investment Properties

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2024 are as follows:

	Level 2 K'm	Fair Value K'm
Balance as at acquisition date of 1 January 2024	1,040	1,040
Increase in fair value	200	200
Balance as at 31 December 2024	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 2024 was K44m and the capitalisation rate ranging from 20% to 35%. 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 portfolio. 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.

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)	<ul style="list-style-type: none"> Internally generated financial forecasts Prices contained in offered quotes Inflation rate Impact of devaluation 	6.5% to 7.5%

16. Investment properties (Continued)

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 2024	K'm
An increase of 1% in capitalisation rates would decrease the fair value by:1%	1,228
A decrease of 1% in capitalisation rates would increase the fair value by:1%	1,252
An increase of 10% in market rentals per m2 would increase the fair value by:10%	1,364
A decrease of 10% in market rentals per m2 would decrease the fair value by:10%	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 proportional 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 result in 10% increase in fair values or vice versa as demonstrated in the sensitivity analysis above.

17. 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 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	-	-	250	-	250
Disposals	-	(137)	(1,199)	-	(1,336)
Write-offs	-	(331)	(180)	-	(511)
Revaluation surplus	6,597	1,873	-	-	8,470
At 31 December 2024	41,377	13,313	43,362	-	98,052
At 1 January 2023	29,508	10,088	27,321	45	66,962
Additions	-	-	9,215	590	9,805
Transfer from work in progress	-	481	154	(635)	-
Disposals	-	-	(1,452)	-	(1,452)
Write-offs	-	-	(132)	-	(132)
Revaluation surplus	5,227	1,129	-	-	6,356
At 31 December 2023	34,735	11,698	35,106	-	81,539
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
Depreciation					
1 January 2023	-	2,968	19,058	-	22,026
Charge for the year	598	251	3,473	-	4,322
Elimination on revaluation	(598)	(141)	-	-	(739)
Elimination on disposal	-	-	(1,052)	-	(1,052)
Write-offs	-	-	(125)	-	(125)
At 31 December 2023	-	3,078	21,354	-	24,432
Carrying amount					
At 31 December 2024	41,377	10,538	17,211	-	69,126
At 31 December 2023	34,755	8,620	13,752	-	57,107

17. Property and Equipment (Continued)

Company	Freehold land & buildings K'm	Leasehold land & buildings K'm	Motor vehicles & equipment K'm	Work in progress K'm	Total K'm
Cost or valuation					
At 1 January 2024	34,735	9,743	30,847	-	75,325
Additions	45	20	6,790	-	6,855
Transfer from Intangible assets	-	-	250	-	250
Disposals	-	-	(817)	-	(817)
Write-offs	-	(331)	(180)	-	(511)
Revaluation surplus	6,597	1,821	-	-	8,418
At 31 December 2024	41,377	11,253	36,890	-	89,520
At 1 January 2023	29,508	8,133	24,023	45	61,709
Additions	-	-	7,319	590	7,909
Transfer from work in progress	-	481	154	(635)	-
Disposals	-	-	(517)	-	(517)
Write-offs	-	-	(132)	-	(132)
Revaluation surplus	5,227	1,129	-	-	6,356
At 31 December 2023	34,735	9,743	30,847	-	75,325
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
Depreciation					
1 January 2023	-	1,163	16,208	-	17,371
Charge for the year	598	178	3,118	-	3,894
Elimination on revaluation	(598)	(141)	-	-	(739)
Elimination on disposal	-	-	(428)	-	(428)
Write-offs	-	-	(125)	-	(125)
At 31 December 2023	-	1,200	18,773	-	19,973
Carrying amount					
At 31 December 2024	41,377	10,310	14,516	-	66,203
At 31 December 2023	34,755	8,543	12,074	-	55,352

Group

Land and buildings

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

	2024 K' m	2023 K' m
Freehold at 2024 valuation	41,377	-
at 2023 valuation	-	34,735
Total freehold land and buildings	41,377	34,735
Leasehold at 2024 valuation	13,313	-
at 2023 valuation	-	11,698
Total freehold land and buildings	13,313	11,698

17. Property and Equipment (Continued)

Land and buildings (Continued)

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
2024			
Motor vehicles	-	225	225
2023			
Motor vehicles	-	210	210

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 2024

Land and buildings for the Group and the Bank were fair valued as at 31 December 2024 and 31 December 2023 by Bernard Mughogho, (Est. Mgt) MSIM of Knight Frank, and Francis R. Chaloza, MSc, B Soc, MSIM of Park Hill Associates, qualified independent valuers on a current market value basis.

Out of the K9,336m (2023: K7,095m) the Group's gross revaluation surplus, K153m (2023: K130m) 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 K9,183m (2023: K6,965m) was credited to the revaluation reserve through the statement of other comprehensive income (refer note 35).

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 2024 K' m
Freehold land and buildings	-	41,377	-	41,377
Leasehold land and buildings	-	13,313	-	13,313
	Level 1 K' m	Level 2 K' m	Level 3 K' m	Fair value 2023 K' m
Freehold land and buildings	-	34,735	-	34,735
Leasehold land and buildings	-	11,698	-	11,698

17. Property and Equipment (Continued)

Land and buildings (Continued)

Had land and buildings been carried at historical cost less depreciation and accumulated impairment losses, their carrying value would have been approximately K8 136m (2023: K8,268m).

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

Year ended 31 December	2024 K'm	2023 K'm
An increase of 1% in capitalisation rates would decrease the fair value by:1%	(5,054)	(3,664)
A decrease of 1% in capitalisation rates would increase the fair value by:1%	6,492	4,479
An increase of 10% in market rentals per m2 would increase the fair value by:10%	4,646	4,031
A decrease of 10% in market rentals per m2 would decrease the fair value by:10%	(4,643)	(4,031)

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 result in 10% increase in fair values or vice versa as demonstrated in the sensitivity analysis above.

18. Intangible assets

Group

Cost of valuation

	Computer Software K' m	Work in progress K' m	Total K' m
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

At 1 January 2023	15,250	2,265	17,515
Additions	233	3,726	3,959
Transfer from work in progress	771	(771)	-
Transfer to expenses	-	(9)	(9)
Write-offs	(75)	-	(75)
At 31 December 2023	16,179	5,211	21,390

Amortization

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

At 1 January 2023	8,019	-	8,019
Charge for the year	1,413	-	1,413
Write-offs	(75)	-	(75)
At 31 December 2023	9,357	-	9,357

At 31 December 2024	10,238	-	10,238
At 1 January 2023	8,019	-	8,019
Charge for the year	1,413	-	1,413
Write-offs	(75)	-	(75)
At 31 December 2023	9,357	-	9,357

Carrying amounts

31 December 2024	8,971	9,635	18,606
31 December 2023	6,822	5,211	12,033

18. Intangible assets (Continued)

	Computer Software K' m	Work in progress K' m	Total K' m
Company			
Cost of valuation			
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
At 1 January 2023	13,814	2,255	16,069
Additions	-	3,726	3,726
Transfer from work in progress	771	(771)	-
Transfer to expenses	-	(9)	(9)
Write-offs	(75)		(75)
At 31 December 2023	14,510	5,201	19,711
Amortisation			
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
At 1 January 2023	6,801	-	6,801
Charge for the year	1,337	-	1,337
Write-offs	(75)	-	(75)
At 31 December 2023	8,063	-	8,063
Carrying amounts			
31 December 2024	8,683	5,613	14,296
31 December 2023	6,447	5,201	11,648

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 during the year amounting to K764m (2023: 75m) relates to fully amortized software which is no longer in use.

19. Right-of-use assets

Group	K' m
Cost or valuation	
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
At 1 January 2023	10,245
Right of use asset remeasurement	106
Additions	7
At 31 December 2023	10,358
Amortization	
At 1 January 2024	6,720
Charge for the year	2,289
Derecognition during the year	(3,781)
At 31 December 2024	5,228
At 1 January 2023	5,299
Charge for the year	1,421
At 31 December 2023	6,720
31 December 2024	6,132
31 December 2023	3,638
Company	
Cost or valuation	
At 1 January 2024	3,790
Additions	4,347
Derecognition during the year	(3,790)
At 31 December 2024	4,347
At 1 January 2023	3,783
Addition	7
At 31 December 2023	3,790
Amortization	
At 1 January 2024	3,781
Charge for the year	1,234
Derecognition during the year	(3,781)
At 31 December 2024	1,234
At 1 January 2023	2,991
Charge for the year	790
At 31 December 2023	3,781
Carrying amounts	
31 December 2024	3,113
31 December 2023	9

19. 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 January 2019.

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.

20. Deferred tax

a. Deferred tax asset

	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
Group						
2024						
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

	Opening balance K'm	Transfer to deferred tax liability K'm	Charged to profit & loss K'm	Charged to equity K'm	Closing balance K'm
2023					
Accelerated capital allowances	(1,424)	2,337	(2,049)	-	(1,136)
Revaluation of land and buildings	11,073	2,542	1,130	(13,527)	1,218
Tax losses*	1,452	-	-	-	1,452
Other temporary differences	684	188	(203)	-	669
Total deferred tax	11,785	5,067	(1,122)	(13,527)	2,203

*The tax losses relate to Akiba Commercial Bank plc. Under Income Tax Act, 2004 of Tanzania, tax losses can be carried forward 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.

20. Deferred tax (Continued)

Company

2023

Accelerated capital allowances	(256)	2,337	(2,018)	-	63
Revaluation of land and buildings	10,898	2,542	1,130	(13,527)	1,043
Other temporary differences	(1,294)	188	-	-	(1,106)
Total deferred tax	9,348	5,067	(888)	(13,527)	-

(b) Deferred tax liability

Group

2024

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

2023

Accelerated capital allowances	-	2,337	-	-	2,337
Revaluation of land and buildings	-	2,542	-	-	2,542
Other temporary differences	2	188	(2)	-	188
Total deferred tax	2	5,067	(2)	-	5,067

Company

2024

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	726

2023

Accelerated capital allowances	-	2,337	-	-	2,337
Revaluation of land and buildings	-	2,542	-	-	2,542
Other temporary differences	-	188	-	-	188
Total deferred tax	-	5,067	-	-	5,067

Opening balance K'm	Transfer to deferred tax liability K'm	Charged to profit & loss K'm	Charged to equity K'm	Closing balance K'm
(256)	2,337	(2,018)	-	63
10,898	2,542	1,130	(13,527)	1,043
(1,294)	188	-	-	(1,106)
9,348	5,067	(888)	(13,527)	-

Transfer Opening balance K'm	Charged to deferred tax liability K'm	to profit & loss K'm	Charged to equity K'm	Closing balance K'm
2,337	48	408	-	2,793
2,542	-	-	3,241	5,783
-	-	-	378	378
188	-	(8,170)	-	(7,982)
5,067	48	(7,762)	3,619	972

Opening balance K'm	Charged to profit & loss K'm	Charged to equity K'm	Closing balance K'm
2,337	210	-	2,547
2,542	-	3,241	5,783
-	-	378	378
188	(8,170)	-	(7,982)
5,067	(7,960)	3,619	726

Opening balance K'm	Transfer to deferred tax liability K'm	Charged to profit & loss K'm	Charged to equity K'm	Closing balance K'm
-	2,337	-	-	2,337
-	2,542	-	-	2,542
-	188	-	-	188
-	5,067	-	-	5,067

21. Goodwill

	2024 K'm	2023 K'm
Balance at beginning of the year	3,959	3,959
Goodwill from United General Insurance Company Limited	688	-
Balance at end of the year	<u>4,647</u>	<u>3,959</u>

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.

Annual test for impairment-NBM Development Bank Limited

The Group determined the recoverable amount of the Cash Generating Unit (CBD) to be K79,909m (2023: K35,252m) 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 2025 and projections covering a 4-year period from 2026) discounted at a weighted average cost of capital of 32.22% (2023: 49.09%)

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 K5,247m (2023: K6,828m). As such, in accordance with IAS 36 *Impairment of Assets*, NBM determined that the goodwill was not impaired as at 31 December 2024.

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 2024 and determined that the goodwill was not impaired.

22. Customer deposits

	Average interest rates		Group		Company	
	2024	2023	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Analysis by account type:						
Current accounts	0.00%	0.00%	386,566	268,382	357,106	253,718
Foreign currency accounts	0.50%	0.50%	207,717	163,647	198,947	159,706
Savings accounts	7.10%	7.10%	305,667	198,639	275,351	161,842
Deposit accounts	7.33%	7.50%	245,016	212,522	202,733	177,276
Client funds	20.41%	19.00%	183,461	126,223	-	-
Total customer deposits			<u>1,328,427</u>	<u>969,413</u>	<u>1,034,137</u>	<u>752,542</u>
Analysis by interest risk type:						
Interest bearing deposits			941,119	701,031	677,031	498,824
Non-interest-bearing deposits			387,308	268,382	357,106	253,718
			<u>1,328,427</u>	<u>969,413</u>	<u>1,034,137</u>	<u>752,542</u>

All interest-bearing accounts, excluding deposit accounts, are at floating rates that are adjusted at the Bank's discretion, refer to note 44e.

Analysis by interest maturity:

Customer deposits are payable as follows:

Within three months	1,289,498	935,581	1,022,626	734,047
Between three months and one year	31,683	30,440	11,511	18,495
Over one year	7,246	3,392	-	-
	<u>1,328,427</u>	<u>969,413</u>	<u>1,034,137</u>	<u>752,542</u>

	Group		Company	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Analysis by sector:				
Agriculture	38,592	22,840	38,534	22,466
Manufacturing	45,025	59,203	44,992	59,056
Wholesale and retail	208,102	156,565	166,939	106,393
Finance and insurance	103,587	89,685	81,008	89,641
Personal accounts	563,684	365,199	517,697	345,852
Construction	29,141	24,898	29,082	24,042
Electricity, gas, water and energy	22,626	21,207	22,625	21,023
Transport and storage	54,227	38,482	53,330	34,485
Restaurants and hotels	9,390	7,525	9,338	7,274
Mining and quarrying	57,617	32,261	57,617	32,261
Real estate	8,297	6,121	8,297	6,121
Clients Funds	183,461	126,223	-	-
Other	4,678	19,204	4,678	3,928
Total	<u>1,328,427</u>	<u>969,413</u>	<u>1,034,137</u>	<u>752,542</u>

The currency analysis of customer deposits is included in note 44f.

23. Amounts due to other banks

	Group		Company	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Liabilities in Malawi Kwacha	206	2,676	206	2,676
Liabilities in foreign currency	14,060	9,015	1,480	3,270
Bills in suspense in foreign currency	448	2,291	448	2,291
Total amounts due to other banks	14,714	13,982	2,134	8,237

24. Current income tax

Current income tax liabilities				
Balance at beginning of the year	19,008	7,712	18,030	7,189
Current charge (note 36)	73,298	47,050	69,584	45,046
Tax paid	(58,019)	(35,754)	(54,991)	(34,205)
Balance at end of the year	34,287	19,008	32,623	18,030

25. 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:

Opening balance	12,447	11,108	4,587	8,105
Additions	3,000	5,000	-	-
Accrued interest	339	440	59	225
Interest paid	(59)	(614)	(59)	(559)
Principal paid	(4,378)	(3,487)	(4,378)	(3,184)
Total	11,349	12,447	209	4,587

25.1 Lines of credit

25.1.1. 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 2024 was K105m (2023: K105m).

25.1.2. 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 2024 was K3m (2023: 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 2024 was K9m (2023: K9m). The Group is yet to renegotiate with Malawi Government on a new repayment schedule for the second loan.

25. Loans (Continued)

25.1 Lines of credit(Continued)

25.1.3. The Transport Sector Revolving Fund

The transport sector revolving fund loan 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 at year-end an agreement had not yet been reached. The carrying amount of the loan as at 31 December 2024 was K67m (2023: K67m).

25.1.4. 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 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 2024 was K25m (2023: K25m).

25.1.5. European Investment Bank (EIB)

In 2016, the Bank signed an agreement for an unsecured line of credit for Euro 30 million joint facility with the European Investment Bank (EIB) to facilitate purchase, construction and extension of warehouses and Agri storage assets. The Bank shall pay interest on the outstanding balance at the rate of either (i) 3.381 % in respect of those tranches deemed by the Bank to be in respect of HDI Investments or (ii) 3.471 % for all tranches in respect of Standard Investments. Both rates shall incur interest semi-annually in arrears. The loan is repayable semi-annually. As at 31 December 2024, the Bank drew down USD29,142m (2023: USD29,142m). The loan balance amounting to K4,378m was fully repaid during the current year.

25.1.6. Reserve Bank of Malawi Loan

In 2022, NBM Development Bank Limited (NBM DBL) signed an agreement with Reserve Bank of Malawi (RBM) for unsecured Micro, Small and Medium Enterprise Line of Credit Facility (MSMELCF) amounting K3,000m to facilitate lending to Micro, Small and Medium Enterprises. The Bank pays interest at the rate of 3% per annum, payable semi-annually. The facility expires in September 2025. As at 31 December 2024 interest amounting to K82m (2023: K81m) was accrued and nil (2023: K357m) was made towards repayments. The carrying amount of the loan as at 31 December 2024 was therefore K2,808m (2023: K2,726m).

In 2023, NBM DBL drew an additional K5 000m under the same terms as the previous loan. The new facility expires on 28 February 2033. The interest accrued on the loan for the year 2024 totalled K154m (2023:134). No repayments have been made yet towards the loan (2023: nil). The carrying amount of the loan as at 31 December 2024 was therefore K5,288m (2023: K5,134m).

During the year 2024, NBM DBL drew two loans amounting to K1,000m and K2,000m under the same terms as the 2022 loan. The loans will mature in July 2034 and July 2030 respectively. The interest accrued for the year 2024 on the first loans was K26m and for the second loan was K18m. No repayments have been made yet towards the loans. The carrying amount of the loans was K1,026m and K2,018m respectively.

26. Provisions

	Employee bonus K' m	Tevet levy K' m	Total K' m
Group			
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
2023			
At 1 January 2023	6,189	202	6,391
Provisions made during the year	6,013	286	6,299
Payments made during the year	(6,189)	(246)	(6,435)
At 31 December 2023	6,013	242	6,255
Company			
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
2023			
At 1 January 2023	5,772	194	5,966
Provisions made during the year	5,772	275	6,047
Payments made during the year	(5,772)	(238)	(6,010)
At 31 December 2023	5,772	231	6,003

27. Other liabilities

	Group		Company	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Unclaimed balances	1,460	1,567	1,460	1,567
Deferred income	6,309	2,359	5,158	1,194
Bank cheque	3,432	3,058	3,432	3,058
Office accounts	5,651	9,342	4,994	9,341
Trade and other payables	10,664	5,398	4,687	3,298
Other tax payables	4,834	5,054	3,516	3,674
Cash security	22	22	22	22
Cards and other products	11,193	5,454	11,193	5,454
Sundry payables	-	569	-	107
Total Liabilities	43,565	32,823	34,462	27,715

28. Lease liabilities

	Group		Company	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Opening lease liabilities as at 1 January	5,227	6,849	578	1,838
Additions	6,502	7	4,347	7
Interest on lease	2,274	976	1,271	225
Lease liability interest paid	(2,274)	(976)	(1,271)	(225)
Lease liability principal paid	(610)	(1,735)	(215)	(1,267)
Lease liability cancellations	(2,358)	(106)	(578)	(61)
Closing balance as at 31 December	8,761	5,227	4,132	578

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 19). The interest on lease liability has been charged to Statement of Comprehensive income (Refer to note 34). Out of the Group's lease payments of K2,884m (2023: K2,711m) payments, K610m (2023: K1,735m) were towards settlement of the lease liability (principal) and K2,274m (2023: K976m) for payment of the interest on lease liability.

The maturity profiles for the lease payments are as follows:

	Group		Company	
	2024	2023	2024	2023
Year 1	2,747	1,086	1,650	3
Year 2	2,841	1,097	1,733	3
Year 3	2,508	1,108	1,392	3
Year 4	1,590	1,116	463	-
Year 5	1,580	1,127	442	-
Year 6	1,685	1,138	535	-
Year 7	1,827	1,150	666	-
Year 8	139	1,161	139	-
Total lease payments	14,917	8,983	7,020	9

The currency analysis of other liabilities is included in note 44(f).

29. Subsequent events

Policy rate change

The Reserve Bank of Malawi's Monetary Policy Committee (MPC) met on 29 January and 30 January 2025. Based on an assessment of the macroeconomic situation and outlook, the MPC decided to maintain the Policy rate at 26.0 percent. Headline inflation increased from 28.1% in December 2024 to 30.7% in February 2025.

From 01 January 2025, the Reserve Bank of Malawi is implementing Basel III, an upgrade from Basel II. Basel III has more stringent requirements and has a huge impact on capital as financial institutions will be required to hold several buffers.

These events will impact results for the year ending 31 December 2025.

29. Subsequent events (Continued)

Capital injection in Akiba Commercial Bank plc

In February 2025, the Directors approved additional capital injection in Akiba Commercial Bank plc to address minimum capital shortfall and enhance business operations (see Note 44).

Dividend

The directors declared a second interim dividend for the year of K17,400m (2023: K14,000m) in March 2025 which will be paid in April 2025. A final dividend for the year of K28,600m 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 2025.

30. Pension scheme

The Group operates a fully defined contribution pension scheme for its employees. The contributions of employees and the employer are 5.5% (2023: 5.5%) and 11.0% (2023: 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 K3,434m (2023: K2,639m).

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 K666m (2023: K585m) in rentals for such properties during the year.

The Fund was valued by independent actuaries, Alexander Forbes, as at 31 December 2023. As per the actuarial valuation, the General Fund had a surplus of K18,503m (December 2022: surplus of K8,932m) and the Special Fund had a surplus of K328m (December 2022: surplus of K295m). According to the report, the special Fund had no liabilities as at 31 December 2023.

31. Net interest income

Interest and similar income

Interest on loans and advances and bills discounted	98,514	74,454	79,491	61,667
Income from investments	115,288	65,842	112,046	63,769
Income from lease financing	8,826	4,900	8,826	4,900
Interest on placements with other banks	6,571	4,660	2,541	2,853
Arrangement and other fee income	7,317	8,273	7,260	8,267
	236,516	158,129	210,164	141,456

Interest expense and similar charges

Banks and customers	32,992	22,731	28,268	19,996
Interest on Foreign Bank loan	59	225	59	225
Interest on Reserve Bank of Malawi loan	280	215	-	-
Money market loans and repos	3,520	3,512	2,520	2,953
	36,851	26,683	30,847	23,174

Net interest income

	199,665	131,446	179,317	118,282
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*Interest income and expense is calculated using Effective Interest Rate (EIR) method.

32. Commission and fee income

	Group		Company	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Commissions	60,627	45,933	50,262	37,688
Other income	5,180	3,749	4,591	3,172
Total commission and fee income	65,807	49,682	54,853	40,860

33. Staff costs

Salaries and wages	33,464	26,814	22,321	18,883
Other staff costs	9,228	6,772	7,875	6,289
Staff loans fair value adjustment	17	65	17	65
Staff bonus	7,549	6,013	6,859	5,772
Pension costs	3,434	2,639	2,426	1,963
Total staff costs	53,692	42,303	39,508	32,972

34. Other operating expenditure

Recurrent expenditure on premises and equipment	18,169	11,812	15,463	10,361
Amortisation of right-of-use assets	2,289	1,421	1,234	790
Interest expense on lease liability	2,274	976	1,271	225
Net insurance finance costs	180	-	-	-
Write-off of plant and equipment	9	7	9	7
Legal charges	888	578	410	216
Communication	4,744	3,101	4,544	3,010
Travel, hotel and meals	1,999	1,503	1,660	1,249
Office expenses	4,264	3,398	2,687	1,964
Security and insurance	5,829	3,225	4,619	2,321
Professional fees	3,493	1,434	3,220	1,360
Card expenses	9,101	5,894	8,900	5,844
Agent bank charges	1,597	714	1,270	569
Reserve Bank of Malawi supervisory fees and inspection charges	809	247	756	242
Customer cash collection expenses	56	52	56	52
Miscellaneous expenses and provisions	1,036	(476)	935	(476)
SMS Banking expenses	2,004	1,507	1,831	1,367
Auditor's remuneration including VAT and expenses	1,071	736	682	518
Directors' remuneration - fees for services as directors	423	359	179	161
- for managerial services	827	949	663	789
Board expenses	635	324	584	297
Other expenses	3,606	2,586	2,947	2,207
Total other operating expenses	65,303	40,347	53,920	33,073

35. Properties fair value gains and losses

	Group		Company	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Fair value gains properties through income statement	153	130	153	130
Fair value gains on properties included in other comprehensive income	9,183	6,965	9,127	6,965
Total properties fair value gains	9,336	7,095	9,280	7,095

36. Income tax expense

	Group		Company	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Income tax (note 24)	73,298	47,050	69,584	45,046
Deferred tax (note 20)	(7,861)	1,120	(7,960)	888
Total income tax expenses	65,437	48,170	61,624	45,934
Profit before tax	167,147	120,129	160,782	115,120
Reconciliation of rate of tax	%	%	%	%
Standard rate of taxation	30	30	30	30
Effects of excess 10% on profits above K10 billion	9	10	8	10
Effective rate of taxation	39	40	38	40

37. 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		Company	
	2024	2023	2024	2023
Profit attributable to equity holders of the Company (K'm)	101,710	72,245	99,158	69,186
Net profit used to determine diluted earnings per share (K'm)	101,710	72,245	99,158	69,186
Weighted average number of Ordinary Shares in issue	467	467	467	467
Weighted average number of Ordinary Shares for diluted earnings per share (millions)	467	467	467	467
Basic earnings per share (expressed in K per share)	217.79	154.70	212.33	148.17

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.

38. Dividend per share

	Group and Company	
	2024 K'm	2023 K'm
Second interim dividend (prior year)	13,999	10,002
Final dividend (prior year)	23,001	14,998
First interim dividend (current year)	12,999	10,973
	49,999	35,973
Weighted average number of Ordinary Shares in issue (millions)	467	467
Dividend per share	107.06	77.03

The proposed current year final dividend is K28,600m (2023: K23,000m) representing K61.25 per share (2023: K49.25 per share). A second interim dividend of K17,400m (2023: K14,000m) will be paid in April 2025.

39. Contingencies

	Group		Company	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Letters of credit and guarantees				
Foreign guarantees	5,779	1,532	5,779	1,532
Local guarantees and performance bonds	13,812	6,764	9,534	6,764
Letters of credit	62,303	24,152	62,303	24,152
Total Letters of credit and guarantees	81,894	32,448	77,616	32,448
Other contingencies				
Legal claims	1,972	1,208	1,889	1,229
Tax dispute	2,713	2,229	-	-
Customer funds under management	267,917	184,844	-	-
Total other contingencies	272,602	188,281	1,889	1,229

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 K2,713m (2023: K2,229m).

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 K6,660m (2023: K6,660m).

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.

40. Commitments

Expenditure contracted for but not yet incurred	5,914	4,714	5,775	3,818
Expenditure approved by the Board but not contracted	8,227	6,739	8,227	6,739
Total commitments	14,141	11,453	14,002	10,557

These commitments are to be funded from internal resources.

41. Cash and cash equivalents

Cash and funds with central banks (note 5)	171,927	76,755	142,136	54,007
Placements with other banks (note 6)	101,662	136,197	100,778	135,155
Other money market deposits (note 7)	181,617	150,516	8,746	43,758
Total cash and cash equivalents	455,206	363,468	251,660	232,920

42. 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 2024						
Assets						
Cash and bank balances with Central banks	5	-	-	171,927	171,927	171,927
Placements with other banks	6	-	-	101,662	101,662	101,662
Government securities	10	-	-	628,542	628,542	628,542
Equity investments	9	18,761	-	18,761	18,761	18,761
Loans and advances	11	-	-	467,783	467,783	467,783
Other money market deposits	7	-	-	181,617	181,617	181,617
Insurance contracts assets	12	-	-	109	109	109
Re-Insurance contracts assets	12	-	-	2,605	2,605	2,605
Investment in unquoted shares held at Fair Value	15	1,057	-	-	1,057	1,057
Other assets		-	-	35,334	35,334	35,334
Total financial assets		19,818	-	1,589,579	1,609,397	1,609,397
Liabilities and equity						
Customer deposits	22	-	-	1,328,427	1,328,427	1,328,427
Amounts due to other banks	23	-	-	14,714	14,714	14,714
Loans	25	-	-	11,349	11,349	11,349
Provisions	26	-	-	7,765	7,765	7,765
Other liabilities		-	-	9,680	9,680	9,680
Insurance contracts liabilities	12	-	-	9,488	9,488	9,488
Re-Insurance contracts liabilities	12	-	-	203	203	203
Lease liability	28	-	-	8,761	8,761	8,761
Total financial liabilities		-	-	1,390,387	1,390,387	1,390,387

42. 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 2023						
Assets						
Cash and bank balances with Central banks	5	76,755	-	-	76,755	76,755
Placements with other banks	6	-	-	136,197	136,197	136,197
Government securities	10	-	-	380,397	380,397	380,397
Equity investments	9	9,803	-	-	9,803	9,803
Loans and advances	11	-	-	405,860	405,860	405,860
Other money market deposits	7	-	-	150,516	150,516	150,516
Other assets		-	-	20,662	20,662	20,662
Total financial assets		86,558	-	1,093,632	1,180,190	1,180,190
Liabilities and equity						
Customer deposits	22	-	-	969,413	969,413	969,413
Amounts due to other banks	23	-	-	13,982	13,982	13,982
Loans	25	-	-	12,447	12,447	12,447
Provisions	26	-	-	6,255	6,255	6,255
Other liabilities		-	-	1,950	1,950	1,950
Lease liability	28	-	-	5,227	5,227	5,227
Total financial liabilities		-	-	1,009,274	1,009,274	1,009,274
Company 2024						
Assets						
Cash and bank balances with Central Banks	5	-	-	142,136	142,136	142,136
Placements with other banks	6	-	-	100,778	100,778	100,778
Government securities	10	-	-	573,132	573,132	573,132
Equity investments	9	17,081	-	-	17,081	17,081
Loans and advances	11	-	-	372,467	372,467	372,467
Other money market deposits	7	-	-	8,746	8,746	8,746
Investment in unquoted shares held at Fair Value	15	1,057	-	-	1,057	1,057
Other assets		-	-	28,604	28,604	28,604
Total financial assets		18,138	-	1,225,863	1,244,001	1,244,001
Liabilities and equity						
Customer deposits	22	-	-	1,034,137	1,034,137	1,034,137
Amounts due to other banks	23	-	-	2,134	2,134	2,134
Loans	25	-	-	209	209	209
Provisions	26	-	-	7,055	7,055	7,055
Other liabilities		-	-	4,760	4,760	4,760
Lease liability	28	-	-	4,132	4,132	4,132
Total financial liabilities		-	-	1,052,427	1,052,427	1,052,427

42. 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						
2023						
Assets						
Cash and bank balances with Central Banks	5	-	-	54,007	54,007	54,007
Placements with other banks	6	-	-	135,155	135,155	135,155
Government securities	10	-	-	341,895	341,895	341,895
Equity investments	9	9,803	-	-	9,895	9,895
Loans and advances	11	-	-	321,929	321,929	321,929
Other assets		-	-	16,200	16,200	16,200
Total financial assets		9,803	-	912,944	922,747	922,747
Liabilities and equity						
Customer deposits	22	-	-	752,542	752,542	752,542
Amounts due to other banks	23	-	-	8,237	8,237	8,237
Loans	25	-	-	4,587	4,587	4,587
Provisions	26	-	-	6,003	6,003	6,003
Other liabilities		-	-	869	869	869
Lease liability	28	-	-	578	578	578
Total financial liabilities		-	-	772,816	772,816	772,816

43. 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;

43. Fair value measurements (Continued)

b. Fair value measurements recognized in the statement of financial position (Continued)

- 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	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
<i>Financial assets at fair value through profit or loss</i>				
Non-derivative financial assets held for trading Level 1	18,761	9,803	17,081	9,803

Group

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique (s) and key inputs(s)
	2024 K'm	2023 K'm		
Equity investments	18,761	9,803	Level 1	quoted prices

Company

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique (s) and key inputs(s)
	2024 K'm	2023 K'm		
Equity investments	17,081	9,803	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.

44. 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 mostly by 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.

44. Financial risk management (Continued)

a) Introduction and overview (Continued)

This section details the risk governance structure and the overall process the Group has adopted to identify, measure, monitor and control these risks.

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 Projects Oversight Committee and the Investments Committee. The Board Committees comprise of a non-executive membership only and they report regularly to the main Board on their activities.

The Board Risk Committee has responsibility for the 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 risks 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 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 reference. 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 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 Board Audit Committee.

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 lines.

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 resources are best utilised, and that members of staff are remunerated commensurately with their responsibilities and effectiveness.

44. 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 Projects Oversight 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 Greenfields, 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 defense	Second line of defense	Third line of defense
Business Unit management.	Risk management function including compliance.	Internal Audit
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.	Sets frameworks within the parameters set by the Board. Provides independent oversight of the first line of defence.	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

44. 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.

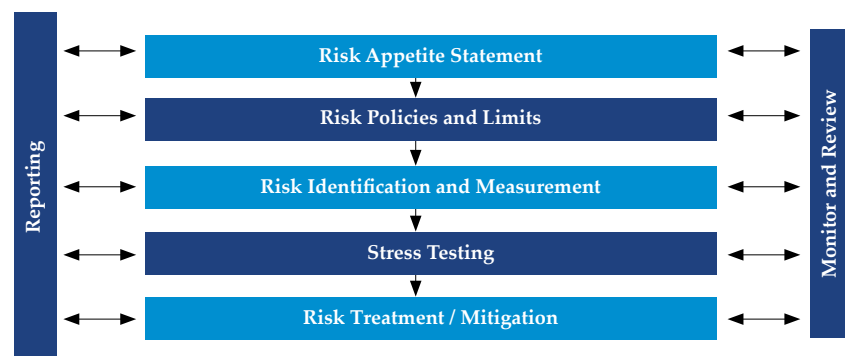
Risk Management Philosophy

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; -



b) Current and Emerging Risks

The Group identifies Current and Emerging risks, determines the appropriate response, and monitors the effectiveness of the implemented response. The following are the existing Current and Emerging risks to the Group's strategic ambitions and the mitigations that have been undertaken: -

- i. **Economic and Monetary Policy Shocks** – In 2025, inflationary pressures could be exacerbated by global supply chain disruptions, commodity price fluctuations (especially oil, food, and fertilizers), and local economic conditions. High inflation can erode real returns on savings and increase non-performing loans, particularly for individuals and businesses that rely on

44. Financial risk management (Continued)

b) Current and Emerging Risks (Continued)

imports or have fixed incomes. Food prices are unlikely to decline as previously anticipated due to lower agricultural output caused by El Niño weather conditions and delays in the supply of agricultural inputs.

Furthermore, the Malawi Kwacha has historically been subject to significant volatility. A sharp depreciation could increase the cost of imported goods and services, leading to higher inflation and pressure on borrowers with foreign currency-denominated debt. Additionally, persistent foreign exchange (forex) liquidity shortages and fuel supply disruptions are constraining the importation of raw materials and production inputs, thereby negatively impacting industrial and service sector activities.

- ii. **Climate and Environmental risk** – Malawi is prone to extreme weather events like flooding and drought, which could disrupt agriculture, impact food security, and increase loan defaults in sectors tied to these activities.

With growing global attention on climate change, Malawi might adopt stricter regulations related to environmental sustainability. The Bank could face increased regulatory scrutiny, particularly in relation to green financing and carbon disclosures.

- iii. **Political and Governance Risks** – As Malawi is entering the campaign period, with presidential and legislative elections scheduled for September 2025, the incumbent President is likely to concentrate on implementing conciliatory policies to garner support from the Malawian population, aiming to bolster his prospects for re-election. Malawi is expected to maintain a general high sense of security but grapple with political instability stemming from a deeply divided political landscape. The political dynamics leading up to the elections suggest a complex landscape with potential implications for governance and policy implementation.

Changes in government, policies, or leadership could bring about shifts in regulatory frameworks, taxation, and economic priorities. Political instability, corruption, or sudden changes in policy (such as nationalization or expropriation of assets) could introduce unforeseen risks to the banking sector.

Compromised governance practices, either within the bank itself or within the broader financial system, could lead to reputational damage, regulatory penalties, or financial losses. The Bank will maintain its high standards of corporate governance and risk management as they become more critical in the current environment.

- iv. **Geopolitical Risks** – While Malawi has been relatively stable, political or economic instability in neighbouring countries (like Mozambique, Zambia, or Tanzania) could create spillover effects, such as changes in trade patterns, migration, or regional supply chain disruptions.

Additionally, economic slowdowns in major trading partners or global markets (e.g., China, the EU, or the U.S.) could affect Malawi's export-driven sectors, such as tobacco, tea, and coffee, and reduce demand for banking services.

44. Financial risk management (Continued)

b) Current and Emerging Risks (Continued)

v. **Cybersecurity and Technology Risks** – As the group digitalizes its services and increase online and mobile banking channels, they become more susceptible to cyberattacks. This includes risks of data breaches, fraud, and disruption of banking services. The rise of phishing, ransomware, and other cybercrime tactics presents a growing threat to the financial sector.

And also, the rise of fintech, Artificial Intelligence (AI), blockchain, and cryptocurrencies could disrupt traditional banking models. The Bank will need to keep pace with technological advancements to remain competitive and secure.

vi. **Investment in other territories** – The Group holds an investment in Akiba Commercial Bank plc of Tanzania. since January 2021. The Group is therefore exposed to the risks associated with the investment in Tanzania. The Group has put in place measures to identify, manage and mitigate itself against the impact of such risks on its investment in Akiba. For year ended 31 December 2024 Akiba has made a loss after tax of K3,943m (2023: K989m) which was mainly due significant increases in provisions for loans and tax and one-off restructuring costs. However, the performance is expected to turn around in 2025.

c) 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 first line is made up of the Business Units who assess, evaluate, measure and control risk exposures through the day-to-day activities of the business within the framework set by the second line of defence. The second line is made up of Risk Division and is responsible for providing an independent oversight of the first line of defence. The third line is Internal Audit which provides the assurance and independent checks. In addition to these three lines, External Audit provide an independent confirmation of the Bank's financial reporting.

Credit risk is the likelihood of financial loss to the Group if customers or counterparties to financial instruments fail to meet their contractual obligations and arises principally from the Group's loans and advances to customers. Basel II under credit risk does provide two approaches in calculating required capital.

These are; the Standardised Approach and the Internal Ratings Based (IRB) approaches. The approaches are more aligned or biased towards the robustness of the internal risk management systems of the banks. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

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 there from 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.

44. Financial risk management (Continued)

c) Credit risk (Continued)

Management of credit risk (Continued)

Additionally, there is a Management Credit Committee which is comprised of 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.

The committee also reviews credit concentrations vis-à-vis the Bank's capital be they in the form of single borrowers or counter parties, a group of connected counter parties, 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 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 Credit Management Division. Regular audits of business units and credit processes are undertaken by the Internal Audit Division. Significant increase in credit risk

44. Financial risk management (Continued)

c) Credit risk (Continued)

Management of credit risk (Continued)

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 based on lifetime rather than 12-month ECL.

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;
- 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 becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- 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;

44. Financial risk management (Continued)

c) Credit risk (Continued)

Internal credit risk ratings (Continued)

- For retail exposures: internally generated data of customer behaviour, affordability metrics etc.; and
- 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 2024 was at K482,860m (2023: K418,523m) with Non-Performing Loans (NPL) standing at 16.33% (2023: 11.92%). The Bank's separate exposure as at 31 December 2024 was at K386,339m (2023: K332,456m) with Non-Performing Loans (NPL) standing at 18.65% (2023: 13.03%).

Incorporation of Forward Looking

Apart from the macroeconomic factors above, the 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 2024 with utilised overdrafts of K81,988m (2023: K14,207m) against limits of K108,435m (2023: K90,355m) representing 75.61% (2023: 15.75%) of the total limits. The Bank closed 2024 with utilized overdrafts of K81,798m (2023: K14,019 m) against limits of K108, 059m (2023: K89,065m) representing 75.70% (2023: 15.74%) 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 44 b) (i) the Economic risk remained high in 2024 as a result of weather-related shocks, oil price volatilities, commodity price volatilities 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 bureau 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 the capability to pay.

44. Financial risk management (Continued)

c) 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:

	Group		Company	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Concentration by sector				
Agriculture, forestry, fishing and hunting	70,256	59,989	65,899	56,759
Mining and quarrying	2,355	1,863	2,335	1,863
Manufacturing	34,332	41,277	32,461	39,787
Electricity, gas, water and energy	23,945	18,839	23,608	18,497
Construction	8,858	6,629	7,349	5,635
Wholesale and retail trade	65,559	68,381	30,024	27,054
Restaurants and hotels	52,621	40,644	47,051	37,074
Transport, storage and communications	31,902	25,705	25,035	21,460
Financial services	8,078	11,098	7,857	11,098
Community and social services	22,983	18,662	18,708	12,534
Real estate	8,508	6,970	7,782	6,970
Personal	138,386	105,803	104,358	83,198
	467,783	405,860	372,467	321,929

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

	2024 K'm	2023 K'm
Stage		
Stage 1	386,502	358,883
Stage 2	17,510	9,758
Stage 3	78,848	49,882
Total Gross Carrying Amount	482,860	418,523
Loss allowance	(15,077)	(12,663)
Carrying amount	467,783	405,860

Company loans and advances to customers at amortised cost categorised by Stages

	2024 K'm	2023 K'm
Stage		
Stage 1	299,897	281,994
Stage 2	14,382	7,149
Stage 3	72,060	43,313
Total Gross Carrying Amount	386,339	332,456
Loss allowance	(13,872)	(10,527)
Carrying amount	372,467	321,929

44. Financial risk management (Continued)

c) Credit risk (Continued)

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.

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	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Balances with the Central Banks	127,784	40,614	108,789	24,640
Placements with other banks	101,662	136,197	100,778	135,155
Government securities	628,542	380,397	573,131	341,895
Loans and advances	467,783	405,860	372,467	321,929
Other money market deposits	181,617	150,516	8,746	43,758
Investment in unquoted shares held at fair value	1,057	-	1,057	-
Other assets	35,334	20,662	28,604	16,200
Total recognized financial instruments	1,543,779	1,134,246	1,193,572	882,577
Guarantees and performance bonds	19,591	8,296	15,313	8,296
Letters of credit	62,303	24,152	62,303	24,152
Total unrecognised financial instruments	81,894	32,448	77,616	32,448
Total credit exposure	1,625,673	1,166,694	1,271,188	916,025

In respect of certain financial assets, the bank 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:

44. Financial risk management (Continued)

c) Credit risk (Continued)

	Carrying amount K'm	Offset K'm	Net exposure to credit risk K'm
Group			
2024			
Balances with Central banks	127,784	-	127,784
Placements with other banks	101,662	-	101,662
Government securities	628,542	-	628,542
Loans and payables	467,783	(20,543)	447,240
Other money market deposits	181,617	-	181,617
Investment in unquoted shares held at fair value	1,057	-	1,057
Other assets	35,334	-	35,334
	1,543,779	(20,543)	1,523,236
2023			
Balances with Central banks	40,614	-	40,614
Placements with other banks	136,197	-	136,197
Government securities	380,397	-	380,397
Loans and payables	405,860	(19,940)	385,920
Other money market deposits	150,516	-	150,516
Other assets	20,662	-	20,662
	1,134,246	(19,940)	1,114,306
Company			
2024			
Balances with Central banks	108,789	-	108,789
Placements with other banks	100,778	-	100,778
Government securities	573,131	-	573,131
Loans and payables	372,467	(14,811)	357,656
Other money market deposits	8,746	-	8,746
Investment in unquoted shares held at fair value	1,057	-	1,057
Other assets	28,604	-	28,604
	1,193,572	(14,811)	1,178,761
2023			
Balances with Central banks	24,640	-	24,640
Placements with other banks	135,155	-	135,155
Government securities	341,895	-	341,895
Loans and payables	321,929	(13,036)	308,893
Other money market deposits	43,758	-	43,758
Other assets	16,200	-	16,200
	883,577	(13,036)	114,306

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 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.

44. Financial risk management (Continued)

c) Credit risk (Continued)

Credit quality of loans and advances

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	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Individually impaired:				
Grade 9: Impaired	48,021	39,710	43,810	34,440
Grade 8: Impaired	30,827	10,172	28,250	8,873
Past due but not impaired:				
Grade 7: watchlist	17,391	9,758	14,382	7,149
Neither past due not impaired:				
Grade 1: low risk	106,330	81,659	31,494	15,765
Grade 4: Fair risk	280,291	277,224	268,403	266,229
Impairment provision	(15,077)	(12,663)	(13,872)	(10,527)
Total net carrying amount	467,783	405,860	372,467	321,929

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 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: Low risk	106,330	975	31,494	890
Total gross carrying amount	482,860	14,835	386,339	13,630
31 December 2023				
Risk grade				
Grade 9: Impaired	39,710	4,628	34,440	3,858
Grade 8 Impaired	10,172	2,305	8,873	2,113
Grade 7: Watch list	9,758	320	7,149	300
Grade 4 - 6: Fair risk	277,224	3,649	266,229	3,466
Grade 1: Low risk	81,659	1,465	15,765	494
Total gross carrying amount	418,523	12,367	332,456	10,231

The Group's impairment provision of K14,835m (2023: K12,367m) excludes provision for off-balance sheet assets and unutilized limits amounting to K242m (2023: K296m). The Bank's impairment provision of K13,630m (2023: K10,231m) excludes provision for off-balance sheet assets and unutilized limits amounting to K242m (2023: K296m).

The current year total carrying amount includes K81,290m (2023: K73,104m) and K14,026m (2023: K10,827m) loans and advances extended by Akiba Commercial Bank plc and NBM Development Bank respectively. The provision related to Akiba Commercial Bank plc amounted K1,022m (2023: K1,974m) while for NBM Development Bank Limited amounted to K183m (2023: K162m) as at the reporting date.

44. Financial risk management (Continued)

c) Credit risk (Continued)

Credit quality of loans and advances (Continued)

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 loans amounting to K14,988m (2023: K6,149m) out of which K11,778m (2023: K5,831m) has been charged to the statement of comprehensive income and K3,210m (2023: K318m) 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 value are based on the value 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.

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.

44. Financial risk management (Continued)

c) Credit risk (Continued)

Impaired loans and advances

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	Group		Company	
	2024 K'm	2023 K'm	2024 K'm	2023 K'm
Against individually impaired				
Motor vehicles	2,857	5,339	2,357	4,299
Commercial property	25,237	23,009	23,337	21,325
Residential property	12,584	17,099	2,006	3,683
Government guarantees	12,600		12,600	
Business chattels and stocks	-	147	-	-
Cash	713	1,093	711	1,089
Total	53,991	46,687	41,011	30,396
Against the set of the loan book				
Motor vehicles and machinery	40,185	33,574	29,556	23,569
Commercial property	184,742	139,853	136,903	112,345
Residential property	114,625	141,832	40,689	36,326
Cash	19,830	18,847	14,100	11,947
Equities	1,679	-	1,679	-
Treasury bills	4,327	4,422	4,262	4,211
Business chattels and stocks	946	3,481	-	-
Government guarantees	-	12,600	-	12,600
Total	366,334	354,609	227,189	200,998
Grand Total	420,325	401,296	268,200	231,394

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.

d) 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 cost 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 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

44. Financial risk management (Continued)

d) Liquidity risk (Continued)

Management of liquidity risk (Continued)

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 interbank facilities, repurchase agreements and others.

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:

	2024 K'm	2023 K'm
At 31 December	38%	51%
Average of the period	42%	49%
Maximum for the period	46%	52%
Minimum for the period	37%	46%

44. Financial risk management (Continued)

d) Liquidity risk (Continued)

arising from projected future business. 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						
2024						
Financial assets						
Cash and funds with central banks	171,927	-	-	-	171,927	171,927
Placements with other banks	102,052	-	-	-	102,052	101,662
Government securities	-	60,886	220,926	617,909	899,721	628,542
Equity investments	-	18,761	-	-	18,761	18,761
Loans and advances	315,499	79,999	46,256	70,762	512,516	467,783
Other money markets deposits	185,295	-	-	-	185,295	181,617
Insurance contracts assets	109	-	-	-	109	109
Re-Insurance contracts assets	1,748	189	258	410	2,605	2,605
Investment in unquoted shares held at Fair Value	-	-	-	1,057	1,057	1,057
Other assets	35,334	-	-	-	35,334	35,334
Total financial assets	811,964	159,835	267,440	690,138	1,929,377	1,609,397
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	9,680	-	-	-	9,680	9,680
Insurance contracts liabilities	1,567	1,911	3,234	2,776	9,488	9,488
Re-Insurance contracts liabilities	9	24	153	17	203	203
Lease liability	-	-	2,023	6,738	8,761	8,761
Total financial liabilities	1,106,266	219,561	48,721	27,601	1,402,149	1,390,387
Contractual liquidity mismatch	(294,302)	(59,726)	218,719	662,537	527,228	219,010
Cumulative mismatch	(294,302)	(354,028)	(135,309)	527,228	-	-

44. Financial risk management (Continued)

d) 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						
2023						
Financial assets						
Cash and funds with Central banks	76,755	-	-	-	76,755	76,755
Placement with other banks	135,681	1,054	-	-	136,735	136,197
Government securities	-	101,180	127,896	252,701	481,777	380,397
Equity investments	-	9,803	-	-	9,803	9,803
Loans and advances	22,223	25,413	99,204	421,310	568,150	405,860
Other money markets deposits	152,899	-	-	-	152,899	150,516
Other assets	20,662	-	-	-	20,662	20,662
Total financial assets	408,220	137,450	227,100	674,011	1,446,781	1,180,190
Financial liabilities						
Loans	-	-	6,749	6,249	12,998	24,894
Customer deposits	772,809	168,751	32,162	3,776	977,498	969,413
Amount due to other banks	13,982	-	-	-	13,982	13,982
Provisions	-	-	6,255	-	6,255	6,255
Other liabilities	1,950	-	-	-	1,950	1,950
Lease liability	-	-	578	4,649	5,227	5,227
Total financial liabilities	788,741	168,751	45,744	14,674	1,017,910	1,009,274
Contractual liquidity mismatch	(380,521)	(31,301)	181,356	659,337	428,871	170,916
Cumulative mismatch	(380,521)	(411,822)	(230,466)	428,871	-	-
Company						
2024						
Financial assets						
Cash and funds with central Banks	142,136	-	-	-	142,136	142,136
Placements with other banks	101,164	-	-	-	101,164	100,778
Government securities	-	21,523	221,305	588,623	831,451	573,132
Equity investments	-	17,081	-	-	17,081	17,081
Loans and advances to customers	41,078	31,896	80,239	360,196	513,409	372,467
Other money markets deposits	8,923	-	-	-	8,923	8,746
Investment in unquoted shares held at Fair Value	-	-	-	1,057	1,057	1,057
Other assets	28,604	-	-	-	28,604	28,604
Total financial assets	321,905	70,500	301,544	949,876	1,643,825	1,244,001
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	4,760	-	-	-	4,760	4,760
Lease liability	-	-	2,023	2,109	4,132	4,132
Total financial assets	819,010	217,626	21,481	2,109	1,060,226	1,052,427
Contractual liquidity mismatch	(497,105)	(147,126)	280,063	947,767	583,599	191,574
Cumulative mismatch	(497,105)	(644,231)	(364,168)	583,599	-	-

44. Financial risk management (Continued)

d) 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.

e) Market risk

Market risk is the risk of loss arising from adverse movements in interest rates, exchange rates and prices associated with positions which are able to be fair valued on the balance sheet on a frequent basis in both the banking and trading books of the Group.

Basel recommends two approaches in the management of market risk. These are the Standardised Approach and the Internal Models Approach. The Reserve Bank of Malawi however prescribed that all banks be on the Standardised Approach during the adoption of Basel II in 2014. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimising the return on risk. The Group has a Market Risk Framework that guides the overall management of market risk.

Management of market risk

The Group separates its exposure to market risk between trading and non-trading portfolios. Basel II's market risk standardised approach has pre-specified and standardised methods for all the four types of risks covered: Interest rate risk, equity risk, exchange rate risk and commodity risk. The accord specifically states that eligible capital can only be calculated after the bank has calculated minimum capital requirement for credit risk and also operational risks then only can it be established how much Tier I and Tier II capital is available to support market risk. The Group's trading portfolios mainly are held by the Treasury and Financial Institutions Division and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested in ALCO. TIBD is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

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. The ALCO is the monitoring body for compliance with these limits and is assisted by Treasury and Financial Institutions 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 repricing or maturity dates.

44. Financial risk management (Continued)

e) Market risk (Continued)

Exposure of interest rate risk: non-trading portfolio (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 2024						
Financial assets						
Cash and funds with Reserve Bank of Malawi	-	-	-	-	171,927	171,927
Placements with other banks	101,662	-	-	-	-	101,662
Government of Malawi treasury bills and Treasury notes	-	56,962	173,203	398,377	-	628,542
Equity investments	-	-	-	-	18,761	18,761
Loans and advances to customers	308,920	75,195	36,841	46,827	-	467,783
Other money markets deposits	181,617	-	-	-	-	181,617
Insurance contracts assets	-	-	-	-	109	109
Re-Insurance contracts assets	-	-	-	-	2,605	2,605
Investment in unquoted shares held at Fair Value	-	-	-	-	1,057	1,057
Other assets	-	-	-	-	35,334	35,334
Total financial assets	592,199	132,157	210,044	445,204	229,793	1,609,397
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	-	-	-	-	9,680	9,680
Insurance contracts liabilities	-	-	-	-	9,488	9,488
Re-Insurance contracts liabilities	-	-	-	-	203	203
Lease liability	-	-	2,023	6,738	-	8,761
Total financial liabilities	702,432	214,472	35,647	23,392	414,444	1,390,387
Interest sensitive gap	(110,233)	(82,315)	174,397	421,812	(184,651)	219,010
Cumulative gap	(110,233)	(192,548)	(18,151)	403,661	219,010	-
Impact on profit of an increase in interest rates						
+1%	(3,723)	(1,207)	2,128	6,839	-	4,037
+2%	(7,446)	(2,414)	4,266	13,678	-	8,074
+3%	(11,169)	(3,621)	6,399	20,517	-	12,111
Impact on profit of a decrease in interest rates						
-1%	3,723	1,207	(2,133)	(6,839)	-	(4,037)
-2%	7,446	2,414	(4,266)	(13,678)	-	(8,074)
-3%	11,169	3,621	(6,399)	(20,517)	-	(12,111)

44. Financial risk management (Continued)

e) 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 2023						
Financial assets						
Cash and funds with:						
Central banks	-	-	-	-	76,755	76,755
Placements with other banks	135,155	1,042	-	-	-	-
Government securities	-	96,171	105,846	178,380	-	-
Equity investments	-	-	-	-	9,803	9,803
Loans and advances	21,769	23,917	79,354	280,820	-	-
Other money market deposits	150,516	-	-	-	-	-
Other assets	-	-	-	-	20,662	20,662
Total financial assets	307,440	121,130	185,200	459,200	107,220	107,220
Financial liabilities						
Loans	-	-	6,552	5,895	-	-
Customer deposits	469,458	166,398	30,440	3,392	268,382	268,382
Amount due to other banks	500,801	-	-	-	-	-
Provisions	13,982	-	-	-	6,255	6,255
Other liabilities	-	-	-	-	1,950	1,950
Lease liability	-	-	578	4,649	-	-
Total financial liabilities	514,783	166,398	37,570	13,936	276,857	276,857
interest sensitivity gap	(207,343)	(45,268)	147,630	445,264	(169,367)	(169,367)
Cumulative gap	(207,343)	(252,611)	(104,981)	340,283	170,916	170,916
Impact on profit of an increase in interest rates:						
+1%	(2,073)	(453)	1,476	4,453	-	3,404
+2%	(4,146)	(906)	2,952	8,906	-	6,808
+3%	(6,219)	(1,359)	4,428	13,359	-	10,212
Impact on profit of a decrease in interest rates:						
-1%	2,073	453	(1,476)	(4,453)	-	(3,403)
-2%	4,146	906	(2,952)	(8,906)	-	(6,808)
-3%	6,219	1,359	(4,428)	(13,359)	-	(10,212)

44. Financial risk management (Continued)

e) 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 Reserve						
Bank of Malawi	-	-	-	-	142,136	142,136
Placements with other banks	100,778	-	-	-	-	100,778
Government securities	-	20,136	173,500	379,496	-	573,132
Equity investments	-	-	-	-	17,081	17,081
Loans and advances to customers	40,221	29,980	63,906	238,360	-	372,467
Other money markets deposits	8,746	-	-	-	-	8,746
Investment in unquoted shares held at Fair Value	-	-	-	-	1,057	1,057
Other assets	-	-	-	-	28,604	28,604
Total financial assets	149,745	50,116	237,406	617,856	188,878	1,244,001
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	-	-	-	-	4,760	4,760
Lease liability	-	-	2,023	2,109	-	4,132
Total financial liabilities	453,182	214,472	13,743	2,109	368,921	1,052,427
Interest sensitive gap	(303,437)	(164,356)	223,663	615,747	(180,043)	191,574
Cumulative gap	(303,437)	(467,793)	(244,130)	371,617	191,574	-
Impact on profit of an increase in interest rates						
1%	(3,034)	(1,644)	2,242	6,157	-	3,716
2%	(6,068)	(3,288)	4,484	12,314	-	7,432
3%	(9,102)	(4,932)	6,726	18,471	-	11,148
Impact on profit of a decrease in interest rates						
-1%	3,034	1,644	(2,242)	(6,157)	-	(3,716)
-2%	6,068	3,288	(4,484)	(12,314)	-	(7,432)
-3%	9,102	4,932	(6,726)	(18,471)	-	(11,148)

44. Financial risk management (Continued)

e) 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						
2023						
Financial assets						
Cash and funds with:						
Central banks	-	-	-	-	54,007	54,007
Placements with other banks	135,155	-	-	-	-	135,155
Government securities	-	57,669	105,846	178,380	-	341,895
Equity investments	-	-	-	-	9,803	9,803
Loans and advances	19,607	21,096	64,243	216,173	-	321,929
Other money market deposits	43,758	-	-	-	-	16,200
Other assets	-	-	-	-	16,200	922,747
Total financial assets	198,520	79,575	170,089	394,553	80,010	986,286
Financial liabilities						
Loans	-	-	4,587	-	-	4,587
Customer deposits	322,379	157,950	18,495	-	253,718	752,542
Amount due to other banks	8,237	-	-	-	-	8,237
Provisions	-	-	-	-	6,003	6,003
Other liabilities	-	-	-	-	869	869
Lease liability	-	-	578	-	-	587
Total financial liabilities	330,616	157,090	23,660	-	260,590	722,816
Interest sensitivity gap	(132,096)	(78,375)	146,429	394,553	(180,580)	149,931
Cumulative gap	(132,096)	(210,471)	(64,042)	330,511	149,931	-
Impact on profit of an increase in interest rates:						
+1%	(1,321)	(784)	1,464	3,945	-	3,304
+2%	(2,642)	(1,568)	2,928	7,890	-	6,608
+3%	(3,963)	(2,352)	4,392	11,835	-	9,912
Impact on profit of a decrease in interest rates:						
-1%	1,321	784	(1,464)	(3,945)	-	(3,304)
-2%	2,642	1,568	(2,928)	(7,890)	-	(6,608)
-3%	2,963	2,353	(4,392)	(11,835)	-	(9,912)

44. Financial risk management (Continued)

f) Currency risk

The Group had the following significant foreign currency positions:

	K 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 with other banks	-	82,786	12,053	2,676	3,220	927	101,662
Government securities	600,081	-	-	-	-	28,461	628,542
Equity investments	18,761	-	-	-	-	-	18,761
Loans and advances to customer	277,016	109,374	-	-	-	81,393	467,783
Other money market deposits	181,617	-	-	-	-	-	181,617
Insurance contracts assets	109	-	-	-	-	-	109
Re-Insurance contracts assets	2,605	-	-	-	-	-	2,605
Investment in unquoted shares held at Fair Value	1,057	-	-	-	-	-	1,057
Other assets	35,334	-	-	-	-	-	35,334
Total financial assets	1,260,870	199,943	12,061	2,746	3,241	130,536	1,609,397
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	9,680	-	-	-	-	-	9,680
Insurance contracts liabilities	9,488	-	-	-	-	-	9,488
Re-Insurance contracts liabilities	203	-	-	-	-	-	203
Lease liability	4,132	-	-	-	-	4,629	8,761
Total financial liabilities	1,096,641	160,473	11,406	11,141	836	109,890	1,390,387
Net balance open position	164,229	39,470	655	(8,395)	2,405	20,646	219,010

Impact of a 10% strengthening of the Malawi Kwacha against other currencies on profit

- (3,947) (66) 840 (241) (2,065) (5,479)

Impact of a 10% weakening of the Malawi Kwacha against other currencies on profit

- 3,947 66 (840) 241 2,065 5,479

44. Financial risk management (Continued)

f) Currency risk (Continued)

	K K'm	USD K'm	GBP K'm	EURO K'm	ZAR K'm	Other K'm	Total K'm
Group							
2023							
Financial assets							
Cash and funds with							
Central banks	53,682	3,163	33	95	27	19,755	76,755
Placements with other banks	-	107,574	9,927	16,766	1,929	1	136,197
Government securities	354,544	-	-	-	-	25,853	380,397
Equity investments	9,803	-	-	-	-	-	9,803
Loans and advances	240,930	91,892	-	-	-	73,078	405,860
Other money market deposits	150,516	-	-	-	-	-	150,860
Other assets	16,383	-	-	103	-	4,176	20,662
Total financial assets	825,858	202,629	9,960	16,964	1,956	123,823	1,180,190
Financial liabilities							
Loans	8,069	4,378	-	-	850	-	12,447
Customer deposits	672,084	170,810	9,478	16,688	1,295	99,503	969,413
Liabilities to other banks	596	6,335	-	-	-	5,756	13,982
Provisions	6,255	-	-	-	-	-	6,255
Other liabilities	997	-	-	-	-	953	1,950
Lease liability	578	-	-	-	-	4,649	5,227
Total financial liabilities	688,579	181,523	9,478	16,688	2,145	110,861	1,009,274
Net balance open position	137,279	21,106	482	276	(189)	11,962	170,916

Impact of a 10% strengthening of the Malawi Kwacha against other currencies on profit

- (2,111) (48) (28) 19 (1,196) (3,364)

Impact of a 10% weakening of the Malawi Kwacha against other currencies on profit

- 2,111 48 28 (19) 1,196 3,364

44. Financial risk management (Continued)

f) Currency risk (Continued)

	K 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 with other banks	-	82,786	12,053	2,676	3,220	43	100,778
Government securities	573,132	-	-	-	-	-	573,132
Equity investments	17,081	-	-	-	-	-	17,081
Loans and advances to							
customer	263,116	109,351	-	-	-	-	372,467
Other money market deposits	8,746	-	-	-	-	-	8,746
Investment in unquoted shares							
held at Fair Value	1,057	-	-	-	-	-	1,057
Other assets	28,604	-	-	-	-	-	28,604
Total financial assets	1,032,892	193,085	12,059	2,688	3,233	44	1,244,001
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	4,760	-	-	-	-	-	4,760
Lease liability	4,132	-	-	-	-	-	4,132
Total financial liabilities	876,724	52,394	11,406	11,054	836	13	1,052,427
Net balance open position	156,168	40,691	653	(8,366)	2,397	31	191,574
Impact of a 10% strengthening of the Malawi Kwacha against other currencies on profit	-	(4,069)	(65)	837	(240)	(3)	(3,540)
Impact of a 10% weakening of the Malawi Kwacha against other currencies on profit	-	4,069	65	(837)	240	3	3,540

44. Financial risk management (Continued)

f) Currency risk (Continued)

	K K'm	USD K'm	GBP K'm	EURO K'm	ZAR K'm	Other K'm	Total K'm
Company							
2023							
Financial assets							
Cash and funds with:							
Central banks	53,690	187	26	77	27	-	54,007
Placements with other banks	-	106,532	9,927	16,766	1,929	1	135,155
Government securities	341,895	-	-	-	-	-	341,895
Equity investments	9,803	-	-	-	-	-	9,803
Loans and advances	230,102	91,827	-	-	-	-	321,929
Other money market deposits	43,758	-	-	-	-	-	43,758
Other assets	16,097	-	-	103	-	-	16,200
Total financial assets	695,345	198,546	9,953	16,946	1,956	-	922,747
Financial liabilities							
Loans	209	4,378	-	-	-	-	4,587
Customer deposits	560,319	165,303	9,477	16,593	850	-	752,542
Liabilities to other banks	596	6,335	-	-	1,295	11	8,237
Provisions	6,003	-	-	-	-	-	6,003
Other liabilities	869	-	-	-	-	-	869
Lease liability	578	-	-	-	-	-	578
Total financial liabilities	568,574	9,477	9,477	16,593	2,145	11	772,816
Net balance open position	126,771	22,530	476	353	(189)	(10)	149,931
Impact of a 10% strengthening of the Malawi Kwacha against other currencies on profit	-	(2,253)	(48)	(35)	19	1	(2,316)
Impact of a 10% weakening of the Malawi Kwacha against other currencies on profit	-	2,253	48	35	(19)	(1)	2,316

44. Financial risk management (Continued)

(g) 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 risks 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 outcome. 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.

44. Financial risk management (Continued)

(g) 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 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.

44. Financial risk management (Continued)

(g) Insurance risk management (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	
	0	1	2	3	4	5	6		7
Loss year									
2016	1,065,321	1,660,976	378,010	103,479	55,118	28,897	15,975	17,826	3,325,602
2017	997,564	1,532,217	309,945	130,764	64,966	38,380	15,577	20,966	3,110,379
2018	1,049,458	1,849,295	459,401	179,620	54,253	31,404	33,556	5,621	3,662,608
2019	1,159,984	1,837,915	449,130	291,372	84,262	396,427	22,882	-	4,240,972
2020	1,359,415	1,540,027	417,118	213,063	147,569	19,016	-	-	3,696,208
2021	1,227,583	1,636,212	319,580	266,450	9,527	-	-	-	3,459,352
2022	1,615,505	885,169	915,535	21,589	-	-	-	-	3,437,798
2023	1,190,694	2,061,210	48,335	-	-	-	-	-	3,300,239
2024	3,844,068	-	-	-	-	-	-	-	3,844,068
Cumulative claims paid	(3,496,271)	(3,455,228)	(3,867,507)	(3,970,198)	(3,433,079)	(3,517,313)	(4,752,664)	(4,989,153)	(31,481,413)
Gross cumulative net	121,730	(1,394,018)	(3,819,169)	(3,948,609)	(3,423,552)	(3,498,297)	(4,729,782)	(4,983,532)	(25,675,229)
Gross cumulative claims- Prior accident years	-	-	-	-	-	-	-	-	6,047,283
Effect of discounting	-	-	-	-	-	-	-	-	168,407
Effect of the risk adjustment for non-financial risk	-	-	-	-	-	-	-	-	407,958
Gross LIC for the contract originated	-	-	-	-	-	-	-	-	6,619,705

44. Financial risk management (Continued)

(g) Insurance risk management (Continued)

(v) Insurance and financial risk (continued)

Net incurred Claims

	DEVELOPMENT YEAR							Total	
	0	1	2	3	4	5	6		7
Loss year									
2016	826,933	1,332,179	304,390	102,941	72,565	33,987	20,744	7,045	2,700,784
2017	737,017	1,197,815	335,856	123,189	55,981	45,100	21,102	14,174	2,530,234
2018	899,461	1,300,955	333,493	172,468	65,251	45,692	34,967	-	2,852,287
2019	1,054,081	1,383,558	396,729	263,456	54,666	217,002	-	-	3,369,492
2020	1,088,211	1,176,213	404,379	89,044	73,179	-	-	-	2,831,026
2021	1,045,850	1,329,230	204,961	199,974	-	-	-	-	2,780,015
2022	927,633	789,515	475,952	-	-	-	-	-	2,193,100
2023	911,270	1,689,316	-	-	-	-	-	-	2,600,586
2024	2,372,305	-	-	-	-	-	-	-	2,372,305
Cumulative claims paid	(2,719,961)	(2,741,829)	(2,972,418)	(2,758,297)	(2,804,368)	(2,677,332)	(3,846,215)	(3,456,488)	(23,976,908)
Net cumulative net liabilities	(347,356)	(1,052,213)	(2,496,466)	(2,558,323)	(2,731,189)	(2,460,330)	(3,808,248)	(3,442,314)	(6,324,836)
Net cumulative claims: prior accident years	-	-	-	-	-	-	-	-	4,871,197
Effect of discounting	-	-	-	-	-	-	-	-	11,529
Effect of the risk adjustment for non-financial risk	-	-	-	-	-	-	-	-	305,826
Net LIC for the contract originated	-	-	-	-	-	-	-	-	4,982,640

44. Financial risk management (Continued)

(g) 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. IFRS 17.124 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 2024 net reinsurance contracts by type of contracts

Reinsurance contracts

	Reinsurance premium Paid	Earned Commission income	Net	Reinsurance claim recoveries	Reinsurance Credit losses
Agriculture	(815,946)	163,189	(652,757)	179,250	(42,678)
Engineering	(198,476)	49,088	(149,388)	(233,218)	(12,129)
Fire	(1,250,797)	328,654	(922,143)	996,844	(78,197)
Liability	(158,844)	32,840	(126,004)	71,678	(29,094)
Marine	4,083	(1,793)	2,290	6,095	(821)
Miscellaneous	(245,280)	57,449	(187,831)	98,312	(25,401)
Motor	(668,696)	59,413	(609,283)	517,542	(260,362)
Personal	(150,930)	46,878	(104,052)	124,272	(22,301)
Transport	(13,988)	4,542	(9,446)	(24,696)	(1,490)
Total	(3,498,874)	740,260	(2,758,614)	1,736,079	(472,473)

44. Financial risk management (Continued)

(g) Insurance risk management (Continued)

(vi) Concentration of Insurance risks and policies mitigating the concentrations (Continued)

The following tables show the concentration of net insurance contract liabilities by type of contracts

Net insurance liabilities

2024

	Insurance Liabilities	Reinsurance assets	Net
Agriculture	1,870	(69,152)	(67,282)
Engineering	177,506	(82,551)	94,955
Fire	1,087,389	(1,056,319)	31,070
Liability	1,032,679	(237,441)	795,238
Marine	37,658	(17,728)	19,930
Miscellaneous	362,906	(134,430)	228,476
Motor	5,898,129	(814,544)	5,083,585
Personal Accident	353,903	(147,836)	206,067
Transport	82,714	(45,373)	37,341
Total	9,034,754	(2,605,374)	6,429,380
Insurance acquisition liability	453,610	-	453,610
Premium deficiency reserve	-	-	-
Total	9,488,364	(2,605,374)	6,882,990

insurance. This exposure is consistent with the market and the Group's re insurance policy limits the losses if any on class of business.

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 Group had average net exposure risk of 74%.

	2024		
	Gross written Premium K'm	Sum Insured K'm	Concentration %
Fire	1,759	2,782,214	74%
Motor	5,857	284,016	8%
Accident	502	56,680	2%
Engineering	273	464,579	12%
Marine	18	8,313	0%
Liability	654	104,198	3%
Miscellaneous	571	43,216	1%
Transport	34	5,948	0%
Agriculture	960	176	0%
Total	10,628	3,749,340	100%

44. Financial risk management (Continued)

h) 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;
- 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.

i) 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 programme, training staff and other stakeholders on relevant regulatory requirements, and monitoring compliance.

44. Financial risk management (Continued)

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 antimoney laundering policies including Know Your Customer policies, and procedures with country's Financial Crimes Legislation and Regulations. Further, 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.

Statutory requirements-National Bank of Malawi

In accordance with the Section 38 of Banking Act, 2009, 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, 2009

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 I 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 23% (2023: 24%) 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's liquidity ratio was 38% (2023: 51%)

44. Financial risk management (Continued)

j) 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 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 riskweighted
- 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 50% 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 was as follows:

44. Financial risk management (Continued)

j) Capital management (Continued)

	2024 K'm	2023 K'm
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	613
Retained earnings	200,225	164,918
Unconsolidated investment	(10,596)	(9,695)
Total regulatory (tier 1) capital	190,709	156,303
Supplementary capital		
Revaluation reserve	35,322	29,884
Deferred tax	-	-
Unconsolidated investment	(10,596)	(9,695)
Total regulatory (tier 2) capital	215,435	175,026
Risk-weighted assets		
Retail bank, corporate bank and treasury	943,640	732,701
Capital ratios		
Total regulatory capital expressed as a percentage of risk-weighted assets	23%	24%
Total tier 1 capital expressed as a percentage of risk-weighted assets	20%	21%

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.

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 Bank of Tanzania (BoT) for supervisory purposes.

The required information is filed with the BoT monthly.

The Bank of Tanzania required each bank of banking group to:

- Hold a minimum level of core capital of TZS15 billion
- 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%; and
- Maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items

44. Financial risk management (Continued)

j) Capital management (Continued)

- (d) Maintain a capital conservation buffer of 2.5% of risk-weighted assets and off-balance sheet exposures. The capital conservation buffer is made up of items that qualify as tier 1 capital.

When a bank is holding capital conservation 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.

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 2024 and year ended 31 December 2023. In 2024, the Bank is not compliant to minimum core capital requirements and capital adequacy ratios. In 2023 the Bank was compliant to minimum core capital required by regulator of TZS 15 billion and capital adequacy ratios of 12.5% and 14.5% for tier 1 and Tier 2 respectively.

44. Financial risk management (Continued)

j) Capital management (Continued)

	2024 TZS;m	2023 TZS;m
Tier 1		
Share capital	27,797	27,797
Share premium	2,432	2,432
Preference shares	11,623	11,623
Retained earnings	(23,621)	(19,215)
Deferred charges	(3,195)	(6,387)
Prepaid expenses	(1,255)	(1,191)
Total qualifying Tier 1 capital	13,781	15,059
Tier 2		
Allowance supplementary capital	-	-
Total qualifying Tier 2 capital	-	-
Total regulatory capital (Tier 1 & Tier 2)	13,781	15,059
Risk-weighted assets		
On-balance sheet	99,001	107,679
Off-balance sheet	1,422	368
Operation risk	12,364	11,671
Market risk	192	65
Total risk-weighted assets, operational and market risk	112,979	119,783
	Bank's ratio 2024	Bank's ratio 2023
Tier 1 capital (BOT minimum 12.5%)	20.20%	12.57%
Tier 1 + Tier 2 9BOT minimum 14,5%)	20.20%	12.57%

In February 2023, the Bank received US\$ 2.44 million (TZS 5,663 million) from the National Bank of Malawi plc under an agreement where additional Perpetual Non-Cumulative Preference shares with a par value of TZS 1,000 per share will be issued to the National Bank of Malawi (NBM) in continued efforts by the majority shareholders to ensure that the Bank is adequately capitalised. In February 2025, NBM approved further capital injection for the Bank to meet minimum capital requirement as well as enhance business operations as discussed in Note 29

k) Basel II

The Basel II, a capital standard accord for banks, which was introduced as an enhancement to the first 1988 Basel accord in 2004 came into effect on 1 January 2014 for all Malawian Banks. The intention is to align bank's business risk as reflected in both the banking book and the trading book to its required minimum capitalisation. This was as a result of notable shortfalls in granularity in Basel I hence the need to ensure that banks are adequately capitalised.

The Group was fully compliant to Basel II as at 1 January 2014. All banks are on the basic approaches for the initial reporting on capital adequacy requirements and will be accepted to

44. Financial risk management (Continued)

k) Basel II (Continued)

graduate into other advanced measurement approaches after a satisfactory assessment of their risk management processes by Reserve Bank of Malawi. Therefore, the Group is computing the individual risks under each category using the following approaches:

- a. Operational Risk – Basic Indicator Approach (BIA);
- b. Credit Risk – Standardized Approach (SA); and
- c. Market Risk – Standardized Approach (SA).

The Group is fully committed to develop its operational risk measurement tools through enhancement of Loss Data Collection which will be escalated to set the foundation for the Bank to finally graduate to upper Basel Approaches based on Regulator’s set timelines. To achieve the set plans, the Group has the following: a Basel II implementation gap analysis and an action plan (road map); a steering committee at Senior Management level and a project team for implementation; the Bank also has representatives at the Reserve Bank of Malawi Basel II sub committees; and its continuing to train Basel II to the Group’s Directors, management and staff.

Going forward, the Group continues to assess the Basel II approaches and their impact on its capital position to arrive at an appropriately calibrated total level of risk-weighted assets, qualifying capital and leverage ratio, and factor them into its strategic business plans. In the year under review, the Group capital ratios were all above the prescribed minimum requirements under Basel II for the Reserve Bank of Malawi of 11.5% and 15% for tier I and tier II ratios, respectively. Further, the ratios are above the 2023 set risk appetite for the Group for capital ratios of the range of 11.5% to 15% for tier I and 15% to 20 % for tier II.

l) Transitioning to Basel III

The banking industry in Malawi will be adopting Basel III effective 1 January 2025. The transition from Basel II to Basel III marks a significant regulatory shift. The transition is driven by the need to improve capital quality, enhance risk coverage, and strengthen the industry’s resilience to economic shocks. Higher capital requirements across a range of exposures, combined with an emphasis on loss-absorbing capital, will demand adjustments in the Bank’s capital and risk management strategies. The Bank will adopt several strategies to ensure reinforced capital base, and long-term resilience. Coupled with strengthened risk management practices, these measures will help the Bank navigate regulatory changes effectively and maintain robust capital adequacy.

To successfully transition to Basel III, the Bank has attended trainings organized by the Reserve Bank of Malawi (RBM) and also by other professional trainings institutions on the same and has since been able to report on the Basel III Test Runs since October 2023.

Below is a summary of key changes under Basel III;

(i) Higher Quality Capital Requirements

- Common Equity Tier 1 (CET1): Basel III introduces a minimum CET1 ratio of 4.5% of risk-weighted assets (RWAs), emphasizing higher-quality capital like common shares and retained earnings. CET1 is expected to serve as the Bank’s primary defence against losses.
- Additional Tier 1 (AT1) and Tier 2 Capital: Under Basel III, stricter conditions apply to AT1 and Tier 2 capital instruments, raising the standard for loss-absorbing features. Hybrid

44. Financial risk management (Continued)

l) Transitioning to Basel III (Continued)

instruments previously classified as Tier 1 capital under Basel II must meet tougher criteria, necessitating a shift toward more robust capital structures.

(ii) Stricter Deductions from Capital

- Goodwill and Intangibles: Basel III mandates the full deduction of goodwill and intangible assets from CET1, reducing regulatory capital but strengthening the capital base.
- Deferred Tax Assets (DTAs): DTAs dependent on future profitability are deducted from CET1, guarding against overoptimistic capital estimations.
- Treatment of Revaluation Reserves: Unlike Basel II, which allowed certain revaluation reserves as part of Tier II capital, Basel III excludes unrealized gains on assets from regulatory capital. Fixed assets and property, plant, and equipment (PPE) still contributes to RWAs, increasing the denominator in capital adequacy ratios. This change eliminates the benefit of revaluation reserves, even though these assets continue to increase capital requirements.

(iii) Increased Risk Weighting for Counterparty Credit Risk

Counterparty Credit Risk: Basel III introduces higher risk weights for exposures to counterparties in derivatives, repo transactions, and securities financing, which reflects the elevated risks during economic stress. This will require us to reevaluate our counterparty exposures, particularly within derivative portfolios.

(iv) **Standardized Measurement Approach (SMA) for Operational Risk:** Replacing the Basic Indicator Approach (BIA) with the SMA necessitates enhanced internal controls and monitoring for operational resilience.

(v) **Liquidity Requirements - Basel III introduces liquidity coverage ratio (LCR) and Net Stable Funding Ratio** (NSFR) requirements, ensuring banks maintain sufficient liquidity buffers to withstand financial stress.

Comparative Capital Adequacy Ratios as of 31 December 2024

The following table summarizes the capital ratios for the Bank under Basel II and Basel III frameworks as of 31 December 2024.

	RBM requirement	Basel II	Basel III
Tier I	11.50%	15.61%	14.38%
Tier II	15.00%	20.02%	15.63%

For Both Basel II and Basel III: The Bank’s Tier I ratio and Tier II ratio are above the regulatory minimum of 11.50% and 15% respectively however there is a significant drop in Tier II ratio under Basel III. The Bank will work on potential vulnerabilities in capital structure. As of 31 December 2024, the Bank was well capitalized under Basel II and Basel III.

44. Financial risk management (Continued)

1) Transitioning to Basel III (Continued)

(vi) Solvency margin for general 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 Company's solvency margin is calculated as the ratio of capital and reserves to net premium.

	Dec 2024
<i>Solvency ratio</i>	
Net Assets (Total equity)	8,190,540
Adjustments on to a regulatory basis	(5,459,310)
Net (liability)/assets available to meet solvency	2,731,230
Net premium written	7,200,932
Solvency margin (%)	37.9
Solvency margin required by the regulator	20%

The adjustments onto a regulatory basis represent assets inadmissible for regulatory reporting purposes.

The Company's solvency margin at year end was 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.

(vii) Reputational risk policy

Reputation risk is the risk that the Group's reputation is damaged by one or more than one reputation 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.

45. 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% (2023: 51.5%) of the Ordinary Shares. The Old Mutual Group owns 21.3% (2023: 21.5%) of the Ordinary Shares and the remaining 27.2% (2023: 27%) of the Ordinary Shares are widely held by individuals, corporate and institutional investors and are publicly traded on the Malawi Stock Exchange. The ultimate holding entity of the Group is Press Trust. Press Trust owns 44.5% (2023: 44.5%) of Press Corporation plc. Balances and transactions between the Bank and its subsidiaries, which are related parties of the Group, 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	Deposits	Net 2024	Net 2023
	K'm	K'm	K'm	K'm
Press Corporation plc and its subsidiaries	7,959	(23,111)	(15,152)	(12,903)
Old Mutual Group	169	(4,873)	(4,704)	(26,873)
Limbe Leaf Tobacco Company Limited	-	(48)	(48)	(228)
Puma Energy Malawi Limited	-	(1,153)	(1,153)	(3,309)
Macsteel Limited	-	(35)	(35)	889
Press Trust	-	(10)	(10)	(52)
Press Agriculture Limited	-	(47)	(47)	(10)
Malawi Property Investment Company plc	-	(282)	(282)	444
Sunbird Tourism plc	3,350	(310)	3,040	(688)
Directors	356	(122)	234	117
Employees	14,132	(1,302)	12,830	9,320
Lifeco Group	-	(250)	(250)	(93)
Open Connect Limited	11,007	(48)	10,959	8,576
United General Insurance Company Limited	1	(52)	(51)	80
NBM Capital Markets Limited	-	(1,551)	(1,551)	(100)
NBM Development Bank Limited	-	(10)	(10)	-
NBM Pension unrestricted Fund	-	(614)	(614)	(142)
NBM Pension Administration Limited	-	(25)	(25)	(775)
Total related party balance	36,974	(33,843)	3,131	(25,747)

Limbe Leaf Tobacco Company Limited, Macsteel Limited and Puma Malawi Limited are associates of Press Corporation plc.

45. 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 (2023: 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:

	2024 K'm	2023 K'm
Interest receivable		
Press Corporation Plc and its subsidiaries	1,817	1,282
Directors	5	4
Puma Energy Malawi Limited	46	22
Open Connect Limited	1,453	1,938
Mpico Limited	33	73
Macsteel limited	71	71
United General Insurance Company Limited	3	27
Sunbird Tourism plc	246	-
Employees	1,694	1,792
Average interest rate (%)	30%	30%
Interest payable		
Press Corporation Plc and its subsidiaries	2	586
Open Connect Limited	-	3
Sunbird Tourism plc	1	-
Limbe Leaf Tobacco Limited	19	9
Employees	1,168	1,011
Purchases		
Press Corporation Plc and its subsidiaries	3,125	2,015
Puma Energy Malawi Limited	413	337
Commission income		
Press Corporation Plc and its subsidiaries	516	405
Limbe Leaf Tobacco Company Limited	20	16
Old Mutual Group	9	7
Open Connect Limited	-	1
Macsteel Limited	2	2
Puma Energy Malawi Limited	5	4
Press Trust	1	2
Sunbird Tourism plc	1	1
Trade payables		
Press Corporation Plc and its subsidiaries	886	634

45. Related party transactions (Continued)

	Group		Company	
	2024	2023	2024	2023
Compensation of key management personnel				
Salaries, bonuses and benefits	6,862	6,040	5,459	4,404

No specific share options were offered to key management personnel during the year (2023: nil). No shares were exercised by key management during the year (2023: nil).

46. 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.

46. 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	-	-	-	-	(134,437)
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

46. 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					
2023					
Total external income	98,728	38,557	104,726	4,386	246,397
Segment result	69,257	30,145	104,726	4,386	208,514
Unallocated expenses	-	-	-	-	(88,385)
Profit before tax	-	-	-	-	120,129
Corporate tax	-	-	-	-	(48,170)
Group profit for the year	-	-	-	-	71,959
Other information					
Unallocated depreciation	-	-	-	-	5,735
Revaluation surplus on property					
Unallocated fair value gain	-	-	-	-	130
Statement of financial position					
2023					
Total consolidated segment assets	227,449	201,934	632,184	210,429	1,271,996
Liabilities and equity					
Total consolidated segment liabilities and equity	430,994	161,842	180,389	290,997	1,064,222
Other information					
Unallocated capital additions	-	-	-	-	207,774
Total	-	-	-	-	1,271,996

46. Business segments (Continued)

	National Bank K'm	Stock Brokers 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	Adjust-Ments K'm	Conso-Lidated 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)	,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
Statement of comprehensive income 2024										
Total 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

Summarized Statement of Financial Position 2023 for each company

	National Bank K'm	Stock Brokers K'm	NBM Bureau K'm	NBM Capital K'm	NBM Pal K'm	NBM Development Bank K'm	Akiba K'm	Adjust-Ments K'm	Conso-Lidated K'm
Total assets	1,018,641	13,532	7	108,513	944	13,937	141,785	(25,363)	1,271,966
Total equity	195,882	940	(3)	4,752	762	5,295	17,539	(17,393)	207,774
Total liabilities	822,759	12,592	10	103,761	182	8,642	124,246	(7,970)	1,064,222
Total equity and liabilities	1,018,641	13,532	7	108,513	944	13,937	141,785	(23,363)	1,271,996
Summarized Statement of comprehensive income 2023 for each company									
Total net income	194,498	1,070	-	5,642	801	1,922	12,926	(1,100)	215,759
Total Expenses	(71,276)	(470)	-	(783)	(631)	(644)	(14,640)	59	(88,385)
Net impairment provisions	(8,102)	-	-	-	-	(102)	959	-	(7,245)
Profit before Tax	115,120	600	-	4,859	170	1,176	(755)	(1,041)	120,129
Income tax expense	(45,934)	(182)	-	(1,459)	(55)	(306)	(234)	-	(48,170)
Profit after tax	69,186	418	-	3,400	115	870	(989)	(1,041)	71,959

Summarized Statement of Financial Position 2024 for each company

47. 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.

	2024	2023
Kwacha/GBP	2,242	2,214
Kwacha/Rand	95	94
Kwacha/US Dollar	1,734	1,683
Kwacha/Euro	1,859	1,919
Inflation rate (%)	28.0	30.0

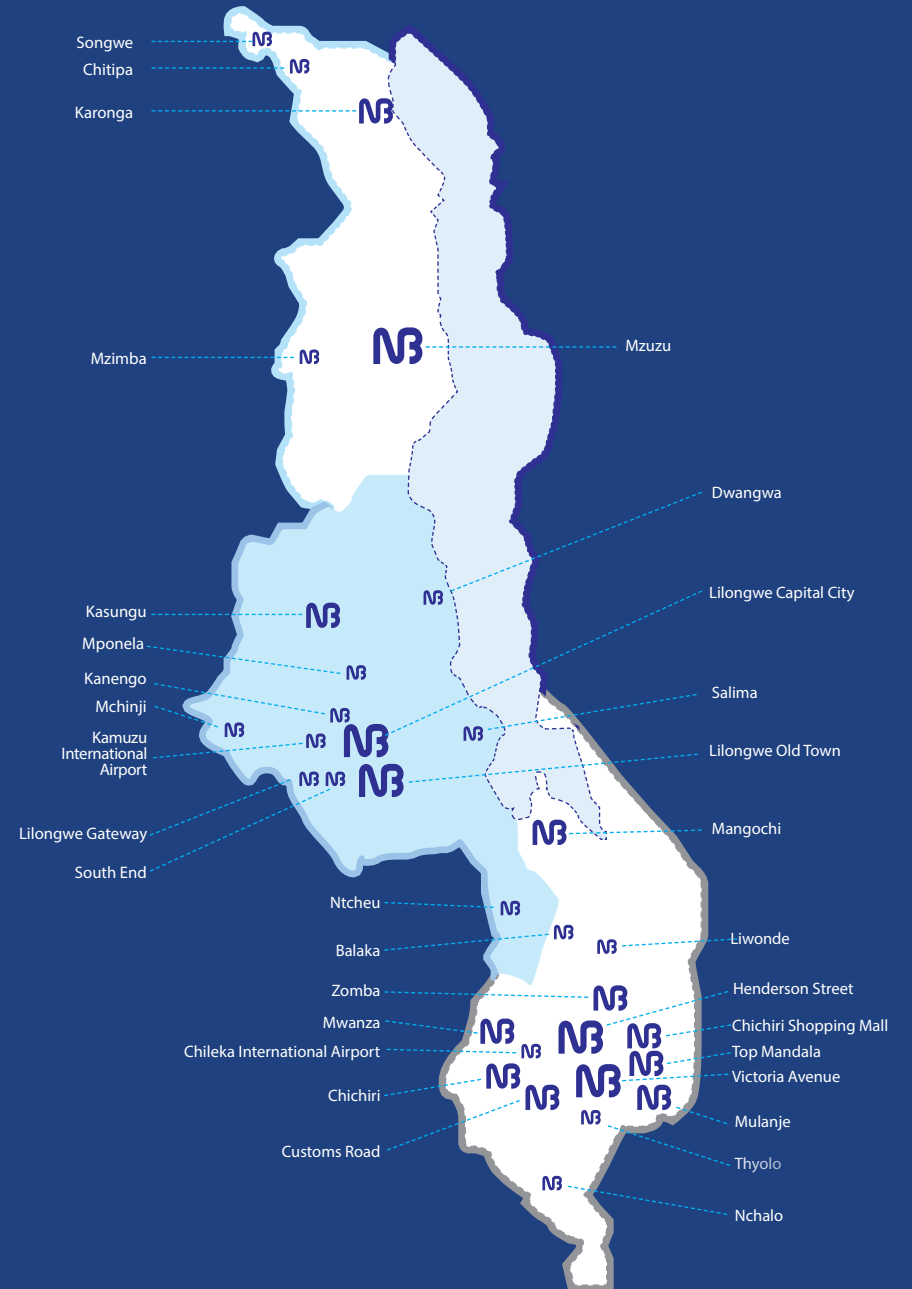
As at 28 March 2025 the above rates had moved as follows:

Kwacha/GBP	2,306
Kwacha/Rand	97
Kwacha/US Dollar	1,734
Kwacha/Euro	1,934
Inflation rate (%) (February 2025)	30.7



The Bank also has a network of correspondent banking relationships across the world. Some of these include:

- Bank of China, Johannesburg
- Deutsche Bank AG, Frankfurt
- Deutsche Bank AG, London
- Deutsche Bank Trust
- Citi Bank, New York
- Citi Bank, London
- Firststrand Bank Limited
- Standard Bank of South Africa Limited
- ABSA Bank Limited
- SIRESS



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