NBS Bank
Your Caring Bank
A member of the NICO Group

GROWING HIGHER

2023
ANNUAL REPORT

ABOUT THIS ANNUAL REPORT

From one generation to the next, life is a never-ending cycle that progresses onward in a continuous, unbroken stream. Every generation receives something from the one before it, and in turn passes something on to the next, creating a perpetual motion of knowledge, experience, and wisdom.

Likewise, it takes wisdom to know that at the end of a successful growing season, one must carefully select the best seeds from their harvest, preserving them for the next year's planting. This process, known as seeding the harvest, helps ensure the quality of the next year's crops for even better results.

While each new generation of seeds brings with it new challenges, opportunities, and experiences, the end result is meant to continue shaping the future of Malawi and its people to produce abundant fields of life.

As a Malawian Bank we continue to seed our harvest to invest in a better Malawi.

ICONS USED IN THIS REPORT

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CORPORATE INFORMATION

NBS Bank PLC
Incorporated in the Republic of Malawi
Registration number 6614

Registered Office
NBS House
Corner of Chipembere Highway and
Johnstone Road
Ginnery Corner
P.O. Box 32251
Chichiri | Blantyre 3

Transfer Secretaries
NICO Asset Managers Limited
Chibisa House
19 Glyn Jones Road
P.O. Box 3173 | Blantyre

Auditors
Grant Thornton Malawi
Chartered Accountants
Masm House
Lower Sclater Road
P O Box 508 | Blantyre

MISSION STATEMENT

VISION
To be a world class retail bank

MISSION
To provide superior banking services and deliver value to our customers, employees, shareholders and all other stakeholders.

VALUES
Excellence | Innovation
Transparency | Teamwork
Integrity | Accountability
Professionalism

PURPOSE
We exist to make banking eazy.

NBS Bank
Your Caring Bank
A member of the NICO Group
We Are Guardians
INTERNATIONAL DATA PROTECTION
Borders won't compromise your data's safety. Our strict cross-border data transfer rules ensure your personal information is protected, anywhere in the world.
#PrivacyFirst

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ABOUT NBS BANK PLC

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OUR PURPOSE

We exist to make banking eazy.
NBS Bank plc supports individuals, small to medium enterprises, corporates, and institutions through our provision of superior banking services. We believe financial services have the power to transform lives, and the Bank is there to get you through every step of the journey. We do this by caring about how our activities can influence and aid our stakeholders. This is genuinely banking made eazy.

CHAMPIONING CUSTOMER

With our wide footprint and multiple channels, we deliver a service that meets customers' expectations of all kinds. A dedicated customer experience team drives a customer-first agenda to enable superior banking services and experience.

CHAMPIONING DIVERSITY & PEOPLE:

NBS Bank plc is an equal opportunity employer, with over 45% of the executive and senior management being female. This is higher than the global target, pegged at 30%. The Bank fosters an environment of opportunity and growth for all staff members by investing in them with no bias.

CHAMPIONING SUSTAINABILITY:

NBS Bank plc delivers superior banking services with people at the centre, driving sustainability and responsible growth. The Bank prides itself as a responsible citizen.

CHAMPIONING INNOVATION:

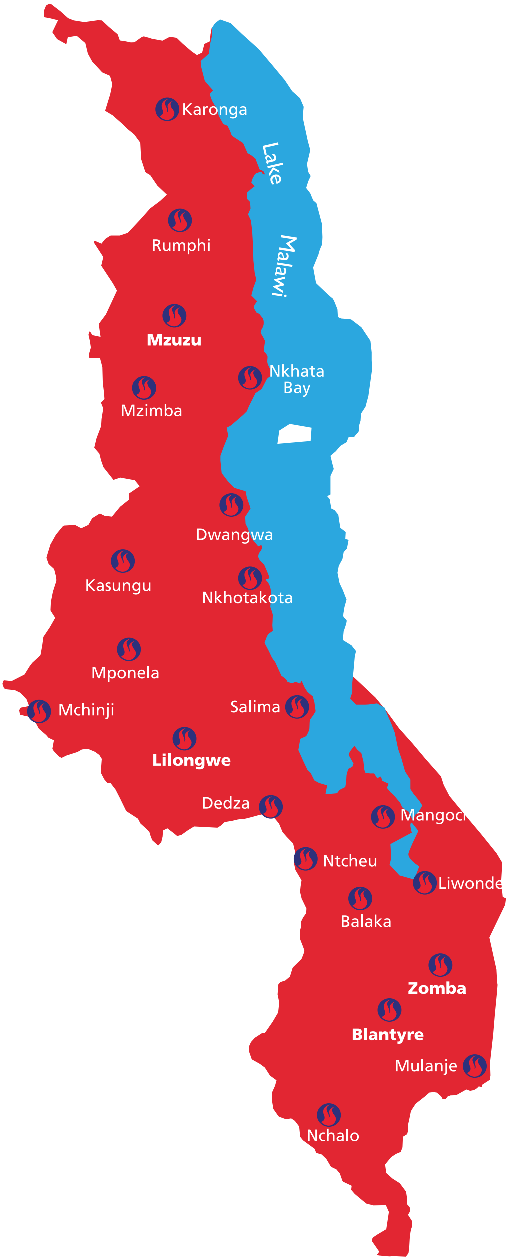
The Bank has a deliberate focus to deliver services through a digital-first approach, evolving to become a truly digitised bank with a modern technology architecture.

CHAMPIONING SYNERGY:

NBS Bank plc is part of the NICO Group, and through this, we provide a more excellent and robust offering of financial services, making the Bank a "one-stop-shop".

We cater to all our stakeholders through these services, strategies, and deliverables.

OUR FOOTPRINT



LILONGWE
- Kanengo Service Centre
- Capital City Service Centre
- Lilongwe Service Centre
- Bunda Bank@Campus
- Private and Executive Banking Suite
- SME Banking Suite

ZOMBA
- Zomba Service Centre
- Chancellor College Bank@Campus

BLANTYRE
- Limbe Service Centre
- Chichiri Service Centre
- Ginnery Corner Service Centre
- Blantyre Service Centre
- Catholic University Bank@Campus
- Private and Executive Banking Suite
- SME Banking Suite

MZUZU
- Mzuzu Service Centre
- Mzuzu SME & Agribusiness Suite

BANK PAFUPI AGENTS

Region	No of agents
South	1,027
Centre	715
North	364
Total	**2,106**

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2023

PAT
MK29.38 BN
UP BY
55%

TOTAL BALANCE SHEET
MK658 BN
UP BY
42%

CUSTOMER DEPOSITS
MK539 BN
UP BY
43%

NET LOANS AND ADVANCES
MK154 BN
UP BY
12%

TOTAL INCOME
MK103 BN
UP BY
57%

TOTAL OPERATING COSTS
MK48 BN
UP BY
36%

COST TO INCOME RATIO
47%
DOWN FROM
54%

RETURN ON ASSETS
4.5%
UP FROM
4.1%

ANNUALISED RETURN ON EQUITY
59%
UP FROM
51%

TOTAL CAPITAL RATIO
AT
18.10%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MAKE IT EAZY
TOP UP YOUR LOAN WITH KENANSO LOAN TOP-UP
Get it online in just in 10 minutes.
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CHAIRMAN'S REPORT

VIZENGE KUMWENDA

DEAR SHAREHOLDERS,

The financial year ended 2023 was full of challenges. The first and probably the biggest challenge was the absence of peace in several parts of the world, significantly affecting the conduct of business and the supply of key commodities and inputs, which resulted in high inflation worldwide. Wars and tensions were as disruptive to business as ever, especially the wars in Ukraine, Israel and Gaza. War also changed the destination of significant development aid from the traditional aid recipients in Africa and other places to Ukraine and Gaza. Moreover, wars and tensions elevated the levels of both state and non-state sponsored cybercrime. Secondly, climate change continued to have a major impact on business. Malawi, where our business is based, was hit by Cyclone Freddy, the worst Cyclone in decades. The loss of lives, agricultural output and infrastructure was on a scale not seen in recent memory. The Cyclone served as a reminder of the need to do business sustainability to preserve or restore the world we live in. Whilst those challenges shaped the year in a manner that could not have been foreseen at the time of planning, I am glad to report that the Bank effectively dealt with the challenges and delivered a strong performance by growing profit after tax from MK18.9 billion reported in 2022 to MK29.38 billion in 2023 representing growth of 55% year-on-year. The Bank's balance sheet registered a year-on-year growth of 42% to close at MK657.72 billion.

NBS Bank placed growth at the top of its agenda in 2023. Customers who have stayed with the Bank for several years will remember the old days of the NBS Forex Bureau. NBS Bank Bureau was recapitalized in 2023 and started operations in September 2023 with branches in Blantyre and Lilongwe. The plan is to expand to other bank sites. It is expected to contribute to profits beginning the financial year 2024.

The Bank registered growth in many aspects. Customer deposits rose by 43% and loans and advances by 15%.

The Bank was unwavering in implementing its strategy focusing on people, customer service and technology. The Bank's belief remains that investments need to be made in these three areas regardless of the fluctuations in the economy. Shareholder value is created in the long run by investing in these areas. For that reason, the Bank continued to address remuneration gaps identified through market surveys, renovated three additional branches and purchased a new core banking system which is expected to go live in 2024.

ECONOMIC OVERVIEW

In 2023, the Malawi economy sailed through troubled waters characterized by acute forex shortages, a major currency devaluation and a devastating tropical cyclone. Growth in Domestic Product (GDP) was estimated at 0.7% by the Reserve Bank of Malawi down from 1.7% in 2022. The Kwacha was devalued by 64% in the year resulting in high annual inflation of over 30%. The policy rate went up from 18% as at 31st December 2022 to 24% as at December 2023. In addition, the Liquidity Reserve Requirement was increased from 5.75% to 7.75%.

SHARE PRICE AND DIVIDENDS

The Bank created significant value for shareholders through growth of the share price. The share price increased from MK34 per share as at 31st December 2022 to MK114.90 per share as at 31st December 2023 representing an increase of 238%. Further, value was also created through dividends payable to shareholders as indicated in the table below.

	Year to December 2023	
	Kwacha Per Share	**Total MK' Billion**
First interim dividend	1.20	3.49
Second interim dividend	1.20	3.49
Third interim dividend	1.50	4.37
Final dividend	0.64	1.88
Total	**4.54**	**13.21**

	Year to December 2023	
	Kwacha Per Share	**Total MK' Billion**
First interim dividend	0.85	2.47
Second interim dividend	1.55	4.51
Third interim dividend	0.00	0.00
Final dividend	0.90	2.62
Total	**3.30**	**9.60**

Total dividends payable to shareholders amounted to MK4.54 per share inclusive of the proposed final dividend per share of MK0.64 to be tabled at the Annual General Meeting. This represents a year-on-year growth of 37.38%. The Board aims to pay a growing dividend to more than compensate shareholders for any erosion that arises due to inflation, while keeping sufficient capital for growth and absorption of unexpected losses.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Director Dr. Anurag Saxena retired from the Board after serving as a non-executive director of the Bank for 10 years. I wish to convey management and the Board's gratitude to him for his invaluable contributions to the Bank and wish him well in his future endeavors. The rest of the members of the Board remain the same.

CORPORATE SOCIAL RESPONSIBILITY

The Board takes seriously the Bank's corporate responsibility. In 2023, the Board requested management of the Bank together with those of the sister companies in the NICO Group to begin a process towards reporting on Environmental, Social and Governance (ESG) issues. We have been doing business responsibly over the years, and including an ESG section in future annual reports will provide a platform to formally report our achievements. I will be giving you updates on where we are on this journey. In matters of sustainability, the Bank and the NICO Group as a whole are large enough to play their rightful role in helping the government, and other partners, to make a tangible impact in the country. To that end, the Bank organized a conference on carbon markets and sent a delegation to COP28 in Dubai to interact with and learn from global players on this significant ESG matter.

In the wake of Cyclone Freddy, NBS Bank plc contributed significantly to a total donation of MK200 million that the NICO Group made to support the victims of the disaster. Support to victims was provided through our partners, World Vision and Plan International. NBS Bank also supported the victims through the Football Association of Malawi (FAM) charity shield to the tune of MK20 million. Our contribution plus gate collections were used to build houses for victims of the cyclone in Chiradzulu district.

The Bank sponsored the Malawi Defense force veterans golf tournament to the tune of MK30 million.

This was the 5th year in succession that we have sponsored this event. We are committed to supporting MDF in ensuring a decent life for those who sacrificed for peace in our land and beyond.

OUTLOOK

The International Monetary Fund (IMF) announced a new program with Malawi in November 2023. Since then, several development partners, including the World Bank and the European Union, have announced the resumption of budgetary support to the Government of Malawi. The resumption of budgetary support is expected to improve the availability of forex and critical commodities. The aid is expected to reduce pressure on government borrowings and may reduce interest rates in the medium term. According to the Reserve Bank of Malawi, the country's Gross Domestic Product (GDP) is expected to grow by 2.3% in 2024 before hitting 4.3 % in 2025.

Downside risks arising from the forecast El Niño weather pattern will likely weigh down on economic growth prospects. Whilst a reduction of agricultural output as a result of the El Nino weather effect may impact exports, the Bank does not expect the level of devaluation seen in 2023 to be repeated in 2024. However, inflation is likely to remain high due to high food prices and marginal depreciation of the Kwacha. Interest rates are expected to remain elevated in the short term to contain inflationary pressure. The Bank anticipates increased political activity and related spending in the period leading to the 2025 tripartite elections.

The Bank has robust systems, capable teams and adequate capital to deal with the risks and take advantage of the opportunities that the business environment will present in 2024 and beyond.

APPRECIATION

On behalf of NBS Bank Board of directors, I would like to take this opportunity to thank our customers for their loyalty and patronage through what was a challenging year. I am aware of the patience they exercised as we sought to find answers to forex shortages and other problems that they faced. I wish to thank the Regulator, the Stock Exchange and other stakeholders for their support. To the Bank's staff, thank you for an amazing year made possible by your unwavering commitment to our strategy.

Your collective dedication to your work makes NBS Bank plc a great place to work and a great partner to our clients and the community at large. I wish you a successful 2024.

Vizenge Kumwenda
Board Chairman

BOARD OF DIRECTORS

VIZENGE KUMWENDA - 62

BOARD CHAIRMAN

FCCA, CA (Mw), ACII, MSC (FINANCE), BCom

Mr. Vizenge Kumwenda is Group Managing Director of NICO Holdings Plc, a position he has held since January 2016. He has worked for the NICO Group in various senior management positions for over twenty-five years. He chairs the Boards of NBS Bank, NICO Life, NICO Zambia, Oasis Hospitality Ltd, NICO Capital and Eris Properties Mw Ltd. Outside of NICO,Mr. Kumwenda is Chairperson of Malawi Revenue Authority.

Before joining NICO, Mr. Kumwenda worked for Deloitte, Malawi College of Accountancy (as a member of faculty), Malawi Institute of Management, Continental Discount House and Continental Asset Management Ltd. Mr. Kumwenda is a proponent of Ethical Leadership. He likes stretching boundaries, challenging status quo and going into uncharted waters. Mr. Kumwenda holds a Bachelor's Degree in Commerce (Accountancy) and Diploma in Business Studies from the University of Malawi. He holds a Master of Science (Finance) degree from the University of Strathclyde , Glasgow Scotland. He is a Fellow Chartered Accountant and Associate of the Chartered Insurance Institute (UK). He brings to the Board a breadth of experience and expertise in finance and Insurance.

HARRISON B. KALUA – 66

DIRECTOR

BSC (Agri.) Msc (Agricultural Economics), Msc (Strategic Management), Dip. Agriculture.

Mr. Harrison B Kalua is a Managing Partner and Lead Consultant of Rose - Harris Investments and Consulting. Previously he was the founding Chief Executive Officer of Mzuzu Coffee Planters Cooperative Union (2007 to 2017.) Further, he has served as General Manager of Smallholders Coffee Farmers Trust (1997-2007). Mr. Kalua has also worked for the Ministry of Agriculture in various capacities between 1983 and 1997.

Mr. Kalua has extensive agribusiness experience. Further, he has strong governance and strategic advisory skills, regulatory and public policy experience, stakeholder management experience and considerable customer engagement experience. He is a member of the Finance and Audit Committee.

Mr. Kalua is the current Chairperson of Mzuzu International Academy and was Chairperson of Express Credit/LOLC Company until December 2023. Further, he is the Vice Chairman of Internal Evaluation Committee of the World Bank Project on Agricultural Commercialisation in Malawi. Mr. Kalua was elected Chairman of Rayoni Holdings (an investment company) and appointed trustee of Mzuzu University since December 2022. He previously served as President of Malawi Confederation of Chambers of Commerce and Industry, SADC Chambers of Commerce and Industry, and African Fine Coffee Association among other boards and advisory councils. Mr. Kalua has been on the Board of NBS Bank since 2016.

CHIFUNDO CHIUNDIRA – 61

DIRECTOR

FCCA, CPA (Mw), BCom (Acc), Dip. Bus

A Chartered Accountant, Mr. Chiundira is currently Group Operations Executive of NICO Holdings Plc. Before this appointment he was Group Chief Finance Officer of NICO holdings Plc. Apart from this, Mr. Chiundira has also in the past held positions of General Manager Finance of NICO Holdings Plc and Chief Finance Officer of NICO Life Insurance Ltd, NICO General Insurance Ltd and NICO Insurance Zambia Ltd.

Mr. Chiundira has extensive local and international corporate management experience in the financial services markets. Mr. Chiundira chairs the Credit Committee and is a member of the Remuneration Committee.

Mr. Chiundira also chairs the board of NICO General Insurance Ltd, NICO Pension Services Ltd and is a director of NICO Asset Managers Ltd and Sanlam General Insurance Uganda Ltd. Mr. Chiundira has been on the Board of NBS Bank since 2013.

EMMANUEL M. BANDA – 51

DIRECTOR

ACMI, Post Grad Dip (Managing Rural Development), BA (Public Admin)

Mr. Emmanuel Melvin Banda currently works with Alliance One Tobacco (Malawi) Limited as Human Resources Director. Previously, he was the Human Resources Country leader for Illovo Sugar (Malawi) PLC. Mr. Banda is a transformational practitioner who models a business partnering customer centric service, operational efficiency, organizational effectiveness, managing customer relationships across business functions, developing the company's capability to develop and achieve strategic goals through people, identifying growth and business opportunities that would maximize the company's performance, drive revenues, and enhance the business's profitability through people initiatives.

Certified Human Resources assessor and well experienced social dialogue expert, Mr. Banda is an expert in change management and transformation experience, business contracts, compliance, governance, remuneration, strategic planning and implementation.

He is the Chairperson of the Appointments and Remuneration Committee and a member of the Risk Committee.

Mr. Banda currently sits on other Boards including Habitat for Humanity Malawi, Blantyre Baptist Holdings Limited (BBHL) and Christian Heritage School. Mr Banda is the past President of the Employer Consultative Association of Malawi (ECAM). He is also a former Employer Panelist (IRC) and past member of the Tripartite Labour Advisory Council. Mr. Banda has been on the Board of NBS Bank since 2018.

BOARD OF DIRECTORS

JAMES MASUMBU – 54

DIRECTOR

LLM (Commercial Law), LLB (Hons)

Mr. James Masumbu is a Legal Practitioner in private practice. He got admitted to the Malawi Bar in 1994 and has continuously practiced in the High Court of Malawi and the Supreme Court of Appeal since then. Mr. Masumbu is also a retired lecturer of the University of Malawi having worked for 20 years from 2004 to 2024 teaching Law of Business Organization, Law of Drafting and Civil Procedure. He has also been involved in various consultancies in the National Justice Sector on the delivery of Legal Aid, training of public sector stakeholders in conjunction with Casals and Associates in 2007 to 2008. Mr. Masumbu is also a member of the Rules Committee of the Malawi Judiciary tasked to develop the Courts (High Court) (Civil Procedure) Rules 2017 and Courts (Subordinate Court) (Civil Procedure) Rules 2019.

Mr. Masumbu has extensive Board governance experience and investor relations. He also has strong strategic legal advisory skills to companies. Mr. Masumbu has extensive knowledge and experience of risk management of the financial services industry. He is a member of the Credit Committee. Mr. Masumbu has been on the Board of NBS Bank since 2020.

KUDAKWASHE MUKUSHI – 48

DIRECTOR

BBA, FCCA, CFA

Mr. Mukushi has extensive financial services experience including in executive positions and other leadership roles. He is the Group Chief Finance Officer at Botswana Insurance Holdings Limited (BIHL). He has held the said position since April 2017. He is responsible for sound financial control of BIHL by directing and coordinating all the financial activities of the Group in accordance with relevant statutory and regulatory requirements and International Financial Reporting Standards (IFRS). Furthermore, he is responsible for group strategy implementation and effective corporate governance for mitigation of financial business risks. Previously, he was the Chief Finance Officer for Botswana Life Insurance Limited between May 2013 – March 2017. He has also worked as Deputy Principal Officer, Finance & Investments where he was Head of Investments and Finance function for the Mining Industry Pension Fund in Zimbabwe. He has also worked as a Management Accountant for Zimbabwe Allied Banking Group.

Mr. Mukushi has strong financial leadership and regulatory reporting skills, significant audit and risk experience and significant experience in strategic planning and implementation. He is a member of the Finance and Audit Committee.

Mr. Mukushi is also a Board member of several financial service companies including being the Audit Committee Chairperson of the Aflife Holdings Group of Companies in Zambia. He has been on the Board of NBS Bank since 2019.

MATTHEWS MTUMBUKA – 46

DIRECTOR

BSc, PhD, R.Eng, MMIE, MIET

Eng. Dr. Matthews Mtumbuka is the Founder and Chief Executive Officer of Weagle Holdings Ltd, a group of companies plying its trade in supermarkets, wholesale and distribution of FMCGs, beverages, ICT, Energy and Management Consulting. Within a year of becoming a full time entrepreneur, he has aggressively driven growth and expansion of the business that now has nine points of presence in Mzuzu, Mzimba, Jenda and Salima as well as corporate office in Lilongwe.

Before becoming a full time entrepreneur in 2023, he worked for 17 years in the UK, Rwanda, Kenya and Malawi, covering oil, banking technology and telecommunications industries. During the last five years of his career, he worked as MD/CEO of two international companies, Helios Towers Malawi and UbuntuNet Alliance – a network of providers of technology services to universities in 26 countries in Eastern and Southern Africa. Further, he has worked in several senior executive management roles for Airtel for 8 years including at the Africa Head Office in Nairobi, in an IT Governance role covering 14 countries.

Previous employers are Malswitch/NITEL and Shell UK Ltd. He also has extensive board governance experience including understanding of financial reporting matters. Eng. Dr. Matthews Mtumbuka is the Chairperson of the Finance and Audit Committee.

He was elected Archbishop Tutu Fellow by the African Leadership Institute in 2012. Dr. Mtumbuka graduated with BSc in engineering from University of Malawi (2002) with distinction and with PhD in engineering science from the University of Oxford, UK in 2005 where he was a Rhodes Scholar. He is a registered engineer in Malawi and member of several professional bodies and was President of the Malawi Institution of Engineers (MIE) 2011-2013. He has been on the Board of NBS Bank since 2014.

MS ROSELYN MKWEZA – 56

DIRECTOR

ACIB, MBA, BCom, Dip. Business Studies

Ms. Roselyn Mkweza has more than 20 years' experience in the Banking sector. Until her early retirement in August 2018, she had worked for Standard Bank for 26 years. Currently she provides life, executive and organizational coaching, and consultancy services under the style Roselyn Coaching & Consulting.

Whilst working for Standard Bank Plc she held various positions including Head of Commercial Banking, Head of Private Banking and Head of Transactional Banking. She also worked as Manager of Bureau de Change Ltd, Standard Bank, Malawi. Ms. Mkweza possess vast experience in banking operations, especially front office operations having dealt with customers and provided solutions to customers.

Ms. Mkweza has extensive knowledge and experience of large-scale banking and business. Further, she has a strong strategic, risk management and core banking experience. She also has significant experience in strategic planning and implementation. Ms Mkweza is a member of the Credit Committee.

Ms. Mkweza is a Chartered Banker and a member of the Chartered Institute of Bankers (ACIB) UK. She holds a Master of Business Administration degree from the University of Exeter, UK. Further, she holds a Diploma in Business Studies and Bachelor of Commerce (Accountancy) degree from the University of Malawi, The Polytechnic. She is also a Certified Life, and Executive Coach, and a member of International Coaching Confederation (ICF). She has been on the Board of NBS Bank since 2020.

BOARD OF DIRECTORS

MS MEG KAJIYANIKE – 64

DIRECTOR

MDE, BA (Public Administration)

Ms. Meg Kajiyanike is a seasoned Central Banker. Until her retirement in 2018 she had worked for the Reserve Bank of Malawi (RBM) for 37 years and rose to the position of Deputy Governor Operations in 2013 as well as an Executive member of the Board of RBM.

Ms. Kajiyanike possesses strong leadership qualities and has vast experience in Banking. She has interacted with correspondent central banks as well as Local and International Financial Institutions like the IMF, World Bank and European Commission.

Ms. Kajiyanike holds a Master of Development Economics (MDE) Degree from Dalhousie University, Halifax, Nova Scotia, Canada. Further, she holds a Bachelor of Arts Degree (Public Administration) from the University of Malawi, Chancellor College.

MARSHA MACHIKA - 37

COMPANY SECRETARY

LLB (Hons), PG Cert in Laws (Banking & Finance Laws), LLM in Commercial Laws

Marsha is the Secretary to the Board of NBS Bank Plc and a member of the senior management team of the company. He counsels the Board on corporate governance, structured transactions, securities regulation and investor relations. A qualified lawyer with banking and finance laws experience, he also advises the Bank with an integrated practical and commercial approach on legal, governance, risk and compliance.

Previously, he was the Legal Services Manager of NBS Bank Plc until June 2016. His role included drafting, legal advisory and management of the Bank's litigation portfolio. At the start of his career, Marsha worked as an associate at Mvalo & Company (a law firm). He also worked for Nicholls & Brookes (a law firm).

He is a licensed legal practitioner and a member of the Malawi Law Society. Marsha was educated at the University of Malawi, University of Cape Town and University of London graduating with Bachelor of Laws (Honours), Master of Laws in Commercial Law and Postgraduate Certificate in Banking and Finance Laws respectively.


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Level Up your Cash Flow with
SME ORDER FINANCE
The Choice is Eazy
Interest Rate
Maximum of 13.5%
Reference rate + Risk margin
Payback Period
Up to 6 Months
Possible 3 Month Extension


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We Are Guardians
TRANSPARENCY PLEDGE
Know your data. You have the right to access and understand the personal data we hold, as transparency is the cornerstone of our relationship with you.
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CHIEF EXECUTIVE OFFICER'S REPORT

DR. KWANELE NGWENYA

INTRODUCTION

In 2023, the Bank's focus was on "Growing Higher" by seeding the harvest from the previous successful year. The level of the devaluation of the Malawi Kwacha seen in 2023 and the resulting increase in operating costs meant that revenue had to grow exponentially to remain profitable. This is exactly what the Bank achieved: revenue growth of 57% year-on-year. At NBS Bank, we are always conscious of the nature of growth to ensure it is sustainable and achieved in the right manner. What is especially satisfactory about 2023 is that the growth of assets, for instance, was largely achieved in the Retail segment. NBS Bank plc became the second largest lender to the working class and households in the country and the goal is to be first by 2026. The Bank recognizes that these are customers that stay with a bank for years, provided service delivery is maintained at a high level. Looking ahead, NBS Bank is geared to contribute meaningfully to export-oriented agriculture and be at the centre of solving major challenges such as forex scarcity in this country. We believe that it is our responsibility to take on economic challenges faced by the nation and are prepared to invest what is necessary in being the solution.

THE BUSINESS ENVIRONMENT

Banks operated in a challenging economic environment across the globe. The rise in interest rates saw the closure of some banks in the USA. On the local scene, inflation rose sharply due to food shortages and monthly devaluations of the Kwacha. The economy grew marginally by an estimated 0.7% due to forex and fuel shortages, among other contributors. For the Bank, inflation, the devaluation of the Kwacha and an additional tax of 10% on profits above MK10 billion had a notable impact on performance. The Bank had put mitigants in place, such as managing forex positions within board approved risk appetites, prepayment of expenses and others to minimize the impact on the business.

STRATEGIC FOCUS AREAS

The strategic focus areas for 2023 were as follows:

- Customer value and world-class customer experience.
- Investment in human capital.
- Focused brand positioning.
- Building a future bank backed by technology, digitization and improved operational efficiencies,
- Optimize on Ecosystem Opportunities
- Growing profit, strengthening the balance sheet, and ensuring a healthy capital position

Under each focus area, a few notable achievements were made, which are highlighted below.

GROWING PROFIT, STRENGTHENING THE BALANCE SHEET AND EFFECTIVE CAPITAL MANAGEMENT.

The Bank recorded a profit after tax of MK29.38 billion, representing an increase of 55% on the profit after tax of MK18.9 billion reported in a similar period in 2022. An increase in customer deposits drove the outstanding result. As a result, net interest income rose by MK16.29 billion due to an increase in the loan book and money market investment. Non-Interest income at MK34.8 billion was up 146% year-on-year following an uptick in transaction volumes on digital channels and trading income. The return on capital was 57.1% compared to 51% in 2022.

The Bank's balance sheet closed at MK657 billion on 31st December 2023, up 42% from MK472 billion reported in 2022. Customer deposits went up by MK161 billion from MK377 billion to MK538 billion. Corporate clients drove the positive movement, although retail deposits also registered a notable increase. Loans and advances increased by 15%, and money market investments by 33%. The Bank had planned for an aggressive growth of loans and advances. However, a cautious approach to growing loans and advances was necessary until the business environment improves, which the Bank hopes will be the case following the agreement of a program with the International Monetary Fund (IMF).

Regulatory capital ratios were at 16.35% and 18.10%, respectively, as of 31st December 2023, compared to 18.74 % for Tier 1 and 21.23% for Tier II, respectively, reported in the previous year. The Bank has sufficient capital to sustain growth going forward.

INVESTMENT IN HUMAN CAPITAL

Staff Development

The Bank is committed to developing its staff through learning and development. In 2023, selected executives attended executive development programs at Stellenbosch and Havard Universities. The Bank's Asset and Liability Committee was trained by a leading expert based in Belgium. Branch managers and client facing staff were trained in customer service and sales excellence by a leading expert from within Southern Africa. Our management information systems and finance staff were trained on pricing of products and core banking systems in South Africa and India. Several other trainings were offered to various sections of the Bank.

Recruitment and Leadership

The Bank welcomed a new Head of Retail in October 2023, Mrs. Victoria Chanza, a seasoned Banker who has worked in various capacities for several banks in the market. We have confidence that the Bank's drive to become the number one retail bank will receive new impetus in 2024.

The Bank took initial steps to ensure the development of a leadership pipeline. A succession plan was approved by the Board and beginning 2023 identified successors will be put through relevant development plans. Our plan is to groom leaders internally as far as possible.

Regrettably, in October 2023, we lost Mrs Tiwonge Khonje who was serving as the Head of Credit. Her contributions, dedication and expertise which she brought to the Bank were invaluable. May her soul continue resting in peace.

Making Banking "Eazy" for customers by improving on customer service and products

The Bank places the customer at the heart of everything it does and works hard to provide solutions that uplift lives and businesses. At NBS Bank, the growth of our economy is important as it creates opportunities for our customers.

To that end, NBS Bank and its partners Rabobank and IFAD, held a conference on food and agriculture, the first of its kind led by a bank in the country. The purpose was to showcase how we will fund long-term projects in Food and Agriculture that will contribute to forex generation and employment creation. While the initiative targeted our clients in the Agriculture Sector, it is hoped that in time those customers will contribute to forex generation for our other clients and the country at large.

In 2023, the Bank launched Eazy Rewards. This is a loyalty program to increase usage of our digital platforms. Our commitment to a cashless society is unwavering. We urge our customers to use the wide range of digital channels at their disposal and enjoy the rewards.

Refurbishment of branches was another focus area to ensure customers have a great experience in the bank's banking halls. It is an enormous project being undertaken in phases, given the capital expenditure required. Kasungu, Salima and Mponela were refurbished in 2023, and were in addition to the 3 branches worked on in 2022. More works are planned for 2024.

Focused Brand Positioning

NBS Bank's positioning from the perspective of the customer and other stakeholders is important for our success. In 2023, the Bank renewed its focus on values and behaviours expected of our people. A culture dipstick was taken, and actions were agreed upon and implemented to move the organisation towards a desired culture. Beyond culture, emphasis was placed on compliance and risk management. As reported by the Chairman, ESG is another area to which resources will be directed to demonstrate our commitment to responsible and sustainable business.

Building a future bank backed by technology, digitization and improved operational efficiencies.

The Bank's investment in systems continued in 2023. The Bank is in the process of replacing the core banking system with a new one. The new system comes with a tailor-made digital offering that will eliminate several physical interfaces and deliver a seamless experience to our customers. The system is expected to go live in 2024.

Optimize on Ecosystem Opportunities

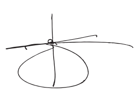
NBS Bank plc is a proud and significant member of the NICO Group, which has interests ranging from general and life insurance, asset management, property, and others. Further, the Bank is owned indirectly by the Sanlam-Allianz Group of South Africa, Botswana Insurance Holdings Limited Group and Africap LLP of the USA. Through the One NICO concept, NBS Bank can offer customers innovative solutions that are only possible with the backing of such a Group, for instance, infrastructure projects. Whilst NBS Bank has funded landmark projects on its own such as the Area 18 Interchange project in Lilongwe, the plan going forward is to do such projects in partnership with other NICO Group companies. The required skills and personnel for such projects have been acquired and some are housed within NBS Bank plc as a centre of excellence.

Looking Ahead

Moving forward, the following will take priority in our strategy: the new core banking system, Food and Agriculture, development and reward for our people, growth of the loan book, credit risk management and others. I will report on those in subsequent editorials as the new financial year progresses.

Appreciation

In conclusion, I want to thank the Bank's customers for being there for the Bank in an otherwise difficult year. NBS Bank commits to be there for its customers as we continue to collectively rebuild the economy. To the Board, thank you for the guidance and support rendered to the management team. To our staff, well done for the outstanding results. Our sights must now be on even bigger and better results in 2024 and it is my commitment to be there for all of you to support you in driving the Bank's vision as well as in achieving your goals.



Kwanele Ngwenya
Chief Executive Officer


NBS Bank
Your Caring Bank
A member of the NICO Group
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MAKE IT EAZY
GET KENANSO LOAN TOP-UP
Get it online in just in 10 minutes.
Visit
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EXECUTIVE MANAGEMENT

KWANELE NGWENYA - 55

CHIEF EXECUTIVE OFFICER

PhD (Strategy Implementation), MCIBS, MSc (Strategy), MBA (Bus. Admin), CBMBA (Chartered Banker) Dip (Bus Mgt), Dip (Fin Mgt)

Dr. Kwanele Ngwenya is a career banker having spent most of his life in banking. He has over 26 years of banking experience, 14 of which have been in leadership positions. He started his banking career with Nedbank South Africa before moving to FNB where he spent 11 years. Mr. Ngwenya has vast international banking experience, having worked in South Africa, Botswana, Zimbabwe and now Malawi.

Dr. Kwanele Ngwenya holds a Doctorate of Philosophy focusing in Strategy Implementation, obtained from the Da Vinci Institute in 2023, a Master's degree in Business Administration from Oxford Brookes University (UK), Master of Science Degree in Strategic Management from University of Derby (UK) and Master's Degree in Business Administration in Banking and Finance from Bangor University in Wales. He is a Chartered Banker with Institute of Bankers in Scotland. Additionally, he holds several advanced professional development certifications from several reputable institutions like Wits and GIBS Business Schools.

TEMWANI SIMWAKA - 53

DEPUTY CHIEF EXECUTIVE OFFICER

CPA (MW), FCCA, BCom, Dip (Business Studies)

Mrs Temwani Simwaka has over 24 years' experience at a senior management level in the financial services industry. Prior to her appointment, she was the Chief Financial and Value Management Officer of Standard Bank plc a position she held since July 2010. Previously she held the position of Head of Finance in Standard Bank from 2006 to 2010. During her tenure at Standard Bank, Temwani represented the Bank in many forums at both local and international level. Further, she also served on the Bank's various governance committees at both management and board level.

Mrs Temwani Simwaka is a Certified Public Accountant with the Institute of Chartered Accountants in Malawi (ICAM), she is also a member (Fellow) of Association of Chartered Certified Accountants (ACCA) UK. Temwani holds a Bachelor of Commerce (Accountancy with Distinction) Degree and Diploma in Business Studies all from the University of Malawi, The Polytechnic (now Malawi University of Business and Applied Sciences (MUBAS).

Mrs Temwani Simwaka chairs the board of Small and Medium Enterprise Development Institute of Malawi. She also serves on the board of University of Livingstonia, among others. Previously she has also served as council member of ICAM and board member of National Aids Commission, National Council for Higher Education and Girls Education Trust.

EXECUTIVE MANAGEMENT

ALFRED M. NHLEMA - 45

CHIEF WHOLESALE BANKING OFFICER

MA. Econ. (UNIMA), BSoc. Econ. (UNIMA) Post. Cert. (Stellenbosch)

Mr. Alfred M. Nhlema was appointed Chief Wholesale Banking Officer effective 4th September 2023. Prior to his appointment, Alfred was working as Head of Corporate and Investment Banking, a position he held since 16th March 2020. He also served as Senior Treasury Manager in the Bank's Treasury Department, a position he has held since August 2019. He comes from a distinguished career at FDH Bank plc, where for more than a 9-year tenure, he held positions of increasing responsibility and complexity as Head of Government, International Organizations and Parastatals and as Head of Treasury and Trade Finance respectively.

Alfred holds a Master of Arts degree in Economics and Bachelor of Social Science (Economics) degree obtained from University of Malawi (UNIMA) in 2016 and 2002 respectively. He also holds a Postgraduate Certificate in Executive Development obtained in 2016 from the University of Stellenbosch Business School (USB). In addition, Alfred has a Diploma in Banking specializing in Treasury and International Trade obtained from Malawi University of Business and Applied Sciences (MUBAS) in collaboration with the Institute of Bankers in Malawi.

ERNEST TEMBO - 40

CHIEF FINANCE OFFICER

FCCA, CA (M), B.Acc.

Mr. Ernest Tembo is a Chartered Certified Accountant with 11 years experience in the banking industry in Malawi. He has been Chief Finance Officer of NBS Bank plc since 1st February 2023. He worked as Group Head of Risk responsible for risk management for NICO subsidiaries in Malawi and Zambia for 3 years from May 2020 to January 2023. Over the same period, he doubled as the Chief Finance Officer of the corporate office reporting to the Group Chief Finance Officer. He has extensive experience in finance, internal audit, strategy development, investment analysis and risk management. Further, he was part of the NBS Bank transformation journey having initially joined the Bank as its Head of Finance. Mr. Tembo started his banking career with FDH Bank where he worked as Finance Manager for four years. He also spent four and half years with Deloitte and KPMG where his work focused on external audits of various entities including several institutions in the financial services sector in Malawi.

Mr. Tembo is a Chartered Certified Accountant (ACCA, UK), a member of the Institute of Chartered Accountants in Malawi and a member of the Global Association of Risk Professionals (GARP, USA). He holds a Bachelor of Accountancy Degree with Credit from the Malawi University of Business and Applied Sciences.

SHADRICK CHIKUSILO - 53

CHIEF OPERATING OFFICER

BACC, ACMA, CGMA, CBCIB, MBA, RIMB

Mr Shadrick Chikusilo is the Chief Operating Officer for NBS Bank plc since 2018. Before this, he had served NBS Bank plc for 21 years in capacities of Head of Operations, Project Director – Core Banking Transformation project, Project Director – Restructuring and Rationalization project, Senior Service Centre Manager and Deputy Head of Audit. Before joining NBS Bank, Mr Chikusilo served in the Audit division of Agricultural Development and Marketing Corporation (ADMARC).

Mr Shadrick Chikusilo is a Chartered Banker and an Associate Member of Chartered Institute of Management Accountants (ACMA), UK and a Chartered Global Management Accountant. He holds a Bachelor of Accountancy Degree from the University of Malawi and Master of Business Administration in Banking and Finance from Bangor Business School (Wales). Additionally, he is a graduate of the Stellenbosch Executive Development program.

VICTORIA CHANZA – 47

HEAD OF RETAIL BANKING

MBA, BBA

Mrs Victoria Chanza is a Chartered Banker with more than 23 years of experience in the Banking Industry. Prior to joining NBS Bank as the Head of Retail Banking in October 2023, she worked at Ecobank Limited as the Head of Commercial Banking and Head of Domestic between 2014 and 2023. Between 2010 and 2014, she worked as the Banking Centre Manager and Business Development Manager for CDH Investment Banking prior to working at Standard Bank between 2000 and 2010 in several areas of leadership, business development and operations. She holds a Masters Degree in Administration and a Bachelors Degree in Administration from the Malawi Polytechnic and an Advanced Diploma and Diploma in Banking (Credit) from the Institute of Bankers in South Africa.

EXECUTIVE MANAGEMENT

ZIZWANI KHONJE - 41

BUSINESS DEVELOPMENT EXECUTIVE (INVESTMENT AND PARTNERSHIP)

BBA

Zizwani is a seasoned Investment Banker with 14 years' experience in Investment banking and 17 years' experience in corporate banking. He has practical experience in in origination, structuring and executing investment banking deals having concluded deals exceeding USD575mn across his career.

He started his career with Continental Discount House Limited in 2006 and transitioned to Standard Bank later that year. In 2009, having concluded a 9-month attachment to Standard Bank South Africa, he was tasked to set up the first Investment Banking Unit in Malawi. Across his career Zizwani has developed, driven and executed key international award winning and transactions for leading listed and unlisted corporates in the telecoms, infrastructure, energy, consumer, mining and agriculture sector including the TNM Limited Syndicated Facility, the TNM Dual Currency Revolving Credit Facility, The Malawi Power Conference and the Roads Fund Agency Syndicated Facility. Previous roles Zizwani has occupied include of Coverage Manager for the Power and Infrastructure Sector, Manager Corporate Finance Services and Investment Banking International Assignee responsible for overseeing the Standard Bank Investment Banking business in Mauritius. He holds a Bachelor of Business Administration degree from University of Malawi.

SENIOR MANAGEMENT TEAM

CHINGA CHAGULUKA - 42

HEAD OF ICT

OMG-OCEB2-FUND100, CISM, PRINCE2, ITIL, MSCE, BSc (Honors) Electrical Engineering

Chinga Chaguluka is a dynamic IT professional with a successful track record in managing IT operations and interfacing with the business as a strategic partner. Excellent skills in analysing strategic business goals, providing highly effective and efficient solutions to the company, and aligning IT as a business driver. He holds a Bachelor of Science, Electrical Engineering with Credit (University of Malawi, Polytechnic).

Before joining NBS Bank Limited, Chinga worked for Opportunity International Bank as Chief Information Officer from 2015 to 2017. Before that, he worked for Airtel Malawi as IT Business Relationship Manager from 2012 to 2015. Before joining Airtel Malawi, he worked for Malawi Telecommunications Limited as Information Systems Manager – Operations from 2009 to 2012.

FLORENCE KAMPANI - 40

HEAD OF ALM AND CAPITAL MANAGEMENT

MA Econs, BSoc, ACI

Mrs Florence Kampani is a balance sheet management specialist with over 14 years of experience in Treasury and Capital management and economics.

Her previous roles before joining the bank included Head of Treasury and Capital Management, ALM Manager and Corporate Dealer.

She holds a Master of Arts in Economics, Bachelor of social Sciences and ACI dealing certificate.

SENIOR MANAGEMENT TEAM

RICHARD DIMBA - 39

HEAD OF CREDIT

MBA, BBA, Advanced Dip (Treasury & International Banking), CIRB, CTFP, CICC

Mr. Richard Dimba has over 14 years experience in the Banking Industry with exposure to Wholesale lending, Commercial lending, Retail lending and Agriculture finance. Richard joined NBS Bank Plc as Credit Origination Manager (wholesale banking) and he was later promoted to the position of Senior Credit Manager (deputizing the Head of Credit), Prior to joining NBS Bank, he held the position of Credit Manager for Opportunity International Bank of Malawi and Special Portfolio Manager/Credit Manager - Recoveries for Nedbank Malawi Limited.

Richard holds a Master of Business Administration Degree and A Bachelor of Business Administration Degree obtained from University of Malawi. In addition, Richard is an Associate Member of the Institute of Bankers in Malawi and he holds an Advanced Diploma in Treasury and International Banking (Institute of Bankers in Malawi). He is also a Certified International Retail Banker (CIRB) and a Certified Trade Finance Professional (CTFP). Nonetheless, Richard holds a certificate in Commercial Credit (Moody's Analytics).

AUSTIN THUNDE - 55

HEAD OF HUMAN RESOURCES

BA (Public Administration)

Mr Austin Thunde has been the Head of Human Resources for NBS Bank plc since April 2016. Before this, he worked for JTI Leaf Malawi Limited for five years as Human Resources Manager (Training & Industrial Relations) and as Human Resources Operations Manager. Before JTI Leaf Malawi Limited, Mr Thunde worked for Limbe Leaf Tobacco Company Limited for seven years as Human Resources Manager (Training & Development), Human Resources Manager Factory Operations for Lilongwe and Mzuzu, Human Resources Manager – Agronomy Division and Assistant Human Resources Manager – Factory and Agronomy.

MOSES SUWETA - 40

ACTING HEAD OF INTERNAL AUDIT

CIA, ACCA, CA (M), CFE, BAA-IS

Mr Moses Suweta is an expert auditor with 14 years Internal Audit experience. He joined the bank in 2006, as a banking officer and joined Internal Audit as an audit officer in 2010. While in Internal Audit, he worked as Forensics Audit Manager and in 2013 he was appointed to the position of Internal Audit Manager.

Moses is a Chartered accountant (ACCA), a Certified Internal Auditor (CIA), a Certified Fraud examiner (CFE) and holds a Bachelor of Accountancy and Information systems.

FELISTER DOSSI - 42

HEAD OF LEGAL SERVICES & RECOVERIES

MBA, LLB (Hons)

Ms Felister Dossi is a seasoned legal practitioner with 17 years of experience. She currently practices as a corporate lawyer and works for NBS Bank plc as the Head of Legal Services & Recoveries. She previously worked as Acting Director of Administration and Corporate Services and Legal Services Manager at Malawi Housing Corporation. Before joining Malawi Housing Corporation, she worked at Savjani & Company.

Felister holds a Master of Business Administration degree from ESAMI; a Bachelor of Laws degree (Honours) from the University of Malawi. She is a member of the Malawi Law Society. Felister has been admitted as an advocate of the Malawi Supreme Court, High Court of Malawi and all subordinate courts since 2007. Her areas of practice include Commercial Law, Land and Property Law, Human Rights Law, Corporate Governance, Employment law and Trade Finance. She is a Board Member of SOS's Childrens Village Malawi and an Executive Member of Football Association of Malawi. Felister is a Certified Balanced Scorecard Professional and currently she is enrolled with The Governance Institute (ICSA) towards becoming a Chartered Governance Professional.

SENIOR MANAGEMENT TEAM

HAROLD SILLION PHIRI - 42

HEAD OF RISK

BAcc, ACCA, BSCP, MBA, FIOBM, PECB Certified ISO 31000 Lead Risk Manager, PostGrad. EDP Stellenbosch Business School

Mr Harold Sillion Phiri has been the Head of Risk for NBS Bank plc since August 2017. Before this role, he worked for the Bank as Audit Manager and the Head of Internal Audit until 2017. He was Head of Audit unit at CUMO Microfinance Limited for three years; Inspection, Monitoring, and Examination Officer for Malawi Union of Savings and Credit Cooperatives (MUSCCO) Limited for three years. He has been with the bank since 2012.

Mr Harold Sillion Phiri is a chartered accountant (ACCA), holds a Degree in Accountancy from the University of Malawi (now MUBAS), is a Fellow Institute of Bankers (FIOBM). He also holds a Master of Business Administration (MBA) Degree from Heriot-Watt University, UK, is a certified Balanced Scorecard Professional Professional(BSCP), a Certified ISO 31000 Risk Management and has completed the Executive Development Program (EDP, 2023) at Stellenbosch Business School.

VITUMBIKO MWANDEMANGE GUBUDUZA – 41

HEAD OF COMPLIANCE

ACG, LLM, LLB (Hons) CAMS

Mrs Vitumbiko Mwandemange Gubuduza is the Head of Compliance for NBS Bank Plc. She has previously worked as Legal, Compliance and Company Secretarial resource for Eris Properties Malawi Limited (NICO Group) while serving as Head of Compliance of NBS Bank Plc. Before joining NBS, she worked as Head of Compliance and Money Laundering Control at Nedbank Ltd, held compliance and legal managerial roles at Standard Bank Plc and was Senior Resident Magistrate at Malawi Judiciary.

She holds a Bachelor of Laws (Hon) Degree and a master's degree in Commercial Law from the University of Malawi and is a Chartered Company Secretary/Governance Professional having graduated from The Chartered Governance Institute of UK and Ireland (CGIUKI). She has a certificate in Compliance Management from University of Cape Town and is a certified anti-money laundering specialist with the Association of Certified Anti-Money Laundering Specialist (ACAMS).

She is a Board Director for Greenbelt Authority, a member of Disciplinary Committees for Football Association of Malawi and Malawi Institute of Procurement and Supply, a Co-founder of Governance and Compliance Consultancy Limited (GCE Consultants Ltd), a Chairperson for Blantyre District Netball Committee and Trustee for Ekwendeni Women Dawa Organization, an NGO.

MARSHA MACHIKA - 37

COMPANY SECRETARY

LLB (Hons), PG Cert in Laws (Banking & Finance Laws), LLM in Commercial Laws

Marsha is the secretary to the Board of NBS Bank plc and a member of the senior management team of the company. He counsels the Board on corporate governance, structured transactions, securities regulation and investor relations. A qualified lawyer with banking and finance laws experience, he also advises the Bank with an integrated practical and commercial approach on legal, governance, risk and compliance.

Previously, he was the Legal Services Manager of NBS Bank plc until June 2016. His role included drafting, legal advisory and management of the Bank's litigation portfolio. At the start of his career, Marsha worked as an associate at Mvalo & Company (a law firm). He also worked for Nicholls & Brookes (a law firm).

He is a licenced legal practitioner and a member of the Malawi Law Society. Marsha was educated at the University of Malawi, University of Cape Town and University of London graduating with Bachelor of Laws (Honours), Master of Laws in Commercial Law and Postgraduate Certificate in Banking and Finance Laws respectively.


NBS Bank
Your Caring Bank
A member of the NICO Group
Fuel your business with
ZAYELA BUSINESS LOAN
The Choice is Eazy
Payback Period
Up to 60 Months
Loan Cover
Up to MK150M
Interest Rate
As low as 9%

KEY ACTIVITIES

GIZ-UNDP Joint Product Launch

NBS Bank Plc partnered with the United Nations Development Program (UNDP) and the German International Cooperation (GIZ) to promote access to financial services for Small and Medium Enterprises (SMEs) in the country.

On one hand, GIZ assisted NBS Bank to develop a loan product specifically targeting entrepreneurs in aquaculture, a first on the market. Speaking at the event, the representative from the Embassy of German, Mrs. Carolyn Kanjala, underscored that GIZ is motivated to support the tailor-made aquaculture finance product to accelerate the revolution of how farmers operate and invest in technology.

On the other hand, following rigorous research and thorough deliberations, UNDP enabled NBS Bank to develop a credit scoring model for SMEs which will improve turn-around times in their quest to access financing. This model was developed specifically based on the Malawi environment. The UN Resident Representative, Shigeki Komatsubara, pointed out that supporting access to finance is vital for economic growth and attaining the Mw2063 ambitions because it is ranked as one of the top five barriers to doing business in Malawi. He applauded NBS Bank Plc for adopting the credit scoring facility which will help to reduce risks in lending to the SMEs.

Present to the colourful launch included the Principal Secretary for Agriculture, the UN Resident Representative to Malawi, a representative from the Embassy of German, the Chairperson of TIPDeP from USAID Malawi, the Director from the Ministry of Finance and Economic Affairs, the Deputy CEO of NBS Bank Plc and representatives from various Small and Medium Enterprises (SMEs).

KEY ACTIVITIES

SME Clinics and TradeShow in Blantyre

NBS Bank realizes the importance of Micro, Small and Medium Enterprises (MSMEs) in driving economic growth and wealth creation, as well as the significant role they play in achieving the Malawi 2063 vision.

By understanding the businesses of the MSMEs, the Bank has developed solutions that support MSMEs to have access to financial support in a manner that addresses the challenges they experience. Our financial solutions provide capital support for either short term or medium to long term financing requirements. Depending on the business opportunities, we provide support for up to tenors of 60 months. Further to the funded facilities, we also provide various financial instruments that facilitate financial transactions between counterparties.

The Bank interacted with some of its SME customers through a clinic and tradeshow conducted in Blantyre. The objective of the clinic was to engage with customers and teach them the ways they can improve their financial accounting and improve their chances to get loans for the benefit of their businesses. The tradeshow was held as a platform for the selected SMEs to showcase their trade and network with fellow business people.

EazyBank 3.0.

The Bank revamped its digital banking offering, EazyBank, in a bid to taking its digital transformation efforts to the next level. The EazyBank revamp included an upgrade of the mobile banking platform to ensure that customers are rewarded for embracing the digital platforms (Eazy Rewards).

As part of the bank's ongoing commitment to enhancing the customer experience, the upgraded mobile platform offers seamlessly integrated payment systems and enhanced products and services.

KEY ACTIVITIES

NBS Bank hosts a Food and Agribusiness Conference

NBS Bank Plc acquired a 10-year Five million US dollar loan from the International Fund for Agricultural Development (IFAD) to enable the Bank to provide specialized financial services and support to businesses involved in the agriculture sector.

IFAD is a specialized agency of the United Nations, dedicated to eradicating poverty and hunger in developing countries. The agribusiness conference was organized in partnership with Netherlands-based Rabo Bank and IFAD. The Bank's role is to make sure that farmers and other businesses access financing to grow crops, produce, and add value. The conference was targeted at the tea and macadamia industries, which deal with long-term crops. For instance, with macadamia, it takes farmers seven years to start producing a crop that they can sell. As a Bank, we partnered with Rabo Bank to give us technical advice because it is a big agricultural bank. The Bank also engaged with its customers to understand their needs and with that understanding partnered with IFAD to support the Bank with the credit to further lend to our farmers.

NBS Bank Service Centres donate to Cyclone Freddy survivors

NBS Bank plc, through some of its Service Centres in the southern region, donated various items worth over K14 million to Cyclone Freddy survivors in the various districts after government declared a State of Disaster. The donations were additional to the K200 million which the Bank and other subsidiaries of the NICO group already committed to Cyclone Freddy survivors.

NBS Bank Service Centres split into groups to visit and donate in approximately 10 centres in Blantyre, Zomba, Mulanje, Phalombe, Chiradzulu, Chikwawa, Nsanje and Mangochi Districts.

Beit Cure and Plan Malawi

NBS Bank also partnered with Beit Cure and Plan Malawi to support the reconstruction of houses for some families who were displaced in Chiradzulu District.

KEY ACTIVITIES

NBS Bank supported fight against Cholera

Inspiring the Girl Child

The Bank engaged with students at Lilongwe Girls Secondary School and Stella Maris Girls Secondary School through career and motivational talks. To commemorate International Day of the Girl Child, the Bank donated sanitary packs to some underprivileged girls at Stella Maris Girls Secondary School.

Mary's Meals School Feeding Programme

NBS Bank Plc committed K20 million towards Mary's Meals school feeding programme for the next four years. This commitment was officially made at Mlambalala Primary School in Chitawira, Blantyre. As a long-standing Bank that has been on the market for over 50 years, NBS Bank is passionate about youth development and the need to nurture young talent as they hold keys to Malawi's future success. We strive to provide the right products and services that also speak to the sustainability of our society in efforts to inspire young minds and achieve their goals. they understand that the mantle to develop any nation is passed on from one generation to the next and therefore needed to support and nurture the youth. Mary's Meals feeds about 1.1 million children across the country in various schools.

MDF Annual Thanksgiving Veterans Golf Tournament

NBS Bank celebrated five years of the sponsorship of the annual military veterans golf tournament. The Bank has continued to partner with the Malawi Defence Force (MDF) and the Veterans League of Malawi (VELOM) to sponsor this charity golf tournament which honours to the country's veterans through fundraising towards their welfare. In 2023, the Bank increased its sponsorship towards this event with K30 million going directly to VELOM for the welfare of the veterans.

KEY ACTIVITIES

The 2023 NBS Bank Charity Shield

The Bank sponsored K20 million towards the Football Association of Malawi NBS Bank Charity Shield. The proceeds from the match were used to construct housing for the Cyclone Freddy flood victims Chiradzulu in partnership with the Football Association of Malawi and Red Cross Society.

Mother's Day and Breast Cancer Awareness Month

With the Mother's Day holiday being celebrated on 15th October, the celebrations started off on 13th and run through for the weekend up to Tuesday the 17th of October 2023.

This was to properly embrace the celebration with all customers who bank with us not just for one day but to portray it as a continuation of the customer service month.

As the Mother's Day celebrations were on going, NBS also embraced 13th October which is Breast cancer awareness day. The staff members country wide dressed in pink and went ahead to distribute the roses and flowers to the customers. This was all done as a form of showing appreciation to our customers and prove that we are indeed the caring bank.

Launch of the Red House

NBS Bank plc values the provision of high standard customer experience. Employees were briefed on the intended customer service standards, to ensure that all members of staff are on board on this exquisite journey that entails a customer service cultural maintenance.

Sales Graduation Gala Dinner

Through Leadership Management International (LMI), selected members of staff were trained in Effective Sales Strategies and a gala dinner was held to commemorate their graduation.

KEY ACTIVITIES

NBS Bank golf mugs at Country Club Limbe and Lilongwe Golf Club

NBS Bank partners with Protea Ryalls Hotel

NBS Bank partnered with Protea Ryalls Hotel in Blantyre as a way of extending entertainment options for residents and guests through live band sessions on Fridays at the newly launched Ryalls Pool Deck.

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2023

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DIRECTORS' REPORT

For the year ended 31 December 2023

The Directors of NBS Bank Plc continued during the year 2023 to discharge their duties owed to the Company as laid down under sections 176 to 182 of the Companies Act 2013. The Board acted in a way that it considered, in good faith, was most likely to promote the success of the Company for the benefit of all its shareholders. Further, in discharging their duties, the directors considered the likely consequences of their decisions in the long term, the interests of the Company's employees, the need to foster the Company's business relationship with suppliers, customers, and others. Furthermore, the Board considered the impact of the Company's operations on the community and the environment, and the desirability of NBS Bank Plc maintaining a reputation for high standards of business conduct. Therefore, this report describes how the Board performed its duties in 2023 to promote the success of the Bank for the benefit of all the stakeholders mentioned above.

NATURE OF BUSINESS

NBS Bank is a public limited liability company which commenced its banking operations on 1 July 2004 (as a private limited company) and was listed on the Malawi Stock Exchange in June 2007. Further, NBS Bank Plc is licensed to conduct banking business by the Registrar of Financial Institutions. The Bank has one subsidiary, NBS Forex Bureau Limited which was re-registered on 9th February 2023 and was granted an operating license by the Registrar of Financial Institutions on 1st August 2023. The Bureau commenced its operations on 8th September 2023 after several years of dormancy. NBS Bank PLC owns 99% of ordinary shares of NBS Forex Bureau Limited. The Bureau has one class of ordinary shares.

CAPITAL

NBS Bank Plc has one class of ordinary shares. The authorized share capital of the Bank is MK2,000,000,000 divided into 4,000,000,000 ordinary shares of 50 tambala each. The issued shares as of 31 December 2023 were 2,910,574,000. The rights and obligations attaching to each class of ordinary shares are set out in the Bank's Articles of Association. Further, there are no voting restrictions on the issued ordinary shares, all of which are fully paid.

The summarized shareholding of NBS Bank Plc is as below:

	Shareholding (%)	
	2023	2022
Shareholder Name		
NICO Holdings Plc	**50.10**	50.10
Public Service Pension Trust Fund	**12.06**	12.06
NBS Bank ESOP *	**0.10**	0.10
Related parties (directors and senior management) *	**1.21**	1.19
General public	**36.52**	36.54
Total	**100.00**	100.00

* pursuant to paragraph 2.16 of the Malawi Stock Exchange Listings Requirements.

FINANCIAL PERFORMANCE

The Group recorded a consolidated Profit After Tax (PAT) of K29.38 billion for the year ended 31st December 2023 compared to MK18.9 billion reported in a similar period in 2022 representing an increase of 55% year-on-year.

Net interest income amounted to K67 billion, 45% above Net interest income of K51 billion reported in 2022. The strong performance was attributable to the increase of money market investments and the loan book by K93 billion and K21 billion respectively.

Non-interest income grew from K14.15 billion to K34.95 billion due to improved volumes of trade finance, increased usage of digital systems and an increase of forex trading income.

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2023

FINANCIAL PERFORMANCE (Continued)

Total operating expenses at K48.36 billion were up by 35% year-on-year. Included in operating expenses was a provision for tax liabilities arising from a Malawi Revenue Authority (MRA) claim of K1.6 billion following a tax audit. Operating expenses were negatively impacted by the devaluation of the Malawi Kwacha and high inflation. Notwithstanding the increase in expenses, cost-to-income ratio dropped from 54% in 2022 to 47% in 2023.

Credit impairments were at K4.56 billion, 53% above the 2022 charge of K2.98 billion due to rising interest rates which put pressure on some of the Bank's customers. Additional credit provisions were made because of the increase of the loan book to comply with the requirements of International Financial Reporting Standard 9 (IFRS 9).

The Group's balance sheet closed at K658.36 billion as at 31 December 2023, up by 42% from K462.21 billion as at 31st December 2022 driven by a rise in customer deposits of K162 billion. Current and Savings account balances accounted for 52% of total customer deposits in 2023 compared to 47% in 2022. The Bank expects the improved mix to lead to a higher interest margin in 2024. The Bank's loan book closed at K162 billion as at 31 December 2023, up from K141 billion reported in the prior year. The Bank continues to be cautious with loan book growth given the high interest rate environment.

The Bank remains well capitalised, with capital adequacy (Tier 1 and Tier 2 capital ratios) at 16.35% and 18.10% respectively as at 31 December 2023, versus 18.74% and 21.23% respectively as at 31 December 2022. The regulatory requirements for the two capital ratios are 14% and 15%, respectively. The Group has a policy of maintaining sufficient capital buffers to be able to absorb unexpected losses.

STRATEGY
The Bank continued to pursue its growth strategy with focus on Retail, SME and Food and Agriculture. The Bank's overarching strategic goal is to be a digitally driven transactional Bank for both retail and corporate customers through a deeper understanding of their needs. This distinction will be embodied in the Bank's intrapreneurial culture, balanced by a strong risk management culture, client-centric approach and ability to be nimble, flexible and innovative. During the year, the Bank continued to consolidate gains made in repositioning the product base and customer centric approach to its business and will continue increasing its drive towards financial inclusion.

In addition to technology, our commitment to investing in our people continues to drive our growth and the sustainability of our business.

Risk management and compliance to all regulations remains a strategic focus area with measures being put in place to manage cybercrime as well as to ensure that the Bank is KYC compliant. The Bank continuously intensifies its internal control environment and has over the years seen a reduction in operational losses.

DETAILED FINANCIAL RESULTS
The results and state of affairs of the Group are set out in the accompanying consolidated and separate statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows and associated accounting policies and notes.

DIVIDEND
The Board of Directors at its meeting of 20 March 2024 approved the payment of a 3rd interim dividend of K4.38 billion representing a dividend of K1.50 per share (2022 3rd interim dividend: K0.00) and has recommended the payment of a final dividend for the year ended 31 December 2023 of K1.88 billion representing K0.64 per share (2022 final dividend: K2.62 billion representing K0.90 per share).The first Interim and second interim dividends paid amounted to MK3.49 billon each representing a dividend per share of K1.20 each. Total dividend for the year ended 31 December 2023 has been proposed at K13.23 billion representing K4.54 per share (2022 total dividend: K9.6 billion representing K3.30 per share).

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2023

CORPORATE GOVERNANCE
The business and affairs of the Bank are managed by the Board under its directive and supervision. The Bank embraces good corporate governance practices therefore it delegates day to day management of the business and implementation of strategy to the Chief Executive Officer. In turn, the Chief Executive Officer is supported in the discharge of his duties by the Executive Committee which comprises members of senior management that include the Deputy Chief Executive Officer, Chief Finance Officer, Chief Operating Officer, Chief Retail Banking Officer and Chief Wholesale Banking Officer.

DIRECTORATE AND SECRETARY

Board composition
The Board is led by the Chairman. The majority of the members of the Board are independent. As of 31 December 2023, the Board comprised three non-executive directors and six independent directors. There is one vacancy on the Board which is expected to be filled soon. Further, details of the members of the Board, career backgrounds, skills and experience are contained under the Directors' biographies in the annual report. The Board also has a Company Secretary who is accountable to the Board for ensuring that prescribed procedures are complied with, and that sound corporate governance and ethical principles are adhered to. All Directors have unlimited access to the advice and services of the Company Secretary. Any director is also entitled to seek independent professional advice concerning the discharge of his or her responsibilities at the Bank's expense.

The following Directors and Secretary served during the year:

Name	Position	Period
Mr. V. Kumwenda	Chairman	All year
M. K. Mukushi	Director	All year.
Dr A. Saxena	Director	Up to July 2023.
Mr. C. Chiundira	Director	All year.
Mr. H. B. Kalua	Director	All year.
Dr M. Mtumbuka	Director	All year.
Mr. J. Masumbu	Director	All year.
Mr. E.M. Banda	Director	All year.
Ms. R. Mkweza	Director	All year.
Ms. M. Kajiyanike	Director	All year.
Mr. M. Machika	Company Secretary	All year.

Director Dr. Anurag Saxena retired from the Board at the conclusion of the 19th AGM on 24 July 2023. Dr. Saxena made significant and important contributions during his time on the Board, particularly in the strengthening of risk, enhancing governance principles and oversight in the Bank. The Board wishes Dr. Saxena well in his future endeavours.

Board meetings and attendance
The Board is scheduled to meet at least 4 times a year. In 2023 the Board met 6 times including a session to review the Bank's strategy to align it with the changing economic environment. In addition, there were other board engagements during the year 2023 which comprised the NICO Group Directors Retreat and Digital Banking Launch. Further, the Board participated in stakeholder engagement events to understand challenges that the Bank's stakeholders were facing and how the same could be factored into decision making. The engagements included a session held on 7th June 2023 at Mount Soche Hotel in Blantyre and The Billionaire Escapade held at Kumbali Lodge on 28th September 2023. The details on attendance of the board meetings and strategy session registered in the attendance register and are provided below:

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2023

Board meetings and attendance (Continued)

Name of Director	Number of Meetings Eligible to attend during the year (Scheduled/Ad hoc)	Number of Meetings Attended (Scheduled/Ad hoc)
Mr. V. Kumwenda	4/2	4/2
Dr. M. Mtumbuka	4/2	4/2
Mr. H.B. Kalua	4/2	4/2
Mr. C. Chiundira	4/2	4/2
Mr. J. Masumbu	4/2	4/2
Mr. E. Banda	4/2	4/2
Ms. R. Kandiero	4/2	4/2
Ms. M. Kajiyanike	4/2	4/2
Mr. K. Mukushi	4/2	4/2
Dr. A. Saxena	2/1*	2/1

* The rest of the meetings were held after the resignation of Director Dr. Anurag Saxena on 24 July 2023.

Furthermore, beside the scheduled and ad hoc meetings all directors attended the Annual General Meeting (AGM) which was held on 24 July 2023 at Ryalls Hotel in Blantyre. Besides the formal scheduled meetings, the Board has laid down procedures which encourage directors to have contact with members of senior management team and access relevant information affecting the business.

The Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief Operating Officer, Chief Wholesale Banking Officer and Chief Retail Banking Officer are regular attendees at Board meetings. However, some senior managers also attend the meetings for specific items as required.

Responsibilities of the Board
The detailed responsibilities of the Board are set out in its Board charter which is periodically reviewed to align with the changing business and regulatory environment. Further, the Board is mindful that its fundamental responsibility is to develop and oversee the strategy of the Bank. On the other hand, the main aim of the strategy is to achieve long term success of the Bank. Therefore, at every scheduled meeting of the Board progress of the Bank's strategy was an item of discussion. Further, all critical decisions of the Board were aligned to the Bank's strategy. The Board was able to achieve this by ensuring that all papers that were presented by Management for deliberation contained appropriate information to allow directors to make informed decisions towards discharging their duties. Furthermore, Board ensured that all its deliberations were always balanced on performance, emerging risks and duties to shareholders, whilst maintaining sight of the Bank's responsibilities to help customers and support all other stakeholders at large. On the other hand, the Company Secretary continued to support the Board by ensuring that relevant information was provided by Management and providing guidance and direction to the Board regarding the key areas for consideration as required by the Companies Act.

Environmental, Social and Governance (ESG) Reporting
In June 2023, the Malawi Stock Exchange issued revised Listing Requirements (MSE LR) so that they are in line with provisions of the revised Acts and directives (Companies Act 2013 and Financial Services Act 2010) and with other stock exchanges in the region. Among others, the changes include the requirement to disclose the relevance of sustainability in the context of environmental, social and governance standards to the Bank and the Bank's strategy for addressing sustainability issues. Further, the MSE LR require the Bank to be disclosing its sustainability policy including mitigation of risks, sustainability, performance data and other material information which deepens stakeholders understanding of corporate performance. The MSE LR recommends that companies adopt Global Reporting Initiatives (GRI), Sustainability Reporting Guidelines or standards in disclosing the company's sustainability performance.

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2023

Environmental, Social and Governance (ESG) Reporting (Continued)

In a bid to comply with the newly revised MSE LR, the Board has embarked on a journey to incorporate environmental, social and governance factors throughout the company and in taking steps to embed sustainability into the Bank's purpose and strategy. However, notwithstanding the introduction of the ESG requirements under the MSELR the Bank was already integrating some of the ESG factors in its business operation. For example, the Bank has an environmental policy that aims at protecting the ecosystems and mankind and thrives for sustainable development for protection of current and future generations. The policy ensures that the Bank plays its role to address and respond to climate change. Therefore, the Bank would continue to scale up efforts and support actions of other stakeholders to protect the environment.

Further, the Board recognizes that the Bank has a duty to respect human rights. Further, the Board acknowledges that this duty exists independently of the state's abilities to fulfil its own human rights obligation and does not diminish those obligations. Therefore, NBS Bank avoids infringing on the human rights of others. The respect of human rights is manifested in the Bank's labour practices, customer relations and outsourcing services, among others. The Board can confirm that the Bank's business practices do not adversely affect the human rights of its stakeholders. Equally, the Board confirms that NBS Bank is not involved in any activities which have the potential to adversely affect the human rights of its stakeholders.

Therefore, to comply with ESG reporting requirements fully in 2024 the Board will continue to take overall responsibility for ESG matters by making sure that ESG factors are considered in its meetings and that it oversees Management's implementation of the Banks ESG strategy. Further, in the year 2024 the Board will receive ESG related training as part of its induction and ongoing development on ESG. The Board believes that this approach would help build directors' skills and experience on ESG factors which is a relatively new area in Malawi.

Shares held directly or indirectly by directors

The following directors held shares in the Bank as of 31 December 2023.

Name of NBS Bank Plc Director	Shares held as of 1 Jan 2023 or date of appointment, if later	Shares purchased during the year 2023: Beneficial owner	Child under 18 or spouse	Jointly with another person	Trustee	Total interests as of 31 Dec 2023 or date of cessation, if earlier
Mr. V Kumwenda	10,000,023*	NIL	NIL	NIL	NIL	10,000,023
Dr. M. Mtumbuka	NIL	328,817**	NIL	NIL	NIL	74,758
Mr. Chiundira	NIL	NIL	NIL	NIL	262,130***	262,130
Mr. E.M. Banda	NIL	NIL	NIL	NIL	NIL	NIL
Mr. J. Masumbu	NIL	NIL	NIL	NIL	NIL	NIL
Ms. R. Mkweza	NIL	NIL	NIL	NIL	NIL	NIL
Mr. K. Mukushi	NIL	NIL	NIL	NIL	NIL	NIL
Mr. H.B. Kalua	NIL	NIL	NIL	NIL	NIL	NIL
Dr. A. Saxena	NIL	NIL	NIL	NIL	NIL	NIL
Ms. M. Kajiyanike	NIL	NIL	NIL	NIL	NIL	NIL

* The shares are held by WOP V J Trust which is owned by the family of Mr. Vizenge Kumwenda. He did not trade in any NBS shares in the year 2023.

** During the year 2023 Dr. Matthews Mtumbuka purchased 328,817 ordinary shares on the open market. He further sold 254,059 ordinary shares on the open market.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2023

Shares held directly or indirectly by directors (Continued)

The following are the details of the transactions:

BUY				**SELL**		
The name of the director	Dr. Matthews Mtumbuka			Dr. Matthews Mtumbuka		
The name of the company of which the person is a director;	NBS Bank plc			NBS Bank plc		
The date on which the transaction occurred, the price, number and value of shares.	**Transaction Date**	**Number of shares (ordinary)**	**Price (MK)**	**Transaction Date**	**Number of shares (ordinary)**	**Price (MK)**
	19-Apr-23	65,624	75	23-Oct-23	280	107.96
	21-Apr-23	218,381	75	23-Oct-23	6,394	107.96
	21-Apr-23	13,800	75	25-Oct-23	226	107.96
	25-Apr-23	16,600	75	25-Oct-23	20,000	107.96
	25-Apr-23	5,278	75	26-Oct-23	23,100	107.96
	26-Apr-23	9,134	78	14-Nov-23	1,000	107.00
				24-Nov-23	4,431	107.18
				24-Nov-23	20,496	107.00
				27-Nov-23	4,611	106.98
				27-Nov-23	4,067	106.98
				28-Nov-23	2,691	106.89
				28-Nov-23	49,201	106.64
				28-Nov-23	29,560	106.98
				29-Nov-23	938	106.98
				04-Dec-23	2,309	106.64
				06-Dec-23	458	106.54
				06-Dec-23	4,630	106.54
				06-Dec-23	79,667	106.44
The nature of the transaction	Buy			Sell		
The nature and extent of the director's interest in the transaction.	Self			Self		

*** The shares are held by Tedaa Trust which is owned by the family of Mr. Chifundo Chiundira. He did not trade in any NBS shares in the year 2023. During the year 2023. Tedaa Trust purchased 262,130 ordinary shares on the open market. The following are the details of the transactions.

BUY			**SELL**	
The name of the director;	Mr. Chifundo Chiundira		Mr. Chifundo Chiundira	
The name of the company of which the person is a director;	NBS Bank plc		NBS Bank plc	
The date on which the transaction occurred, the price, number and value of shares	**Transaction Date**	**Number of shares (ordinary)**	**Price (MK)**	**Number of shares (ordinary)**
	15 May 2023	235,344	94.25	NIL
	15 May 2023	26,786	94.30	NIL
The nature of the transaction;	Buy			NIL
The nature and extent of the director's interest in the transaction.	Trustee and beneficiary of Tedaa Trust (family trust)			NIL

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2023

Conflicts of interest
The Board has in place a conflict-of-interest policy which is reviewed periodically. The aim of the policy is to ensure effective management of directors' conflict of interest. Further, the Board is directed by Division IV and Division V of the Companies Act 2013 on transactions involving self-interest. Section 186 states that a director of a company shall be interested in a transaction or arrangement to which the company is a party where the director:
- is a party to, or shall or may derive a material financial benefit from, the transaction or arrangement;
- has a material financial interest in or with another party to the transaction or arrangement;
- is a director, officer, or trustee of another party to, or person who shall or may derive a material financial benefit from, the transaction, not being a party or person that is:
    - the company's parent company being a parent company of which the company is a wholly owned subsidiary;
    - a wholly owned subsidiary of the company; or
    - a wholly owned subsidiary of a parent company of which the company is also a wholly owned, subsidiary;
- is the parent, child or spouse of another party to, or person who shall or may derive a material financial benefit from the transaction; or
- is otherwise directly or indirectly materially interested in the transaction or arrangement.

During the year 2023 all directors of the Board who became aware of the fact that they were interested in a transaction or arrangement or proposed transaction or proposed arrangement with the Bank, had their interests caused to be entered in the register of interests of the Board or where applicable disclosed to the Board of the company. Further, the Bank did not enter into any transaction or arrangement in which a director of the Board was interested without the said director first declaring the interest and the Board noting such interest. Further, all directors who were interested in a transaction or arrangement or proposed transaction or proposed arrangement did not participate (they were not present in meetings) in the deliberations or approval of such transactions or arrangements.

On the other hand, the Board continues to take notice of the following standing interest in the register of interests:
- Standing Notice of Disclosure for Mr. Vizenge Kumwenda for executive position in NICO Holdings plc, the majority shareholder of the Group.
- Standing Notice of Disclosure for Mr. Chifundo Chiundira for executive position in NICO Holdings plc, the majority shareholder of the Group.
- Standing Notice of Disclosure for Mr. Kudakwashe Mukushi for executive position in Botswana Insurance Holdings Limited (BIHL). BIHL has 25.10% shareholding in NICO Holdings plc.

Board evaluation and effectiveness
The Bank has a wide range of policies and procedures for Board effectiveness. Further, the Board ensures that each director complies with all prescribed codes for corporate governance. These include directives set by the Reserve Bank of Malawi. Furthermore, the Board conducts annual evaluation of its performance, its committees and individual directors. The evaluation is championed by the Appointments and Remuneration Committee and coordinated by the Company Secretary. The findings of the evaluation are discussed by the Board and action points from the said discussions are monitored and addressed on an ongoing basis. Overall, the 2023 evaluation found the Board to be effective in the discharge of its duties. Further, the Board had the right mix of skills and experience. On the other hand, the findings emphasized the need for the Board to put more focus on monitoring strategy execution, succession planning and stakeholder engagement.

Board subcommittees
Further, to best support the oversight and delivery of the Bank's strategy the Board has established subcommittees, Credit committee, Risk committee and Finance and Audit Committee. However, during the year 2023 the Board also set up an ad hoc subcommittee on Core Banking System Project. The Core Banking System Project Committee comprises representation from the Board's subcommittees. This is not a permanent committee of the Board, and it is expected to be dissolved once the core banking system project is completed. Further, at all Board subcommittee meetings key representatives from functions attend to provide insights on the business and implementation of the Bank's strategy. This allows subcommittees to gain in-depth knowledge of the business and make recommendations to the Board on issues affecting the business.

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2023

Appointments and Remuneration Committee
This section provides an overview of the work that was done by the Appointments and Remuneration Committee in 2023. The Appointments and Remuneration Committee started the year with a membership of 3 directors. These included Director Emmanuel Banda, Director Dr. Anurag Saxena and Director Chifundo Chiundira. On 24th July 2023 Director Anurag Saxena retired from the Board. Therefor the Committee closed the year 2023 with a membership of 2 directors. As of the year end the Board was at an advanced stage to fill the vacancy that was created following the retirement of Dr Anurag Saxena. The Committee is very thankful for Dr Saxena's outstanding dedication and the significant contributions that he made to the Bank. Furthermore, the Committee is confident that the vacancy would be filled by a director who will strengthen the Board's collective business and banking knowledge. On the other hand, despite the reduction in membership, the operations of the Committee were not affected, and it was still able to discharge its duties effectively.

Responsibilities of the committee
The Appointments and Remuneration Committee is responsible for the following:
- Exercising oversight for critical people issues within the Bank, including leadership, talent development and succession planning and talent management for executive officers and senior managers;
- Reviewing the ongoing appropriateness and relevance of the Remuneration policy, Employee Share Ownership Scheme and all human resource policies;
- Approving changes to incentive and benefits plans applicable to executive officers and senior managers;
- Approving the appointment of employees in executive and senior management positions on recommendations made to it by the Chief Executive Officer;
- Assessing whether potential new directors are suitable for the position in terms of the fit and proper test, requirements of the Banking Act and relevant directives;
- Facilitating Board induction and training;
- Reviewing the Board's required mix of skills and experience and other qualities such as diversity in order to assess its effectiveness;
- Conducting peer and self-evaluation of the Board, its committees and the contribution of each director including the chairperson; and
- Acting on and review of complaints of ethical and professional discipline and any violations of the set performance standards by a Board member, the Executive and Senior Management officials.

Committee meetings and attendance
The Committee is scheduled to meet at least 4 times a year. In 2023 the Committee met 5 times. The details on attendance of the board meetings and strategy session are provided below.

Name of Director	Number of Meetings Eligible to attend during the year (Scheduled/Ad hoc)	Number of Meetings Attended (Scheduled/Ad hoc)
Mr. E.M. Banda	4/1	4/1
Mr. C. Chiundira	4/1	4/1
Dr. A. Saxena	2/1*	2/1

* The rest of the meetings were held after the resignation of Director Dr. Anurag Saxena on 24 July 2023.

The Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief Operating Officer, Chief Wholesale Banking Officer, Chief Retail Banking Officer and Head of Human Resources are regular attendees of the Committee meetings. However, some senior managers also attend the meetings for specific items as required.

Highlight of deliberations of the committee
At the commencement of the year the Committee reviewed the composition of the Board, and it was satisfied that all the directors possessed the right skills and experience necessary to effectively discharge their duties and responsibilities. Further, the Committee reviewed the status of its independent directors and after consideration of all relevant circumstances it was confident that the directors meet the independence required for long term success of the Bank. The Committee will continue to conduct yearly reviews of the skills matrix of the Board to ensure long term success of the Board. Furthermore, the Committee also reviewed the Bank's succession plan to ensure that the Bank was positioned to achieve its strategic goals and achieve long term success. However, the Committee believes that succession planning is an ongoing process as such it would continue to discuss broader succession planning for key roles through 2024 and beyond.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2023

Highlight of deliberations of the committee (Continued)

Further, in the year 2023 the Committee prioritized appointments to fill critical vacancies that were in the senior management. Therefore, the Committee identified and recruited candidates who met the desired skills and experience to contribute to the strategy of the Bank. Among the positions that were filled included Chief Retail Banking Officer. There are still some vacancies on the senior management team and the Committee is confident that the same would be filled in 2024.

Further, the Bank held several trainings at both Board and Management level to enhance the succession pipeline of the Bank. The Committee believes that trainings and continuous education program are a priority for the Bank to achieve long term success. Further, industrial relations and people issues formed key deliberations at meetings of the Committee. This ensured that employee voice was strengthened in Board deliberation. The Committee continued to take an active role in oversight of Management's engagement with the staff union.

The Bank is in the process of rolling out a cultural transformation program. Therefore, the Committee is taking a leading role to ensure that that the Board sets the right cultural tone. The Committee is confident that once the right cultural tone is established in the Bank it would be able to receive reports which would provide key cultural indicators to enable the Board to monitor the culture for the Bank.

The Committee conducted a review of its effectiveness. The review established that the Committee was operating effectively and complied with all regulatory requirements. However, the Committee also noted some areas for its own internal improvements. The outcome of the Committee evaluation was reported to the Board, and the Committee will track progress in implementing the recommendations made.

Finance and Audit Committee

The Finance and Audit Committee is mainly regulated by the Financial Services (Annual Audits of Banks) Directive, 2018. The Committee comprises of three members namely Director Dr Matthews Mtumbuka, Director Kudakwashe Mukushi and Director Harrison Kalua. All the directors are either independent or non-executive with knowledge in accounting, audit, finance, ICT, economics, and risk management. Further, none of the members of the Committee serve as a member of another permanent committee of the Board. During the year 2023 there were no changes to the membership of the Committee.

Responsibilities of the committee

Among others, the Finance and Audit Committee is responsible for the following:

- To review the Bank's accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements, oversee the relationship with the Bank's external auditors and to provide assurance to the Board that executive management's control assurance processes are implemented, and are complete and effective;
- To review the audited financial statements of the Bank before they are approved by the Board;
- To submit a recommendation to the Board for consideration and acceptance by shareholders for the appointment, approval and, if necessary, the removal of the external auditor and non- audit services;
- To monitor the external auditor's objectivity and independence;
- To discuss the significant issues that it considered in relation to the financial statements, and how these issues were addressed by the Bank; and
- To discuss the accounting principles with the external auditor.

Committee meetings and attendance

The Committee is scheduled to meet at least 4 times a year. In 2023 the Committee met 5 times. The details on attendance of the board meetings and strategy session are provided below.

Name of Director	Number of Meetings Eligible to attend during the year (Scheduled/Ad hoc)	Number of Meetings Attended (Scheduled/Ad hoc)
Dr. M. Mtumbuka	4/1	4/1
Mr. H.B. Kalua	4/1	4/1
Mr. K. Mukushi	4/1	4/1

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2023

Committee meetings and attendance (Continued)

The Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief Operating Officer, Chief Retail Banking Officer, Chief Wholesale Banking Officer, Head of ICT and Head of Internal Audit attend all meetings. Other members of senior Management like the Head of Marketing routinely attend meetings of the Committee. The external auditors attended all meetings that they were required to attend. Further, the Committee also held separate meetings with external auditors of the Bank to discuss audit issues affecting the Bank. Similarly, the Chairperson held regular meetings with the Head of Internal Audit, Company Secretary, Chief Finance Officer and Head of ICT to discuss agenda and specific issues that arose during the year in their respective functions.

Highlight of deliberations of the committee

At the AGM held on 24th July 2023, the shareholders of the Bank appointed Grant Thornton Malawi as the external, auditors of the Bank in accordance with the requirements of the Financial Services Act and the Annual Audit directive. Grant Thornton Malawi replaced Deloitte who has been auditing the Bank for the past 5 years. On the other hand, the Head of Internal Audit took up another position at NICO Holdings plc as Group Head of Internal Audit. The Committee identified the Internal Audit Manager, Mr. Moses Suweta to act as Head of Internal Audit until the position is substantively filled. The Committee is satisfied with the work conducted by the internal auditor and will continue to put in place measures to enhance independence of the function. Further, during the year 2023, both internal and external Audit made recommendation in their audit report. The Committee ensured that Management dealt with the recommendations in a timely manner and the corrective actions were taken on deficiencies that were noted in the report.

As required under the directive the Committee has oversight over external audit services. Therefore, the Committee reviewed Grant Thornton Malawi external audit approach and the effectiveness of its audit process. Further, the Committee assessed independence of the external auditors. The Committee confirms that it is satisfied with the effectiveness and quality of output of external audit by Grant Thornton Malawi. Further, the Committee confirmed that Grant Thornton Malawi was independent in its audit and complies with all related audit directives.

The Committee conducted a review of its effectiveness and established that overall, the Committee continued to operate effectively. Furthermore, the outcome of the Committee evaluation was reported to the Board, and the Committee will continue to improve on its operations based on the Board's feedback.

Risk Committee

This is the report of the Risk Committee. During the year 2023 Director Dr. Saxena retired from the Board and consequently ceased to be a member of the Committee. Therefore, as of 31st December 2023 membership of the Committee comprised two directors namely Director Meg Kajiyanike and Director Emmanuel Banda. The Committee expresses sincere gratitude to Director Saxena for his valuable contributions to the Committee and the Board in general. The Committee expects to fill the vacancy in 2024. However, overall, the Committee is confident with its composition, skills and experience.

Responsibilities of the committee

The Committee continued to support the strategy of the Bank through oversight of risk related matters and the risks impacting the Bank. The following are some of the key responsibilities of the Committee.

- Identifying, assessing, and managing various types of risk to which the Bank is exposed;
- Reviewing strategies, policies, frameworks, models, and procedures that lead to the identification, measurement, reporting and mitigation of material risks;
- Monitoring and reporting on the Bank's overall risk profile, including any significant changes or emerging risks, to the Bank's board of directors and senior management;
- Reviewing and approving major transactions, investments, and business initiatives, to ensure that they are consistent with the bank's risk appetite and overall risk management strategy;
- Reviewing and monitoring Bank's capital and liquidity position including considering both the existing and forecasted risk profile and the potential impact of stress;
- Reviewing the Bank's Enterprise Risk Management Framework and recommending to the Board for approval of underlying frameworks and policies as they apply to the Bank; and
- Overseeing the Bank's risk and compliance functions, ensuring they are appropriately resourced and operating effectively.

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2023

Committee meetings and attendance
The Committee is scheduled to meet at least 4 times a year. In 2023 the Committee met 4 times. The details on attendance of the board meetings and strategy session are provided below.

Name of Director	Number of Meetings Eligible to attend during the year (Scheduled/Ad hoc)	Number of Meetings Attended (Scheduled/Ad hoc)
Ms. M. Kajiyanike	4/-	4/-
Mr. E.M. Banda	4/-	4/-
Dr. A. Saxena*	2/-	2/-

*The rest of the meetings were held after the resignation of Director Dr. Anurag Saxena on 24 July 2023.

The Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief Operating Officer, Chief Retail Banking Officer, Chief Wholesale Banking Officer, Head of Risk and Head of Compliance attend all meetings of the Committee. Further, the Committee continued to work closely with the Head of Risk and Head of Compliance to ensure strengthened risk and compliance framework of the Bank. Further, the committee confirms that the Bank has independent risk and compliance management functions, and both have sufficient authority, independence, resources and access to the Committee.

Highlight of deliberations of the committee
In all meetings, deliberations ensured that the Committee had a deeper and more effective oversight of all risks impacting the Bank. The Committee held thorough deliberations of all risks and at both country and global level and the potential impact on the banking business. Therefore, the Committee came up with measures to mitigate the risks of the Bank's long-term success and its ability to support its shareholders.

Further, during the year the Committee reviewed and recommended to the Board for approval several policies and risk frameworks. There included the risk appetite statement, risk maturity model and stress testing models. In all the instruments the Committee recommended changes in terms of their improvement. The Committee also received reports from regulators and is confident with the remediation activities that have been put in place by Management on the findings made. Further, the Committee will continue to receive reports from Management to ensure that the Bank remains in line with regulating standards and expectations.

Going forward in 2024, the activities of focus of the Committee would include continued enhancement of the Bank's risk appetite and risk management framework to mitigate the economic challenges that the country is facing. Further, the Committee would monitor the Bank's ESG practices as it is one emerging area of focus in the current regulatory environment.

The Committee conducted a review of its effectiveness and established that overall, the Committee continued to operate effectively. Furthermore, the outcome of the Committee evaluation was reported to the Board, and the Committee will continue to improve on its operations based on the Board's feedback.

Credit Committee
This is the report of the Credit Committee. The composition of the Committee did not change in the year 2023. The membership of the Committee comprised Director Chifundo Chiundira as its Chairman, Director Roselyn Mkweza and Director James Masumbu. The Board considers the composition of the Committee effective, and it successfully discharged its duties in 2023.

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2023

Responsibilities of the committee
The Credit Committee is responsible for the following:
Approving the Bank's lending policies and guidelines;
- Reviewing and approving loan applications outside the mandate of management. This includes assessing the credit risk associated with the loan applications and determining the appropriate level of risk for the Bank to take;
- Monitoring the performance of the Bank's loan portfolio and identifying any potential issues or problem loans that need to be addressed;
- Identifying potential risks associated with the Bank's lending activities and implementing strategies to mitigate those risks;
- Reporting to the bank's board of directors on the performance of the loan portfolio and any risks or issues that have been identified; and
- Reviewing the appropriateness and effectiveness of the Bank's credit framework, including the adequacy of credit personnel and the composition of Management Credit Committee.

Committee meetings and attendance
The Committee is scheduled to meet at least 4 times a year. In 2023 the Committee met 4 times. The details on attendance of the board meetings and strategy session are provided below.

Name of Director	Number of Meetings Eligible to attend during the year (Scheduled/Ad hoc)	Number of Meetings Attended (Scheduled/Ad hoc)
Mr. C. Chiundira	4/-	4/-
Ms. R. Mkweza	4/-	4/-
Mr. J. Masumbu	4/-	4/-

The Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief Operating Officer, Chief Retail Banking Officer, Chief Wholesale Banking Officer, Head of Credit and Head of Risk attend all meetings of the Committee. However, the Committee also hold private meetings with members of Management on matters requiring in-depth knowledge.

Highlight of deliberations of the committee
The Committee had a busy year to 2023, as it closely monitored the reporting of credit performance in an increasingly challenging macro-economic environment. With the challenges of rising rates and inflation and many customers facing financial pressure, the Committee took steps to ensure that the Bank's customers were supported at this critical time. Among the steps taken included restructuring of facilities and enhanced monitoring of credit facilities. Further, to ensure long term success of the business, the Committee also revisited the Bank's lending appetite and enhanced the credit underwriting processes.

Further, the Committee continued to provide exceptional services to customers through improved credit turnaround time. In 2023 credit decision took a shorter period than in 2022 at both Board and Management level. Further, the Committee continued to receive quarterly reports from Management on the turnaround time of credit decisions bank wide. Furthermore, the Committee continued to provide oversight on the Bank's digitization process of credit products. The digitization of credit products saw turnaround times of credit products being reduced to less than 10 minutes on some products. The Committee will continue to put its focus on digitization of credit products that have been scheduled for implementation in 2024. Furthermore, the Committee will continue with a streamlined and consistent appeal process across all of its customer segments.

Further, the Committee paid close attention to credit impairments. During the year there was an increase in impairments due to macro-economic deterioration and a gradual increase in delinquencies mostly caused by Covid 19 pandemic. The Committee deliberated on the remediation actions taken by Management to improve the credit impairments. The Committee will continue to review the residual actions which have been put in place by Management on the progress of the same. Further, the Committee will continue to conduct vigorous review of proposed new lending transactions to ensure that they did not have a regular impact on the credit portfolio.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2023

Highlight of deliberations of the committee (Continued)

The Committee conducted a review of its effectiveness and established that overall, the Committee continued to operate effectively. Furthermore, the outcome of the Committee evaluation was reported to the Board, and the Committee will continue to improve on its operations based on the Board's feedback.

Independent auditors

The Bank's auditors, Messrs Grant Thornton, Chartered Accountants and Business Advisors (Malawi) have indicated their willingness to continue in office and a resolution will be proposed at the forthcoming Board of Directors' meeting to re-appoint them as auditors for the year ending 31 December 2024.

For and on behalf of the board

Vizenge Kumwenda (Chairman)

Matthews Mtumbuka (Director)

Date: **20 March 2024**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2023

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of NBS Bank Plc, comprising the consolidated and separate statements of financial position as at 31 December 2023, the statement of comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act. In addition, the directors are responsible for preparing the Directors' Report.

The Malawi Companies Act also requires the directors to ensure that the Group and Company maintain proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and ensure the financial statements comply with the Malawi Companies Act.

In preparing the financial statements, the directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume the company will continue in business.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Group and Banks's ability to continue as a going concern and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated and separate financial statements except for the subsidiary described as dormant on page 1.

The external auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with International Financial Reporting Standards and in a manner required by the Malawi Companies Act.

Approval of financial statements
The consolidated and separate financial statements of NBS Bank Plc as identified in the first paragraph, were approved by the Board of Directors on 20 March 2024 and are signed on its behalf by:

Vizenge Kumwenda (Chairman)

Matthews Mtumbuka (Director)

Grant Thornton
An instinct for growth™

105117

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email: mw-information@mw.gt.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NBS BANK PLC

Opinion

We have audited the consolidated and separate financial statements of NBS Bank plc and its subsidiary ("the Group"), set out on pages 62 to 145 ('the financial statements'), which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statement of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank as at 31 December 2023, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by 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 our report. We are independent of the Group 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 year. These matters were 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 these matters.

Key Audit Matter	How the matter was addressed in the audit
Staging of Loans and Advances (Consolidated and separate)	
Staging of loans and advances is a significant component in determining the Expected Credit Losses (ECL) as such inaccurate staging would have a significant impact on ECL output. The Bank is exposed to a loans and advances book of K162 billion as at 31 December 2023 (2022: K141 billion) as disclosed under note 9 to the financial statements, which is subjected to Expected Credit Loss model to determine estimated provisions. The following categories of loans and advances were determined to be significant in the Bank's staging of loans and advances: a) **The Bank's large exposure loans and advances** The Bank's top 20 large exposure loans and advances contribute **27.5%** (2022: 41%) of the Bank's loans and advances included in note 9 to the financial statements. b) **Stage 1 loans** The Bank's loans are concentrated under stage 1 which contribute **93%** (2022: 95%) of the gross loan amount. The migration of loans and advances from stage 1 to stage 2 or 3 depends on both qualitative and quantitative factors. c) **Stage 2 and 3 loans** Stage 2 and 3 loans contribute 7% of the gross loan amount. The rate of provision in these stages is higher than in Stage 1 and in particular Stage 3 loan provision is mostly at more than 90% of the facility balances. We focused on staging of loans and advances due to the fact that ECL is a significant management estimate based on subjective assumptions and inputs into the Expected Credit Loss model used to determine the estimated provisions. We also considered possibilities of contagion risk, which is also referred to as systemic risk whereby the financial difficulties in one or more facilities would spill over to a large number of other facilities in the same group. This would have an effect in the determination of the ECL. The Bank has recorded a total Expected Credit Loss of **K8.49 billion** as at 31 December 2023 (2022: K3.40 billion). We therefore consider this as a key audit matter.	• We checked the design and implementation of controls on staging; • We obtained an understanding of the Bank's criteria for Significant Increase in Credit Risk (SICR) from the Bank's accounting policy and IFRS 9, Financial Instruments Model Methodology documentation; • We assessed management's staging of loans and advances criteria for appropriateness and completeness against the requirements of IFRS 9, Financial Instruments; • We checked accuracy and completeness of data used in staging through analysis of data and reconciliations; • We checked the collateral values to ensure it is fairly valued and that the Bank has enforceable rights to dispose the property should need arise; and • Considered the risk of contagion and ensured related facilities were classified in the same stages, especially for Stage 3. **Large exposures** We selected all large exposure loans and advances as per Financial Services (Large Exposures and Credit Concentration Limits for Banks) Directive 2015 and checked if they had been correctly staged based on the Bank's accounting policy, RBM directives and IFRS 9, Financial Instruments requirements. **Stage 1, 2 and 3 loans** • We sampled through the stages of loans and advances; and • Checked whether an exposure currently classified in a particular stage was appropriately classified so and did not meet any SICR criteria to transfer to a different stage. Our work on staging for large exposure loans and other loans did not identify any significant issues. We found that the staging carried out by the Bank which was used in determining Expected Credit Losses against loans and advances was appropriate. We also observed that the Bank had appropriately considered the risk of contagion in determining the ECL. Therefore, the impairment loss recognised in the financial statements was reasonable and complied with IFRS 9 Financial Instruments requirements.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Valuation and extistence of Money Market Investments and Placements with other institutions</td></tr>
<tr><td>Money Market Investments and Placements with other institutions is the most significant amount on the consolidated and separate statement of financial position of the Group with balances of K282 billion (2022: K220 billion) and K85 billion (2022 K54 billion) respectively as disclosed under note 8 to the financial statements.

Determining of fair values of trading assets and financial investments is an audit focus area due to the unavailability of active markets, the complexity in determining the fair values as well as the level of estimate and judgment applied by management. There was also need to consider whether any of those assets are impaired which involves application of management estimates.

We focused on valuation and existence of Money Market Investments and Placements with other institutions because there is a risk that the amounts may not be in existence and that they may be wrongly valued and as such have a significant impact of the Group financial statements.

We consider this as a key audit matter.</td><td>• We tested the fair value of the medium and short-term notes (particularly on Treasury Bills and Notes) by considering whether the assumptions and calculation methods used are appropriate and consistent with market conditions.
• We recalculated the fair values of medium and short-term notes and other assets, which included performing the following procedures:
  • we obtained confirmations from counterparties and matched the maturity dates, the original yield rates and nominal values of the notes to those confirmations.
  • we challenged management's assumptions used in determining the valuation of these notes by comparing the yield rates used by management in their fair value calculation to the latest Reserve Bank of Malawi auction results for similar Treasury Bills and Notes.
• We also checked the accuracy of the impairment provision to ensure that the impairment loss recognised in the financial statements was reasonable and complied with IFRS 9 Financial Instruments requirements

Our work on valuation and existence of Money Market Investments and Placements with other institutions identified some issues. We found that there were some differences in balances arising from delays in performing reconciliations of Money Market Investment schedules with the general ledger and some errors in interest computations. These issues were all resolved by management in arriving at the balances as disclosed in these financial statements.</td></tr>
</table>

Other matters

The financial statements for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on the financial statements on 30 March 2023.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, and the Statement of Directors' Responsibilities as required by the Companies Act, which we obtained prior to the date of this auditor's 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.

Other information (Continued)

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 that we 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.

Directors' responsibilities for the consolidated and separate financial statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the 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 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Continued)

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

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

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

Grant Thornton

GRANT THORNTON MALAWI
Chartered Accountants and Business Advisors

HASTINGS B. NYIRENDA • CHARTERED ACCOUNTANT •
DATE 22/3/24

Hastings B. Nyirenda
Chartered Accountant (Malawi)
Partner
Blantyre, Malawi

Date..22.....March 2024

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2023

In thousands of Malawi Kwacha

	Notes	Consolidated 2023	Consolidated 2022 Restated	Consolidated 2022	Separate 2023	Separate 2022 Restated	Separate 2022
ASSETS							
Cash and cash equivalents	7	**104 500 423**	32 811 987	32 811 987	**104 439 790**	32 811 987	32 811 987
Money market investments	8(a)	**282 314 925**	219 802 091	219 802 091	**282 314 925**	219 802 091	219 802 091
Placements with other institutions	8(b)	**85 328 881**	54 316 201	54 316 201	**85 328 881**	54 316 201	54 316 201
Loans and advances to customers	9	**153 816 439**	137 796 120	137 796 120	**153 816 439**	137 796 120	137 796 120
Equity investments	11	**130 700**	130 700	130 700	**430 700**	130 700	130 700
Property and equipment	13	**14 240 350**	7 806 099	7 806 099	**14 162 671**	7 760 588	7 760 588
Intangible assets	14	**7 933,276**	2 708 206	2 708 206	**7 927 513**	2 708 206	2 708 206
Other assets	15	**6 870 882**	4 511 255	4 511 255	**7 123 018**	4 480 514	4 480 514
Right – of – use assets	33	**2 580 530**	2 330 081	2 330 081	**2 580 530**	2 330 081	2 330 081
Total assets		**657 716 406**	462 212 740	462 212 740	**658 124 467**	462 136 488	462 136 488
LIABILITIES AND EQUITY							
Liabilities							
Amount due to subsidiary	10	**-**	-	-	**341 171**	12 580	12 580
Customer deposits	16	**290 089 476**	189 953 385	189 953 385	**290 089 476**	189 953 385	189 953 385
Term deposit accounts	16	**177 592 302**	158 595 318	158 595 318	**177 592 302**	158 595 318	158 595 318
Foreign currency denominated accounts	16	**70 845 647**	27 934 977	27 934 977	**70 845 647**	27 934 977	27 934 977
Long-term loans	17	**8 492 574**	6 790 507	6 790 507	**8 492 574**	6 790 507	6 790 507
Lease liabilities	34	**4 810 591**	3 832 757	3 832 757	**4 810 591**	3 832 757	3 832 757
Deferred tax liability	18	**447 383**	778 102	778 102	**440 111**	747 767	747 767
Tax payable	36	**8 982 162**	3 595 507	3 543 865	**9 012 080**	3 595 507	3 543 865
Liabilities to financial institutions	20	**26 569 638**	25 552 042	25 552 042	**26 569 638**	25 552 042	25 552 042
Other liabilities	19	**19 863 392**	10 378 470	8 109 747	**19 833 931**	10 290 582	8 021 859
Total liabilities		**607 693 165**	427 411 065	425 090 700	**608 027 521**	427 305 422	424 985 057
Equity							
Share capital	21	**1 455 291**	1 455 291	1 455 291	**1 455 291**	1 455 291	1 455 291
Share premium	22	**12 104 183**	12 104 183	12 104 183	**12 104 183**	12 104 183	12 104 183
Retained earnings		**36 343 086**	21 039 275	23 359 640	**36 416 791**	21 068 666	23 389 031
Loan loss reserve	23(b)	**498 796**	540 820	540 820	**498 796**	540 820	540 820
Fair value through other comprehensive income reserve	23 (a)	**(378 115)**	(337 894)	(337 894)	**(378 115)**	(337 894)	(337 894)
Total equity		**50 023 241**	34 801 675	37 122 040	**50 096 946**	34 831 066	37 151 431
Total liabilities and equity		**657 716 406**	462 212 740	462 212 740	**658 124 467**	462 136 488	462 136 488

The consolidated and separate annual financial statements were approved and authorised for issue by the Board of Directors on **20 March 2024** and were signed on its behalf by:

Vizenge Kumwenda (Chairman)

Matthews Mtumbuka (Director)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

In thousands of Malawi Kwacha

		Consolidated		Separate	
	Notes	**2023**	2022	**2023**	2022
INCOME					
Interest income	24	**111 896 109**	77 227 439	**111 897 623**	77 227 439
Interest expense	25	**(44 202 272)**	(25 803 857)	**(44 202 368)**	(25 803 857)
Net interest income		**67 693 837**	51 423 582	**67 695 255**	51 423 582
Net fees commission and other charges	26	**7 350 679**	8 108 442	**7 350 679**	8 108 442
Profit on foreign exchange transactions		**27 599 740**	6 043 633	**27 468 235**	6 043 633
Total operating income		**102 644 256**	65 575 657	**102 514 169**	65 575 657
Expenditure					
Personnel expenses	27	**(23 695 064)**	(16 712 230)	**(23 574 036)**	(16 712 230)
Recurrent expenditure on premises and Equipment	28(b)	**(6 027 124)**	(5 286 575)	**(6 015 625)**	(5 286 575)
Depreciation and amortisation	13,14,33	**(3 184 872)**	(3 275 302)	**(3 180 574)**	(3 275 302)
Other operating expenses	28(a)	**(14 428 356)**	(9 654 756)	**(14 368 204)**	(9 654 756)
Finance costs	33	**(1 027 041)**	(709 836)	**(1 027 041)**	(709 836)
Operating expenditure		**(48 362 457)**	(35 638 699)	**(48 165 480)**	(35 638 699)
Profit before loan impairment		**54 281 799**	29 936 958	**54 348 689**	29 936 958
Net impairment losses on financial assets	9	**(4 561 096)**	(2 976 470)	**(4 561 096)**	(2 976 470)
Profit before income tax expense		**49 720 703**	26 960 488	**49 787 593**	26 960 488
Income tax expense	29	**(20 342 566)**	(8 055 260)	**(20 365 212)**	(8 055 260)
Profit for the year		**29 378 137**	18 905 228	**29 422 381**	18 905 228
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Fair value adjustments on Malawi Government treasury notes		**205 956**	(397 490)	**205 956**	(397 490)
Deferred tax on fair value adjustments on Malawi Government treasury notes	23	**(246 178)**	119 247	**(246 178)**	119 247
Total other comprehensive (loss)		**(40 222)**	(278 243)	**(40 222)**	(278 243)
Total comprehensive income for the year		**29 337 915**	18 626 985	**29 382 159**	18 626 985
Basic and diluted earnings per share (MK)	30	**10.09**	6.50	**-**	-

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

In thousands of Malawi Kwacha

Consolidated	Share capital	Share Premium	Revaluation reserve	Fair value through other comprehensive Income	Loan loss reserve	Retained earnings	Total
2023							
Balance at 1 January as previously stated	**1 455 291**	**12 104 183**	**-**	**(337 894)**	**540 820**	**23 359 640**	**37 122 040**
Prior year adjustment (Note 19)	-	-	-	-	-	(2 320 365)	(2 320 365)
Balance at 1 January as restated	**1 455 291**	**12 104 183**	**-**	**(337 894)**	**540 820**	**21 039 275**	**34 801 675**
Profit for the year	-	-	-	-	-	29 378 138	29 378 138
Other comprehensive loss	-	-	-	(40 221)	-	-	(40 221)
Loan loss reserve transfer	-	-	-	-	(42 024)	42 024	-
Dividend paid	-	-	-	-	-	(14 116 351)	(14 116 351)
Balance at 31 December	**1 455 291**	**12 104 183**	**-**	**(378 115)**	**498 796**	**36 343 086**	**50 023 241**
2022							
Balance at 1 January	1 455 291	12 104 183	-	(59 651)	-	9 652 147	23 151 970
Prior for the year	-	-	-	-	-	18 905 228	18 905 228
Other comprehensive loss	-	-	-	(278 243)	-		(278 243)
Loan loss reserve transfer	-	-	-	-	540 820	(540 820)	-
Dividend paid	-	-	-	-	-	(4 656 915)	(4 656 915)
Balance at 31 December	**1 455 291**	**12 104 183**	**-**	**(337 894)**	**540 820**	**23 359 640**	**37 122 040**

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2023

In thousands of Malawi Kwacha

Separate	Share capital	Share Premium	Revaluation reserve	Fair value through other comprehensive Income	Loan loss reserve	Retained earnings	Total
2023							
Balance at 1 January as previously stated	**1 455 291**	**12 104 183**	**-**	**(337 894)**	**540 820**	**23 389 031**	**37 151 431**
Prior year adjustment (Note 19)	-	-	-	-	-	(2 320 365)	(2 320 365)
Balance at 1 January as restated	**1 455 291**	**12 104 183**	**-**	**(337 894)**	**540 820**	**21 068 666**	**34 831 066**
Profit for the year	-	-	-	-	-	29 422 382	29 422 382
Other comprehensive loss	-	-	-	(40 221)	-	-	(40 221)
Loan loss reserve transfer	-	-	-	-	(42 024)	42 024	-
Dividend paid	-	-	-	-	-	(14 116 281)	(14 116 281)
Balance at 31 December	**1 455 291**	**12 104 183**	**-**	**(378 115)**	**498 796**	**36 416 791**	**50 096 946**
2022							
Balance at 1 January	1 455 291	12 104 183	-	(59 651)	-	9 681 538	23 181 361
Profit for the year	-	-	-	-	-	18 905 228	18 905 228
Other comprehensive loss	-	-	-	(278 243)	-	-	(278 243)
Loan loss reserve transfer	-	-	-	-	540 820	(540 820)	-
Dividend paid	-	-	-	-	-	(4 656 915)	(4 656 915)
Balance at 31 December	**1 455 291**	**12 104 183**	**-**	**(337 894)**	**540 820**	**23 398 031**	**37 154 431**

STATEMENTS OF CASH FLOWS
As at 31 December 2023

In thousands of Malawi Kwacha

	Notes	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Cash flows from operating activities					
Profit before income tax expense		**49 720 703**	26 960 488	**49 787 593**	26 960 488
Adjustments for:					
Interest income	24	**(111 896 109)**	(77 227 439)	**(111 897 623)**	(77 227 439)
Interest expense	25	**44 202 272**	25 803 857	**44 202 368**	25 803 857
Depreciation of property and equipment	13	**1 573 433**	1 557 127	**1 565 391**	1 557 127
Depreciation of right - of - use	33	**1 081 318**	705 942	**1 081 318**	705 942
Interest on lease liability	33	**1 027 041**	709 836	**1 027 041**	709 836
Unrealised foreign exchange difference		**(45 924)**	(84 849)	**(45 924)**	(84 849)
Impairment losses on financial assets		**4 561 096**	3 465 678	**4 561 096**	3 465 678
Amortisation of intangible assets	14	**530 121**	1 012 233	**530 121**	1 012 233
Write off on intangible assets	14	**4 750**	91 620	**4 750**	91 620
Loss on disposal of property and equipment		**25 562**	10 554	**25 562**	10 554
Operating cash flows before movement in working capital		**(9 215 737)**	(16 994 953)	**(9 158 307)**	(16 994 953)
Increase in loans and advances		**(16 157 286)**	(48 530 142)	**(16 157 286)**	(48 530 142)
Increase in equity instruments		**(42 024)**	(81 000)	**(42 024)**	(81 000)
Increase in placements with other institutions		**(26 520 008)**	(21 699 528)	**(26 520 008)**	(21 699 528)
(Increase)/decrease in other assets		**(2 359 541)**	6 922 999	**(2 642 418)**	6 922 999
Increase in customer deposits		**153 079 656**	146 060 290	**153 408 247**	146 060 290
Increase/(decrease) in liabilities to financial institutions		**1 017 596**	(72 424 575)	**1 017 596**	(72 424 575)
Increase in money market investments		**(63 182 646)**	(27 068 538)	**(63 182 646)**	(27 068 538)
Increase in other liabilities		**9,781 070**	2 891 176	**9 855 673**	2 891 176
Cash used in operations		**46 401 082**	(30 924 269)	**46 578 829**	(30 924 269)
Net finance income		**65 920 698**	41 914 777	**65 592 726**	41 914 777
Income taxes paid	36	**(15 502 473)**	(5 233 441)	**(15 502 473)**	(5 233 441)
Net cash used in operating activities		**96 819 307**	(5 757 067)	**96 669 082**	(5 757 067)
Cash flows from investing activities					
Acquisition of property and equipment	13	**(8 059 862)**	(2 819 029)	**(7 973 602)**	(2 819 029)
Acquisition of intangible assets	14	**(5 759 941)**	(199 535)	**(5 754 178)**	(199 535)
Proceeds from sale of property and equipment		**21 864**	27 091	**19 434**	27 091
Net cash used in investing activities		**(13 797 939)**	(2 991 473)	**(13 708 346)**	(2 991 473)
Cash flows from financing activities					
Proceeds from/(repayment of) loans and borrowings		**1 052 632**	(953 426)	**1 052 632**	(953 426)
Dividends paid		**(14 116 351)**	(4 656 916)	**(14 116 351)**	(4 656 916)
Interest on lease liabilities	33	**(1 027 041)**	(709 836)	**(1 027 041)**	(709 836)
Principal lease repayment	34	**(353 931)**	(525 943)	**(353 931)**	(525 943)
Net cash used in financing activities		**(14 444 691)**	(6 846 121)	**(14 444 691)**	(6 846 121)
Net increase/ (decrease) in cash and cash equivalents		**68 576 677**	(4 080 527)	**68 516 045**	(4 080 527)
Cash and cash equivalents at the beginning of the year		**32 811 987**	34 955 484	**32 811 987**	34 955 484
Effect of exchange rate fluctuations on cash and cash equivalents held		**3 111 759**	1 937 030	**3 111 758**	1 937 030
Cash and cash equivalents at end of the year	7	**104 500 423**	32 811 987	**104 439 790**	32 811 987

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

1.1 Reporting entity
NBS Bank Plc is a limited liability company, domiciled in Malawi and incorporated under the Malawi Companies Act, and is a licensed financial institution under the Banking Act, 2009. The Bank is also listed on the MSE. The address of the Bank's registered office is P.O. Box 32251, Chichiri, Blantyre 3. The Bank is primarily involved in commercial banking, covering corporate and retail banking and treasury management. The consolidated financial statements comprise the Bank and its subsidiary, NBS Forex Bureau Limited (collectively known as the Group).

1.2 General information
The Bank provides retail and corporate banking services through its 26 service centers across Malawi (2022: 26). The Bank is listed on the Malawi Stock Exchange. Its ultimate parent company is NICO Holdings Plc, a financial service company incorporated in Malawi, which is also listed on the Malawi Stock Exchange. NBS Forex Bureau Limited resumed its operations in September 2023 after being dormant since 2012.

1.3 Restatements on 2022 financial statements
Notes 19 and 36 to the consolidated and separate financial statements include an adjustment to the prior year in respect of an accrual for various taxes claimed by Malawi Revenue Authority following an audit of the tax affairs of the Company covering the period from January 2018 to 31 December 2022. The matter was under discussion with Malawi Revenue Authority, but the Bank did an IFRIC 23 assessment which established that an accrual was required as at 31st December 2023 in order to present the tax claims in a true and fair manner.

Details of the prior year adjustment are as follows:

Consolidated					
Note	**Description**	**Journal**	**As previously reported**	**Adjustment**	**Restated**
19	Other liabilities	Debit	8 109 747	2 268 723	10 378 470
36	Tax payable	Debit	3 543 865	51 642	3 595 507
	Retained earnings	Credit	23 398 031	(2 320 365)	21 068 666
Separate					
Note	**Description**	**Journal**	**As previously reported**	**Adjustment**	**Restated**
19	Other liabilities	Debit	8 021 859	2 268 723	10 290 582
36	Tax payable	Debit	3 543 865	51 642	3 595 507
	Retained earnings	Credit	23 398 031	(2 320 365)	21 068 666

2. Basis of accounting

Statement of compliance
These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and Companies Act,2013.

(a) Basis of measurement
The consolidated and separate annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Investments held for trading are measured at fair value;
- Financial instruments designated at fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value; and
- Land and Buildings are measured at revalued amounts.

(b) Functional and presentation currency
These consolidated and separate annual financial statements are presented in Malawi Kwacha, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in Malawi Kwacha has been rounded to the nearest thousand.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

2. Basis of accounting (continued)

(c) Use of estimate and judgements

The preparation of consolidated and separate annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes.

Note 6(a) : Determination of fair value of financial instruments with significant unobservable inputs;
Note 4 (h) (vi) : Identification and measurement of impairment of financial instruments.

(d) Going concern basis of accounting

The consolidated and separate financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of customer deposits as disclosed in note 16 to the financial statements, long term loans as disclosed in note 17, other liabilities as disclosed in note19 and lease liabilities as disclosed in note 34 to the financial statements.

(e) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. Adoption of new and revised International Financial Reporting Standards

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are: • Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023 • Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk. • Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination. • Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level • Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements • Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives. • Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held. • Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts. • Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
Annual reporting periods beginning on or after 1 January 2023	Definition of Accounting Estimates (Amendments to IAS 8) The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Annual reporting periods beginning on or after 1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

3.1 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 1 January 2023.

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

3.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are in issue but not effective for the year ended 31 December 2023 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. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2024	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.
Annual reporting periods beginning on or after 1 January 2024	Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

3. Adoption of new and revised International Financial Reporting Standards (Continued)
3.2 Standards and Interpretations in issue, not yet effective (Continued)

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2024	Classification of Liabilities as Current or Non-current (Amendments to IAS 1) IAS 1 has been revised to: • clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; • clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and • make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors anticipate that these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Company and Group.

The accounting policies set out below have been applied consistently to all years presented in these consolidated and separate annual financial statements.

4. Significant accounting policies

(a) Basis of consolidation
The consolidated and separate annual financial statements comprise the Bank and its subsidiary, NBS Forex Bureau Limited, which is controlled by the Bank. Under the Malawi Companies Act, 2013, control is presumed to exist where a company holds more than one half of the nominal share capital directly or indirectly; or the Group can appoint or prevent the appointment of not less than half of the directors of the subsidiary company. Under IFRS 10, consolidated financial statements, control exists when the investor has power over the investee, exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investee's returns. The financial statements of subsidiary are included in the Consolidated Annual Financial Statements from the date that control commences until that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the Group.

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an investee if it is exposed to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Uniform accounting policies have been applied throughout the Group.

(ii) Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transactions eliminated on consolidation.
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)

(b) Foreign currency transactions

Transactions in foreign currencies are translated to Malawi Kwacha at the spot rate of exchange ruling at the date of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies at the reporting date are translated to Malawi Kwacha at the spot exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign exchange differences arising on translation are recognised in profit or loss except for differences arising on translation of available-for-sale equity instruments, which are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss). Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Malawi Kwacha at foreign exchange rates ruling at the dates the values were determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot rate of exchange at the date of the transaction.

(c) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

The effective interest rate is established on initial recognition of the financial asset and financial liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

The interest income is calculated by applying the effective interest rate to the gross carrying amount of non-credit impaired financial assets (i.e., at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the effective interest rate to the amortised cost of the credit-impaired financial assets (i.e., the gross carrying amount less the allowance for Expected Credit Losses).

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- Interest on financial assets and financial liabilities at amortised cost on an effective interest basis.
- Interest on held-to-maturity money market investments at amortised cost on an effective interest basis.
- Interest income and expense on all trading assets and liabilities though incidental to the Group's trading operations.

Fair value changes on other financial assets and financial liabilities carried at fair value through profit or loss, are presented in other comprehensive income.

(d) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(d) Fees and commission (Continued)

Other fees and commission income, including account servicing fees are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan as in cases where the Bank facilitates a transaction, but does not of itself advance a loan, loan commitment fees are recognised in a straight-line basis over the commitment period. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the various performance obligations are performed.

(e) Net trading income

The Bank's profit on foreign exchange transactions includes all gains and losses from changes in the fair value of foreign currency-denominated financial assets and financial liabilities and profits realized from the purchase and sale of foreign currencies. The Group has elected to present the full fair value movement of trading assets and liabilities in trading income.

(f) Leases

(i) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). 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 rate cannot be readily determined, the Group 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 lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured 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 remeasured 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 remeasured 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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(f) Leases (Continued)
(i) The Group as lessee (Continued)

The Group did not make any such adjustments during the periods presented. 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 recognised and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use 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 as a separate line in 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 and are included in the line "Other expenses" in profit or loss.

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 a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in 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.

(ii) The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. 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.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for Expected Credit Losses on the lease receivables.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(f) Leases (Continued)
(ii) The Group as lessor (Continued)

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

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

(g) Income tax expense
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current income tax
Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.
Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

Deferred income tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases used for taxation purposes.

Deferred tax is not recognised for:
- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Financial instruments

(i) Recognition and initial measurement
The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(h) Financial instruments (Continued)
(i) Recognition and initial measurement (Continued)

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

Classification
Financial assets
On initial recognition, a financial asset is measured at fair value. Subsequent measurement is at amortised cost, fair value through the comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets 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.

A debt instrument is measured at fair value through the comprehensive income only if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at fair value through profit or loss.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(ii) Derecognition
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

(ii) Derecognition (Continued)

In certain transactions the Group retains rights to service a transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing rights, depending on whether the servicing fee is more than adequate to cover servicing expenses (asset) or is less than adequate for performing the servicing (liability).

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(iv) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(h) Financial instruments (Continued)
(v) Fair value measurement (Continued)

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

The analysis of fair value hierarchy for financial assets and liabilities is disclosed in Note 6 to these consolidated and separate financial statements.

(vi) Identification and measurement of impairment

The Group recognises Expected Credit Losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- loans and advances to Banks;
- loans and advances to customers;
- investment securities;
- lease receivables;
- loan commitments issued;
- letters of credit issued; and
- financial guarantee contracts issued

No impairment loss is recognised on equity investments. Expected Credit Losses are measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is raised for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

Expected Credit Losses are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

- for undrawn loan commitments, the Expected Credit Loss is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and

- for financial guarantee contracts, the Expected Credit Loss is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECLs is provided in note 6a, including details on how instruments are grouped when they are assessed on a collective basis.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(h) Financial instruments (Continued)
(vi) Identification and measurement of impairment (Continued)

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 the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- 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;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Definition of default
Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime.

ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see note 6a).

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(h) Financial instruments (Continued)
(vi) Identification and measurement of impairment (Continued)

The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

More details are provided in note 6a.

Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the 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. The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for 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 based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. 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, based on the Group's historical experience and expert credit assessment including forward-looking information. See note 6a for more details about forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Group's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information.

For retail, lending forward looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Group allocates its counterparties to a relevant internal credit risk grade depending on their credit quality.

The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL (please refer to note 6a).

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(h) Financial instruments (Continued)
(vi) Identification and measurement of impairment (Continued)
Significant increase in credit risk (Continued)

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Group still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Group considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, Bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a backstop when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

More information about significant increase in credit risk is provided in note 6a.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(h) Financial instruments (Continued)
(vi) Identification and measurement of impairment (Continued)
Modification and derecognition of financial assets (Continued)

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 per amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

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

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

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural 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 behaviour 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.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(h) Financial instruments (Continued)
(vi) Identification and measurement of impairment (Continued)
Modification and derecognition of financial assets (Continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off.
Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

(vii) Designation at fair value through profit or loss
The Group has designated financial assets and financial liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Note 6 (a) sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss.

(viii) Cash and cash equivalents
Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Central Banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(h) Financial instruments (Continued)
(viii) Cash and cash equivalents (Continued)

Cash and cash equivalents are measured at amortised cost in the statement of financial position. Money market investments with maturity of less than three months fall under this classification.

(ix) Loans and advances to customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

The Group classifies its loans and advances to customers as loans and receivables. When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a loan to the other party, and the underlying asset is not recognised in the Group's financial statements. Loans and advances are subsequently measured at their amortised cost using the effective interest method.

(x) Money market investments

Money market investments are initially measured at fair value, plus, in the case of Money market investments not at fair value through profit or loss incremental direct transaction costs and, subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

(xi) Derivative assets and liabilities

In the normal course of business, the Group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation and credit exposures. Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities.

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held for trading with all changes in fair value being recognised within trading revenue. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

In terms on IFRS 9, embedded derivatives included in hybrid instruments, where the host is a financial asset, is assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant Group accounting policy.

(xii) Trading assets and trading liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and trading liabilities are initially recognised and subsequently measured at fair value in the consolidated and separate statements of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised in other comprehensive income. Trading assets and liabilities are not re-classified subsequent to their initial recognition, except that non-derivative trading assets, may be reclassified out of the fair value through profit or loss (i.e. trading category) if they are no longer held for the purpose of being sold or repurchased in the near term and the following terms are met:

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(h) Financial instruments (Continued)
(xii) Trading assets and trading liabilities (Continued)

- If the financial asset would have met the definition of instruments that would have otherwise been classified as amortised cost or fair value through OCI (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables, then it may be classified out of the trading category only in 'rare circumstances.

(xiii) Financial guarantees

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value and the initial value is amortised over the life of the guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when payment under the guarantee has become probable).

(i) Other assets

Other assets comprise prepayments, sundry debtors, consumable stationery, and staff advances. Sundry debtors and staff advances are stated at amortised cost less impairment losses.

(j) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss is recognised in profit or loss unless it concerns property carried at revalued amount in which case it is treated as a revaluation decrease. If the impairment loss exceeds the revaluation reserve in respect of the impaired asset, the excess is recognised in profit or loss. A reversal of an impairment loss is recognised in profit or loss, unless it relates to property carried at revalued amounts, in which case the excess of the reversal over the amount recognised in profit or loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)

(k) Property and equipment
(i) Recognition and measurement

Items of property are measured at revaluation and equipment is measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. It is the Group's policy to revalue properties every 3 years and when economic factors change significantly.

Where parts of an item of property and equipment comprise major components having different useful lives, they are accounted for as separate items of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains and losses on disposal of an item of property and equipment are determined by deducting the net proceeds from disposal from the carrying amount of property and equipment and are recognised in profit or loss.

(ii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized and the component being replaced is derecognised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the profit or loss as an expense as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property and equipment, and major components that are accounted for separately. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

In the year 2023, the estimated useful lives for items of property plant and equipment were changed to align the actual asset usage to useful lives in the fixed asset register. The current and comparative periods useful lives are as follows:

Asset Name	**2023**	2022
Freehold buildings	**40 Years**	40 Years
Leasehold property (over 40 years to run)	**40 years**	40 Years
Leasehold property (under 40 years to run)	**Over period of lease**	Over period of lease
Leasehold improvement	**10 years**	10 years
Computer Hardware- Laptops, phones, tablets	**3 years**	3 years
Computer Hardware- Desktops	**6 years**	6 years
Computer Hardware- Servers	**8 years**	8 years
Computer Hardware- Teller Printers (TPG)	**3 years**	3 years
Computer Hardware-other printers	**6 years**	6 years
Computer software- core banking	**8 years**	8 years
Network/Comms Hardware- Routers, Switches, Firewalls	**8 years**	8 years
Computer Other software	**8 years**	8 years
Computer other	**5 years**	5 years
KYC-KIT	**2 years**	2 years
POS	**4 years**	4 years
Other office equipment -Chairs	**5 years**	5 years
Office Furniture	**10 years**	10 years
Fixture and fittings	**15 years**	15 years
Auto Teller Machines	**10 years**	10 years
Motor vehicles-private passenger vehicles	**5 years**	5 years
Operational vehicles	**4 years**	4 years

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(k) Property and equipment (Continued)
(iii) Depreciation (Continued)

Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted if appropriate.

(iv) Capital work in progress
Capital work in progress is the gross amount spent in carrying out work of capital nature. It is measured at cost recognised to date.

Capital work in progress is presented as part of property and equipment in the statement of financial position. When the relevant project is completed, the expenditure is capitalised to the various items of property and equipment. Capital work in progress is not depreciated.

(l) Other investments

(i) Investment in subsidiary
Investments in subsidiary is recognised at cost in the separate financial statements less any impairment losses.

(ii) Equity investment
Equity investment is measured at cost in the Group financial statements less any impairment losses.

(m) Intangible assets
Software
Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as it is incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date it is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. In the year 2022, useful economic lives of intangible assets were amended to align the actual usage to book records as follows.

Asset Class	**2023**	2022
Software – purchased	**5 years**	5 years
Software -internally developed	**5 years**	5 years
Core Banking Software	**8 years**	8 years
Trademarks and copyrights	**15 years**	15 years

The carrying amount of intangible assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount exceeds its recoverable amount. Intangible assets that are not yet available for use are tested for impairment on an annual basis.

(n) Customer deposit accounts
Customer deposit accounts comprise current and savings accounts, foreign currency denominated, and term deposit accounts. Customer deposit accounts are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's Consolidated and Separate Annual Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)
(n) Customer deposit accounts (Continued)

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Customer deposit liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates the liabilities at fair value through profit or loss.

(o) Employee benefits

Employee entitlements to gratuity and long service awards are recognised when they accrue to employees an accrual is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

Employee entitlements to gratuity and long service awards defines an amount of benefit that an employee will receive on retirement or long service, usually dependent on one or more factors, such as age, periods of service and compensation.

Defined contribution pension plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts.

The Group operates a defined contribution pension scheme based on a percentage of pensionable earnings, the assets of which are generally held in separate trustee administered fund. Contributions to defined contributions pension plans are recognised as an expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Short-term employee benefits

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

An accrual is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(p) Share capital and reserves

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Share issue costs.

Incremental cost directly attributable to the issue of an equity instrument is deducted from initial measurement of the equity instruments.

(q) Dividends

Dividends are recognised in the period in which they are declared. Dividends declared after reporting date are disclosed in the dividends note.

(r) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

4. Significant accounting policies (Continued)

(s) Segment reporting
An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(t) Grants received
Grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to income statement over the useful lives of the related assets while grants related to expenses are treated as other income in the income statement.

(u) Other liabilities
Trade and other payables are initially measured at fair value. Subsequent measurement is at amortised cost using the effective interest rate method.

5. Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from financial instruments:
- Credit risk;
- Interest rate risk; and
- Liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee, Finance and Audit Committee and Credit Committee which are responsible for developing and monitoring the Group's risk management policies in their specified areas. All Board Committees have both executive and non-executive members and report regularly to the Board of Directors on their activities. The Finance and Audit Committee delegates the asset and liability function to the Asset and Liability Management Committee.

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 risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group through its risk management framework, standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Risk Committee is responsible for monitoring compliance with the Group's:

- Market risks; and
- Operational risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

5. Financial risk management (Continued)
(a) Introduction and overview (Continued)

Risk management framework

Management has put in place policies and procedures, for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Risk Committee is assisted in these functions by the Risk Management Division and Internal Audit Division. Internal Audit Division undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Finance and Audit Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and advances to customers to, balances due from related parties, other assets (excluding non-financial assets), money market investments, cash and cash equivalents, intercompany receivables, financial guarantees and equity investment. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual default risk, and sector risk).

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate Credit department, reporting to the Credit Committee, is responsible for oversight of the credit risk, including:

- Formulating credit policies in consultation with the business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers. Larger facilities require approval by Management Credit Committee, Head of Credit, the Credit Committee or the Board of Directors as appropriate;

- Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the same review process;

- Limiting concentrations of exposure to counterparties, geographical location and industries (for loans and advances), and by issuer and market liquidity;

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the Credit Committee on the credit quality of portfolios and appropriate corrective action is taken; and

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement the Group's credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit has a Credit Officer who reports on all credit-related matters to management. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Bank's Credit processes are undertaken by Internal Audit.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

5. Financial risk management (Continued)
(b) Credit risk (Continued)

Internal credit risk ratings
The Group uses an internal credit risk rating system. The Bank's credit rating system is called Credit Quest and risk categories range from PN1 to PN9, PN1 representing the lowest credit risk whilst PN9 the highest credit risk. The system utilises a combination of numerical data and qualitative information to assign a rating to each counterparty.

All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are tailored to the type of exposure. The following data are typically used to monitor the Group's exposures:

- Ageing analysis;
- Extent of utilisation of granted limit especially excess over limits;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, employment history; and
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review, management accounts, changes in the financial sector the customer operates in.

The Group uses ageing as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by type of product and borrower. The information used is both internal and external depending on the portfolio assessed.

Incorporation of forward-looking information
The Group uses forward-looking macro-economic variables in its measurement of ECL. The group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and has macro-economic models that forecast relationships between macro-economic variables and credit losses.

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's ALCO is supplied with external information on critical macroeconomic variables that may have a material impact on the performance of various credit portfolios. The typical sources include the European Investment Unit (EIU), the World Bank and International Monetary Fund country reports, National Statistical Office and Reserve Bank of Malawi reports. The Group's approach to forward-looking information is to develop scenarios for the next 12 months. ALCO then approves one scenario that best captures likely movements in key variables that may have an impact on the performance of various credit portfolios. The scenarios are feed into IFRS 9 models.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

5. Financial risk management (Continued)
(b) Credit risk (Continued)
Incorporation of forward-looking information (Continued)

The table below summarises the principal macro-economic indicators included in the economic scenarios used at December 31, 2023, for the year ended 31 December 2023 for Malawi which is the country where the Group operates in and therefore is the country that has a material impact on ECLs.

List of macro-economic variables used	Definition	Scenario	2023	2022
Nominal GDP	(US$ at PPP)	Base		
		26.00	**26.32**	
		Favourable	**25.75**	26.58
		Worst	**25.49**	25.80
		Weighted	**25.93**	26.24
Real GDP	(US$)	Base	**1 607 528.00**	1 612 365.00
		Favourable	**1 591 611.80**	1 628 488.70
		Worst	**1 575 538.00**	1 580 278.70
		Weighted	**1 602 705.40**	1 607 527.90
Real private consumption	(US$)	Base	**1 519 732.00**	1 524 305.00
		Favourable	**1 504 685.10**	1 539 548.10
		Worst	**1 489 489.30**	1 493 971.30
		Weighted	**1 515 172.80**	1 519 732.10
Exchange rate	Malawi kwacha per USD (average)	Base	**1 683.33**	1 266.50
		Favourable	**2 020.00**	1 253.84
		Worst	**2 104.20**	1 291.96
		Weighted	**2 205.20**	1 270.30
Lending interest rate	Average borrowing rate on loans	Base	**26.00**	26.00
		Favourable	**26.31**	25.70
		Worst	**26.50**	26.50
		Weighted	**26.10**	26.10
Public debt	USD value of sovereign debt	Base	**9 400 000.00**	7 889 279.00
		Favourable	**9 591 836.80**	7 731 493.40
		Worst	**9 588 939.40**	8 047 853.00
		Weighted	**9 409 400.00**	7 897 168.30

List of macro-economic variables used	Definition	Scenario	2023	2022
Deposit interest rate	Average interest rate on deposits	Base	6.50	8.00
		Favourable	8.20	8.20
		Worst	7.80	7.80
		Weighted	8.00	8.00
GDP per head	($ at PPP)	Base	1 876.60	1 270.00
		Favourable	1 244.70	1 282.70
		Worst	1 273.80	1 244.70
		Weighted	1 876.60	1 266.20
Goods: exports	USD value of good exported	Base	1.05	0.95
		Favourable	0.93	0.97
		Worst	0.95	0.93
		Weighted	1.05	0.95
Goods: exports	USD value of good imported	Base	(2.28)	(2.81)
		Favourable	(2.75)	(2.84)
		Worst	(2.82)	(2.75)
		Weighted	(2.28)	(2.80)
Effective interest rate	Percentage	Base	0.75	0.30
		Favourable	0.75	0.30
		Worst	0.75	0.30
		Weighted	0.75	0.30

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

5. Financial risk management (Continued)
(b) Credit risk (Continued)
Incorporation of forward-looking information (Continued)

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analysing historical data of more than five years.

Probabilities of the three scenarios occurring in 2023 and beyond have been attached to the three forecast scenarios based on management view of the future economic outlook. A weighted average ECL for the three scenarios has been derived as follows; Base case 30%; Worse case 50% and Favourable case 20%; (2022: Base case 30%; Worse case 50% and Favourable case 20%)

Measurement of ECL
The key inputs used for measuring ECL are:
- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

The inputs are derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical models and assessed using historical trends and forward-looking information tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

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, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD 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, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice. 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. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

5. Financial risk management (Continued)
(b) Credit risk (Continued)
Measurement of ECL (Continued)

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis.

Groupings based on shared risks characteristics.
When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:
- instrument type;
- credit risk grade;
- collateral type;
- number of instruments;
- income bracket of the borrower; and
- the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value (LTV) ratios).

The Bank has the following loan groupings used in determining ECL: mortgage, non – mortgage, retail overdraft, corporate overdraft and credit cards.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Credit Quality
The Group monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument.

Class of financial instrument	Financial statement line	Note
Placements with other institutions at amortised cost	Placements with other institutions	Note 8b
Money Market Investments at amortised cost	Money Market Investments	Note 8a
Trading Book at fair value through other comprehensive income	Money Market Investments	Note 8a
Loans and advances to customers at amortised cost	Loans and advances to customers	Note 9
Loan commitments and financial guarantee contracts	Loans and advances to customers	Note 9

Exposure to credit risk
The carrying amount of financial assets representing the maximum credit exposure without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

In thousands of Malawi Kwacha

5. Financial risk management (Continued)
(b) Credit risk (Continued)
Exposure to credit risk (Continued)

As at 31 December 2023

Stage1: 12 Month ECL	**Gross amount**	**Impairment**	**Net amount**
Balance with Central Bank	48 701 272	43 344	48 657 928
Short term deposits	43 630 468	38 831	43 591 637
Placements with other Banks	85 328 881	75 943	85 252 938
Treasury notes	241 424 533	647 714	240 776 819
Promissory notes	204 818	182	204 636
Treasury Bills	1 473 031	1 311	1 471 720
Trading book assets	39 212 542	34 899	39 177 643
Loans and advances to customers- loans & overdrafts	141 080 815	3 787 828	137 292 987
Loans and advances to customers- finance lease	2 291 929	14 629	2 277 300
Loans and advances to customers- mortgage advances	6 717 588	-	6 717 588
Sundry debtors	6 870 882	274 835	6 596 047
Total	**616 936 759**	**4 919 516**	**612 017 243**
Loan commitments	3 796 613	3 379	3 793 234
Letters of credit and guarantee	25 446 522	22 647	25 423 875
Total	**29 243 135**	**26 026**	**29 217 109**
Total recognized	**646 179 894**	**4 945 542**	**641 234 352**
Stage 2: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	3 988 031	591 540	3 396 491
Loans and advances to customers- finance lease	66 302	2 576	63 726
Loans and advances to customers- mortgage advances	161 534	-	161 534
Total recognized	**4 215 867**	**594 116**	**3 621 751**
Stage 3: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	7 792 661	4 026 481	3 766 180
Loans and advances to customers- finance lease	75 539	67 708	7 831
Loans and advances to customers- mortgage advances	132 801	376 382	(243 581)
Total recognised	**8 001 001**	**4 470 571**	**3 530 430**

All expected credit losses for low-risk assets have been netted off against treasury notes in the statement of financial position because the numbers are not significant.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

In thousands of Malawi Kwacha

5. Financial risk management (Continued)
(b) Credit risk (Continued)
Exposure to credit risk (Continued)

As at 31 December 2022

Stage1: 12 Month ECL	Gross amount	Impairment	Net amount
Balance with Central Bank	15 104 239	1 525	15 102 714
Short term deposits	10 183 107	1 018	10 182 089
Placements with other Banks	54 316 201	5 432	54 310 769
Treasury notes	165 708 889	470 673	165 238 216
Promissory notes	7 101 303	710	7 100 593
Treasury Bills	24 761 583	2 476	24 759 107
Trading book assets	22 714 421	2 271	22 712 150
Loans and advances to customers- loans & overdrafts	129 463 699	1 196 985	128 266 714
Loans and advances to customers- finance lease	1 298 944	5 312	1 293 632
Loans and advances to customers- mortgage advances	3 589 444	-	3 589 444
Sundry debtors	4 511 255	180 450	4 330 805
Total	438 753 085	1 866 852	436 886 233
Loan commitments	4 446 819	4 447	4 442 372
Letters of credit and guarantee	17 625 152	17 625	17 607 527
Total	22 071 971	22 072	22 049 899
Total recognised	460 825 056	1 888 924	458 936 132
Stage 2: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	3 505 079	268 937	3 236 142
Loans and advances to customers- finance lease	56 051	3 339	52 712
Loans and advances to customers- mortgage advances	397 547	-	397 547
Total recognised	3 958 677	272 276	3 686 401
Stage 3: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	2 027 863	1 511 014	516 849
Loans and advances to customers- finance lease	71 782	36 565	35 217
Loans and advances to customers- mortgage advances	784 245	376 382	407 863
Total recognised	2 883 890	1 923 961	959 929

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

In thousands of Malawi Kwacha

5. Financial risk management (Continued)
(b) Credit risk (Continued)

(i) Impaired loans and securities

Impaired loans and securities are loans and securities 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/securities agreement.

Collateral held.

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to other Banks except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against Money market investments, and no such collateral was held at the period end.

The Group does not use property and equipment that is held as collateral for loans for its operations. In case of default, the collateral is sold to recover the outstanding debts.

Estimated fair value of collateral and other security enhancement held against financial assets is shown below:

	Loans and advances to customers consolidated and separate	
	2023	2022
Against non-performing loans		
Property	**11 526 134**	4 744 199
Plant and equipment	**35 000**	323 372
Against performing loans		
Property	**28 276 654**	33 765 664
Plant and equipment	**89 000**	6 497 946
Stock and cash	**506 197**	14 862 121
Government guarantee	**-**	54 100 000
Total collateral held	**40 432 985**	114 293 302

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

In thousands of Malawi Kwacha

5. Financial risk management (Continued)
(b) Credit risk (Continued)

(ii) Allowances for impairment
The Group establishes an allowance for impairment losses that represents its estimate of expected loss on both impaired and non-impaired loans. An analysis of the movement of the loss allowance for each portfolio is included in the tables below:

STAGE 1: 12 MONTH ECL

	Balance with Central Bank	Short term deposits	Placements with other Banks	Treasury Note and trading book assets	Promissory notes	Treasury Bills	Repo	Loan Commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2023	1 525	1 018	5 432	472 944	710	2 476	-	-	-
Net movement during the year	41 819	37 813	70 511	(70937)	(528)	(1 165)	-	-	-
Loss allowance as at 31 December 2023	43 344	38 831	75 943	402 007	182	1 311	-	-	-

12 MONTH ECL

	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and advances to customers- mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
Loss allowance as at 31 December 2023	1 196 985	5 312	-	-	-	-	180 450	4 447	17 625
Loss allowance as at 1 January 2023	1 196 985	5 312	-	-	-	-	180 450	4 447	17 625
Net movement during the year	2 590 841	9 317	-	-	-	-	94 385	(1 068)	5 022
Loss allowance as at 31 December 2023	3 787 826	14 629					274 835	3 379	22 647

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

In thousands of Malawi Kwacha

5. Financial risk management (Continued)
(b) Credit risk (Continued)

(ii) Allowances for impairment (Continued)

STAGE 2 LIFETIME ECL

	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and advances to customers- mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2023	268 937	3 339	-	-	-	-	-	-	-
Net movement during the year	322 603	(763)	-	-	-	-	-	-	-
Loss allowance as at 31 December 2023	591 540	2 576							

STAGE 3 LIFETIME ECL

	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and advances to customers- mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2023	1 511 014	38 565	376 382	-	-	-	-	-	-
Net movement during the year	2 515 467	31 143	-	-	-	-	-	-	-
Loss allowance as at 31 December 2023	4 026 481	69 708	376 382	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

In thousands of Malawi Kwacha

5. Financial risk management (Continued)
(b) Credit risk (Continued)
(ii) Allowances for impairment (Continued)

	STAGE 1: 12 MONTH ECL								
	Balance with Central Bank	Short term deposits	Placements with other Banks	Treasury Note and trading book assets	Promissory notes	Treasury Bills	Repo	Loan Commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2022	2 302	1 529	2 845	436 858	598	679	-	-	-
Net movement during the year	(777)	(511)	2 587	36 086	112	1 797	-	-	-
Loss allowance as at 31 December 2022	1 525	1 018	5 432	472 944	710	2 476			

	12 MONTH ECL								
	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and advances to customers- mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2022	6 144						118 654	6 311	20 360
Net movement during the year	1 190 841	5 312	-	-	-	-	61 796	(1 864)	(2 735)
Loss allowance as at 31 December 2022	1 196 985	5 312	-	-	-	-	180 450	4 447	17 625

5. Financial risk management (Continued)
(b) Credit risk (Continued)

NOTES TO THE FINANCIAL STATEMENTS
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In thousands of Malawi Kwacha

(ii) Allowances for impairment (Continued)

	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and advances to customers- mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2022	2 143 173	-	-	-	-	-	-	-	-
Net movement during the year	(1 874 236)	3 339	-	-	-	-	-	-	-
Loss allowance as at 31 December 2022	268 937	3 339	-	-	-	-	-	-	-

STAGE 3 LIFETIME ECL

	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and advances to customers- mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2022	684 168	64 332	91 440	-	-	-	-	-	-
Net movement during the year	826 846	(27 767)	284 942	-	-	-	-	-	-
Loss allowance as at 31 December 2022	1 511 014	36 565	376 382	-	-	-	-	-	-

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5. Financial risk management (Continued)
(b) Credit risk (Continued)

(i) Ageing and increase in significant risks.

The Group primarily uses ageing analysis to identify an increase in significant risk. This is the case mainly for loans and advances to customers. The table below provides an analysis of the gross carrying amount of loans and advances to customers by past due status.

As at 31 December 2023

Gross carrying amounts	Balance with central Bank	Short term deposits	Placements with other Banks	Treasury notes and Trading book	Promissory notes	Treasury bills	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and other advances to customers mortgage advances	Sundry debtors	Loan commitments	Letters of credit and guarantee
0-29 days	48 701 272	43 630 468	85 328 881	280 637 076	204 818	1 473 031	141 080 815	2 291 929	6 717 588	6 870 882	3 796 613	25 446 522
30-59 days	-	-	-	-	-	-	-	-	-	-	-	-
60-89 days	-	-	-	-	-	-	3 988 031	66 302	161 534	-	-	-
90-180 days	-	-	-	-	-	-				-	-	-
More than 181 days	-	-	-	-	-	-	7 792 661	75 539	132 801	-	-	-
	48 701 272	**43 630 468**	**85 328 881**	**280 637 076**	**204 818**	**1 473 031**	**152 861 507**	**2 433 770**	**7 011 923**	**6 870 882**	**3 796 613**	**25 446 522**
Loss allowance	(43 344)	(38 831)	(75 943)	(402 007)	(182)	(1 311)	(8 405 847)	(84 913)	(376 382)	(274 835)	(3 379)	(22 647)
Total	**48 657 928**	**43 591 637**	**85 252 938**	**280 235 069**	**204 636**	**1 471 720**	**144 455 660**	**2 348 857**	**6 635 541**	**6 596 047**	**3 793 234**	**25 423 875**

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

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5. Financial risk management (Continued)
(b) Credit risk (Continued)
(i) Ageing and increase in significant risks (Continued)

As at 31 December 2022

Gross carrying amounts	Balance with central Bank	Short term deposits	Placements with other Banks	Treasury notes and Trading book	Promissory notes	Treasury bills	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and other advances to customers mortgage advances	Sundry debtors	Loan commitments	Letters of credit and guarantee
0-29 days	15 104 239	10 183 107	54 316 201	188 423 310	7 101 303	24 761 583	129 463 699	1 298 944	3 589 444	4 511 255	4 446 819	17 625 152
30-59 days	.	-	-	-	-	-					.	-
60-89 days	-	-	-	-	-	-	3 505 079	56 051	397 547	-	-	-
90-180 days	-	-	-	-	-	-	-	-	-	-	-	-
More than 181 days	-	-	-	-	-	-	2 027 863	71 782	784 245	-	-	-
	15 104 239	10 183 107	54 316 201	188 423 310	7 101 303	24 761 583	134 996 641	1 426 777	4 771 236	4 511 255	4 446 819	17 625 152
Loss allowance	(1 525)	(1 018)	(5 432)	(472 944)	(710)	(2 476)	(2 976 936)	(45 216)	(376 382)	(180 450)	(4 447)	(17 625)
Total	15 102 714	10 182 089	54 310 769	187 950 366	7 100 593	24 759 107	132 019 705	1 381 561	4 394 854	4 330 805	4 442 372	17 607 527

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5. Financial risk management (Continued)
(b) Credit risk (Continued)

(i) Modified financial assets

As a result of the Group's forebearance activities financial assets might be modified with the aim of arriving at a repayment plan that enables the counterparty to settle the outstanding liability without significant difficulty. Such modified or restructured facilities are flagged in the bank's core banking system to enable ease of identification. The following tables refer to modified financial assets where modification does not result in derecognition.

Financial assets (with loss allowance based on lifetime ECL) modified during the period	Year ended 2023	Year ended 2022
Gross carrying amount before modification	**3 263 503**	2 084 499
New restructures	**2 463 907**	5 077 095
Loss allowance before modification	**(20 199)**	(14 603)
Net amortised cost before modification	**5 707 211**	7 146 991
Repayment post modification	**(275 181)**	(3 883 488)
Net amortised cost after modification	**5 432 030**	3 263 503

(ii) Impairment policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when the Credit committee determines that the loans / securities 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, and the proceeds from collateral will not be sufficient to pay back the entire exposure.

Distribution of credit exposure by sector

The Group monitors concentrations of credit risk by sector. Economic sector risk concentrations within the customer loan and finance lease portfolio at 31 December 2023 were as follows:

		Loans and advances to customers		Money market Investment	
Consolidated	**Notes**	**2023**	2022	**2023**	2022
Carrying amount	8 & 9	**153 816 439**	137 796 120	**282 314 925**	219 802 091
Concentration by sector					
Agriculture, forestry, fishing and hunting		**2 025 781**	17 542 179	**-**	-
Mining and quarrying		**-**	2 743	**-**	-
Manufacturing		**8 088 019**	11 134 735	**-**	-
Electricity, gas, water and energy		**8 076 315**	14 072 448	**-**	-
Construction		**2 407 806**	3 073 981	**-**	-
Wholesale and retail trade		**18 711 794**	10 341 483	**-**	-
Restaurants and hotels		**566 278**	1 279 784	**-**	-
Transport, storage and communication		**1 675 810**	1 651 477	**-**	-
Financial services		**7 105 651**	5 347 989	**-**	-
Community, social and personal services		**105 342 630**	73 223 995	**-**	-
Real Estate		**24 007**	125 306	**-**	-
		154 024 091	137 796 120	**-**	-
Placements with other Banks					
Financial services		**85 328 881**	54 316 201	**-**	-
Carrying amount		**239 352 972**	192 112 321	**282 314 925**	219 802 091

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

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5. Financial risk management (Continued)
(b) Credit risk (Continued)

Credit Risk Concentration
Concentration by location for loans and advances is measured based on the location of the branch holding the asset which has a correlation with the location of the borrower.

Settlement risk
The Group activities may give rise to risk to the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the Group's Management Assets and Liabilities Committee (ALCO).

Credit quality per class of financial assets
The table below shows maximum exposure to credit risk without taking into account any collateral. The maximum exposure is presented gross, before effect of mitigation through the use of master netting and collateral agreements.

	Consolidated	
Gross maximum exposure	**2023**	2022
Balances with Reserve Bank of Malawi	**48 701 272**	15 104 239
Balances due from other banks	**43 630 468**	10 183 107
Money market investments	**282 314 925**	219 802 091
Loans and advances	**154 024 091**	137 796 120
Placements with other banks	**85 328 881**	54 316 201
Total recognised financial assets	**613 999 637**	437 201 758
Letters of credit and guarantees	**29 243 135**	22 071 971
Total unrecognised financial assets	**29 243 135**	22 071 971
Total credit risk exposure	**643 242 772**	459 273 729

(c) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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's treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid Money market investments, loans and advances to Banks and other inter-company facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units are met through Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

The daily liquidity position is monitored and 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 operating units. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

NOTES TO THE FINANCIAL STATEMENTS
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5. Financial risk management (Continued)

(c) Liquidity risk

Consolidated	Up to 1 month	1 – 3 month	3 – 12 Months	Over 1 period	Total	Carrying Amount
At 31 December 2023						
Financial assets						
Cash and cash equivalents	104 500 423	-	-	-	104 500 423	104 500 423
Money market investments	536 301	31 680 631	32 369 401	583 984 680	648 571 013	282 314 925
Loans and advances	6 967 445	4 078 821	32 279 772	200 920 401	244 246 439	153 816 439
Placements	85 328 881	-	-	-	85 328 881	85 328 881
Equity investments	-	-	-	430 700	430 700	430 700
Total assets	197 333 050	35 759 452	64 649 173	785 335 781	1 083 077 456	626 391 368
At 31 December 2023						
Financial Liabilities						
Current and Savings accounts	281 964 078	-	-	-	281 964 078	281 732 517
Term deposit accounts	150 072 919	34 450 857	1 896 187	347 792	186 767 755	186 290 432
Foreign currency denominated deposits	62 281 253	4 729 732	3 797 389	98 423	70 906 797	70 845 647
Long term loan	-	-	6 479 391	3 715 815	10 195 206	8 492 574
Other borrowings	27 006 399	498 365	-	-	27 504 764	26 569 638
Other liabilities	19 863 392	-	13 792 753	-	33 656 145	33 656 145
Total financial liabilities	541 188 041	39 678 954	25 965 720	4 162 030	610 994 745	607 586 953
Net liquidity gap	(343 854 991)	(3 919 502)	38 683 453	781 173 751	472 082 711	
Cumulative liquidity gap	(343 854 991)	(347 774 493)	(309 091 040)	472 082 711	472 082 711	

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5. Financial risk management (Continued)

(c) Liquidity risk

Separate	Up to 1 month	1 – 3 month	3 – 12 months	Over 1 period	Total	Carrying Amount
At 31 December 2023						
Financial assets						
Cash and Bank balances	104 439 790	-	-	-	104 439 790	104 439 790
Money market investments	536 301	31 680 631	32 369 401	583 984 680	648 571 013	282 314 925
Loans and advances	6 967 445	4 078 821	32 279 772	200 920 401	244 246 439	153 816 439
Equity investments	-	-	-	430 700	430 700	430 700
Placements	85 328 881	-	-	-	85 328 881	85 328 881
Total assets	197 272 417	35 759 452	64 649 173	785 335 781	1 083 016 823	626 320 725
At 31 December 2023						
Financial Liabilities						
Current and savings accounts	281 964 078	-	-	-	281 964 078	281 732 517
Term deposit accounts	150 072 919	34 450 857	1 896 187	347 792	186 767 755	186 290 432
Foreign currency denominated deposits	62 281 253	4 729 732	3 797 389	98 423	70 906 797	70 845 647
Long term loan	-	-	6 479 391	3 715 815	10 195 206	8 492 574
Other Borrowings	27 006 399	498 365	-	-	27 504 764	26 569 638
Other liabilities	19 833 931	-	13 822 671	-	33 656 602	33 656 602
Total financial liabilities	541 158 580	39 678 954	26 006 638	4 162 030	610 995 202	617 612 668
Net liquidity gap	(343 886 163)	(3 919 502)	38 642 535	781 173 751	472 021 621	
Cumulative liquidity gap	(343 886 163)	(347 805 665)	(309 163 130)	472 010 621	472 021 621	

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.

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5. Financial risk management (Continued)

(c) Liquidity risk (Continued)

Consolidated	Up to 1 month	1 – 3 month	3 – 12 Months	Over 1 period	Total	Carrying Amount
At 31 December 2022						
Financial assets						
Cash and cash equivalents	32 811 987	-	-	-	32 811 987	32 811 987
Money market investments	14 757 316	32 524 778	43 567 180	235 946 828	326 796 102	219 802 091
Loans and advances	3 202 237	19 002 810	27 185 979	151 880 127	201 271 153	137 796 120
Placements	54 316 201	-	-	-	54 316 201	54 316 201
Equity investments	-	-	-	130 700	130 700	130 700
Total assets	105 087 741	51 527 588	70 753 159	387 957 655	615 326 143	444 857 099
At 31 December 2022						
Financial Liabilities						
Current and Savings accounts	175 556 106	-	-	-	175 556 106	189 953 385
Term deposit accounts	132 900 601	42 940 501	260 670	193 423	176 295 195	158 595 318
Foreign currency	19 914 024	4 527 992	3 515 514	56 495	28 014 025	27 934 977
denominated deposits	-	-	-	-		
Long term loan	-	-	-	8 827 659	8 827 659	6 790 507
Other borrowings	15 557 355	10 306 163		-	25 863 518	25 552 042
Other liabilities	8 021 859	-	3 832 757	-	11 854 616	11 854 616
Total financial liabilities	351 949 945	57 774 656	7 608 941	9 077 577	426 411 119	420 680 845
Net liquidity gap	(246 862 204)	(6 247 068)	63 144 218	378 880 078	188 915 024	
Cumulative liquidity gap	(246 862 204)	(253 109 272)	(189 965 054)	188 915 024	188 915 024	

NOTES TO THE FINANCIAL STATEMENTS
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5. Financial risk management (Continued)

(c) Liquidity risk (Continued)

Separate	Up to 1 month	1 – 3 month	3 – 12 months	Over 1 period	Total	Carrying Amount
At 31 December 2022						
Financial assets						
Cash and Bank balances	32 811 987	-	-	-	32 811 987	32 811 987
Money market investments	14 757 316	32 524 778	43 567 180	235 946 828	326 796 102	219 802 091
Loans and advances	3 202 237	19 002 810	27 185 979	151 880 127	201 271 153	137 796 120
Equity investments	-	-	-	130 700	130 700	130 700
Placements	54 316 201	-	-	-	54 316 201	54 316 201
Total assets	105 087 741	51 527 588	70 753 159	387 957 655	615 326 143	444 857 099
At 31 December 2022						
Financial Liabilities						
Current and savings accounts	175 556 106	-	-	-	175 556 106	189 953 385
Term deposit accounts	132 900 601	42 940 501	260 670	193 423	176 295 195	158 595 318
Foreign currency denominated deposits	19 914 024	4 527 992	3 515 514	56 495	28 014 025	27 934 977
Long term loan	-	-	-	8 827 659	8 827 659	6 790 507
Other Borrowings	15 557 355	10 306 163	-	-	25 863 518	25 552 042
Other liabilities	8 021 859	-	3 832 757	-	11 854 616	11 854 616
Total financial liabilities	351 949 945	57 774 656	7 608 941	9 077 577	426 411 119	420 680 845
Net liquidity gap	(246 862 204)	(6 247 068)	63 144 218	378 880 078	188 915 024	-
Cumulative liquidity gap	(246 862 204)	(253 109 272)	(189 965 054)	188 915 024	188 915 024	-

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.

NOTES TO THE FINANCIAL STATEMENTS
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5. Financial risk management (Continued)
(c) Liquidity risk (Continued)

Exposure to liquidity risk
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 Money market investments for which there is an active and liquid market less any deposits from company's 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 Company's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as per note number 5 (k).

(d) Market risks
Market risk is the risk that changes in market prices such as interest rates equity prices foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Management of market risks
The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury Department 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 Management ALCO. The Group's Management ALCO is responsible for the development of detailed risk management policies (subject to review and approval by Risk Committee) and for the day-to-day review of their implementation.

Foreign Exchange Risk
The Bank has a foreign exchange business policy and a foreign exchange risk management policy. The policies have exposure limits for investments trading limits and levels of authorization of foreign currency transactions. Forex exposure positions are regularly monitored by Treasury department and senior management.

The Group is exposed to foreign exchange risk in the trading book and the banking book. The policy for trading book exposure is that the position should be almost square. In the banking book assets and liabilities mismatch is minimized. Most of the foreign currency borrowings by the Group are hedged by foreign currency loans to customers to minimize risk exposure.

Equity Risk
The performance of the equity market and the Group's equity investments are closely monitored and appropriate risk mitigation measures are implemented where necessary. Investments in equities are at fair value and marked to market with any revaluation gains or losses immediately recognised in the profit or loss.

Exposure to interest rate risk – non trading portfolios
The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument 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 re-pricing bands. The management ALCO is the monitoring body for compliance with these limits and manages the risks on day-to-day basis by monitoring activities on the market. A summary of the Group's interest rate gap position on non-trading portfolios is as per note number 5(e).

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The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100-basis point (bp) parallel fall or rise in all yield curves and a 50bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) was as per note number 5(e).

Exposure to other market risks – non trading portfolios

Credit spread risk (not relating to changes in the obligor/issuer's credit standing) on debt securities held by Treasury is subject to monitoring by management ALCO but it is not currently significant in relation to the overall results and financial position of the Group.

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5. Financial risk management (Continued)

(e) Interest rate gap analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100-basis point (bp) parallel fall or rise in all yield curves. The following is an analysis of the Group's sensitivity to an increase or decrease in market interest rates assuming no asymmetrical movement in yield curves and a constant financial position.

The table below summarises the exposure to interest rate risk. Included in the table are the Group's financial assets and liabilities at carrying amounts categorised by the earlier of contractual pricing or maturity dates. The Group does not have an interest rate exposure on unrecognised items. All figures are in thousands of Malawi Kwacha.

Consolidated and Separate

At 31 December 2023

Assets subject to interest rate adjustment			**Fixed Rate Instruments**				
	Zero rate	**Floating rate**	**0-3 months**	**3-6 months**	**6-12 months**	**Over 12months**	**Total**
Loans and Advances	-	153 816 439	-	-	-	-	153 816 439
Money markets and equity investments	430 700	-	30 207 207	2 236 712	23 251 004	226 313 731	282 439 354
Placements	-	-	85 328 881	-	-	-	85 328 881
Total rate sensitive	430 700	153 816 439	115 536 088	2 236 712	23 251 004	226 313 731	521 584 674
Liabilities subject to interest rate adjustment							
Demand accounts	-	308 447 256	-	-	-	-	308 447 256
Savings deposits	-	44 130 908	-	-	-	-	44 130 908
Term deposits	-	-	184 182 568	1 613 439	183 896	310 530	186 290 433
Other and long term borrowings	-	-	26 569 638		5 634 254	2 858 320	35 062 212
Total rate sensitive liabilities (RSL)	-	352 578 164	210 752 206	1 613 439	5 818 150	3 168 850	573 930 809
Asset/liability gap	430 700	(198 761 725)	(95 216 118)	623 273	17 432 854	223 144 881	(52 346 135)
Cumulative gap	430 700	(198 331 025)	(293 547 143)	(292 923 870)	(275 491 016)	(52 346 135)	
Net position as a	100%	(129%)	(254%)	(13 96%)	(1 184%)	23%	(10%)
Percent of total assets (RSA)							
RSA as a percent of RSL	%	44%	55%	139%	400%	7 142%	91%
Sensitivity to projected net interest income							
Percentage change a % of RSL		15.2%	30.4%	(36.0%)	(72%)		

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5. Financial risk management (Continued)

(e) Interest rate gap analysis (Continued)

Consolidated and Separate

At 31 December 2022

Assets subject to interest rate adjustment			Fixed Rate Instruments				
	Zero rate	Floating rate	0-3 months	3-6 months	6-12 months	Over 12months	Total
Loans and Advances	-	137 796 120	-	-	-	-	137 796 120
Money markets and equity investments	130 700	-	45 956 051	20 380 282	17 603 309	135 992 407	220 062 749
Placements	-	-	54 316 201	-	-	-	54 316 201
Total rate sensitive	130 700	137 796 120	100 272 252	20 380 282	17 603 309	135 992 407	412 175 070
Liabilities subject to interest rate adjustment							
Demand accounts	-	166 407 113	-	-	-	-	166 407 113
Savings deposits	-	36 939 797	-	-	-	-	36 939 797
Term deposits	-	-	168 185 204	4 087 599	645 499	231 049	173 149 351
Other and long-term borrowings	-	-	25 552 042	-	-	10 623 264	36 175 306
Total rate sensitive liabilities (RSL)	-	203 346 910	193 737 246	4 087 599	645 499	10 854 313	412 671 567
Asset/liability gap	130 700	(65 550 790)	(93 464 994)	16 292 683	16 957 810	125 138 094	(496 497)
Cumulative gap	130 700	(65 420 090)	(158 885 084)	(142 592 401)	(125 634 591)	(496 497)	-
Net position as a Percent of total assets (RSA)	100%	(47%)	(158%)	(700%)	(714%)	0%	0%
RSA as a percent of RSL	0%	68%	52%	499%	2727%	1253%	100%
Sensitivity to projected net interest income		(300 bp)	(600bp)	300 bp	600 bp		
Percentage change a % of RSL		42.8%	85.7%	(24.0%)	(48%)		

Management compiled the sensitivity analysis based on the assumption that the interest rates move in the directions indicated above which are movements that managements deem reasonable based on the volatility of the relevant base rate and the recent global interest rate trends.

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5. Financial risk management (Continued)

(f) Currency risk
The Group had the following significant foreign currency positions.

Consolidated and separate At 31 December 2023	USD	GBP	Euro	ZAR	Total
Assets					
Balances with correspondent banks	37 120 765	1 935 550	3 623 468	(13 865)	42 665 919
Cash balances	1 232 947	10 724	88 128	8 559	1 340 358
Loans and advances to customers	1 349 885	-	-	-	1 349 885
Bank placements	36 123 749	-	-	-	36 123 749
Other assets	531	-	-	-	531
Total assets	75 827 877	1 946 274	3 711 596	(5 306)	81 480 442
Liabilities					
Customer deposits	65 761 790	1 906 028	3 652 794	21 665	71 342 277
Bank takings					
Other liabilities	7 237 464	22 835	85	3	7 260 387
Total liabilities	72 999 254	1 928 863	3 652 879	21 668	78 602 664
Net position	2 828 623	17 411	58 717	(26 974)	2 877 778

Sensitivity to projected profit on foreign exchange. Transactions

Movement in foreign currency rates	(1000 bp)	(2000 bp)	1000 bp	2000 bp
Change in net income (K'000)	28 286	348	587	(539)
Change in equity (MK'000)	19 800	244	411	(378)

Currency risk
The Group had the following significant foreign currency positions.

Consolidated and separate At 31 December 2022	USD	GBP	Euro	ZAR	Total
Assets					
Balances with correspondent banks	951 521	6 920 965	2 336 911	21 898	10 231 295
Cash balances	7 773	1 374 065	40 466	1 380	1 423 684
Loans and advances to customers	676 997	-	-	-	676 997
Bank placements	17 452 567	-	-	-	17 452 567
Other assets	324	-	-	6	330
Total assets	19 089 182	8 295 030	2 377 377	23 284	29 784 873
Liabilities					
Customer deposits	955 642	24 748 905	2 372 084	15 375	28 092 006
Bank takings	-	-	-	-	-
Other liabilities	10 606	1 986 592	45	-	1 997 243
Total liabilities	966 248	26 735 497	2 372 129	15 375	30 089 249
Net position	18 122 934	(18 440 462)	5 248	7 909	(304 376)

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5. Financial risk management (Continued)
(f) Currency risk (Continued)

Sensitivity to projected profit on foreign exchange.
Transactions

Movement in foreign currency rates	(1000 bp)	(2000 bp)	1000 bp	2000 bp
Change in net income (K'000)	181 229	(368 809)	52	158
Change in equity (MK'000)	126 861	(258 167)	37	111

Management compiled the sensitivity analysis based on the assumption that the market moves in the directions indicated above which are movements that managements deem reasonable based on the volatility of the relevant economic climate and the Malawi Kwacha.

(g) Equity price risk
The Bank is not exposed to any equity price risk as none of the equity investments that are held by the Bank are traded on any securities market.

(h) Operational risks
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's objective is 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 to 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 development of overall Group's standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties including 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;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation including insurance where this is effective.

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5. Financial risk management (Continued)

(i) Capital Management

Regulatory capital

The Reserve Bank of Malawi, in 2015, revised the minimum capital requirements for Banks from US$5 million to US$10 million effective 1 January 2020. NBS Bank plc is in full compliance with the revised minimum capital requirement. The Reserve Bank of Malawi sets and monitors capital requirements for the Group as a whole.

In implementing current capital requirements Reserve Bank of Malawi requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets as below:

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital which includes ordinary share capital share premium retained earnings translation reserve intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. The regulatory limit for tier 1 Capital is 10%. Under the BASEL framework, Reserve Bank of Malawi is permitted to specify a capital buffer to individual banks depending on risks assumed, the size and significance of the financial institution in the domestic market. The buffer prescribed for NBS Bank plc beginning the year 2023 was 4%, bringing the required tier 1 Capital ratio to 14%.
- Tier 2 capital which includes qualifying liabilities collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments such as available-for-sale. The regulatory limit for tier 2 capital is 15%.

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 exposures not recognised in the statement of financial position.

The Group's policy is to maintain a strong capital base so as 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 Bank 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 sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Bank's management of capital during the year.

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5. Financial risk management (Continued)
(i) Capital Management (Continued)

The Bank's regulatory capital position as at 31 December 2023 was as follows: -

	Consolidated and Separate	
	2023	2022
Tier 1 capital		
Share capital and share premium	**13 559 474**	13 559 474
Retained earnings and other reserves less 50% unconsolidated subsidiaries	**35 793 864**	23 562 566
Total tier 1 capital	**49 353 338**	37 122 040
Tier 2 capital		
Revaluation reserve on property, loan loss reserve less 50% of investment in a subsidiary	**5 293 268**	4 941 061
Total tier 2 capital	**5 293 268**	4 941 061
Total regulatory capital	**54 646 606**	42 063 101
Risk weighted assets	**301 892 754**	198 138 605
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**18.10%**	21.23%
Total Tier 1 capital expressed as a percentage of total risk weighted assets	**16.35%**	18.74%

The Group has complied with all capital management requirements during the year ended 31 December 2023.

(j) Prudential Aspects of Bank's Liquidity

The Reserve Bank of Malawi issued the following guidelines on the management of liquidity:

- Liquidity Ratio 1 : Net liquidity (total liquid assets less suspense account in foreign currency) divided by total deposits must be at least 30%.
- As at 31 December 2023 the Bank's liquidity Ratio 1 was 33.06 % (2022: 40.09%)
- Liquidity Ratio 2 : Net liquidity (total liquid assets less suspense account in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20%.

As at 31 December 2023, the Bank's Liquidity Ratio 2 was 33.06.% (2022: 40.10%)

In accordance with the Banking Act, the Reserve Bank of Malawi in its supervisory role has established the following requirement as at the reporting date:

(k) Liquidity Reserve Requirement

The Bank is required to maintain a liquidity reserve amount with Reserve Bank of Malawi calculated on a weekly basis of not less than 7.75% for 2023 and (2022, 3.75%) of the preceding month's average total deposit liabilities. The Bank complied with this directive throughout the year.

NOTES TO THE FINANCIAL STATEMENTS
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6. Accounting classifications and fair values of financial instruments

Use of estimates and judgements

Management discusses with the Finance and Audit Committee the development selection and disclosure of the Bank's critical accounting policies and estimates and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management.

(a) Key sources of estimation

Allowances for credit losses

In the application of the Group's accounting policies which are described in note 2, the directors are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(b) Critical judgements in applying the group's accounting policies

The following are the critical judgements apart from those involving estimations (which are dealt with separately below) that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Business model assessment: Classification and measurement of financial assets depends on the results of the Solely Payments of Principal and Interest (SPPI) and the business model test (please see note 4h (vi). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance 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.

- Significant increase of credit risk: As explained in 4 h(vi) ECL are measured as an allowance equal to 12-month ECL for stage 1 assets or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. 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. Refer to note 5b for more details.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

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6. Accounting classifications and fair values of financial instruments (Continued)
(b) Critical judgements in applying the group's accounting policies (Continued)

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 5 (b) for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs or vice versa but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

- 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.

Key sources of estimation uncertainty
The following are key estimations that the directors have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- 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. Refer to note 5 (b) for more details including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

- Probability of default: 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. See note 5 (b) for more details including analysis of the sensitivity of the reported ECL to changes in PD resulting from changes in economic drivers.

- Loss Given Default: 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 taking into account cash flows from collateral and integral credit enhancements. See note 5 (b) for more details including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

- 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 4 h(v) for more details on fair value measurement.

Determining fair values
The determination of fair value for financial assets and financial liabilities for which there is no observable market price require the use of valuation techniques as described in accounting policy 3(g)(v) and note 4 h(v). For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity concentration uncertainty of market factors pricing assumptions and other risks affecting the specific instrument.

NOTES TO THE FINANCIAL STATEMENTS
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6. Accounting classifications and fair values of financial instruments (Continued)
(b) Critical accounting judgments in applying the Group's accounting policies (Continued)

Leases
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 period 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.

Determination of Discount Factor for determining lease liability
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.

Financial asset and financial liability classification
The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

In designating financial assets or financial liabilities at fair value though profit or loss, the Bank has determined that it has met one of the criteria for this designation set out in accounting policy 4(h) (vii).

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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6. Accounting classifications and fair values of financial instruments (Continued)
(b) Critical accounting judgments in applying the Group's accounting policies (Continued)

Financial instruments measured at fair-value hierarchy.
The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statements of financial position.

	Level 2	Level 3	Total
Consolidated			
31 December 2023			
Financial assets			
Equity investment	-	**430 700**	**430 700**
	-	**430 700**	**430 700**
31 December 2022			
Financial assets			
Equity investment	-	130 700	130 700
	-	130 700	130 700
Separate			
31 December 2023			
Financial assets			
Equity investment	-	**430 700**	**430 700**
	-	**430 700**	**430 700**
31 December 2022			
Financial assets			
Equity investment	-	130 700	130 700
	-	130 700	130 700

The following table sets out financial instruments at amortised cost where the Directors believe that the carrying amounts approximate their amortised cost.

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6. Accounting classifications and fair values of financial instruments (Continued)
Financial instruments measured at fair-value hierarchy (Continued)

	Fair value through other comprehensive income	Amortised Cost	Total carrying amount
Consolidated			
31 December 2023			
Financial assets			
Cash and cash equivalents		104 841 594	104 841 594
Money market investments	39 212 542	243 102 383	282 314 925
Loans and advances to customers		153 816 439	153 816 439
Placements with other institutions	-	85 328 881	85 328 881
Total	39 212 542	587 089 297	626 301 839
Financial liabilities			
Customer deposits	-	281 732 517	281 732 517
Term deposit accounts	-	186 290 432	186 290 432
FCDA accounts	-	70 845 647	70 845 647
Long-term loans	-	8 492 574	8 492 574
Liabilities to financial institutions	-	26 569 638	26 569 638
Total	-	573 930 808	573 930 808
Separate			
31 December 2023			
Financial assets			
Cash and cash equivalents	-	104 439 790	104 439 790
Money market investments	39 212 542	242 102 383	281 314 925
Loans and advances to customers	-	153 816 439	153 816 439
Placements with other institutions	-	85 328 881	82 328 881
Total	39 212 542	586 687 493	625 900 035
Financial liabilities			
Current and savings accounts	-	281 732 517	281 732 517
Term deposit accounts	-	186 290 432	186 290 432
FCDA accounts	-	70 845 647	70 845 647
Long term loans	-	8 492 574	8 492 574
Interbank borrowings	-	26 569 638	26 569 638
Total	-	573 930 808	573 930 808

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6. Accounting classifications and fair values of financial instruments (Continued)

Financial instruments measured at fair-value hierarchy (Continued)

	Fair value through other comprehensive income	Amortised Cost	Total carrying amount
Consolidated			
31 December 2022			
Financial assets			
Cash and cash equivalents	-	32 811 987	32 811 987
Money market investments	22 714 421	197 087 670	219 802 091
Loans and advances to customers	-	137 796 120	137 796 120
Placements with other institutions	-	54 316 201	54 316 201
Total	22 714 421	422 011 978	444 726 399
Financial liabilities			
Customer deposits	-	189 953 385	189 953 385
Term deposit accounts	-	158 595 318	158 595 318
FCDA accounts	-	27 934 977	27 934 977
Long-term loans	-	6 790 507	6 790 507
Liabilities to financial institutions	-	25 552 042	25 552 042
Total	-	408 826 229	408 826 229
Separate			
31 December 2022			
Financial assets			
Cash and cash equivalents	-	32 811 987	32 811 987
Money market investments	22 714 421	197 087 670	219 802 091
Loans and advances to customers	-	137 796 120	137 796 120
Placements with other institutions	-	54 316 201	54 316 201
Total	22 714 421	422 011 978	444 726 399
Financial liabilities			
Current and savings accounts	-	189 953 385	189 953 385
Term deposit accounts	-	158 595 318	158 595 318
FCDA accounts	-	27 934 977	27 934 977
Long term loans	-	6 790 507	6 790 507
Interbank borrowings	-	25 552 042	25 552 042
Total	-	408 826 229	408 826 229

NOTES TO THE FINANCIAL STATEMENTS
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6. Accounting classifications and fair values of financial instruments (Continued)

Estimation of fair values
The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table:

- Malawi Government Treasury Bills included in Note 8a.
  The amortised cost is estimated as the present value of the future cash flows discounted at effective interest rates. These bills are held by the Bank up to maturity date.

- Malawi Government Local Registered Stocks included in Note 8a
  The amortised cost is estimated as the present value of future cash flows discounted at effective interest rates.

- Loans and advances to customers
  The amortised cost is estimated as the present value of future cash flows discounted at market interest rates.

For receivables and payables with a remaining life of less than one period the carrying amount is deemed to reflect the fair value. All other receivables and other payables are discounted to determine the fair value.

7. Cash and cash equivalents

	Consolidated		Separate	
	2023	2022	**2023**	2022
Coins and bank notes	**12 168 682**	7 524 641	**12 168 682**	7 524 641
Money at call and short notice	**43 654 964**	10 231 295	**43 594 330**	10 231 295
Balance in the course of cheque clearance	**(24 494)**	(48 188)	**(24 494)**	(48 188)
Balance with the Reserve Bank of Malawi excluding mandatory reserve balance	**9 971 733**	2 695 015	**9 971 734**	2 695 015
Cash and cash equivalents excluding mandatory reserve deposits with the Reserve Bank of Malawi	**65 770 885**	20 402 763	**65 710 252**	20 402 763
Mandatory reserve deposits with the Reserve Bank of Malawi	**38 729 538**	12 409 224	**38 729 538**	12 409 224
Total cash and cash equivalents	**104 500 423**	32 811 987	**104 439 790**	32 811 987

Balances with the Reserve Bank of Malawi are held at a zero-interest rate (2022: nil). Balances due from other banks relate to bank balances with correspondent banks on which interest at a rate of 0.5% (2022: 0.5%) per annum is earned. The related expected credit loss has been disclosed on note 5b credit risk. The currency for these balances has been disclosed under note 5f. Included in balance due from other banks is K612 million (2022: K350 million) as cash collateral with VISA. The major counterparty is Citibank London and New York.

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8a. Money market investments

	Consolidated and separate 2023	2022
Government of Malawi and Reserve Bank of Malawi bills	**1 473 031**	24 761 583
Government of Malawi Promissory Notes	**204 818**	7 101 303
Government of Malawi Local Registered Stocks	**242 012 177**	165 708 889
Government of Malawi Treasury Note (Trading Book)	**39 212 542**	22 714 421
Total impairment for money market investments	**(587 644)**	(484 105)
Total investments	**282 314 924**	219 802 091
The investments are due to mature as follows:		
• Within three months	**8 018 941**	45 956 052
• Between three months and one year	**274 295 983**	173 846 039
	282 314 924	219 802 091

Money market investments with maturity of less than or up to three months are classified as cash and cash equivalents if at the time of investment had tenor of equal to or less than three months. The yield on money market investments ranged from 13% to 33% per annum in 2023 (2022: 15.69% to 28.49% per annum). The related expected credit loss has been disclosed on note 5b credit risk.

8b. Placements with other institutions

	Consolidate d and separate 2023	2022
NICO Nominees	**10 275 271**	10 292 621
First Capital Bank	**7 313 800**	-
Ecobank Malawi Limited	**8 428 357**	2 053 092
National Bank of Malawi plc	**-**	5 004 110
First Discount House	**5 009 452**	-
Centenary Bank	**3 005 671**	-
Reserve Bank of Malawi	**51 296 330**	36 966 378
Total placements with other institutions	**85 328 881**	54 316 201

Placements earned average interest rate of 22% (2022: 10.77%). Most of the placements for 2023 were in foreign currency hence a lower yield rate. Refer to note 5f for currency risk.

9. Loans and advances to customers

i.) Loans and overdrafts	**152 874 238**	135 004 056
Lease contracts (See note 9(iv))	**2 433 769**	1 426 777
Mortgage advances	**6 999 193**	4 763 821
Total gross loans and advances	**162 307 200**	141 194 654
Allowance for impairment	**(8 490 761)**	(3 398 534)
Net loans and advances	**153 816 439**	137 796 120

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9. Loans and advances to customers (continued)

	Consolidated and separate 2023	2022
Net loans and advances are due to mature as follows		
ii) Within one year	**43 326 037**	49 391 026
After one year	**118 981 163**	91 803 628
	162 307 200	141 194 654
iii) Allowance for impairment:		
At beginning of the year	**3 398 534**	2 989 257
Amounts written-off	**-**	(2 567 193)
Increase in impairment	**5 718 988**	3 465 678
Recoveries from written-off loans	**(626 761)**	(489 208)
Balance at end of the year	**8 490 761**	3 398 534

The Bank applies risk-based pricing on its products. The price is linked to the reference rate with an interest spread of 0 to plus 13.5%. The applicable reference rate averaged 20.7% (2022:12.13%).

iv) Finance lease receivables:

Loans and advances to customers include the following finance lease receivables for leases of equipment where the Bank is a lessor:

	2023	2022
Less than one year	**127 482**	217 668
More than one year	**2 880 995**	2 012 515
Total	**3 008 477**	2 230 183
Unearned finance income	**(574 708)**	(803 406)
Net investment in finance leases	**2 433 769**	1 426 777

Net investment in finance lease receivables mature as follows:

	2023	2022
Less than one year	**103 141**	180 637
More than one year	**2 330 628**	1 246 140
	2 433 769	1 426 777

v) General terms

The Bank offers asset finance for both new and used assets; the finance period being a minimum of 6 months and maximum of 60 months. The interest rate charges are risk based and the facilities are secured through the financed assets and in some occasions additional security is required. Refer to note 5f for currency analysis.

The analysis of the allowance for impairment is fully detailed in note 5b.

	Consolidated and separate 2023	2022
IFRS 9 Loan impairments	**5 082 689**	2 879 192
Staff Impairment	**1 629**	53 956
Bad Debts write-offs	**(626 761)**	(489 208)
ECL Low Risks provisions	**103 539**	532 530
	4 561 096	2 976 470

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10. Amount due to subsidiary

	Separate	
	2023	2022
Amount due to subsidiary. Balance at 1 January and 31 December	**384 171**	12 580

The amount due to subsidiary is an FCDA deposit of the Bureau and it earns interest at 0.25% per annum.

11. Equity investments

	Consolidated		Separate	
	2023	2022	**2023**	2022
NBS FOREX BUREAU	**-**	-	**300 000**	-
NATSWITCH Limited	**111 000**	111 000	**111 000**	111 000
SWIFT	**19 700**	19 700	**19 700**	19 700
	130 700	130 700	**430 700**	130 700

- NBS Bank Plc holds 9% in Natswitch Limited.
- The shares in Swift were purchased by the Bank upon meeting the minimum card transactions volume required to be a member.
- NBS Forex Bureau Limited was recapitalised to the tune of MK300 million in 2023 after it had been dormant since 2012. It resumed its operations in September 2023.

12. Investment in subsidiary

NBS Bank Plc owns 100% of the shares in NBS Forex Bureau Limited.

NOTES TO THE FINANCIAL STATEMENTS
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13. Property and equipment

Consolidated	Property	Motor vehicles fixtures and fittings	Capital work in progress equipment	Total
2023				
Cost				
Balance at 1 January	**216 481**	**16 255 422**	**296 233**	**16 768 136**
Additions during the year	**-**	**4 602 921**	**3 456 942**	**8 059 863**
Disposals during the year		**(83 149)**	**-**	**(83 149)**
Transfers within class	**(42 019)**	**42 019**	**-**	**-**
Balance at 31 December	**174 462**	**20 817 213**	**3 753 175**	**24 744 850**
Accumulated depreciation				
Balance at 1 January	**38 044**	**8 923 993**	**-**	**8 962 037**
Charge for the year	**4 360**	**1 569 074**	**-**	**1 573 434**
Transfers within class	**(13 445)**	**13 445**	**-**	
Disposals during the year	**-**	**(30 971)**	**-**	**(30 971)**
Balance at 31 December	**28 959**	**10 475 541**	**-**	**10 504 500**
Carrying amount				
At 31 December	**145 503**	**10 341 672**	**3 753 175**	**14 240 350**
2022				
Cost				
Balance at 1 January	216 481	14 630 886	154 735	15 002 102
Additions during the year	-	2 190 918	628 111	2 819 029
Disposals during the year	-	(1 450 884)	-	(1 450 884)
Transfers within class	-	486 613	(486 613)	-
Transfers from intangible*	-	397 889	-	397 889
Balance at 31 December	216 481	16 255 422	296 233	16 768 136
Accumulated depreciation				
Balance at 1 January	35 720	8 782 431	-	8 818 151
Charge for the year	2 324	1 554 803	-	1 557 127
Disposals during the year	-	(1 413 241)	-	(1 413 241)
Balance at 31 December	38 044	8 923 993	-	8 962 037
Carrying amount				
At 31 December	178 437	7 331 429	296 233	7 806 099

* Relates to the transfer of capital expenditure on fixtures and fittings which was wrongly classified as Land and Buildings in prior year but subsequently reclassified as fixture and fittings in line with the banks PPE policy.

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13. Property and equipment (Continued)

Separate	Property	vehicles fixtures and fittings	Motor work in progress equipment	Capital Total
2023				
Cost				
Balance at 1 January	**216 481**	**16 187 126**	**296 233**	**16 699 840**
Additions during the year	**-**	**4 516 661**	**3 456 941**	**7 973 602**
Disposals during the year	**-**	**(13 951)**	**-**	**(13 951)**
Transfers within class	**(42 019)**	**42 019**	**-**	**-**
Balance at 31 December	**174 462**	**20 731 855**	**3 753 174**	**24 659 491**
Accumulated depreciation and impairment losses				
Balance at 1 January	**38 045**	**8 901 205**	**-**	**8 939 250**
Charge for the year	**4 360**	**1 561 032**	**-**	**1 565 392**
Transfers within class	**(13 445)**	**13 445**	**-**	**-**
Disposals during the year	**-**	**(7 822)**	**-**	**(7 822)**
Balance at 31 December	**28 960**	**10 467 860**	**-**	**10 496 820**
Carrying amount				
At 31 December	**145 502**	**10 263 995**	**3 753 174**	**14 162 671**
2022				
Cost				
Balance at 1 January	216 480	14 562 589	154 735	14 933 804
Additions during the year	-	2 190 918	628 111	2 819 029
Disposals during the year	-	(1 450 884)	-	(1 450 884)
Transfers within class	-	486 613	(486 613)	-
Transfers from intangibles*	-	397 889	-	397 889
Balance at 31 December	216 480	16 187 125	296 233	16 699 838
Accumulated depreciation and impairment losses				
Balance at 1 January	35 721	8 759 643	-	8 795 364
Charge for the year	2 324	1 554 803	-	1 557 127
Disposals during the year	-	(1 413 241)	-	(1 413 241)
Balance at 31 December	38 045	8 901 205	-	8 939 250
Carrying amount				
At 31 December	178 435	7 285 920	296 233	7 760 588

* Relates to the transfer of capital expenditure on fixtures and fittings which was wrongly classified as Land and Buildings in 2021 but subsequently reclassified as fixture and fittings in line with the banks PPE policy. Capital work in progress represents payments for servers for new core banking system which started in June 2023 and is expected to go live in 2024.

Categories:
Owned property includes freehold and leasehold properties. Motor vehicles, fixtures and fittings include computer hardware, other office equipment, motor vehicles, furniture and other equipment and auto teller machines.
These items have been combined for presentation purposes; however, they are accounted for using the policy under 4(k).

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14. Intangible assets

Consolidated

	2023 Software	2023 Software work in progress	2023 Total	2022 Software	2022 Software work in progress	2022 Total
Balance at 1 January	**8 486 862**	**119 578**	**8 606 440**	7 986 958	909 457	8 896 415
Additions	**307 147**	**5 452 794**	**5 759 941**	42 886	156 649	199 535
Write-off of asset wrongly capitalised	**-**	**(4 750)**	**(4 750)**	-	(91 620)	(91 620)
Transfers within classes	**-**	**-**	**-**	457 019	(457 019)	-
Transfers to property and equipment*	**-**	**-**	**-**	-	(397 889)	(397 889)
Balance at 31 December	**8 794 009**	**5 567 622**	**14 361 631**	8 486 863	119 578	8 606 441
Accumulated amortisation and impairment						
Balance at 1 January	**5 898 234**	**-**	**5 898 234**	4 886 002	-	4 886 002
Amortisation for the year	**530 121**	**-**	**530 121**	1 012 233	-	1 012 233
At 31 December	**6 428 355**	**-**	**6 428 355**	5 898 235	-	5 898 235
Carrying amount						
31 December	**2 365 654**	**5 567 622**	**7 933 276**	2 588 628	119 578	2 708 206

*Relates to the transfer of capital expenditure on fixtures and fittings which was wrongly classified as Land and Buildings in 2021 but subsequently reclassified as fixture and fittings in line with the banks PPE policy.

Separate

	2023 Software	2023 Software work in progress	2023 Total	2022 Software	2022 Software work in progress	2022 Total
Balance at 1 January	**8 486 862**	**119 578**	**8 606 440**	7 986 958	909 457	8 896 415
Additions	**301 322**	**5 452 794**	**5 754 116**	42 886	156 649	199 535
Write-off of asset wrongly capitalised	**-**	**(4 750)**	**(4 750)**	-	(91 620)	(91 620)
Transfers within classes	**-**	**-**	**-**	457 019	(457 019)	-
Transfers to property and equipment*	**-**	**-**	**-**	-	(397 889)	(397 889)
Balance at 31 December	**8 788 184**	**5 567 622**	**14 355 806**	8 486 863	119 578	8 606 441
Accumulated amortisation and impairment						
Balance at 1 January	**5 898 234**	**-**	**5 898 234**	4 886 002	-	4 886 002
Amortisation for the year	**530 059**	**-**	**530 059**	1 012 233	-	1 012 233
At 31 December	**6 428 293**	**-**	**6 428 293**	5 898 235	-	5 898 235
Carrying amount						
31 December	**2 359 891**	**5 567 622**	**7 927 513**	2 588 628	119 578	2 708 206

*Relates to the transfer of capital expenditure on fixtures and fittings which was wrongly classified as Land and Buildings in 2021 but subsequently reclassified as fixture and fittings in line with the banks PPE policy.

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15. Other assets

	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Consumable stationery	**277 506**	187 503	**277 506**	187 503
Prepayments	**2 421 375**	1 826 370	**2 418 712**	1 826 370
Sundry debtors	**1 406 686**	2 277 369	**1 406 686**	2 277 369
Other receivables	**2 765 315**	220 013	**3 020 114**	189 272
Total	**6 870 882**	**4 511 255**	**7 123 018**	4 480 514

Included in other assets, are prepayments for license fees for various Bank ICT systems and other services. Sundry debtors include receivable proceeds from sale of land of K297 million (2022: K297 million).

16. Deposits

	Consolidated and separate 2023	Consolidated and separate 2022
Customer deposits		
Savings accounts	**44 130 908**	36 927 217
Currents accounts	**237 260 438**	138 472 135
Investment accounts	**8 698 130**	14 554 033
	290 089 476	189 953 385
Term deposit accounts		
Maturing within 3 months	**171 115 970**	158 175 538
Maturing between 3 and 12 months	**6 476 332**	419 780
	177 592 302	**158 595 318**
Total local currency deposits	**467 681 778**	348 548 703

Foreign currency denominated accounts

	2023 Amount	2023 MK Equivalent	2022 Amount	2022 MK Equivalent
Currency				
US Dollar	**38 781**	**65 269 254**	23 980	24 606 070
British Pound	**858**	**1 903 258**	744	947 398
Euro Dollar	**1 898**	**3 651 834**	2 101	2 366 376
South African Rand	**227**	**21 301**	243	15 133
Total	**41 764**	**70 845 647**	**27 068**	27 934 977

Deposits from customers, on savings investment and term deposit accounts carried an interest rate ranging from 2% to 23.5% (2022: 0.62% to 15.03%) per annum. Current accounts earned interest of 0.1% per annum on balances above K5 000 000 for the year ended 31 December 2023. The foreign currency denominated accounts attract an interest rate of 0.5% (2022: 0.32%) per annum.

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16. Deposits (Continued)

Distribution of Customer deposits by Sector
Customer deposits per sector at 31 December 2023 were as follows:

	Notes	Consolidated and Separate			
		2023	**2023**	2022	2022
		Local Currency	**Foreign currency**	Local Currency	Foreign currency
Carrying amount	16	**467 681 778**	**70 845 647**	348 548 703	27 934 977
Concentration by sector					
Agriculture, forestry, fishing, and hunting		**68 822 007**	**4 050 094**	9 322 793	894 072
Mining and quarrying		**3 956 451**	**46 450**	6 009 825	30 681
Manufacturing		**57 808 473**	**2 465 855**	22 016 506	762 336
Electricity, gas, water and energy		**58 729 960**	**317 959**	58 448 540	163 271
Construction		**14 727 419**	**14 006 385**	3 649 270	7 878 741
Wholesale and retail trade		**26 954 407**	**1 160 061**	20 799 573	648 021
Restaurants and hotels		**1 147 699**	**879 495**	3 216 908	2 497 675
Transport, storage and communications		**29 736 544**	**3 561 503**	41 314 603	1 284 861
Financial services		**111 886 173**	**4 509 034**	109 662 994	8 400 358
Community, social and personal services		**82 415 808**	**38 366 037**	65 126 869	4 911 456
Real estate		**2 619 349**	**9 089**	2 401 131	3 840
Other sectors		**8 877 488**	**1 473 685**	6 579 691	459 665
Total		**467 681 778**	**70 845 647**	348 548 703	27 934 977

17. Long-term loans

	Consolidated and Separate	
	2023	2022
National Bank of Malawi Capital Markets Limited	**5 009 822**	5 006 411
FINESS RBM Loan	**2 858 320**	-
NICO Asset Managers Limited	**624 432**	1 784 096
Total	**8 492 574**	6 790 507

Movement in borrowings in 2023

	01/01/2023	Additions in the year	Interest charged	Repayments	31/12/2023
National Bank of Malawi Capital Limited	**5 006 411**	**-**	**1 182 329**	**(1 178 918)**	**5 009 822**
FINESS RBM Loan	**-**	**2 858 320**	**28 607**	**(28 607)**	**2 858 320**
NICO Asset Managers Limited	**1 784 096**	**-**	**351 102**	**(1 510 766)**	**624 432**
Total	**6 790 507**	**2 858 320**	**1 562 038**	**(2 718 291)**	**8 492 574**

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17. Long -term loans (Continued)

Movement in borrowings in 2022

	01/01/2022	Interest charged	Repayments	31/12/2022
National Bank of Malawi Capital Limited	5 002 576	998 959	(995 124)	5 006 411
NICO Asset Managers Limited	2 741 357	465 226	(1 422 487)	1 784 096
Total	7 743 933	1 464 185	(2 417 611)	6 790 507

The NBM Capital Markets Limited loan is a 5 year-floating rate note raised in June 2019 to increase the Bank's total capital to enable it to execute its lending strategy. A further drawdown of K2 billion was processed in 2021. All the notes are repriced semi-annually at 182 T-bill of the last public auction before the start of the day count plus 550 to 650 basis points. The Bank has an option of earlier repayment.

The FINESS RBM loan is a subsidiary agreement entered with RBM in 2021 to finance SMEs. An additional Addendum of K2.8 billion was entered into in May 2023.The loan is priced at 3% and the Bank disburses the loans at a maximum of 9%.

The NICO Asset Managers Limited loan is a 5-year floating rate loan raised to fund a large ticket transaction entered into in June 2019. The loan is priced at the higher of floating 91 days T-bill plus 6% or headline inflation plus 4%. This loan was not raised to form part of the total capital of the Bank.

All the three loan facilities are not secured.

18. Deferred tax assets and liabilities

		2023			2022	
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Consolidated						
Excess capital allowance on property and equipment	**267 627**	**(969 968)**	**(702 341)**	13 575	(500 484)	(486 909)
Provisions	**4 101 466**	**-**	**4 101 466**	1 602 639	-	1 602 639
Accrued interest	**-**	**(4 581 785)**	**(4 581 785)**	-	(2 707 708)	(2 707 708)
Deferred arrangement fees	**836 645**	**-**	**836 645**	643 608	-	643 608
Unrealised gains on FX positions	**-**	**-**	**-**	25 455	-	25 455
Fair value adjustment on Malawi Government T/notes	**-**	**(101 368)**	**(101 368)**	144 811	-	144 811
Balance at 31 December	**5 205 738**	**(5 653 121)**	**(447 383)**	2 430 090	(3 208 192)	(778 102)
Separate						
Excess capital allowance on property and equipment	**267 627**	**(962 696)**	**(695 069)**	13 575	(500 484)	(486 909)
Provisions	**4 101 466**	**-**	**4 101 466**	1 632 974	-	1 632 974
Accrued Interest	**-**	**(4 581 785)**	**(4 581 785)**	-	(2 707 708)	(2 707 708)
Deferred arrangement fees	**836 645**	**-**	**836 645**	643 610	-	643 610
Unrealised gains on FX positions	**-**	**-**	**-**	25 455	-	25 455
Fair value adjustment on Malawi Government T/notes	**-**	**(101 368)**	**(101 368)**	144 811	-	144 811
Balance at 31 December	**5 205 738**	**(5 645 849)**	**(440 111)**	2 460 425	(3 208 192)	(747 767)
			(1 062 134)	195 199	119 247	(747 767)

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18. Deferred tax assets and liabilities (Continued)

Deferred tax is calculated in full on all temporary differences under the liability method using the enacted tax rate of 30% (2022: 30%). The movement on the deferred tax account is as follows:

	As at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 December
2023				
Consolidated				
Property and equipment	**(486 907)**	**(215 434)**	**-**	**(702 341)**
Provisions and accruals	**1 602 637**	**2 498 829**	**-**	**4 101 466**
Accrued interest	**(2 707 708)**	**(1 874 077)**	**-**	**(4 581 785)**
Deferred arrangement fees	**643 610**	**193 035**	**-**	**836 645**
Unrealised gains on FX positions	**25 455**	**(25 455)**	**-**	**-**
FVOCI reserve	**144 811**	**-**	**(246 179)**	**(101 368)**
	(778 102)	**576 898**	**(246 179)**	**(447 383)**
Separate				
Property and equipment	**(486 908)**	**(208 161)**	**-**	**(695 069)**
Provisions and accruals	**1 632 973**	**2 468 493**	**-**	**4 101 466**
Accrued interest	**(2 707 708)**	**(1 874 077)**	**-**	**(4 581 785)**
Deferred arrangement fees	**643 610**	**193 035**	**-**	**836 645**
Unrealised gains on FX positions	**25 455**	**(25 455)**	**-**	**-**
FVOCI reserve	**144 811**	**-**	**(246 179)**	**(101 368)**
	(747 767)	**553 835**	**(246 179)**	**(440 111)**
2022				
Consolidated				
Property and equipment	(497 475)	10 568	-	(486 907)
Provisions and accruals	1 345 639	256 997	-	1 602 637
Accrued interest	(1 589 377)	(1 118 331)	-	(2 707 708)
Deferred arrangement fees	(376 360)	1 019 970	-	643 610
Unrealised gains on FX positions	(461)	25 916	-	25 455
FVOCI reserve	25 564	-	119 247	144 811
	(1 092 470)	195 120	119 247	(778 102)
Separate				
Property and equipment	(497 475)	10 567	-	(486 908)
Provisions and accruals	1 375 975	256 998	-	1 632 973
Accrued interest	(1 589 377)	(1 118 331)	-	(2 707 708)
Deferred arrangement fees	(376 360)	1 019 970	-	643 610
Unrealised gains on FX positions	(461)	25 915	-	25 455
FVOCI reserve	25 564	-	119 247	144 811

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19. Other liabilities

	Consolidated			Separate		
	2023	2022 Restated	2022	**2023**	2022 Restated	2022
Accruals	**19 065 273**	7 804 658	7 804 658	**19 036 273**	7 716 770	7 716 770
PAYE and other taxes	**798 119**	2,573,812	305 089	**798 119**	2,573,812	305 089
	19 863 392	10 378 470	8 109 747	**19 834 392**	10 290 582	8 021 859

Accruals are mainly Group commitments whose amounts and timing of settlement are clearly known at the reporting date. Included in liabilities is K1.66 billion received from a client following a successful claim of interest through the courts. The amount was not treated as income in 2023 as the client had lodged an appeal against the judgement that awarded the interest to the Bank.

PAYE and other taxes were restated following a tax audit by Malawi Revenue Authority covering the period from January 2018 to December 2022. The Bank did an IFRIC 23 assessment and determined that an accrual needed to be made for the taxes and penalties as at 31 December 2023.

20. Liabilities to financial institutions

	Consolidated and separate	
	2023	2022
Interbank borrowings	**26 569 638**	15 557 356
Open Market operations (OMOs)	**-**	9 994 686
	26 569 638	25 552 042

Liabilities to financial institutions constitute reverse repos with Reserve Bank of Malawi (RBM) which are instruments used by RBM to inject liquidity back into the market. The Bank took advantage of this and accessed the facility to invest part of the amount in high yielding Treasury notes. The instruments are priced within the range of 13%-33% per annum (2022: 11.5%-18%) and have a tenor of 1 to 3 months.

Interbank borrowings are short term funding available from the local banks who have excess liquidity to place onto the market. This is used to cover any short-term liquidity needs of the banks. The average rate was 19.51% per annum (2022: 13.14%.)

21. Share capital

Authorised share capital.

4 000 000 000 (2022: 4 000 000 000) Ordinary Shares of K0.50 each (K'000)	**2 000 000**	2 000 000

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

Issued and fully paid (thousands of shares)	**2 910 574**	2 910 574
Weighted average number of shares as at 31 December	**2 910 574**	2 910 574

The movement in share capital during the year was as follows (in thousands of Malawi Kwacha):

At 1 January issued and fully paid shares of 50t each (K'000)	**1 455 291**	1 455 291
Total share capital issued at end of the year (K'000)	**1 455 291**	1 455 291

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22. Share premium

	Consolidated and separate	
	2023	2022
	12 104 183	12 104 183

Share premium arose from the excess of share issue price over par value on listing private placement rights issue and on issue of bonus shares net of issue costs as follows:

Balance pre-listing	**164 637**	164 637
Share issue on listing	**150 311**	150 311
Share issue	**11 501 427**	11 501 427
Bonus issue	**287 808**	287 808
Total	**12 104 183**	12 104 183

23 (a) Fair Value through Other Comprehensive Income (FVOCI) Reserve

At the beginning of the year	**(337 894)**	(59 651)
Fair value adjustment on Malawi Government Treasury notes	**205 957**	(397 490)
Deferred tax on fair value adjustment on Malawi Government Treasury notes	**(246 178)**	119 247
At end of the year	**(378 115)**	(337 894)

The FVOCI comprises the cumulative net change in the fair value of debt securities (mainly Malawi Government Treasury Notes) measured at FVOCI until the assets are derecognised or reclassified. Any unrealised gains and losses arising from such changes in fair values are recognised in other comprehensive income and accumulated equity.

23 (b) Loan Loss Reserve

As at 1 January		-
Transfer from retained earnings	**498 796**	540 820
As at 31 December	**498 796**	540 820

Loan loss reserve relates to additional credit impairments for exposures that have remained in non-performing status for at least 18 months as per requirements of the Financial Services (Financial Asset Classification for banks) Directive, 2018.

24. Interest income

	Consolidated		Separate	
	2023	2022	**2023**	2022
Corporate loans	**8 128 703**	8 503 192	**8 128 703**	8 503 192
Overdrafts	**2 505 720**	1 327 209	**2 507 235**	1 327 209
Personal loans	**27 244 996**	11 833 386	**27 244 996**	11 833 386
Short-term loans	**34 021**	20 625	**34 021**	20 625
SME loans	**1 648 887**	918 159	**1 648 887**	918 159
Agri-business loans	**136 739**	124 889	**136 739**	124 889
Mortgage loans	**1 314 882**	687 966	**1 314 882**	687 966
Total Interest on loans and advances	**41 013 948**	23 415 426	**41 015 463**	23 415 426
Interest on lease financing	**465 276**	271 864	**465 276**	271 864
Interest on placements with other banks	**6 932 620**	2 623 646	**6 932 620**	2 623 646
Interest from money markets investments	**63 484 264**	50 916 503	**63 484 264**	50 916 503
	111 896 109	77 227 439	**111 897 623**	77 227 439

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25. Interest expense

	Separate	
	2023	2022
Current accounts	**3 191 882**	670 982
Foreign currency denominated accounts	**620 719**	336 065
Fixed deposits	**28 513 643**	13 684 502
Inter-bank borrowing	**7 095 214**	3 115 276
Interest on borrowings	**3 700 855**	7 112 176
Investment deposits	**391 309**	446 976
Savings deposits	**688 650**	437 880
Total interest expense	**44 202 272**	25 803 857

26. Net fees commission and other charges

Bank charges and commission	**9 982 839**	9 714 193
Income from ATM transactions	**360 987**	293 761
Card based expenses	**(2 993 147)**	(1 899 512)
Net fees commission and other charges	**7 350 679**	8 108 442

27. Personnel expenses

	Consolidated		Separate	
	2023	2022	**2023**	2022
Salaries and wages	**11 736 745**	9 298 947	**11 648 270**	9 298 947
Leave pay provision	**104 223**	36 761	**104 223**	36 761
Pension contribution	**1 250 314**	942 578	**1 240 719**	942 578
Life insurance	**430 105**	332 709	**427 396**	332 709
MASM contribution	**423 433**	348 911	**421 915**	348 911
Meal allowances	**274 648**	205 166	**274 099**	205 166
Christmas pay expenses	**182 522**	118 702	**182 522**	118 702
Training expenses	**842 085**	432 019	**839 544**	432 019
Management car scheme	**1 113 588**	910 393	**1 105 316**	910 393
Acting allowance	**129 607**	57 520	**129 607**	57 520
Staff fuel benefits	**729 355**	442 148	**722 881**	442 148
Contract expenses	**14 910**	47 760	**14 910**	47 760
Recruitment expenses	**26 628**	24 743	**26 628**	24 743
Fringe Benefit Tax and Tevet Levy	**333 384**	246 649	**333 298**	246 649
Telephone staff expenses	**261 190**	211 201	**260 381**	211 201
Staff benefits expenses	**310 372**	132 515	**310 372**	132 515
Profit share	**5 531 955**	2 923 509	**5 531 955**	2 923 509
	23 695 064	**16 712 230**	**23 574 036**	**16 712 230**

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28(a). Other operating expenses

	Consolidated		Separate	
	2023	2022	**2023**	**2022**
Travel and entertainment expenses	**1 591 309**	557 704	**1 494 953**	557 704
Premises expenses	**889 820**	818 691	**889 820**	818 691
Marketing and advertising	**1 766 586**	837 856	**1 765 283**	837 856
Stationery and consumables	**540 966**	335 975	**540 548**	335 975
Motoring expenses	**1 184 186**	771 398	**1 181 259**	771 398
Communication expenses	**1 053 911**	1 016 910	**1 053 355**	1 016 910
Consultancy and professional fees	**1 079 249**	1 087 638	**1 073 553**	1 087 638
Audit fees for the year	**207 455**	184 834	**207 455**	184 834
Directors' fees	**38 300**	29 707	**38 200**	29 707
Director's travel	**128 902**	72 228	**128 902**	72 228
Bank charges	**340 593**	466 689	**314 570**	466 689
Penalties	**272 126**	-	**272 126**	-
Insurance costs	**608 417**	478 912	**608 417**	478 912
Deposit Insurance	**168 757**	-	**168 757**	-
Security expenses	**698 139**	601 335	**698 059**	601 335
Donations	**347 459**	118 638	**347 459**	118 638
General sundry expenses	**618 743**	542 076	**610 589**	542 076
Accrual for VAT and other taxes	**1 360 630**	-	**1 360 630**	-
Office expenses subscription	**249 164**	225 504	**247 890**	225 504
MSE expenses & listing expenses	**30 022**	28 000	**30 022**	28 000
Non capitalized items	**108 692**	238 083	**107 521**	238 083
Transfer secretarial expenses	**24 977**	34 111	**24 977**	34 111
Outsourcing services cost	**295 538**	233 875	**295 538**	233 875
Core Banking project operating expenses	**336 367**	-	**336 367**	-
Operational losses	**42 508**	266 454	**42 508**	266 454
NICO corporate expenses	**158 860**	697 988	**158 860**	697 988
NICO shared expenses	**370 487**	10 150	**370 586**	10 150
	14 428 356	9 654 756	**14 368 204**	9 654 756

Travel and entertainment expenses include the cost of cash-in-transit services provided to clients who require the Bank to collect cash from their business premises. The Bank saw an increase in that line of business in 2023. The Bank incurred travel costs for overseas trips to negotiate lines of credit to support importation of strategic commodities and explore other opportunities. General expenses of MK618 million includes MK80 million rentals and running costs of the Lilongwe guest house which is used by staff when the travel to Lilongwe for business, K130 million for groceries, and the rest is for other office supplies.

28(b). Recurrent expenditure on premises and equipment

Maintenance -Computer and Equipment	**1 317 632**	1 025 814	**1 306 302**	1 025 814
Computer System Expenses	**53 390**	165 889	**53 391**	165 889
Computer Licences	**4 656 102**	4 094 872	**4 655 932**	4 094 87
	6 027 124	5 286 575	**6 015 625**	5 286 575

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29. Income tax expense

	Consolidate		Separate	
	2023	2022	**2023**	2022
Current tax expense	**20 889 130**	8 250 380	**20 919 049**	8 250 380
Deferred tax(credit)/charge (note 18)	**(546 565)**	(195 120)	**(553 837)**	(195 120)
Total income tax charge	**20 342 565**	8 055 260	**20 365 212**	8 055 260
Reconciliation of tax charge				
Profit before tax	**49 787 594**	26 960 489	**49 787 594**	26 960 489
Income tax using corporate tax rate @ 30%	**(14 936 278)**	(8 088 147)	**14 936 278)**	(8 088 147)
Non-deductible expenses	**15 195 922**	(8 283 267)	**15 188 650**	(8 283 267)
Temporary differences	**20 082 921**	8 316 154	**20 112 840**	8 316 154
	20 342 565	(8 055 260)	**20 365 212**	(8 055 260)

Reconciliation of rate of tax	**%**	%	**%**	%
Standard rate of taxation	**30**	30	**30**	30
Additional 10% tax on profits above K 10 billion	**10**	-	**10**	-
Permanent differences	**1**	1	**1**	1
Effective rate of taxation	**41**	31	**41**	31

30. Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the net profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the period calculated as follows:

	Consolidated	
	2023	2022
Net profit attributable to ordinary shareholders (Thousands)	**29 378 137**	18 905 228
Weighted average number of ordinary shares (Thousands) (note 21)	**2 910 574**	2 910 574
Basic earnings per share (MK)	**10.09**	6.50
Diluted earnings per share (MK)	**10.09**	6.50

31. Unrecognized financial instruments contingent liabilities and commitments

a) Contingent liabilities

i. The Bank is a defendant/respondent to several cases which are outstanding in the courts of Malawi. Significant is a claim for K3.0 billion which had arisen from a dispute over a forex forward contract several years ago. The Bank won the case in the High Court of Malawi, Commercial Division. The case is now subject of an appeal before the Supreme Court of Malawi. The appeal is far from ready to be heard as there is an application pending on security of costs. Directors are accordingly satisfied that the legal proceedings currently pending against the Group will not have a material adverse effect on the Group's consolidated financial position and the Directors are satisfied that the Group has adequate provisions in place to meet claims that may arise.

ii. In 2020, the High Court awarded the Bank K1.8 billion in an insurance claim case against the underwriters/Insurers. The insurers have decided to appeal against the lower court ruling but Directors are confident that the case will be determined in the Banks favor.

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31. Unrecognized financial instruments contingent liabilities and commitments (continued)

a) Contingent liabilities (continued)

iii. There have been various pronunciations by the High Court of Malawi on penalty interest. The pronunciations have been both for and against penalty interest. On the other hand, the Supreme Court of Malawi in the matter of Indebank Ltd v Harry Gunda t/a Halls Protective Clothing General Dealers MSCA Civil Appeal Case No 31 of 2018 dismissed an appeal in which Indebank (now National Bank of Malawi) was challenging the decision of the High Court which found that penalty interest was held to be extravagant, exorbitant and unconscionable. However, the Supreme Court said that the judgment was not stating that penalty interest is not sustainable. Further, the Supreme Court stated that there would be circumstances rendering penalty interest legal and banks can trigger the penalty rule so long as it is justifiable. Therefore, the Bank has maintained the penalty interest as justification is on a case by case basis depending on the facts in each case. Included in the Bank's interest income for 2023 is penalty interest of MK207 million. Gross loans as at 31st December 2023 include penalty interest of MK631 million.

b) Capital commitments and contingent liabilities.

In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities. Most of these facilities are offset by corresponding obligations of third parties.

The authorized but not yet contracted for capital commitments as at 31 December 2023 were K17.2 billion (2022: K16.1 billion). The Bank's policy is that such authorized capital commitments fall off and a new capital expenditure budget is approved for the subsequent year. The 2023 commitments are to be funded from internal resources.

The contractual amounts of the Group's off-balance sheet position financial instruments that commit it to extend credit to customers are as follows:

	Consolidated and separate	
Contingent liabilities	**2023**	2022
Acceptances and letters of credit	**7 813 086**	7 749 635
Currency swaps		-
Guarantees and performance bonds	**14 073 418**	9 875 517
Undrawn formal stand-by facilities credit lines and other commitments to lend	**3 560 018**	4 446 819
Total unrecognised financial assets	**5 446 522**	22 071 971
Other Commitments		
Authorized but not yet contracted capital commitments on property and equipment	**17 237 137**	16 100 000
Total other commitments	**17 237 137**	16 100 000

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32. Related party transactions

Identity of related parties
The Bank has control relationship with parent company and fellow subsidiaries. All transactions were at arm's length. During the year and at year end the following transactions and balances respectively were made:

Related Party	Relationship	Type of Transaction	Value of Transaction 31 December 2023	Balance of Transaction 31 December 2023	Value of Transaction 31 December 2022	Balance of Transaction 31 December 2022
NICO Holdings Plc	Holding	Company account interest	(8 190)	-	(15 019)	-
		FCDA	-	(93 622)	-	49 274
		Bank Account	(182)	(697 082)	-	774 203
		Fixed deposit	-	(5 533 962)	-	2 915 073
		Fixed deposit interest	(565 191)	-	(81 897)	-
		Directors' fees	((10 967)	-	(9 791)	-
		Shared services fees	(451 914	-	(454 481)	-
NICO Life Insurance Company Limited	Fellow subsidiary	Call Bank account	(3 218 781)	-	-	-
		Bank account Interest	(6 880)	(1 921 074)	-	3 843 045
			-	-	(7 620)	-
		Fixed Deposit	(3 218 781)	-	-	10 229 565
		Pension Contribution	87 270-	(28 348	-	-
		Insurance Premiums	(1 240 719)	271)	-	1 357 059
			(328 754)	-	-	-
NICO General Insurance Company Limited	Fellow subsidiary	FCDA	-	-	-	210 921
		Bank account interest	(299 761)	-	(1 745)	-
		Fixed deposits	-	(2 609 750)	-	1 762 628
		General insurance premiums		(2 87)8	-	565 906
		Bank account		(1 327 014)	-	-
		Overdraft facility	21 489	101 165	-	-
NICO Technologies Limited	Fellow subsidiary	Technical support	(161 329)	-	(122 268)	
		Hardware purchase	(841 224)	-	-	-
		Software purchase	(384 882)	(5 046)	-	-
		Fixed deposit	(296)	(68 802)	-	4 513
		Bank account			(1 188)	-
		Total deposits	(141)	-		-
		Directors' fees				
NICO Asset Management Limited	Fellow subsidiary	Bank account	-	(175 555)	-	213 671
		Bank account interest Expense	(1 529 057)	-	(121)	-
		Fixed deposit	-	-	-	21 700 000
		Fixed deposit interest	(4 603 710)	(15 937 429	(57 206)	-
		Management and transfer	(111 312)	-	(1 789 145)	-
		Secretarial fees	-	(1 934)	(29 651)	-
		Transaction fees and	(40 365)	-	-	-
		commissions	-	(524)	-	-
		Rental income	-	-	-	-
Directors and Executive Officers	Directors/ Managers	Directors Remunerations	(38 300)	-	(29 707)	-
		Interest on Directors and	-	-		246 014
		Executive Managers Loans-	-	-	-	-
		Directors	-	-	-	561 497
		Loans- Executive management	-	2 220 986	-	-
				-	-	-

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2023

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32. Related party transactions (Continued)

Transactions with key management personnel
Directors, management and employees and their immediate relatives have transacted with the Bank during the year as follows:

	Directors and their related parties 2023	**Employees 2023**	Directors and their related parties 2022	Employees 2022
Advances	**222 101**	**8 026 788**	246 014	6 443 307
Deposits	**(13 392)**	**(822 917)**	(12 034)	(379 596)
Net balances	**208 709 -**	**7 203 871**	233 980	6 063 711

Advances to directors and parties related thereto are conducted at arm's length and deemed to be adequately secured. However, advances to management and staff are priced differently depending on product as follows:

Product	**Senior Managers**	**General Staff**
General purpose loan	9%	9%
Other term loans	Reference rate	Reference rate
Car loans	Reference rate	9%
Mortgage	Reference rate	Reference rate

Advances to staff comprise K396 million (2022: K296 million) interest free loans and K6,807 million (2022: K6,147 million) loans at an interest rate of 9% and reference rate (which averaged 20.7%) for management personnel.

Advances to related parties at concessionary rates of interest are valued at the present value of expected future repayments of the advances discounted at a pre-tax discount rate that equates to the interest rate charged by the Bank on similar loans to non-related parties. The discounted future cost to the bank amounted to K913 million (2022: K620 million).

Directors' and key management personnel compensation for the period comprised:

	Consolidated and Separate	
Short term benefits	**2023**	2022
Executive Managers' short-term benefits	**1 098 938**	740 684
Directors' remuneration	**29 707**	22 943

All loans and advances to related parties are secured. Staff mortgages and all mortgage securities are registered in the Bank's favour.

33. Right-of-use assets

Right-of-use assets		
Cost		
As at 1 January	**6 028 613**	5 922 378
Additions	**1 331 768**	106 234
At 31 December	**7 360 381**	6 028 612
Accumulated depreciation		
As at 1 January	**3 698 532**	2 992 589
Charge for the year	**1 081 319**	705 942
At 31 December	**4 779 851**	3 698 531
Carrying amount	**2 580 530**	2 330 081

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33. Right-of-use assets (Continued)

	Consolidated and Separate 2023	2022
Finance Charges	**1 027 041**	709 836
Depreciation	**1 081 319**	705 942

The Group leases buildings, and the average lease term is 5 years (2022: 5 years).

Some expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of use assets of K1 331 million in 2023 (2022: K106 million).

34. Lease liabilities

	2023	2022
Cost		
At 1 January	**3 832 757**	4 252 465
Finance charges	**1 026 875**	709 836
Interest paid	**(1 026 875)**	(709 836)
Additions	**1 331 768**	106 235
Repayments	**(353 934)**	(525 943)
At 31 December	**4 810 591**	3 832 757

Maturity analysis

	2023	2022
Year 1	**1 285 977**	1 024 580
Year 2	**1 130 760**	900 914
Year 3	**1 007 309**	802 556
Onwards	**1 386 545**	1 104 707
	4 810 591	3 832 757

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group.

All lease obligations are denominated in Malawi Kwacha.

35. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses.

Segment information is presented in respect of the Group's business and geographical segments. The primary format business segments are based on the Group's service outlets' location and internal reporting structure.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment and intangible assets other than goodwill.

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35. Segment reporting (Continued)

Geographical segment
Information provided to the Group's Chief Operating Decision Makers is classified by region as follows:

• Northern Region	Includes loans, deposits and other transactions and balances with corporate customers in the northern region.
• Central Region	Includes loans, deposits and other transactions and balances with retail customers in the central region.
• Southern Region	Includes loans, deposits and other transactions and balances with retail customers in the southern region. It also includes the Group's funding and centralized risk management activities through borrowings issues of debt securities use of derivatives for risk management purposes and investing in liquid assets such as short-term placement and corporate Government debt securities.

	Note	Central Region	Northern Region	Southern Region	Total
2023					
Interest income	24	**10 329 483**	**4 618 339**	**96 949 801**	**111 897 623**
Interest expense	25	**(497 645)**	**(191 879)**	**(43 512 844)**	**(44 202 368)**
Net interest income		**9 831 838**	**4 426 460**	**53 436 957**	**67 695 255**
Other operating income		**3 403 745**	**883 431**	**30 531 738**	**34 818 914**
Operating expenses		**(3 419 018)**	**(1 423 826)**	**(43 322 636)**	**(48 165 480)**
Profit before loan impairment		**9 816 565**	**3 886 065**	**40 646 059**	**54 348 689**
Impairment losses on financial assets	9	**20 000**	**-**	**(4 581 096)**	**(4 561 096)**
Reported profit for the year before income tax		**9 836 565**	**3 886 065**	**36 064 963**	**49 787 595**
Reportable Segments					
Total assets		**375 155 482**	**84 460 123**	**198 100 801**	**657 716 406**
Total liabilities		**183 049 426**	**13 747 176**	**410 896 563**	**607 693 165**
Depreciation and Amortization	13,14,33				**3 180 574**
Capital expenditure					**13 819 803**

	Note	Central Region	Northern Region	Southern Region	Total
2022					
Interest income	24	5 144 906	2 290 534	69 791 999	77 227 439
Interest expense	25	(381 006)	(136 585)	(25 286 266)	(25 803 857)
Net interest income		4 763 900	2 153 949	44 505 733	51 423 582
Other operating income		2 734 776	757 089	10 660 210	14 152 075
Operating expenses		(2 899 562)	(1 135 311)	(31 603 825)	(35 638 698)
Profit before loan impairment		4 599 114	1 775 727	23 562 118	29 936 959
Impairment losses on financial assets	9	-		(2 976 470)	(2 976 470)
Reported profit for the year before income tax		4 599 114	1 775 727	20 585 648	26 960 489
Reportable Segments					
Total assets		151 840 375	33 366 487	277 005 878	462 212 740
Total liabilities		91 610 527	10 575 695	322 904 478	425 090 700
Depreciation and Amortization	13 14 33				3 275 302
Capital expenditure					3 018 564

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35. Segment reporting (Continued)
Geographical segment (Continued)

The Group segments its business by the regions in which it operates as a result of the risk that is attached to each region. A significant portion of its lending in the agricultural sector carries varying risks in these regions.

The Group transacts a significant portion of its business with the Malawi Government and its related statutory corporations and institutions where related revenue is in excess of 10% of the Group's total revenues.

36. Tax payable

Consolidated	**2023**	2022 Restated	2022
Balance at 1 January	**3 595 505**	526 928	526 928
Current tax	**20 889 130**	8 302 020	8 250 378
Tax paid	**(15 502 473)**	(5 233 441)	(5 233 441)
Balance at 31 December	**8 982 162**	3 595 507	3 543 865

Separate			
Balance at 1 January	**3 595 505**	526 928	526 928
Current tax	**20 919 048**	8 302 020	8 250 378
Tax paid	**(15 502 473)**	(5 233 441)	(5 233 441)
Balance at 31 December	**9 012 080**	3 595 507	3 543 865

37. Environment Social Governance (ESG)

Supporting our communities

The Bank wants as many people as possible to benefit from access to financial services. The Bank continues to see growing demand from many customers for more digital ways to bank. The Bank's investment in technology means more customers who have access to digital tools are able to use mobile banking channels to take advantage of accessible features. To reinforce its drive towards financial inclusion, the Bank through its Agency Banking arm Bank Pafupi and its ongoing partnership with Financial Access for Rural Markets Smallholders and Enterprises (FARMSE) prioritised a plan to increase availability and visibility of the channel and educate local communities about the value of banking formally. The Bank continues its expansion drive closing 2023 with 2 444 agents. Providing formal financial services' accessibility and convenience is a key element of the Bank's operations and the goal is to improve peoples' livelihoods by inculcating a savings culture among the local communities.

Climate Change and impact on the country and the Bank

Tropical Cyclone Freddy which happened in March 2023 caused heavy flooding in a number of districts in Malawi especially in the Southern Region due to a lot of heavy rainfall and strong winds which displaced more than 20,000 people. The Government declared a state of Disaster in 10 districts which were hardest hit by the cyclone. Cyclone Freddy affected the country's food security as farms were adversely impacted by the floods roads and bridges were washed away. The situation worsened by the fact that much of Malawi's population is dependent on agriculture and agricultural-related activities for livelihood. The Bank assisted some of the affected communities financially and through the construction of houses.

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38. Inflation and exchange rates

	2023	2022
United States Dollar (USD)	**1 683.33**	1 026.09
British Pound (GBP)	**2 215.69**	1 273.95
South African Rand (ZAR)	**93.89**	62.36
Euro	**1 924.18**	1 126.31
Inflation rate (%)	**34.50**	25.78

Subsequent to period-end, as at the time of approval of these financial statements, inflation and exchange rates had moved as follows:

United States Dollar (USD)	**1 700.00**
British Pound (GBP	**2 227.65**
South African Rand (ZAR	**92.89**
Inflation rate (%) January 2024	**35.00**

39. Events after reporting date

The Monetary Policy Committee raised the policy rate in February 2024 from 24% as at 31 December 2023 to 26%. The Government announced a new policy to have parastatals and other government institutions deposit their money with Reserve Bank of Malawi. Those entities had deposits with banking institutions as at the reporting date. Government has since assured banks that such entities will deposit surplus funds with Reserve Bank of Malawi, and still maintain with commercial banks balances for their daily operations.

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