Standard Bank

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STANDARD BANK PLC

**Annual Report** for the year ended 31 December 2024

Standard Bank

MALAWI IS OUR HOME, WE DRIVE HER

# GROWTH

Mangochi

STANDARD BANK PLC

# ANNUAL REPORT

for the year ended 31 December 2024

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Standard Bank
247 App
Great experiences come out of the blue
Bills payments
Money transfers
Airtime purchases
DSTV subscriptions
Download, Register and Transact
Android
IOS
Standard Bank PLC is licensed and regulated by the Reserve Bank of Malawi



# OUR VALUES

Our success and growth over the long-term is built on making a difference in the communities in which we operate. We are committed to finding new ways to sustainably grow with our people.

01 Serving our customers

02 Growing our people

03 Delivering to our shareholders

04 Being proactive

05 Working in teams

06 Constantly raising the bar

07 Respecting each other

08 Upholding the highest levels of integrity

# CHAIRPERSON'S AND CHIEF EXECUTIVE'S REPORT

As Management and the Board of Directors, we are proud of the exceptional performance achieved in 2024. This is within the context of a tough operating environment and socio-economic headwinds. These challenges have been surmounted due to our resilient business and dedicated staff.

**Mr. C. Kapanga**
Chairperson

**Mr. P. Madinga**
Chief Executive

## Economic Overview

The domestic economy is estimated to have grown by 1.8% in 2024 (2023: 1.9%); the slow growth being a result of numerous challenges which dampened the level of economic activities across all sectors. During the 2023/24 main farming season, agricultural production was adversely impacted by El Nino weather phenomenon which in turn weighed down performance of the export sector. Worse still, supply shortages persisted in the foreign exchange market while farm input costs soared. Headline inflation increased significantly to average 32.2% in 2024 (2023: 28.8%); mainly due to food inflation, foreign exchange scarcity and fuel shortages which raised prices of imports and transportation. The Kwacha depreciated by 3% to close the year trading at MK1,749.93/US$, from MK1,698.79/US$ at the close of 2023. The Policy rate was increased in the year to close at 26% (2023: 24%) as authorities strived to contain inflation. The local currency Liquidity Reserve Requirement (LRR) was raised by 2.25% in 2024 to close at 10.00%. The first review of the International Monetary Fund's (IMF) four-year Extended Credit Facility (ECF) programme worth US$174 million had not yet been concluded at the end of the year.

## Performance

The Group demonstrated remarkable resilience and experienced growth despite the challenging economic environment characterised by high inflation and disparities in the supply and demand for foreign currency. Despite these obstacles, the Group's revenue surged, supported by an expanding loan portfolio and effective strategy execution. Cost increases were effectively managed, ensuring they remained below inflation rates even as the Malawi Kwacha depreciated by an average of 3% against the United States Dollar in 2024. This depreciation had an impact on the prices of goods and services denominated in foreign currencies.

The Group reported a profit after tax of MK86.4 billion, reflecting a 64% increase from the previous year. Total revenue rose by 27% year-on-year, primarily driven by a 43% surge in net interest income. This rise in net interest income stemmed from a 29% increase in loans and advances to customers and an 18% increase in financial investments. Furthermore, net interest income was positively impacted by rising reference rates, which escalated from 23.6% in December 2023 to 25.3% in December 2024, alongside an average yield increase of 2% across all tenors of government securities.

Non-interest revenue remained steady year-on-year. While net fees and commissions increased by 18%, primarily due to higher transaction volumes, this growth was partially offset by regulatory restrictions that removed fees for certain services. Furthermore, trading revenue decreased by 9%, primarily because of lower trading volumes caused by a shortage of foreign currency.

Credit impairments increased by 56% compared to the previous year, primarily due to a growing customer loan portfolio and downgrades. Additionally, the deteriorating macroeconomic conditions exacerbated the rise in credit impairments, thus impacting forward-looking impairment drivers associated with financial investments and loans extended to customers and banks. The Group remains committed to recovering previously written-off loans and upholding prudent risk management and responsible lending practices.

Operating costs increased by 18% year-on-year, primarily due to persistent inflationary pressures impacting the prices of goods and services. Additionally, a one-time exchange loss from foreign currency liabilities, resulting from a 3% depreciation of the Malawi Kwacha in March 2024, contributed to this increase. Furthermore, the Group made strategic investments in its core banking system to enhance operational efficiency and improve customer experience. Notably, the cost-to-income ratio improved from 40% in the previous year to 37%, reflecting the Group's effective cost management and strong revenue growth.

Earnings per share for the year increased from MK223.49 in 2023 to MK367.51 in 2024.

## Strategy

The bank's strategy is underpinned by our purpose which is **Driving Malawi's Growth**. We aspire to be the undisputed number one financial services organisation in Malawi, delivering superior value to all stakeholders, changing lives of our people and the communities that we operate in.

To achieve our aspiration, we focus on client centricity and transforming client experience where we promise to deliver value while driving digitisation for our clients. We offer the full range of an integrated suite of end-to-end management of wealth and banking solutions to businesses, institutions, individuals, and corporates. As a Group we are organised along three main business units: Personal and Private Banking (PPB), Business and Commercial Banking (BCB) and Corporate and Investment Banking (CIB).

The business units and corporate enabling functions work as an integrated whole to enable our business unit led strategy and service our client's financial needs in a seamless way. We understand that as a Group we need to transform in order to remain relevant to our clients constantly. We have therefore welcomed the digital revolution as one of our biggest opportunities. Following the excellent execution of our strategy, the Global Finance Magazine recognised the banking business as Bank of the Year in Malawi for three consecutive years and Malawi's Best Bank in 2024 by Euromoney. The Bank also won the Employer of the Year Award 2024 and seven other awards from the Employers Consultative Association in Malawi (ECAM). It was also recognised by the Institute of Marketing in Malawi (IMM) with the International Adapted Campaign of the Year Award, the Local Marketing Campaign of the Year Award, and the Internal Engagement Initiative of the Year Award.

## Leadership

As we continue to develop our people across all levels of the organisation, leadership development continued and will continue to be a major focus area. With the myriad of complexities and changes that exist in the banking industry today, the requirement for authentic, agile and visionary leaders remains key for the bank's sustainability. Our leaders are skilled to perform and transform, to empower, to create meaning and direction, and to inspire and influence others. Our leadership programmes endeavour to develop the necessary skills and capabilities to drive innovations and efficiencies in order to excel in the changing environment we operate in today and to ensure that the organisation is future ready.

To create the required shift and to have a competitive edge in business performance, robust development and training solutions and interventions are in place to equip, assess and support our leaders to lead and thrive today and remain relevant for the future. This shift in leadership capability is being cascaded to impact all our people, at every level and across every function. We will continue to have meaningful engagement with our people to effectively achieve this.

## Corporate Governance and Directorship

The Group maintains high standards of corporate governance. Compliance with applicable legislations, codes, regulations and standards is an essential part of the Group's operations. The Board monitors regulatory compliance through management reporting.

## Prospects

Economic headwinds will probably moderate this year, mainly driven by a more favourable agricultural output under the La Nina weather conditions. Therefore, headline inflation may ease on the back of base price effects emanating from the food markets. Inflationary pressures from a weak currency, fuel shortages and heighted government spending pose significant economic risks. Other important economic considerations in 2025 include outcomes from the IMF ECF program review and foreign policy changes in the donor community. Export-led growth will put the Malawi economy on a more sustainable trajectory.

## Appreciation

We thank our colleagues on the Board for their guidance and support during the year. We thank the executive team and the staff for the results delivered in 2024. We also thank our customers for their continued support without whom we would have not achieved this good result.

Mr. C. Kapanga
**Chairperson**

**14 March 2025**

Mr. P Madinga
**Chief Executive**

# OUR SUSTAINABILITY JOURNEY IN 2024

Our core purpose is to drive the growth of Malawi. We play our part in creating a sustainable future for all by serving our communities through impactful projects that change lives and move us closer to a better Malawi.

## A TESTAMENT OF OUR EFFORTS IN DRIVING MALAWI'S GROWTH

### Our Awards in 2024

**Institute of Marketing in Malawi**

Internationally Adapted Campaign of the Year – "We Believe in Malawi".

Local Marketing Campaign of the Year – Private Banking: "Only the Best Will Do".

Internal Engagement Initiative of the Year – "Pakwathu Project".

**Employers Consultative Association of Malawi Awards**

Employer of the Year

1st – Managing Crisis and Workplace Wellness

1st – Industrial Relations and Employee Engagement

1st – Youth Employment and Skill Developments

1st – Gender Equity and Diversity

1st – Human Resource Management and Development

3rd – Labour Laws Compliance

3rd – Essential Occupational Safety and Health

**Innotec Consultancy Services Africa**

Corporate Shared Value Investment Award

## THREE PILLARS OF OUR CORPORATE SOCIAL INVESTMENT INITIATIVES

| YOUTH, WOMEN AND SUSTAINABLE DEVELOPMENT | EDUCATION | HEALTH |
|---|---|---|

### Girls STEAM Camp:

The Group donated MK15 million to Malawi University of Science and Technology (MUST) for a girl's camp that aimed at exposing girls to Science, Technology, Engineering, Arts and Mathematics (STEAM) disciplines. The camp hosted 120 girls for a weeklong camp that challenged the girls to participate in experiments, be innovative and explore careers aligned with STEAM.

### Standard Bank-Press Trust Merit Scholarship:

The Group renewed its scholarship arrangement with Press Trust by supporting a new cohort of 46 secondary school students. The scholarship provides fees, uniforms, school shoes, stationery and other entitlements to top performing students selected to various government secondary schools across the country. This is the second cohort of students supported by the Group following the first batch of 67 students who graduated from secondary school with a 100% pass rate for Malawi School Certificate of Education (MSCE). The new cohort is composed of 50% girls and has 6 special needs students.

### Nation Publications Limited Fun Run:

The Group partnered with Nation Publications Ltd for their Mothers Fun Run fundraiser event. The Group adopted Makhuwira Health Centre in Chikwawa by donating MK25 million worth of equipment to furnish the maternity ward. Makhuwira Health Center is a critical healthcare facility in the lower Shire as it serves a catchment population of approximately 67,000 people in the East Bank Zone of Chikwawa District. Makhuwira supports three other health centres as the primary referral point for maternal and child health services within the area.


### Growth Conversation (Economic and Sustainability Forum):

The Group hosted the inaugural Growth Conversation under an Economic and Sustainability Forum with the theme "Towards economic recovery and growth, embracing sustainability". The aim of the forum was to bring together thought leaders, industry experts and practitioners to discuss the challenges and opportunities at the intersection of economic growth and environmental sustainability. The Group also unveiled the 2023 Sustainability Report, previously referred to as the Report to Society. This annual publication outlines the strategic outputs and outcomes achieved within the Group's social, economic, and environmental impact areas.

### E-Waste Policy Launch:

Standard Bank PLC sponsored the launch event for the National Electronic and Electric Waste (E-waste) Policy championed by the Ministry of Natural Resources and Climate Change with MK11.5 million. The E-waste policy aims to establish a comprehensive and sustainable e-waste collection and recycling system throughout Malawi, with a strong focus on raising public awareness and enforcing regulations for safe disposal practices.

# REVIEW OF PERFORMANCE

"We achieved exceptional financial results amidst economic challenges. Profit after tax grew significantly by 64%, reaching MK86.4 billion. This growth further strengthened our financial position, with our capital adequacy ratio rising to 24.11% from 23.62%, our return on equity reaching 33%, and our cost-to-income ratio at 37%."

**Mr. J. Mhone**
*Chief Finance and Value Management Officer*

PROFIT AFTER TAX

**MK86.4 billion**

**64%**

**24%** CAPITAL ADEQUACY RATIO

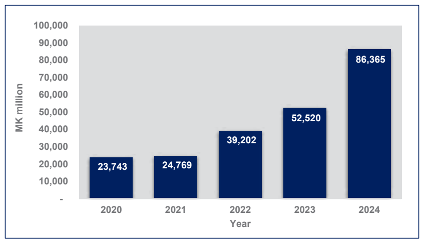
**33%** RETURN ON EQUITY (ROE) — 6%

**37%** COST TO INCOME RATIO — 3%

**MK378bn** LOANS AND ADVANCES TO CUSTOMERS — 29%

**MK928bn** DEPOSITS FROM CUSTOMERS — 17%

5 Year Trend of Profit After Tax




# OUR BUSINESS STRUCTURE

### Personal and Private Banking (PPB)

We partner with clients and provide them with comprehensive financial solutions designed to achieve sustainable personal growth. We are building a legacy of financial prosperity across the country. PPB caters to our clients' banking needs with an unrivalled team of bankers and easy and cost-effective solutions, including digital wallets, cards, payment and transfer platforms. Our presence includes POS, ATMs, CDMs and 27 points of representation across the country.

### Business and Commercial Banking (BCB)

The BCB segment provides broad based client solutions for a wide spectrum of small and medium sized businesses as well as large commercial enterprises. Our client coverage support extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enable their growth.

### Corporate and Investment Banking (CIB)

Provides corporate and investment banking services to government, parastatals, larger corporates, financial institutions and international counterparties.

# Board of Directors

## Christopher Kapanga 65
Chairperson

**QUALIFICATIONS**
Master of Business Administration

**APPOINTED AS DIRECTOR** February 2023.
**APPOINTED AS BOARD CHAIRPERSON**
June 2023

## Phillip Madinga 53
Executive Director

**QUALIFICATIONS**
Master of Business Administration

**APPOINTED** June 2021

## Norah Nsanja FCG 40
Company Secretary

**QUALIFICATIONS**
Fellow, Chartered Governance Institute; Msc Finance and Financial Law

**APPOINTED** June 2019

## Gladson Kuyeri 54
Director

**QUALIFICATIONS**
Master of Communications Management

**APPOINTED** June 2022

## Christina Chithila 51
Director

**QUALIFICATIONS**
Master of Business Administration

**APPOINTED** June 2023

## Maziko Sauti-Phiri 62
Director

**QUALIFICATIONS**
Master of Laws

**APPOINTED** June 2023

## Alex Mkandawire 62
Director

**QUALIFICATIONS**
Fellow Member of the Association of Chartered Certified Accountants

**APPOINTED** June 2021

COMMITTEE MEMBERSHIPS
- Board Credit
- Board Human Capital
- Board Technology and Innovation
- Board Risk
- Board Audit
- Committee Chairperson

GENDER 5 / 8

## Sharon Taylor 56
Director

**QUALIFICATIONS**
Bachelor of Commerce

**APPOINTED** June 2020

## Patrick Mweheire 54
Executive Director

**QUALIFICATIONS**
Master of Business Administration

**APPOINTED** June 2022

## Rachel Sibande PhD 38
Director

**QUALIFICATIONS**
PhD in Computer Science

**APPOINTED** June 2021

## David Pinto 51
Director

**QUALIFICATIONS**
BCom Management Finance

**APPOINTED** May 2017

## Shadreck Ulemu 65
Director

**QUALIFICATIONS**
Master of Electronic Engineering

**APPOINTED** May 2017

## Margareth Chirwa 44
Director

**QUALIFICATIONS**
Fellow Member of the Chartered Certified Accountants

**APPOINTED** June 2022

# Country Leadership Council

GENDER 5/ 8/

## Phillip Madinga 53
Chief Executive

**QUALIFICATIONS**
Master of Business Administration

**Joined** January 2020

## Norah Nsanja FCG 40
Head, Legal and Company Secretary

**QUALIFICATIONS**
Fellow, Chartered Governance Institute; Msc Finance and Financial Law

**Joined** May 2012

## John Mhone 41
Chief Finance and Value Management Officer

**QUALIFICATIONS**
Master of Business Administration, Fellow Member of the Association of Chartered Certified Accountants

**Joined** October 2009

## Frank Chantaya 48
Head, Corporate and Investment Banking

**QUALIFICATIONS**
Master of Business Administration

**Joined** April 2008

## Kondwani Mlilima 51
Chief Risk Officer

**QUALIFICATIONS**
Master of Arts Economics

**Joined** October 2002

## Ewen Hiwa 43
Head, Client Coverage

**QUALIFICATIONS**
Master of Business Administration

**Joined** September 2021

## Charity Mughogho 54
Head, Personal and Private Banking

**QUALIFICATIONS**
Master of Science in Strategic Management

**Joined** December 1995

## Daniel Mbozi 53
Head, Operations and Real Estate

**QUALIFICATIONS**
Chartered Management Accountant

**Joined** May 2004

## Tamanda Ng'ombe 41
Head, Brand and Marketing

**QUALIFICATIONS**
Master of Business Administration

**Joined** April 2024

## Graham Chipande 38
Head, Business and Commercial Banking

**QUALIFICATIONS**
Master of Business Administration

**Joined** September 2008

## Zandile Tembo 42
Head, People and Culture

**QUALIFICATIONS**
Master of Business Administration

**Joined** February 2017

## Chikondi Kapyepye 43
Head, Compliance

**QUALIFICATIONS**
Chartered Governance Professional; MSc. Finance and Financial Law

**Joined** January 2006

## Alvin Alfonso 49
Chief Information Officer

**QUALIFICATIONS**
Master of Business Administration

**Joined** May 2017

# Statement of Corporate Governance

## CODES AND REGULATIONS

The Group complies with applicable legislation, regulations, standards and codes. The Board of Directors monitors compliance through management reports, which include information on the outcomes of any significant interaction with key stakeholders such as the Group's various regulators.

The Group operates within a clearly defined governance framework. Through the framework, delegation of authority is given to management by the Board, while the Board retains effective control and oversight.

### Board and Directors

Ultimate responsibility for governance rests with the Board of Directors ("Board"). The Group has a unitary Board structure and the roles of Chairperson and the Chief Executive are separate and distinct. The Chairperson is an independent non-executive director. The number and stature of independent non-executive directors ensures that sufficient independence is brought to bear on decision making. There are ten non-executive directors on the Board and two executive directors.

It is the Board's responsibility to ensure that effective management is in place to implement the Group's strategy, and to consider issues relating to succession planning. The Board is satisfied that the current pool of talent available within the Group and the ongoing work to deepen the talent pool provide adequate succession plan, in both the short and long term. During the year, the Board also considered other key people-related challenges including talent retention.

Regular interaction between the Board and Executive Management is encouraged. Directors are provided with unrestricted access to Management and Group information, as well as the resources required to carry out their responsibilities at the Group's expense.

A feature of the way the Board operates is the role played by Board Committees which facilitate the discharge of Board's responsibilities. Each Committee has a Board approved mandate that is reviewed annually. Details on how these committees operate are provided below.

### Skills, Knowledge, Experience and Attributes of Directors

The Board ensures that directors possess the skills, knowledge and experience necessary to fulfil their obligations. The directors bring a balanced mix of attributes to the Board, including:

- International and domestic experience;
- Operational experience;
- Knowledge and understanding of both the macroeconomic and the microeconomic factors affecting the Group including environmental, social and governance considerations; and
- Financial, legal, entrepreneurial, Information Technology and banking skills.

### Board Responsibilities

The key terms of reference in the Board's mandate, which forms the basis for its responsibilities, are to:

- Agree on the Group's objectives, strategies and plans for achieving those objectives;
- Regularly review the corporate governance process and assess achievement against objectives;
- Delegate to the Chief Executive or any director holding any executive office or any senior executive, any of the powers, authorities and discretions vested in the Board, including the power of sub-delegation. Delegate, similarly, such powers, authorities and discretions to any committee and subsidiary company boards as may exist or be created from time to time;
- Determine the terms of reference and procedures of all board committees in consultation with Stanbic Africa Holdings Limited ("SAHL");
- Consider and evaluate reports submitted by Management;
- Ensure that an effective risk management process exists and is maintained throughout the Group;
- Monitor the performance of the Chief Executive and the Leadership Council team;
- Establish, review regularly and approve major changes to the Group's policies;
- Ensure that an adequate budget and planning process exists, that performance is measured against budgets and plans and approves annual budgets for the Group, in line with the policies and procedures of the Group;
- Consider and approve capital expenditure as recommended by management;
- Consider and approve any significant changes proposed in accounting policy or practice and consider the recommendations of the Board Audit Committee;
- Assume ultimate responsibility for systems of financial, operational and internal controls, the adequacy and review of which is delegated to sub-committees, and the Board ensures that reporting on these issues is adequate;
- Take ultimate responsibility for regulatory compliance and ensure that reporting to the Board is comprehensive;
- Ensure balanced reporting to stakeholders on the Group's position and that such reporting is done in a manner that can be understood by stakeholders;
- Review non-financial matters as delegated to the Board Risk Committee. The review includes code of ethics, environmental issues and social issues.

### Strategy

The Board is responsible for setting the Group's strategy, which is considered and formally approved at a Board meeting. A separate annual session is held with the Leadership Council, where the strategy is deliberated and the Board's input into the strategy is provided to executive management for inclusion into the Group's strategy. Once the strategy is finalised by Management, the same is presented to the Board through the Board Audit Committee. Once the financial and governance objectives for the following year have been agreed, the Board monitors performance on an ongoing basis. Performance against both financial objectives and non-financial objectives (including environmental, social and governance commitments) are monitored by way of management quarterly reports and representations at board meetings.

### Board Effectiveness and Evaluation

The Board assesses itself against its objectives by conducting an annual Board Self Evaluation. The aim of the evaluation is to assist the Board in improving its effectiveness. The outcome of the evaluation is discussed at a board meeting and any areas of concern are addressed. Relevant action points are also noted for implementation. The performance of the Chairperson, Chief Executive, the individual directors, the Company Secretary and the Board Committees are also assessed annually.

### Board Meetings

The Board meets quarterly with an additional annual meeting to consider the Group's Strategy. Ad hoc meetings are held when necessary. The directors are provided with comprehensive board documentation at least four days prior to each of the scheduled meetings.

### Board Meetings - Meeting Attendance

| Member | 23-Feb-24 | 22-May-24 | 1-Aug-2024 | 29-Nov-24 |
|---|---|---|---|---|
| Mr. C. Kapanga*** (Chairperson) | √ | √ | √ | √ |
| Mrs. C. Chithila*** | √ | √ | √ | √ |
| Mrs. M. Chirwa** | √ | √ | √ | √ |
| Mr. A. Mkandawire** | √ | √ | √ | √ |
| Mr. M. Sauti-Phiri*** | √ | √ | √ | √ |
| Mr. P. Mweheire* | √ | √ | √ | √ |
| Mr. P. Madinga* | √ | √ | √ | √ |
| Mr. S. Ulemu*** | √ | √ | √ | √ |
| Mr. D. Pinto*** | √ | √ | √ | √ |
| Mrs. S. Taylor** | √ | √ | √ | √ |
| R. Sibande, PhD*** | √ | √ | √ | √ |
| Mr. G. Kuyeri*** | √ | √ | √ | √ |

### Key

| |
|---|
| √ = Attended the meeting |
| * = Executive Director |
| ** = Non-executive Director |
| *** = Independent Non-executive Director |

Board committees are established to assist the Board in discharging its responsibilities. They operate in terms of Board approved mandates which are reviewed and approved by the Board on an annual basis. The mandates set out their roles, responsibilities, scope of authority, composition and procedures for reporting to the Board.

### Board Audit Committee

The role of this Committee is to review the Group's financial position and make recommendations to the Board on all financial matters. This includes assessing the integrity and the effectiveness of the audit, accounting, financial and internal control systems. The Committee also ensures effective communication between the internal auditors, external auditors, the Board, Management and Regulators. The Committee's key terms of reference comprise various categories of responsibilities and among others include the following:

- Annual review and recommendation to the Board for approval of the Board Audit Committee mandate;
- Review of the audit plan with the external auditors, with specific reference to the proposed audit scope and approach to the Group's activities falling within the high-risk areas, the effectiveness of the audit and audit fee;
- Consider with Management, areas of special concern and the procedures being developed to monitor and contain risks in those areas;
- Review with Management copies of reports and letters received from the external auditors concerning deviations from and weaknesses in accounting and operational controls, and ensure that prompt action is taken by Management and that issues are satisfactorily resolved;
- Review the adequacy of capital, provisions for bad debts and diminution in the value of other assets, and the formulae applied by the Group in determining charges for and levels of general debt provisions, within the framework of the Group policy;
- Review the accounting policies adopted by the Group and all proposed changes in accounting policies and practices and recommend such changes where these are considered appropriate in terms of IFRS Accounting Standards. Also considers the adequacy of disclosures in the financial statements;
- Review the Group's interim and audited annual financial statements and all financial information intended for distribution to the shareholders and the general public, prior to submission to the full Board;
- Assess the performance of financial management and review the quality of internal accounting control systems and reports produced by management;
- Review the basis on which the Group has been determined as a going concern and make recommendations to the Board;
- Review written reports furnished by the Internal Audit department of the Bank and of the Standard Bank Group, detailing the adequacy and overall effectiveness of the Group's internal audit function and its implementation by Management, the scope and depth of coverage, reports on internal control and any recommendations and confirmation that appropriate action has been taken;
- Monitor compliance with the Financial Services Act, Companies Act, Banking Act and the Stock Exchange Listings Requirements and all other applicable legislation in as far as they impact financial reporting;
- Monitor ethical conduct of the Standard Bank Group and Executives and reviewing reports from Management on violations of the Group's Code of Ethics;
- Consider the development of standards and requirements and review statements on ethical standards or requirements for the Group; and
- Review and make recommendations on any potential conflicts of interest relating to situations of a material nature.

The membership of this committee comprised of:

| | | |
|---|---|---|
| Mr. A. Mkandawire | - | Chairperson |
| Mrs. C. Chithila | - | Member |
| Mr. D. Pinto | - | Member |

The committee met four times during the year.

### Board Audit Committee – Meeting attendance

| Member | 22-Feb-24 | 20-May-24 | 31-July-24 | 28-Nov-24 |
|---|---|---|---|---|
| Mr. A. Mkandawire | √ | √ | √ | √ |
| Mrs. C. Chithila | √ | √ | √ | √ |
| Mr. D. Pinto | √ | √ | √ | √ |

### Key

| |
|---|
| √ = Attended the meeting |

### Board Credit Committee

The role of this Committee is to ensure that effective credit governance is in place in order to provide for the adequate management, measurement, monitoring and control of credit risk, including country risk. This involves ensuring that all committees within the Credit governance structure operate

## Board Credit Committee (continued)

within clearly defined mandates and delegated authorities, as delegated to them by the Board, and that an appropriate credit framework and structure exists. The responsibilities of the Committee also include:

- Annual review and recommendation to the Board for approval of the Board Credit Committee mandate, the management Credit Committee mandate and the Credit Risk Management Committee Mandate;
- Establish sub-committees as required for the proper performance of its mandate and ensure that such sub-committees have clearly defined and appropriate mandates and delegated authority;
- Consider and ratify all insider credit applications pertaining to Directors and Senior management and parties related to them irrespective of size, and to ensure that all regulatory requirements are complied with;
- Review and ratify credit approvals made by the various delegated authorities;
- Approve the agreed credit risk appetite framework as required by Standard Bank Group Credit Risk Governance Standard;
- Quarterly review of the credit and country risk portfolio reports; the credit and country risk impairment adequacy, and the credit and country risk sections of the report to the Board;
- Consider any other Credit related matters as may be necessary.

The membership of this committee comprised of:

Mrs. M. Chirwa - Chairperson
Mr. P. Mweheire - Member
Mr. S. Ulemu - Member

The committee met four times during the year.

### Board Credit Committee – Meeting attendance

| Member | 20-Feb-24 | 20-May-24 | 29-July-24 | 27-Nov-24 |
|---|---|---|---|---|
| Mrs. M. Chirwa | √ | √ | √ | √ |
| Mr. P. Mweheire | √ | √ | √ | √ |
| Mr. S. Ulemu | √ | √ | √ | √ |

### Key

| |
|---|
| √ = Attended the meeting |

### Board Risk Committee

The role of this Committee is to ensure quality, integrity and reliability of the Group's risk management procedures. This Committee also assists the Board in the discharge of its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting. The Committee reviews and assesses the integrity of the risk control systems and ensures that risk policies and strategies are effectively identified and managed. The responsibilities of the Committee also include:

- Annual review and recommendation to the Board for approval of the Board Risk Committee Mandate;
- Reviewing, with the Group's Legal Counsel, any legal matters that could have a significant impact on the Group's business;
- Reviewing of reports by the Head of Compliance on matters of regulatory and reputational risk, including such areas as breaches, fines, material malfunctions and changes in legislation;
- Monitor compliance with the Companies Act, Banking Act, the MSE Rules and Listings Requirements, all other applicable legislation and governance codes and review all reports detailing the extent of compliance;
- Provide independent and objective oversight and review the information presented by management relating to the practice of corporate accountability and reporting of specifically associated risk, including emerging and prospective impact;
- Reviewing the adequacy and effectiveness of the enterprise risk management framework which, includes the risk strategy, standards, policies, procedures, practices and controls as implemented;
- Ensuring compliance with such policies, and with the overall risk profile of the Group including all risks associated with the Bank's information technology, market risk, credit risk, operational risk, legal risk, compliance risk, liquidity risk, reputational risk, country risk, environmental, social and governance risk and other risks appropriate to the business which may be identified from time to time;
- Monitoring procedures to deal with and review the disclosure of information to customers, the resolution of major customer complaints and compliance with the Group's code of banking practices and ethics;
- In terms of risk appetite (RA), recommend proposed RA Statement for approval to Board and receive report on risk profile and risk tendency compared to risk appetite and risk tolerance triggers;
- In terms of the Bank's stress-testing framework, review the recommended macroeconomic scenarios; stress testing results, recommendations on financial resources and the required capital buffer based on the stress-testing results.

The membership of this committee comprised of:

Mr. G. Kuyeri - Chairperson
Mr. M. Sauti-Phiri - Member
R. Sibande, PhD - Member

The committee met four times during the year.

### Board Risk Committee - Meeting attendance

| Member | 21-Feb-24 | 21-May-24 | 30-July-2024 | 28-Nov-24 |
|---|---|---|---|---|
| Mr. G. Kuyeri | √ | √ | √ | √ |
| Mr. M. Sauti-Phiri | √ | √ | √ | √ |
| R. Sibande, PhD | √ | √ | √ | A |

### Key

| |
|---|
| √ = Attended the meeting |
| A = Apology |

### Board Human Capital Committee

The role of this Committee is to ensure that appropriate human capital policies are in place to enable the Group source and maintain staff with appropriate skills (and mix of skills) in the right jobs and to have back up skills and resources available at all times. The Committee also ensures that management has put in place measures to ensure that reward packages are fair and in accordance with the market forces, reward performance initiatives and motivate the work force. The responsibilities of the Committee also include:

- Annual review and recommendation to the Board for approval of the Board Human Capital Committee Mandate;
- Recommending to the Board for approval of the Group's Human Capital Policies, Strategy and any amendments on a regular basis, such strategy and policies shall require that Management put in place effective mechanisms for recruiting, management and reward systems to ensure motivation and retention of quality staff;
- Review and approval of proposals for amendments to the organisational structure in conjunction with Standard Bank Group standards;
- Recommend for Board approval, major changes in employee benefit structures for the Group;
- Ensuring that employees of the Group are provided with appropriate incentives to encourage performance and are, in a fair and responsible manner rewarded for their individual contributions to the success of the Group;
- Providing insight to the recruitment and termination of employment of senior management staff or as may be required by the Reserve Bank of Malawi (RBM) or any regulatory authority with the power to regulate such appointments; and
- Making recommendations to the Board on the reinforcement, through transparency of sound corporate governance principles covering among other things, information about the incentive structure of the Group, including compensation policies, executive compensation etc.

The membership of this committee comprised of:

Mr. S. Ulemu - Chairperson
Mrs. S. Taylor - Member
R. Sibande, PhD - Member
Mr. M. Sauti-Phiri - Member

The committee met four times during the year.

### Board Human Capital Committee - Meeting attendance

| Member | 22-Feb-24 | 21-May-24 | 29-July-24 | 27-Nov-24 |
|---|---|---|---|---|
| Mr. S. Ulemu | √ | √ | √ | √ |
| Mrs. S. Taylor | √ | √ | √ | √ |
| R. Sibande, PhD | A | √ | √ | √ |
| Mr. M. Sauti-Phiri | √ | √ | √ | √ |

### Key

| |
|---|
| √ = Attended the meeting |
| A = Apology |

### Board Technology and Innovation Committee

The role of the Committee is to oversee the governance of technology and innovation in a way that supports the Group in setting and achieving its strategic objectives. The responsibilities of the Committee include:

- Annual review and recommendation to the Board for approval of the Board Technology and Innovation Mandate;
- Have an overview of the arrangements for governing and managing technology and innovation;
- Review the key areas of focus including objectives, significant changes in policy, significant acquisitions and remedial actions taken as a result of major incidents;
- Review the actions taken to monitor the effectiveness of technology and information management and how the outcomes were addressed.

The membership of this committee comprised of:

R. Sibande, PhD - Chairperson
Mr. G. Kuyeri - Member
Mrs. M. Chirwa - Member

The committee met four times during the year.

| Member | 21-Feb-24 | 21-May-24 | 30-July-24 | 27-Nov-24 |
|---|---|---|---|---|
| R. Sibande, PhD | √ | √ | √ | √ |
| Mr. G. Kuyeri | √ | √ | √ | √ |
| Mrs. M. Chirwa | √ | √ | √ | √ |

### Key

| |
|---|
| √ = Attended the meeting |

## MANAGEMENT COMMITTEES

### Credit Risk Management Committee

The Credit Risk Management Committee is a senior management credit oversight function with a defined oversight role as determined by the Board of Directors through the Board Credit Committee from time to time. The purpose of the Credit Risk Management Committee is to establish and define the principles under which the Group is prepared to assume credit risk and the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk.

For purposes of complying with its duties and responsibilities, the Credit Risk Management Committee has the right to delegate responsibilities to sub-committees and/or individuals within clearly defined mandates and delegated authorities.

### Business and Commercial Banking (BCB)/ Personal and Private Banking (PPB) Credit Committee and CIB Credit Committee

The three Credit Committees are senior management credit decision-making committees with defined delegated authority as determined by the Board through the Board Credit Committee from time to time. The purpose of the three Credit Committees is to:

- Exercise responsibility for the independent assessment, approval, review and monitoring of all credit risk assets relating to the bank's business in the BCB/PPB space as well as in the CIB space;
- Ensure that the credit portfolios in the BCB/PPB space as well as in the CIB space are maintained within the risk appetite set by the Board Credit Committee;
- Ensure that the origination and management of the assets in the two portfolios is done in terms of the Standard Bank Group Credit Standard and any other guidance given to it by the Group's Credit Governance Committees from time to time.

For purposes of complying with its duties and responsibilities, the two Credit Committees have the right to delegate responsibilities to sub-committees and/or individuals within clearly defined mandates and delegated authorities. The three

## Management Committees (continued)

committees are chaired by the respective Heads of Credit and hold regular meetings to consider applications for facilities.

### Asset and Liability Committee (ALCO)

This Committee is responsible for the management and monitoring of the trading book risk, market risk, the banking liquidity and interest rate risks. The Committee also monitors capital adequacy of the Bank. It comprises the Chief Executive, the Chief Finance and Value Management Officer, the Chief Risk Officer, the Head Treasury and Capital Markets and the Departmental Heads for Global Markets, Corporate and Investment Banking, Personal and Private Banking, Business and Commercial Banking, Operations, Transactional Products Services and Investment Banking.

### Change Risk Committee (CRC)

The CRC meet as and when required to facilitate the introduction of new (and amendments to) products, services, businesses, channels, legal entities, systems or processes in a coordinated and effective manner that is consistent with the Group's overall strategic, business, and risk management focus. It ensures that significant risks that could arise from the introduction or amendment of businesses, products or services, channels, systems and processes are properly identified and appropriately addressed by the relevant parties (i.e., risk owners and risk-type heads) prior to implementation. The committee is chaired by the Chief Finance and Value Management Officer.

### Risk Management Committee (RMC)

The Risk Management, Legal and Compliance teams provide the day-to-day oversight on compliance and management of risk and promotes the risk/compliance culture across the bank. The RMC is responsible to create and maintain the environmental and social risks the operational risk, legal risk, IT risk, fraud risk, and compliance practices across the bank and to ensure that controls are in place to manage them. This committee also extends its mandate through some forums to discharge critical operational responsibilities e.g., the High-Risk Committee and Sustainability Steering Committee. The Compliance, Legal and Risk Management teams work with business units and enabling functions to embed the risk management disciplines and maintain objectivity by being independent of operations. The heads of Risk, Compliance and Legal have dual reporting lines to the Chief Executive and Regional/SBG heads of Risk, Legal and Compliance. The heads also have unfettered access to the relevant board committees. The committee is chaired by the Chief Executive and meets at least monthly.

### People Governance Committee (PGOVCO)

The People and Culture team provides the day-to-day oversight on people governance across the Group. The PGOVCO is responsible for providing guidance, overseeing and driving the bank's people and human resource strategy. It aims to improve the people management capability and maturity of the organisation. It also engenders consistency, efficiency and effectiveness of the people management process across the bank. The committee is chaired by the Chief Executive and meets at least monthly.

### Innovation and Technology Committee (ITC)

The ITC provides governance and oversight on all matters relating to IT Strategy, Planning, IT investments, value delivery, human resources, performance management, technology risk and security, project approval and prioritization. It is mandated to discuss, assess, analyse and devise solutions and where relevant monitor compliance relating to IT strategy, IT risk, structures, governance standard, framework, methodologies and policies. It ensures that the Information Technology Strategy (ITS) is fit for purpose and adequately adopted by all business units and corporate functions. It also considers key information and technology risk exposures, material incidents, risk mitigation against the desired levels of information and technology risk appetite/tolerance. It adjudicates on differences of opinion and makes rulings on matters escalated by the sub-committees and/or interested parties. The ITC delegates responsibilities to sub-committees and/or individuals within clearly defined mandates and delegated authorities. It provides strategic oversight to ensure the IT strategy is aligned to the Group's strategy and objectives are being met and considers applications for exceptions against governance documentation.

This committee is chaired by the Chief Executive and meets at least monthly.

### Bid Review Committee (BRC)

The Bid Review Committee (formerly Internal Procurement Committee) meets on a monthly basis, is comprised of permanent members being the Chief Risk Officer (the Chairperson), Chief Finance and Value Management Officer, Head Personal and Private Banking, Head Corporate and Investment Banking, Head Business and Commercial Banking, Chief Information Officer, Head Operations and Real Estate, Head Legal and Governance and Procurement Manager. Respective business heads are also called upon as subject matter expert when required depending on the items on the agenda. The purpose of the BRC is to ensure that procurement strategies and recommendations are systematic and in line with business priorities, commercial standards and ethical principles before making commitments to suppliers. The committee meets monthly.

### Country Leadership Council (CLC)

This Committee comprises of senior executives of the Group and its main role is to guide and control the overall direction of the business of the Group including the day to day running of the Group and it is responsible to the Board.

## COMPANY SECRETARY

The role of the Company Secretary is to ensure that the Board remains cognisant of its duties and responsibilities. In addition to providing the Board with guidance on its responsibilities, the Company Secretary keeps the Board abreast of relevant changes in legislation and governance best practices. The Company Secretary oversees the induction of new directors, as well as the ongoing training of directors. The Company Secretary acts as the Group's compliance officer in line with the Malawi Stock Exchange Listing Requirements. All directors have access to the services of the Company Secretary. All issues to do with the Group's governance matters should be addressed to the Company Secretary, Norah Nsanja, FCG, by sending an email to Norah.Nsanja@standardbank.co.mw.

## GOING CONCERN

On the recommendation of the Board Audit Committee, the Board annually considers and assesses the going concern basis for the preparation of financial statements at the year-end. At the interim reporting period, a similar process is followed to enable the Board to consider whether or not there is sufficient reason for this conclusion to be affirmed.

## RELATIONSHIPS WITH SHAREHOLDERS

The shareholders' roles are to appoint the Board of Directors and the external auditors. These roles are extended to holding the Board accountable and responsible for efficient and effective corporate governance.

## SUSTAINABILITY REPORTING

Management of the Group's economic, social and environmental impacts and responsibilities is being systematically entrenched in the Group's culture through the emphasis placed on the application of the Group's vision and values in all its operations. The Group's report to society (Sustainability report) available on www.standardbank.co.mw details the environmental, social and governance initiatives undertaken by the Group in 2024 aligned to the Group's chosen areas of impact.

## ETHICS AND ORGANISATIONAL INTEGRITY

The Group's code of ethics is designed to empower employees and enable faster decision making at all levels of the Group's business according to defined ethical principles. It also aims to ensure that, as a significant organisation in the financial services industry, we adhere to the highest standards of responsible business practice.

The code interprets and defines Standard Bank's values in detail and provides values-based decision making principles to guide the Group's conduct. It is aligned with other Standard Bank policies and procedures and supports the relevant industry regulations and laws of the country.

The code of ethics is supported by the appropriate organisational structure, namely an ethics advice process and an ethics reporting process. These processes link into existing human capital and compliance structures wherever possible, including grievance processes and a fraud hotline. New structures and roles, including those of business unit ethics officers, have been created to ensure that our values and ethics are effectively embedded. The code includes targeted communications, coaching, reference guides and induction packs distributed to all members of staff.

New members of staff are taken through the Code of Ethics and each is given a soft copy. In the year there were no material breaches to the Code of Ethics.

## REMUNERATION

### Remuneration Philosophy

Our reward strategies and remuneration structure support the development of an engaged, high performing and diverse employee population, who deliver outstanding business performance. In addition, the reward strategy is designed to attract, motivate and retain high calibre people, at all levels of the organisation, in a highly competitive market. Consideration is given to total reward and the appropriate balance between fixed and variable pay for all employees.

The Group's Board of Directors sets the principles for the remuneration philosophy in line with approved business strategy and objectives. The philosophy aims to maintain an appropriate balance between employee and shareholder interests.

A key success factor for the Group is its ability to attract, retain and motivate the talent it requires to achieve its strategic and operational objectives.

### Remuneration Governance

The remuneration of Board members is approved in-country and reviewed by the Standard Bank Group Remuneration Committee ("REMCO"). The remuneration of executive management in-country is reviewed by Standard Bank Group Remuneration Committee.

The following key factors have formed the implementation of reward policies and procedures that support the achievement of business goals:

- The provision of rewards that enable the attraction, retention and motivation of employees and the development of a high-performance culture.
- The reward strategy that serves to support the development of an engaged, high-performing and diverse employee population, who deliver outstanding business performance.
- Maintaining competitive remuneration in line with our markets, trends and required statutory obligations.
- Reward for performance.
- Appropriate balance fixed and variable remuneration; short- and long-term incentives and; educating employees on the full employee value proposition.

### Remuneration Structure

## Non-Executive Directors

### Terms of Service

Directors are appointed by the shareholders at the annual general meeting ("AGM") and interim board appointments are allowed between AGMs. The interim appointees are required to retire at the next AGM where they make themselves available for appointment by shareholders. In addition, one third of the non-executive directors is required to retire at each AGM and may offer themselves for re-election. There is no limitation to the number of times a non-executive director may stand for re-election.

### Fees

Non-executive directors receive fixed fees for their service on the Board and Board Committees. This includes a retainer that has been calculated in line with market practices. There are no contractual arrangements for compensation for loss of office. Non-executive directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes.

## Management and Staff

### Terms of Service

The terms and conditions of employment for managers are guided by the legislation in Malawi and are aligned to Standard Bank Group practice. Notice periods to terminate employment vary from one month to three months depending on seniority. Notice periods also depend on the level of responsibility of a particular manager and whether or not they are leaving to join a competitor.

All general staff are unionised. Their terms and conditions of employment are therefore guided by collective agreement(s) signed with the Commercial, Industrial and Allied Workers' Union of Malawi (CIAWU).

### Fixed Remuneration

Managerial total remuneration comprises of a fixed cash portion (Basic Pay and Car Allowance), compulsory benefits (medical aid and retirement fund membership) and optional benefits. Market data is used to benchmark salary levels and benefits before the annual review which is normally done in March.

For all employees, performance-related payments have formed an increasing proportion of total remuneration over time to achieve business objectives and reward individual contribution.

All employees (executives, managers and general staff) are rated on the basis of their annual performance and this is used to determine performance-related remuneration.

The outcome of the annual performance and the consequent pay decision is done on an individual basis. There is therefore a link between the individual performance outcome and reward.

### Short-Term Incentives

All members of staff participate in a performance bonus scheme. Our approach towards reward enables the Group to recognise the performance of employees by recommending rewards that acknowledge the staffs' contribution to the performance of the Bank, the business and team. In keeping with the remuneration philosophy, the bonus scheme seeks to attract and retain high-performing employees.

### Long-Term Incentives

It is essential for the Group to retain key skills over the longer term for sustainable business continuity. This is done particularly through group share-linked incentive awards to guarantee higher levels of retention.

The purpose of these is to align the interests of the Group and its employees, as well as to attract and retain skilled and competent people.

### Post-Employment Benefits

The Group operates a contributory pension fund to provide for retirement benefits for employees. Both, employee and employer contributions are made in line with the Pension Act, 2023. Currently, NICO Pension Services Company and NICO Asset Managers are the Fund administrators and Fund managers respectively.

# The Group's Highlights For The Year

As our existing and prospective shareholders are providers of capital to the Group, we are responsible for providing them with reliable, relevant and timely information to help them make informed investment decisions.

The following are the highlights of the year:

- The Group provided seasonal and long-term financing to the agricultural, power and infrastructure, telecommunications, and media sectors.
- The Group provided corporate customers with host-to-host solutions via digital channels in order to reduce manual transactions and increase efficiencies in their businesses.
- The Group provided off-balance-sheet solutions to the manufacturing and oil and gas sectors to enable the procurement of strategic commodities.
- The Group continued to issue guarantees in the construction sector to meet the demand from our clients.

## GROUP SNAPSHOT

| | 2024 | 2023 |
|---|---|---|
| Points of representation | **27** | 27 |
| ATMs | **83** | 88 |
| Cash deposit machines | **18** | 11 |
| POS devices | **2,358** | 2,015 |
| Headcount | **833** | 802 |

## OUR STAKEHOLDERS

### Shareholders

**Delivering to our shareholders** – We understand that we earn the right to exist by providing appropriate long-term returns to our shareholders. We try extremely hard to meet our various targets and deliver on our commitments.

As our existing and prospective shareholders are providers of capital to the Group, we are responsible for providing them with reliable, relevant and timely information to help them make informed investment decisions. Our shareholder base is diverse, including individuals and institutional shareholders both locally and internationally. The composition of the Groups shareholders is analysed on page 29.

To ensure effective and meaningful shareholder engagement, we have developed various communication channels to meet different shareholders' information needs, and to manage shareholders' expectations positively and transparently.

In addition to the various press releases that are published in the papers, the Group's Chairperson encourages shareholders to attend the annual general meetings where interaction is welcomed. The other Directors and Group Executives are also available at the meetings to respond to questions from shareholders.

### Customers

**Serving our customers** – We do everything in our power to ensure that we provide our customers with the products, services and solutions to suit their needs provided that everything we do for them is based on sound business principles.

Our customers range from individuals and small businesses to large corporate and government entities. Sustainable business performance depends on our ability to engage meaningfully with our customers, to be sensitive to their different needs and to provide relevant products and services. Extensive research is conducted to better understand customer needs and market dynamics.

Our customers' worlds are defined largely by the economic and competitive particulars of their industry sectors and local market circumstances. Where we are able to bring insight through deep sector knowledge, drawn globally from across a range of companies, together with local market knowledge.

Our Corporate and Investment Banking (CIB) division serves a wide range of customer requirements for banking, finance, trading, investment and risk management. In line with the growing sophistication of customers' requirements, the division has built a deep understanding of Malawi's market and economic dynamics.

This is served by operating a client-centric and distribution-focused business model, supported by a culture that prioritises client relationships and economic returns, and a business structure that enables an integrated, multi-product service offering. CIB offers this comprehensive range of products and services through our Investment Banking, Global Markets and Transactional Products and Services divisions.

Our client relationship managers develop close relationships with clients and link in our specialist product and global distribution teams to deliver innovatively and appropriately on individual requirements. We maintain a specific focus on industry sectors that are most relevant to emerging markets and have strong sector value propositions in mining and metals, oil, gas and renewable, telecommunications and media, power and infrastructure, agribusiness and financial institutions.

In Personal and Private Banking (PPB) and Business and Commercial Banking (BCB) divisions, we offer service through Personal Markets and Business Banking.

In Business Banking (both Commercial and Small and Medium Enterprises (SME) markets), relationship building and management has been key to how we relate with our customers. We provide SME customers with opportunities to access affordable loans in the form of working capital or bridging finance to move their businesses forward.

In Personal Markets, we continue to provide personalised banking solutions through our private banking unique proposition and branch network franchise, where achiever and priority banking services are offered. We have also taken particular initiative to serve our personal customers where they work through our robust Workplace Banking proposition. In this regard, we now provide and have become one of the leading Banks in providing unsecured personal loans.

Whilst we continue to expose our customers to top class banking solutions that are commensurate with latest offerings in the developed world, we strive to remain locally relevant by framing our solutions with a complete understanding of the local dynamics.

### Employees

**Growing our people** – We encourage and help our people to develop to their full potential and measure our leaders on how well they grow and challenge the people they lead.

### Talent Management

The Group believes that critical to the achievement of its business objectives, now and into the future, is the effective attraction, retention of critical talent, and the development of executive talent. Our strategy in this regard primarily relies on internal development and assessment of our staff in order to build and strengthen our future talent pool.

Those that are identified to have high potential are engaged in more intensive development processes which amongst others include being placed in mentoring and coaching relationships with senior level executives outside their reporting structure as well as offering them developmental cross functional and international experience to maximise their development opportunities.

### Graduate Development Programme

The Group runs a Graduate Development Programme. The programme has offered an opportunity to some top performing university graduates who were yet to start their careers and wished to pursue a career in banking as well as those graduates who had been working with the Group for not more than two years. The main objective of the programme is for the successful participants to gain the knowledge, unique skills, authority and confidence necessary to operate successfully within the Group.

### Leadership Development

Leadership remains our core competency in order for the Group to continue to have a competitive edge in business performance. With the support of our Global Leadership Centre, we continue to develop and offer an entire spectrum of appropriate leadership development and training interventions at all levels of leadership in the Group. These are customised according to individual development needs, aimed at giving our leaders focused development propositions to enable the transitions required from one level to another.

### Occupation-Directed Education, Training and Development

The Group recognizes that to maintain a committed and competent workforce, it needs to ensure that there is adequate training and development provided for all employees. All education, training and development activities are directed at meeting business objectives, developing a culture of continuous improvement, and more importantly, enabling our staff to realize their full potential, develop and grow in the organization. Through its Banking Education scheme and support to tertiary education, the Group has continued to support staff that are keen to further their studies provided the further study is considered necessary by the Group and will be beneficial to both the Group and employee.

### Health Risk Management

All employees are able to access this service through the intranet. The service enables employees to engage online with specialists such as doctors, pharmacists, physiotherapists, personal trainers and nutritionists, with all queries being responded to within 24 hours.

### Independent Counselling and Advisory Services

Independent Counselling and Advisory Services confidentially assists and supports employees and their immediate families with many personal issues including stress management, trauma, HIV/Aids, divorce, bereavement and legal issues.

The Group receives a country report for all staff in Malawi and Standard Bank Africa receives a combined report on what issues are prevalent across the continent. This enables the Group to plan the required interventions around the behavioural risk issues it is facing.

### Staff Recognition Programme

The Group has a recognition programme where we publicly recognise achievements that are considered to be beyond what is expected from an individual or teams. Recognition remains key to the upholding of the Group's values and achievement of its strategic goals. To this end, over and above the incentive programmes that it runs which are based on performance and behaviour, the Group encourages a culture of recognition on an ongoing basis formally and informally to acknowledge and reinforce desired behaviour.

### Regulators

**Being proactive** – We strive to stay ahead by anticipating rather than reacting, and our actions are always carefully considered.

We view regulatory compliance not only as a requirement by law, but also as one of the key components of sustainable development. The Reserve Bank of Malawi is our primary regulator and supervisor, and the relationship is one of mutual trust built through regular and open communication. Various other supervisory bodies also monitor our compliance with specific pieces of legislation.

### Suppliers

The Group is committed to procure from all levels of suppliers ranging from large corporations to individuals. The Group set up a procurement committee that looks at supplier relationships to ensure that that the Group deals with all suppliers equitably and facilitate a governed process of procuring goods and services from qualified and accredited suppliers in our Group.

## Community

We will ensure long-term sustainability by harmonising the needs of our customers, our people and our shareholders and by being relevant to the societies in which we operate.

## Corporate Social Investment

In 2024, the Group's Corporate Social Investment (CSI) initiatives focused on advancing sustainable development and improving livelihoods in the country. Key areas of investment included education, with support towards schools and scholarships; healthcare, through funding for medical facilities and health initiatives; community development, particularly in empowering youth through creative programmes and mentorship. The Group also emphasized environmental sustainability by backing projects that promote renewable energy, environmental conservation, and climate change mitigation. These initiatives are part of Group's commitment to enhancing the well-being of communities and contributing to the country's overall socio-economic progress in line with our broader sustainability strategy.

The Bank allocated 1% of its profit after tax (PAT) to various community initiatives with notable investments being in Health with over MK125.6 million spent to purchase medical equipment for Zomba Central Hospital Maternity Ward – High Dependency Unit and Makhwira Health Centre maternity ward; secondary school and university scholarships worth MK69.6 million for students across the country; and MK80 million committed to supporting environmental conservation initiatives. The Bank further launched its "Joy of the Arts" initiative that supported growth of the arts, music, and culture industries with a specific focus on working with the youth, promoting knowledge transfer and amplifying already existing local platforms with a combined fund of MK32 million.

## Sustainability summary

Our sustainability approach is grounded in the belief that driving sustainable growth and value is a strategic priority for the bank, integral to our mission and strategy. This approach is structured around two key pillars:

### (i) Maximising positive impact

We recognize the significant opportunity to enhance earnings and market share by offering products and services that address the developmental needs of Malawi and its citizens.

We are attuned to the challenges faced by the people of Malawi and strive to deliver solutions that meet these needs. Our commitment to sustainable growth encompasses a balance of social, economic, and environmental considerations, categorized into four primary areas:

- Enterprise growth and job creation
- Infrastructure development and the just energy transition
- Climate change mitigation and resilience
- Financial inclusion

In 2024, the Group proactively collaborated with SMEs to foster growth and create jobs for Malawians by facilitating African trade and investment, strengthening the agricultural value chain, and supporting innovative tech startups that address real-world challenges. Through the Zantchito UNDP partnership with Standard Bank PLC, the Bank will manage financial facilities and disburse US$1.5 million to approximately 5,000 young entrepreneurs in the idea stage from 2024 to 2025.

The Group allocated a total of MK25 billion in 2024 for various energy and infrastructure projects to support infrastructure development and the just energy transition in Malawi. The Group provided sustainable financing of MK8.16 billion in green loans and MK2.8 billion in Climate Smart Agriculture financing to assist clients in building climate resilience, mitigation and adaptation. Under Financial Inclusion, the Bank partnered with the International Organization for Migration (IOM) to offer financial health sessions to over 500 women across Malawi.

### (ii) Effectively managing risk

The Group prioritizes minimizing and mitigating risks, including climate-related financial risks, associated with its operations, partnerships, and financing activities. The Group's commitment to achieving a positive impact is supported by a robust framework for identifying, managing, and mitigating environmental, social, and governance (ESG) risks. This encompasses risks inherent in our operations as well as those arising from our business engagements, including client relationships and the projects we finance or invest in. ESG risk management is integrated into our policies, processes, and governance structures, and we actively engage with our diverse stakeholders to identify and address our material ESG issues.

The effective management of risk is fundamental to the business activities of the Group as we remain committed to the objective of increasing shareholder value by developing and



# Risk Management and Control

growing business that is consistent with agreed risk appetite. We seek to achieve an appropriate balance between risk and reward in our business and continue to build and enhance the risk management capabilities that will assist in delivering our growth plans in a controlled environment.

Risk management is at the core of the operating and management structures of the Group. The Group seeks to limit adverse variations in earnings and equity by managing the statement of financial position and capital within agreed levels of risk appetite. Managing and controlling risks, and in particular avoiding undue concentrations of exposure, limiting potential losses from stress events, and restricting significant positions in less quantifiable risk areas, are essential elements of the Group's risk management and control framework which ultimately leads to the protection of the Group's reputation.

Responsibility and accountability for risk management resides at all levels within the Group, from the Board and executive down through the organisation to each business manager, risk specialist and staff.

Key aspects of risk management are the risk governance and the organisational structures established by the Group to manage risk according to a set of risk governance standards which are implemented across the Group and are supported by appropriate risk policies and procedures.

## RISK MANAGEMENT FRAMEWORK

The Group's approach to risk management is based on well-established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances strong corporate oversight at the Board level with independent risk management structures. Unit heads are specifically responsible for the management of risk within their areas. As such, they are responsible for ensuring that there are appropriate risk management frameworks that are adequate in design, effective in operation and meet minimum Group standards.

The Group has developed a set of risk governance standards for each major risk type. The standards set out and ensure alignment and consistency in the manner in which the major risk types across the Group are governed, identified, measured, managed, controlled and reported. It is the responsibility of each unit's head to ensure that the requirements of the risk governance standards, policies and procedures are implemented within their unit while independent oversight is provided by the Risk Function, Risk Committees at management level and Risk Committees at board level. Each standard is supported by policy and procedural documents as required. The Group is required to self-assess, at least annually, its compliance with risk standards and policies.

## CLIMATE-RELATED EMERGING RISKS

The Group's activities give rise to climate-related risks and opportunities, both in respect of the Group's own operations and in respect of its lending to customers.

Climate-related risks and opportunities are considered qualitatively material to the Group due to investor and other stakeholder expectations, as well as the nature of the Group's activities. Such activities include the Group's own business operations, and its lending to customers that operate in sectors that are vulnerable to physical and transition risks.

In terms of physical risk, the impact of higher frequency and intensity of physical hazards such as droughts, floods, heat and water stress and others, could impair the business assets and operations of the Group's borrowers, leading to lower asset values, poorer credit quality and higher defaults, provisions and write-offs.

Regarding transition risk, the Group and the customers it transacts with, may face increases in risks associated with policy and legal changes, technological developments and market demand and supply dynamics. The Group and its customers may be exposed to higher costs associated with mitigation and adaptation strategies designed to manage the transition to a lower carbon economy. In the case of the Group's customers, such costs may affect the value of the group's financial assets and potentially lead to lower credit quality and higher credit impairments.

## IMPACT OF GEOPOLITICAL SHIFTS

Malawi, like many economies across the globe, continues to adjust to the adverse impacts of the Russia-Ukraine war and the Israel-Hamas war which has adversely disrupted international trade and the flow of capital. The Group is hopeful that the ceasefire deal signed between Israel and Hamas in January 2025 will bring peace to that region. The re-election of Donald Trump as president of the United States of America, may alter the course of the Russia-Ukraine war; but Malawi will be impacted directly and more significantly due to foreign policy changes he is expected to pursue which will result into reduced American aid into Malawi. This may lead to many social projects being scaled down (worst case, curtailed).

## BASEL III REPORTING FRAMEWORK TRANSITION

Effective January 2025, regulatory reporting to RBM by commercial banks will transition from Basel II to Basel III. Reporting under the new capital framework was tested during the second half of 2024. The transition aims to enhance the quality of capital held by the bank commensurate with risk. The following are the major changes:

- **Qualifying Capital**
    - o Removal of the fixed asset revaluation reserves number under tier 2 capital in Basel II which was at MK22.5bn. This number as at December was 9.0% of total qualifying capital
    - o Inclusion of other intangible assets (includes systems at residual value after an 8-year amortization period, currently at MK11.1bn) to the regulatory adjustments applied to CET1 capital. The bank will effect these adjustments from CET1 capital in September 2025.
- **Operational Risk**
    - o Shift from the Basic Indicator Approach to the Business Indicator Component Approach where Bank's income is broken down into three components:
        - Interest, leases and dividend component
        - The services component
        - The financial component
    - o Inputs as at end December 2024 show a reduction in the operational risk weighted assets (RWA).
- **Credit Risk**
    - o Corporate exposures will be classified per type of lending:
        - General corporates
        - Specialized lending (Object Finance, Project Finance and Commodity Finance)
        - Retail exposure maximum threshold attracting 75% risk weighting has been raised from MK30mn to MK150mn
    - o Real Estate Exposure risk weight determined by Loan To Value (LTV) ratio is categorized into:
        - Residential Real Estate (owner occupied) – lower weights
        - Residential Real Estate (rented/ leased/for sale) – higher weights
        - Commercial Real Estate (repayments not materially dependent on property) – lower weights
        - Commercial Real Estate (repayments materially dependent on property) – higher weights
    - o Off-Balance Sheet: Weighting for "Similar Other Commitments which can be unconditionally cancellable at any time by the bank without prior notice" has been increased from 0% to 10%
    - o The financial position as at end December 2024 show an increase in the credit RWA.
- **Liquidity Risk**
    - o Enhancement of the calculation components in calculation of the Basel III Liquidity Coverage Ratio (LCR) to make it more stringent

Introduction of the Basel III Net Stable Funding Ratio (NSFR) which is a ratio to confirm liquidity capacity in the longer term.

# Directors' Report

## Incorporation and registered office

Standard Bank PLC is a company incorporated and domiciled in Malawi. It was listed on the Malawi Stock Exchange on 28 June 1998. The address of its registered office is:
Standard Bank Centre
African Unity Avenue
P O Box 30380
Lilongwe 3
Malawi

## Principal Activities

Standard Bank PLC is registered as a financial institution under the Banking Act, 2010. It is in the business of banking and the provision of other related services. Its subsidiaries Standard Bank Bureau De Change Limited is involved in foreign exchange trading and Standard Bank Nominees Limited is dormant.

## Financial Performance

The results and state of affairs of the Group and the Company are set out in the accompanying consolidated and separate statements of financial position, income statements, other comprehensive income, changes in equity, cash flows, and notes to the financial statements.

## Dividend

The net profit for the year of **MK86.4 billion** (2023: MK52.5 billion) has been added to retained earnings. A first interim dividend of **MK5 billion** (2023: MK5 billion) was declared in January 2025 representing **MK21.31** (2023: MK21.31) per ordinary share. The directors resolved to pay a second interim dividend of **MK16.5 billion** (2023: MK7.5 billion) representing **MK70.31** (2023: MK31.96) per ordinary share. The directors recommend a final dividend of **MK16.5 billion** (2023: MK12.9 billion) representing **MK70.31** (2023: MK54.97) per ordinary share to be tabled at the forthcoming Annual General Meeting.

## Directorate and Secretary

Details of directors and company secretary as at the date of the annual financial statements are as follows:

| | | |
|---|---|---|
| Mr. C. Kapanga* | - | Chairperson all year |
| Mr. S. Ulemu* | - | All year |
| Mr. D. Pinto*** | - | All year |
| Mr. P. Madinga* | - | All year |
| Mrs. S. Taylor** | - | All year |
| Mr. A. Mkandawire* | - | All year |
| R. Sibande, PhD * | - | All year |
| Mr. P. Mweheire**** | - | All year |
| Mrs. M. Chirwa* | - | All year |
| Mr. G. Kuyeri* | - | All year |
| Mr. M. Sauti-Phiri* | - | All year |
| Mrs. C. Chithila * | - | All year |
| Mrs. N. Nsanja* | - | All year |

* Malawian
** South African
*** Portuguese
**** Ugandan

## Directors interest

Director C. Kapanga held 16,734 shares in the Bank as at 31 December 2024.

## Shareholding analysis

The shareholders of the Group as at 31 December 2024 were as below:

| | |
|---|---|
| Stanbic Africa Holdings Limited | **60.18%** |
| NICO Life Insurance Company Limited | **16.66%** |
| Old Mutual Life Assurance Company Limited | **6.80%** |
| Press Trust | **2.32%** |
| Magetsi Pension Fund | **1.12%** |
| National Investment Trust Plc | **1.02%** |
| Public | **11.90%** |
| Total | **100.00%** |

## Auditors

On 20 June 2024, the Group's Shareholders passed a resolution to appoint Ernst & Young (EY) as the Group's Auditors for the year ending 31 December 2024. EY have signified their willingness to continue in office. A resolution to re-appoint EY as the Group's Auditors for the year ending 31 December 2025 will be proposed at the forthcoming Annual General Meeting.

Mr. C. Kapanga
**Chairperson**

Mr. A Mkandawire
**Director**



# Statement of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Standard Bank PLC, comprising the statements of financial position at 31 December 2024, the income statements, other comprehensive income, changes in equity and cash flows for the year then ended, and the notes comprising significant accounting policies and other explanatory information, in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and in the manner required by Companies Act, 2013, of Malawi (the "Act").

The Act also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the consolidated and separate statement of financial position of the Group and ensure the consolidated and separate financial statements comply with the Act.

In preparing the consolidated and separate 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 consolidated and separate financial statements, subject to any material departures being disclosed and explained in the consolidated and separate financial statements; and
- Preparation of consolidated and separate financial statements on a going concern basis unless it is inappropriate to presume the Group will continue in business.

The Directors are also responsible for such internal controls as as they determine the necessary controls to enable preparation of consolidated and separate 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' responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors have made an assessment of the Group and Company'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.

The Directors have made an assessment and they attest to the adequacy of accounting records and effectiveness of the systems of internal controls and effective risk management for the Group.

The external auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the IFRS Accounting Standards and the requirements of the Act.

## Approval of consolidated and separate financial statements

The consolidated and separate financial statements of Standard Bank PLC, as identified in the first paragraph, were approved by the Board of Directors on **14 March 2025** and are signed on its behalf.

By order of the Board

Mr. C. Kapanga
**Chairperson**

Mr. A. Mkandawire
**Director**

# OUR PEOPLE

Standard Bank PLC's employee Net Promoter Score (eNPS) rose by 13 points to +69, the highest recorded result since the inception of the survey in 2018.

## STAFF STATISTICS

| 833 | 45% | 55% |
|---|---|---|
| EMPLOYEES | WOMEN | MEN |


## Pakwathu Localization Project

The Group successfully completed the Finacle core banking localisation project, transitioning our Banking system from the South African environment to being hosted locally. This initiative united team members from various departments across the Group into a cohesive project team. Beyond the core team, every staff member played a crucial role in the project's success. Internal engagement was essential to ensure staff were both informed and actively involved. Throughout the project's duration, numerous initiatives were implemented to maintain staff engagement. These included naming and branding competitions, townhall meetings, and quizzes. Our efforts in people engagement under this project earned us the prestigious "Internal Engagement of the Year" award from the Institute of Marketing in Malawi.



## Character First

The Group actively engaged employees in various initiatives as part of our Character First initiative. This included monthly meetings with Character First Champions, the publication of their testimonials, and the distribution of Character First puzzles. Weekly, we shared staff success stories that highlighted key character traits and inspirational messages to motivate our staff members to uphold the highest levels of integrity.

## Leadership Summit extract

The Group held two significant Leadership Summits, bringing together over 160 leaders from across the Group. The first summit, "Atsogo Summit," and the second, themed "Leading in a BANI (Brittle, Anxious, Non-linear, and Incomprehensible) World," played crucial roles in our strategic development. The agendas included cascading the Group's strategy, reviewing past performances, and deliberating on key focus areas to help us achieve our aspiration of becoming the number one Bank in Malawi.

## Graduate Trainee Programme 2024 Highlights

In 2024 our graduates had the opportunity to attend the Standard Bank Group's Future Movers Summit in South Africa. The Summit featured inspiring keynote addresses from distinguished leaders such as Nonkululeko Nyembezi, the Group's Board Chairperson, and Group Chief Executive Sim Tshabalala. The three-day conference enabled them to connect with fellow graduates from across the African region and gaining a deeper understanding of the Group's purpose, operations, initiatives, and impact.

## Diversity and Inclusion Initiatives

### 1. Barbershop Discussion Forum:

The Barbershop forum is a platform where our men engage in candid dialogue on real issues affecting men's lives. The topics covered everything from leading with gender sensitivity, gambling, financial distress, and workplace harassment. This platform provides a space for men to connect on shared experiences while fostering both personal and professional growth.

### 2. Developing women leaders:

We continue to provide opportunities for women in leadership positions to gain global exposure through participation in global business and leadership development programmes. For example:

- 3 female leaders attended the 2024 Ignite Women Development Program.
- 62 female employees from the general staff compliment enrolled in the Divas Women Leadership Development Program to undergo coaching and mentorship for 6 months from August 2024 to January 2025.
- 5 women underwent short-term cross border assignments for their exposure and development in 2024. The countries visited were Botswana, Namibia, Uganda, Nigeria, and Mauritius.

# OUR SPONSORSHIPS

## Malawi Embassy in SA Client Engagement

Standard Bank PLC together with the Malawi High Commission (South Africa) hosted clients and other stakeholders to a cocktail at the Capital Hotel, Menlyn Maine in Pretoria in September 2024. Her Excellency Stella Ndau - Malawi High Commissioner to South Africa graced the event where over a hundred Malawians living in South Africa were in attendance.



## Joy of the Arts

In 2024, we launched "Joy of the Arts," an initiative aimed at supporting the growth of the Arts, Music, and Culture industries. By partnering with existing entities, we provide a platform for young people to showcase and develop their talents. Through "Joy of the Arts," we have supported various initiatives in Music, Theatre and Drama, Photography, Poetry, and Art, contributing a total of MK32 million.

# OUR EVENTS


## Standard Bank presents Kumbali Live

This is our annual music event that celebrates artistry by hosting both local talent and international headliners. This year, we welcomed afro-jazz artist Simmy from South Africa, alongside local artists Eli Njuchi, Lawi, Praise Umali and George Kalukusha. With over 1,400 attendees at Kumbali Country Lodge in Lilongwe, the event not only provided a platform for artistic expression but also contributed to the local economy. By supporting local artists and creating opportunities for cultural exchange, we underscore our commitment to driving Malawi's growth through community engagement and economic development.

## Women's Month

The Group hosted a month-long campaign called "Money Matters for Women" that aimed at promoting conversations related to finances among women. The campaign featured a video series that shared financial tips for women of all ages and a high tea event that hosted the Group's clients and staff to explore key issues in navigating finances as women.



## Be More Race – 6th Edition

The Group hosted its 6th edition of Be More Race under the theme "Why We Run". The event had an attendance of over 2,800 people and raised MK18 million towards the renovation of the learning centre at the Children's Cancer Ward at Kamuzu Central Hospital. The Bank matched the amount raised by 100% bringing the total fund to MK36 million.

## Private Banking Launch

The Group revamped its private banking customer value proposition to provide improved financial solutions tailored to the unique needs of high-net-worth individuals and families. Under the theme titled "when only the best will do," which is driven by Standard Bank's purpose of driving the growth of Malawi.

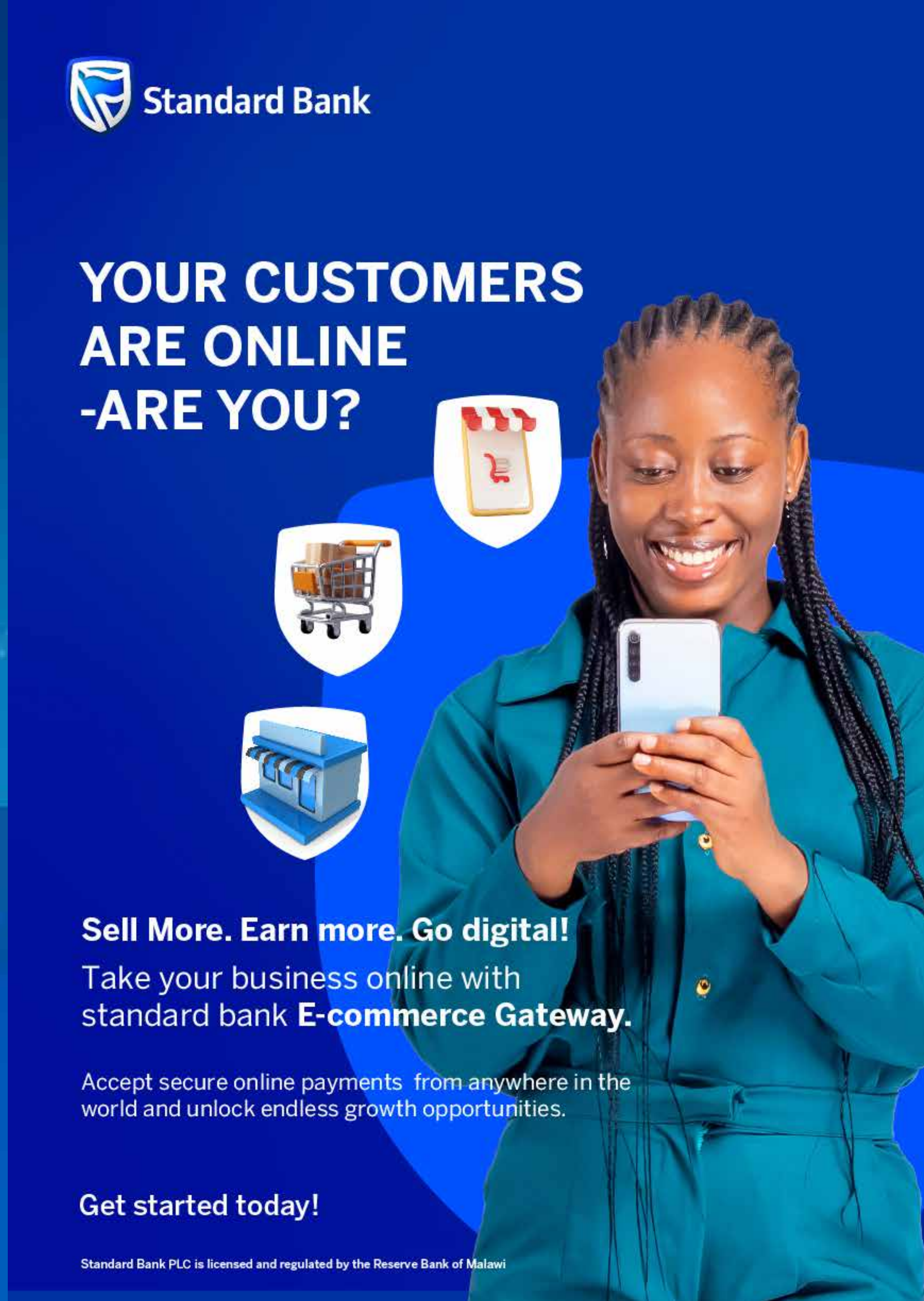
## Be More Golf

The Group prioritises proactive management of key client relationships through meaningful and relevant engagement with customers and staff. Hosting a closed tournament for 120 golfers at Lilongwe Golf Club provided an ideal, relaxed setting to nurture business relationships and enhance client loyalty. The theme of the tournament, "Sustainable Swing," sought to inspire our clients to integrate ESG principles into their business practices and spread the message to all stakeholders.

## Phuka Incubator Program

Enterprise development is a key driver of Malawi's growth. In 2024, the Phuka Incubator Program, in partnership with Winrock and GIZ, empowered 30 women by building their capacity to manage their finances and prepare their businesses for growth. At the end of the program, six women pitched their businesses, with three winning MK10 million each in working capital.


Standard Bank
CELEBRATING
EXCELLENCE
International Adapted Campaign of the Year
Local Marketing Campaign of the Year
Internal Engagement Initiative of the Year
Standard Bank PLC is licensed and regulated by the Reserve Bank of Malawi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-ARE YOU?
Sell More. Earn more. Go digital!
Take your business online with
standard bank E-commerce Gateway.
Accept secure online payments from anywhere in the
world and unlock endless growth opportunities.
Get started today!
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# Independent Auditor's Report

To the Shareholders of Standard Bank PLC

## OUR OPINION

We have audited the consolidated and separate financial statements of Standard Bank Plc ('the Group') and company set out on pages 45 to 202 which comprise the consolidated and separate statements of financial position as at 31 December 2024 and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 December 2024, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act, 2013.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of the report. We are independent of the Group and Company in accordance with the International Code of Ethics for Professional Accountants (including International Independent 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 MATTER

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

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

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

| Expected Credit losses | How the matter was addressed in the audit |
|---|---|
| As disclosed in notes, 4,12,13 and 31 to the consolidated and separate financial statements, as at 31 December 2024, the Group and Company had an allowance for credit losses of MK48 billion (2023: MK26 billion) charged on gross loans and advances to customers and financial investments. The related charge for the year to the income statement was MK24 billion (2023: MK15 billion). The expected credit losses material to the consolidated and separate financial statements and are based on a forward-looking approach that recognises impairment loss allowances in accordance with IFRS 9 Financial Instruments.<br><br>The determination of expected credit losses requires the Group to make significant judgements in consideration of the following variables: | Our response to the key audit matter included performing the following audit procedures:<br><br>Obtaining an understanding of management's process and controls over credit origination, credit monitoring, credit remediation and expected credit loss modelling. This included understanding the governance over the credit models and related management overlay adjustments and evaluating that the ECL models were configured in accordance with the IFRS 9 principles.<br><br>• For non-performing loans (NPLs or Stage 3) ECL models:<br>  • We tested the completeness of the NPLs identified by management by inspecting the loan register that all loans meeting the NPL criteria are included in the schedule of NPLs. For credit classifications based on subjective criteria, we evaluated the appropriateness of the factors considered by management. |
| • Allocation of loans to stages 1, 2 and 3 in accordance with IFRS 9 based on:<br>  • Credit exposures for which there has been a significant increase in credit risk since initial recognition, and for which a loss allowance is recognised over the remaining life of the exposure (lifetime ECL); and<br>  • Credit exposures for which there has been no significant increase in credit risk, and for which a loss allowance is recognised for default events that are possible within the next 12-months (12-month ECL).<br><br>• Stratification of the loans and advances to customers under different credit portfolios on the basis of the associated credit risk.<br>• Assessment of the Probability of Default (PD) and the Loss Given Default (LGD).<br>• The application of historical and forward-looking information, including macro-economic factors in the assessment of the PD.<br>• Assessment and forecasting of expected future cash flows from impaired (stage 3) loans and advances to customers including assessing the financial condition of the counterparty, estimating recoverability of the cash flows and collateral realisation.<br>• Consideration of the impact on default rates of correlated forward looking macroeconomic factors.<br>• Expected utilisation of overdraft and other lending commitments over the lifetime of the commitments.<br>• Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss model.<br><br>Due to the significance of the amounts, and the significant judgements and related estimation uncertainty involved, the assessment of ECLs on loans and advances to customers and financial investments has been considered a key audit matter. The complexity of these estimates requires management to prepare the consolidated and separate financial statement disclosures explaining the key judgments and the key inputs into the ECL computations. | • We understood the ECL models and the key inputs and selected a sample for testing, taking into consideration both quantitative and qualitative factors. The quantitative factors were primarily based on our performance materiality while the qualitative factors considered aspects such as facilities watch-listed by management and the regulator, nonperforming borrowers known from publicly available information and borrowers in sectors that are not performing as expected.<br>• We selected 100% of the NPL population we reperformed the stage 3 computation, ensuring that the correct parameters were used from source files (loan book, Finacle interest in suspense listing.)<br>• We reperformed the computation of the discounted cashflows based on when they are expected to be received which is the basis for determining the LGD (Being the expected cash flows from loan to be recovered through foreclosure.)<br>• We evaluated whether the basis for determining the expected net cash flows from the loans was reasonable in the circumstances. This included evaluating that expected cash flows based on foreclosure are based on the collateral Forced Sale Values as determined by the external valuer or the market value adjusted by appropriate haircuts, or as otherwise justified by management, including reflecting available supportable information which reflects borrower specific and/or current market conditions. For cash flows expected from repayments by the borrowers, we evaluated that they were supported by enforceable commitments and evidence of source of cash to be used by the borrower to repay the loans.<br><br>• We evaluated whether the expected timing of the cash flows was reasonably supported considering the information available to the Group and Company without undue cost and effort. This included considering past experience of the time it takes to complete a foreclosure including factors such as the time required to complete relevant legal processes as adjusted for changes in the business environment.<br>• We evaluated whether necessary adjustments to the expected cash flows were considered including a reasonable estimate of the costs expected to be incurred to recover the expected cash flows.<br>• For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral. The collateral valuation techniques applied by management were benchmarked to the market practice and values compared to market achievable disposal values on the market. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| | • For Stage 1 and 2 ECL models, the ECL balances determined by management were evaluated by assessing whether they were within the range of estimates recomputed using available inputs and validated information produced by the Group and Company. This included evaluating those inputs into the ECL models like the loan balances used agreed to the general ledger. We confirmed the consistency of staging related to customers with duplicate facilities in line with the reserve bank asset classification directive requirements. and confirmed any management overlay adjustments on model results<br>• We reviewed and challenged the results of the credit memos issued by our experts for their work on the review of the models used to process data and the alignment of these models to the 'methodology' and recalibrations approved for use by the Group and Company.<br>• We have assessed the appropriateness of the macro-economic forecasts and scenario weightings by benchmarking these against external evidence and economic data. Our specialists reviewed the correlation between probabilities of default and external macro-economic factors using historical data and results thereof, including reviewing the appropriateness of the statistical methodologies used to project these relationships in the future.<br>• Evaluating the appropriateness of the Significant Increase in Credit Risk (SICR) criteria used by assessing reasonableness of qualitative staging decisions such as the borrower's financial performance and accuracy of quantitative staging criteria based on days past due.<br><br>**Extensive disclosures International Financial Reporting Standards (IFRS).**<br><br>Our financial reporting specialists reviewed the additional disclosures related to adequacy and appropriateness in accordance with the requirements of IFRS 9 Financial instruments and IFRS 7 Financial Instruments: Disclosures requirements.<br><br>Specifically, we assessed the reasonability of the disclosures in light of the audit work performed and disclosures made elsewhere in the consolidated and separate financial statements. |

## OTHER MATTER

The consolidated and separate financial statements of the Group and Company for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 14 March 2024.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' report, Statement of directors' responsibilities, Chairperson's and Chief Executive report, Statement of corporate governance and Risk management control. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 Group and Company'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 Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group and Company audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young

**Chartered Accountants (Malawi)**
**MacDonald Kamoto - Partner**
**Registered Practicing Accountant**
**17 March 2025**

# Statements of Financial Position

As at 31 December 2024

| | Note | Consolidated 2024 MKm | Consolidated 2023 MKm | Separate 2024 MKm | Separate 2023 MKm |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 8 | **197,187** | 152,232 | **196,951** | 152,118 |
| Derivative assets | 9 | **2,772** | 798 | **2,772** | 798 |
| Trading assets | 10 | **36,862** | 22,644 | **36,862** | 22,644 |
| Loans and advances to banks and other financial institutions | 11 | **233,660** | 239,739 | **230,623** | 239,546 |
| Loans and advances to customers | 12 | **378,343** | 294,300 | **378,343** | 294,300 |
| Financial investments | 13 | **394,899** | 335,019 | **394,899** | 335,019 |
| Investment in subsidiaries | 14 | **-** | - | **100** | 100 |
| Other assets | 15 | **31,991** | 25,989 | **32,335** | 26,030 |
| Property, equipment and right-of-use assets | 16 | **36,103** | 29,102 | **36,103** | 29,102 |
| Intangible assets | 17 | **11,143** | 12,693 | **11,143** | 12,693 |
| Deferred tax assets | 18 | **9,685** | - | **9,677** | - |
| **Total assets** | | **1,332,645** | 1,112,516 | **1,329,808** | 1,112,350 |
| **Liabilities** | | | | | |
| Derivative liabilities | 9 | **808** | 1,617 | **808** | 1,617 |
| Deposits and loans from banks | 19 | **38,552** | 21,569 | **38,552** | 21,569 |
| Deposits from customers | 20 | **928,034** | 790,639 | **934,071** | 797,124 |
| Other liabilities | 21 | **71,606** | 52,109 | **71,603** | 52,110 |
| Income tax payable | 22 | **20,841** | 29,619 | **20,343** | 29,433 |
| Provisions | 23 | **13,019** | 21,102 | **13,019** | 21,102 |
| Deferred tax liabilities | 18 | **-** | 2,044 | **-** | 2,045 |
| **Total liabilities** | | **1,072,860** | 918,699 | **1,078,396** | 925,000 |
| **Equity** | | | | | |
| Share capital | 24 | **235** | 235 | **235** | 235 |
| Share premium | 24 | **8,491** | 8,491 | **8,491** | 8,491 |
| Revaluation reserve | 25 | **22,728** | 17,723 | **22,728** | 17,723 |
| Fair value through OCI reserve | 25 | **348** | 345 | **348** | 345 |
| Retained earnings | 25 | **227,983** | 167,023 | **219,610** | 160,556 |
| **Total equity** | | **259,785** | 193,817 | **251,412** | 187,350 |
| **Total liabilities and equity** | | **1,332,645** | 1,112,516 | **1,329,808** | 1,112,350 |

These consolidated and separate financial statements were approved for issue by the Board of Directors on 14 March 2025 and were signed on its behalf by:

Mr. C. Kapanga
**Chairperson**

Mr. A. Mkandawire
**Director**

# Income Statements

For the year ended
31 December 2024

| | Note | Consolidated 2024 MKm | Consolidated 2023 MKm | Separate 2024 MKm | Separate 2023 MKm |
|---|---|---|---|---|---|
| Interest income | 26 | **185,245** | 132,384 | **185,002** | 132,373 |
| Interest expense | 26 | **(9,171)** | (9,549) | **(9,196)** | (9,616) |
| **Net interest income** | 26 | **176,074** | 122,835 | **175,806** | 122,757 |
| Fee and commission income | 27 | **35,954** | 29,125 | **35,954** | 29,125 |
| Fee and commission expense | 27 | **(7,991)** | (5,483) | **(7,991)** | (5,483) |
| **Net fee and commission income** | 27 | **27,963** | 23,642 | **27,963** | 23,642 |
| Trading income | 28 | **48,306** | 52,914 | **44,593** | 50,112 |
| Other operating income | 29 | **1,008** | 600 | **1,052** | 701 |
| Other gains on financial instruments | 30 | **225** | 430 | **225** | 430 |
| **Total operating income** | | **253,576** | 200,421 | **249,639** | 197,642 |
| Credit impairment charges | 31 | **(23,558)** | (15,108) | **(23,540)** | (15,108) |
| **Income after credit impairment charges** | | **230,018** | 185,313 | **226,099** | 182,534 |
| Staff costs | 32 | **(37,132)** | (32,031) | **(36,476)** | (32,031) |
| Depreciation and amortisation | 33 | **(6,171)** | (5,362) | **(6,171)** | (5,362) |
| Other operating expenses | 34 | **(50,455)** | (42,221) | **(50,008)** | (42,081) |
| **Total expenditure** | | **(93,758)** | (79,614) | **(92,655)** | (79,474) |
| **Profit before equity accounted earnings and income tax expense** | | **136,260** | 105,699 | **133,444** | 103,060 |
| Share of post-tax profit from joint venture | 35 | **195** | 49 | **195** | 49 |
| **Profit before income tax expense** | | **136,455** | 105,748 | **133,639** | 103,109 |
| Income tax expense | 36 | **(50,090)** | (53,228) | **(49,180)** | (52,436) |
| **Profit for the year attributable to ordinary shareholders** | | **86,365** | 52,520 | **84,459** | 50,673 |
| **Earnings per share** | | | | | |
| Basic and diluted (MK per share) | 37 | **367.51** | 223.49 | **359.40** | 215.63 |

# Statements of Other Comprehensive Income

For the year ended 31 December 2024

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024 MKm** | 2023 MKm | **2024 MKm** | 2023 MKm |
| **Profit for the year** | **86,365** | 52,520 | **84,459** | 50,673 |
| **Items that will not be reclassified to profit or loss** | | | | |
| Net revaluation gain on property and equipment | **5,005** | 5,286 | **5,005** | 5,286 |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Net change in expected credit losses | **2** | 19 | **2** | 19 |
| Net change in debt financial assets measured at fair value through other comprehensive income (OCI) | **1** | (60) | **1** | (60) |
| | **3** | (41) | **3** | (41) |
| **Total comprehensive income for the year attributable to ordinary shareholders** | **91,373** | 57,765 | **89,467** | 55,918 |

# Statements of Changes in Equity

For the year ended 31 December 2024

| **Consolidated 2024** | **Share capital MKm** | **Share premium MKm** | **Fair value through OCI reserve MKm** | **Revaluation reserve MKm** | **Retained earnings MKm** | **Total MKm** |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2024** | **235** | **8,491** | **345** | **17,723** | **167,023** | **193,817** |
| Profit for the year | **-** | **-** | **-** | **-** | **86,365** | **86,365** |
| **Other comprehensive income** | | | | | | |
| Net revaluation gain on property and equipment | **-** | **-** | **-** | **5,005** | **-** | **5,005** |
| Change in fair value of financial assets at fair value through OCI net of tax | **-** | **-** | **3** | **-** | **-** | **3** |
| **Total comprehensive income for the year** | **-** | **-** | **3** | **5,005** | **86,365** | **91,373** |
| **Transactions with owners of the company** | | | | | | |
| Dividend declared | **-** | **-** | **-** | **-** | **(25,405)** | **(25,405)** |
| **Total transactions with owners of the company** | **-** | **-** | **-** | **-** | **(25,405)** | **(25,405)** |
| **Balance at 31 December 2024** | **235** | **8,491** | **348** | **22,728** | **227,983** | **259,785** |

# Statements of Changes in Equity

For the year ended 31 December 2024

| Consolidated | Share capital MKm | Share premium MKm | Fair value through OCI reserve MKm | Revaluation reserve MKm | Retained earnings MKm | Total MKm |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| **Balance at 1 January 2023** | 235 | 8,491 | 386 | 12,437 | 126,503 | 148,052 |
| Profit for the year | - | - | - | - | 52,520 | 52,520 |
| **Other comprehensive income** | | | | | | |
| Net revaluation gain on property and equipment | - | - | - | 5,286 | - | 5,286 |
| Change in fair value of financial assets at fair value through OCI net of tax | - | - | (41) | - | - | (41) |
| **Total comprehensive income for the year** | - | - | (41) | 5,286 | 52,520 | 57,765 |
| **Transactions with owners of the company** | | | | | | |
| Dividend declared | - | - | - | - | (12,000) | (12,000) |
| **Total transactions with owners of the company** | - | - | - | - | (12,000) | (12,000) |
| **Balance at 31 December 2023** | 235 | 8,491 | 345 | 17,723 | 167,023 | 193,817 |

| Separate | Share capital MKm | Share premium MKm | Fair value through OCI reserve MKm | Revaluation reserve MKm | Retained earnings MKm | Total MKm |
|---|---|---|---|---|---|---|
| **2024** | | | | | | |
| **Balance at 1 January 2024** | **235** | **8,491** | **345** | **17,723** | **160,556** | **187,350** |
| Profit for the year | **-** | **-** | **-** | **-** | **84,459** | **84,459** |
| **Other comprehensive income** | | | | | | |
| Net revaluation gain on property and equipment | **-** | **-** | **-** | **5,005** | **-** | **5,005** |
| Change in fair value of financial assets at fair value through OCI net of tax | **-** | **-** | **3** | **-** | **-** | **3** |
| **Total comprehensive income for the year** | **-** | **-** | **3** | **5,005** | **84,459** | **89,467** |
| **Transactions with owners of the company** | | | | | | |
| Dividend declared | **-** | **-** | **-** | **-** | **(25,405)** | **(25,405)** |
| **Total transactions with owners of the company** | **-** | **-** | **-** | **-** | **(25,405)** | **(25,405)** |
| **Balance at 31 December 2024** | **235** | **8,491** | **348** | **22,728** | **219,610** | **251,412** |

# Statements of Changes in Equity

For the year ended 31 December 2024

| Separate | Share capital MKm | Share premium MKm | Fair value through OCI reserve MKm | Revaluation reserve MKm | Retained earnings MKm | Total MKm |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| **Balance at 1 January 2023** | 235 | 8,491 | 386 | 12,437 | 121,883 | 143,432 |
| Profit for the year | - | - | - | - | 50,673 | 50,673 |
| **Other comprehensive income** | | | | | | |
| Net revaluation gain on property and equipment | - | - | - | 5,286 | - | 5,286 |
| Change in fair value of financial assets at fair value through OCI, net of tax | - | - | (41) | - | - | (41) |
| **Total comprehensive income for the year** | - | - | (41) | 5,286 | 50,673 | 55,918 |
| **Transactions with owners of the company** | | | | | | |
| Dividend declared | - | - | - | - | (12,000) | (12,000) |
| **Total transactions with owners of the company** | - | - | - | - | (12,000) | (12,000) |
| **Balance at 31 December 2023** | 235 | 8,491 | 345 | 17,723 | 160,556 | 187,350 |



# Statements of Cash Flows

For the year ended 31 December 2024

| | Note | Consolidated 2024 MKm | Consolidated 2023 MKm Restated* | Separate 2024 MKm | Separate 2023 MKm Restated* |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| **Profit before income tax expense** | | **136,455** | 105,748 | **133,639** | 103,109 |
| Adjustment for non-cash items included within the income statement | 41.1 | **(148,945)** | (100,056) | **(148,695)** | (99,978) |
| Increase in income-earning and other assets | 41.2 | **(210,523)** | (80,437) | **(210,456)** | (80,484) |
| Increase in deposits and other liabilities | 41.3 | **159,711** | 134,310 | **159,259** | 136,054 |
| Interest paid | | **(9,013)** | (9,687) | **(9,038)** | (9,754) |
| Interest received | | **185,402** | 119,974 | **185,159** | 119,963 |
| Income tax paid | 22 | **(70,450)** | (37,573) | **(69,853)** | (36,559) |
| **Net cash flows generated from operating activities** | | **42,637** | 132,279 | **40,015** | 132,351 |
| **Investing activities** | | | | | |
| Capital expenditure on property, equipment and intangible assets | 16, 17 | **(5,578)** | (7,771) | **(5,578)** | (7,771) |
| Proceeds from sale of property and equipment | | **135** | 37 | **135** | 37 |
| **Net cash flows used in investing activities** | | **(5,443)** | (7,734) | **(5,443)** | (7,734) |
| **Financing activities** | | | | | |
| Principal lease repayments | 21.1 | **(364)** | (458) | **(364)** | (458) |
| Dividend paid | 41.5 | **(23,456)** | (8,237) | **(23,456)** | (8,237) |
| **Net cash flows used in financing activities** | | **(23,820)** | (8,695) | **(23,820)** | (8,695) |
| **Net increase in cash and cash equivalents** | | **13,374** | 115,850 | **10,752** | 115,922 |
| Cash and cash equivalents at the beginning of the year | | **382,452** | 184,494 | **382,338** | 184,308 |
| Effects of exchange rate changes | | **5,108** | 82,108 | **5,108** | 82,108 |
| **Cash and cash equivalents at the end of the year** | 41.4 | **400,934** | 382,452 | **398,198** | 382,338 |

*Refer to note 42 for details relating to the restatement.

# Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2024

## 1. Reporting Entity

Standard Bank PLC is a company domiciled in Malawi. The address of the Group's registered office is Standard Bank Centre, African Unity Avenue, P O Box 30380, Lilongwe 3, Malawi. The Group is primarily involved in investment, corporate and retail banking. The consolidated and separate financial statements present the financial position, financial performance and cash flows of Standard Bank PLC and its subsidiaries Standard Bank Bureau De Change Limited and Standard Bank Nominees Limited collectively referred to as the Group. The separate financial statements present the separate financial position, financial performance and cash flows of Standard Bank PLC and are referred to as the Company. When reference is made to the Group in the accounting policies, it should be interpreted as also referring to the Company where the context requires unless otherwise noted.

## General information

Standard Bank PLC provides retail and corporate banking services through its 27 (2024: 27) service centres located across Malawi. The Company is listed on the Malawi Stock Exchange.

The Group's ultimate parent Company is Standard Bank Group Limited, which is a limited liability company incorporated in South Africa and listed on the Johannesburg Securities Exchange with a secondary listing on the Namibian Stock Exchange.

Standard Bank Bureau de Change Limited is a 100% owned subsidiary of Standard Bank PLC whose line of business is foreign currency trading.

Standard Bank Nominees Limited is a 100% owned subsidiary of Standard Bank PLC and is dormant. Its main line of business is to make investments on behalf of the clients and managing their portfolios.

## 2. Basis of preparation

### (a) Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee (IFRSIC) applicable to Companies reporting under IFRS. The consolidated and separate financial statements comply with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These consolidated and separate financial statements have also been prepared in accordance with the IAS 29 Directive issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act, 2013 of Malawi.

### (b) Basis of measurement

The consolidated and separate financial statements have been prepared on historical cost basis except for the following:

- investments held for trading are measured at fair value;
- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- fair value through OCI financial assets are measured at fair value; and
- buildings and freehold land are measured at revalued amounts.

### (c) Functional and presentation currency

The annual financial statements are presented in Malawi Kwacha which is the presentation currency of the Group and the functional and presentation currency of the Company. Except where indicated otherwise, financial information presented in Malawi Kwacha has been rounded to the nearest million.

### (d) Use of estimates and judgements

The preparation of consolidated and separate financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the application of policies and reported amounts in assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of the IFRSs that have significant effect on the consolidated and separate financial statements and estimates on the amounts recognised are discussed in Note 5.

### (e) Changes in accounting policies and adoption of new standards effective for the current financial year

The Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated and separate financial statements. The group did not early adopt any amended standards during the current reporting period.

***IAS 1 Presentation of Financial Statements (amendments)*** clarified how to classify debt and other liabilities as current or non-current and introduced a requirement to classify debt as non-current only if an entity can avoid settling the debt in the 12 months after the reporting period. The amendments specified that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements. The amendments were retrospectively applied and had no material impact on the group's results.

***IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (amendments)*** added requirements for an entity to provide additional disclosures about its supplier finance arrangements. The new requirements provide users of financial statements with information to assess how supplier finance arrangements affect an entity's liabilities, cash flows, the effect thereof on its exposure to liquidity risk and how an entity might be affected if the arrangements were no longer available to it. The amendments were retrospectively applied and had no material impact on the group's results.

***IFRS 16 Leases (IFRS 16) (narrow scope amendments)*** added requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments added to the existing sale and leaseback requirements in IFRS 16 and did not change the accounting for leases, other than those arising in a sale and leaseback transaction. The amendments were retrospectively applied and had no material impact on the group's results

### (f) Going concern

The financial statements have been prepared on a going concern basis as directors have made assessment of the Group'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, the Group continues to adopt the going concern basis in preparing the financial statements.

## 3. Material accounting policies

The principal accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented except as explained in note 2(e) which addresses changes in accounting policies.

### (a) Basis of consolidation

The consolidated and separate financial statements comprise Standard Bank PLC (the "Bank") and its subsidiaries, Standard Bank Bureau de Change Limited and Standard Bank Nominees Limited, which are controlled by the Bank.

## 3. Material accounting policies (Continued)

### (a) Basis of consolidation (continued)

**Subsidiaries**

'Subsidiaries' are investees 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 and separate financial statements from the date on which control commences until the date when control ceases.

**Transactions eliminated on consolidation**

Inter-company balances and transactions and any unrealised income and expenses arising from inter-company transactions are eliminated in preparing the consolidated and separate financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency transactions

Transactions in foreign currencies during the year are translated into Malawi Kwacha at rates ruling at the transaction dates. Monetary assets and liabilities at the reporting date, which are expressed in foreign currencies, are translated into Malawi Kwacha at spot rates at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as fair value through OCI financial assets are recognised in the fair value through OCI in OCI (trading revenue), whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (trading revenue).

### (c) Cash and cash equivalents

Cash and cash equivalents includes notes and coins on hand, unrestricted balances with central banks and on demand gross loans and advances to banks which are readily convertible to a known amount of cash and available for use by the group within less than three months of initial deposit.

Cash and cash equivalents held for reserving requirements and physical cash on hand is measured at fair value through profit or loss. All other cash and cash equivalents are measured at amortised cost.

### (d) Derivative assets and liabilities

In the normal course of business, the Group enters into a variety of derivative transactions for trading purposes. Derivative financial instruments are entered into for trading foreign exchange. Derivative instruments used by the Group for trading include swaps, options, forwards and other similar types of instruments based on foreign exchange rates.

Derivatives are initially recognised at fair value. Derivatives are carried at fair value through profit or loss. 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

### (e) 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 financial instruments are carried at fair value through profit or loss.

Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.

### (f) Financial assets and financial liabilities

#### Initial measurement

A financial asset or financial liability is measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Financial instruments are recognised (derecognised) on the date the Group commits to purchase or sell the instruments (trade date accounting).

#### Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities at trade date. The trade date for loans, deposits, and other liabilities is however usually the date of the cash flow. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

#### Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

#### Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated and separate statement of financial position when, and only when, the Group has a legal right to offset the recognised amounts and it 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 IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activities.

#### 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

## 3. Material accounting policies (Continued)

### (f) Financial assets and financial liabilities (Continued)

### Fair Value Measurement (Continued)

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 recognized 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.

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.

### Fair Value measurement hierarchy levels

The Group defines the levels as follows:

**Level 1**

Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2**

Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted 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**

Fair value is determined through 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 instrument being valued and the similar instrument.

### Financial assets

#### Nature

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either armotised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

#### Amortised cost

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.

#### Fair value through OCI

Includes a debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):

- Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell 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.

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.

#### Fair value through profit or loss - Held for trading

Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

#### Fair value through profit or loss - default

Financial assets that are not classified into one of the above mentioned financial asset categories.

### Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

#### Amortised cost

Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.

#### Fair value through OCI

Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue.

Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are disclosed separately from interest income within profit or loss.

Dividends received on equity instruments are recognised in other revenue within non-interest income.

#### Fair value through profit or loss - Held for trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

#### Fair value through profit or loss – default

Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

## 3. Material accounting policies (Continued)

**(f) Financial assets and financial liabilities (continued)**

**Financial assets (continued)**

### Impairment

ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

| | |
|---|---|
| **Stage 1** | A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR. |
| **Stage 2** | A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk. |
| **Stage 3 (credit impaired assets)** | A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired:<br>• default<br>• significant financial difficulty of borrower and/or modification<br>• probability of bankruptcy or financial reorganisation disappearance of an active market due to financial difficulties. |

The key components of the impairment methodology are described as follows:

| | |
|---|---|
| **Significant increase in credit risk** | At each reporting date the Group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset.<br><br>Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly. |
| **Low credit risk** | Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations. |
| **Default** | The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or Groups of financial assets:<br>• significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower);<br>• a breach of contract, such as default or delinquency in interest and/or principal payments;<br>• disappearance of active market due to financial difficulties;<br>• it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;<br>• where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider and<br>• exposures which are overdue for more than 90 days are also considered to be in default. |
| **Forward-looking information** | Forward-looking information is incorporated into the Group's impairment methodology calculations and in the Group's assessment of SICR. The Group includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures. |
| **Write-off** | Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities. |

ECLs are recognised within the consolidated and separate statements of financial position as follows:

| | |
|---|---|
| **Financial assets measured at amortised cost (including loan commitments)** | Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities. |
| **Off-balance sheet exposures (excluding loan commitments)** | Recognised as a provision within other liabilities. |
| **Financial assets measured at fair value through OCI** | Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value. |

## 3. Material accounting policies (Continued)

**(f) Financial assets and financial liabilities (continued)**

**Financial assets (continued)**

### Reclassification

Reclassifications of debt financial assets are permitted when, and only when, the Group changes its business model or managing financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments
- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value
- The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value
- The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at the date of reclassification.

### Financial liabilities

### Initial classification

#### Held-for-trading

Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Held-for-trading instruments are designated to be measured at fair value through profit or loss.

#### Designated at fair value through profit or loss

Financial liabilities are designated to be measured at fair value in the following instances:

- to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis
- where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.

#### Amortised cost

All other financial liabilities not included in the above categories.

### Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

#### Held-for-trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

#### Designated at fair value through profit or loss

Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue.

Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.

#### Amortised cost

Amortised cost using the effective interest method recognised in interest expense.

## Derecognition and modification of financial assets and liabilities.

Financial assets and liabilities are derecognised in the following instances:

| | Derecognition | Modification |
|---|---|---|
| **Financial assets** | Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.<br><br>The Group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.<br><br>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.<br><br>In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost.<br><br>The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate.<br>In transfers where control over the asset is retained, 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. | Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.<br><br>If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications). |
| **Financial liabilities** | Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires. | |

## 3. Material accounting policies (Continued)

### (g) Loans and advances

Loans and advances to banks include call loans, loans granted under resale agreements and balances held with other banks. Loans and advances to customers include mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (overdrafts, other demand lending, term lending and loans granted under resale agreements).

### (h) Property and equipment

#### (i) Recognition and measurement

All property and equipment is initially recorded at cost. Leasehold and freehold land and buildings are subsequently carried at revalued amount, being its fair value, based on valuations by external independent valuers, less subsequent accumulated depreciation, and subsequent accumulated impairment losses. All other property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour plus any other cost directly attributable to bringing the asset to a working condition for its intended use.

Increases in the carrying amount arising on revaluation are recognised in OCI and accumulated in equity under the heading revaluation reserve. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and charged against the revaluation reserve, all other decreases are charged to profit or loss. The revaluation reserve is a non-distributable reserve and therefore not available for distribution as dividends.

#### (ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of property and equipment is recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is calculated on the straight line basis to write down the carrying value or the revalued amounts of each asset, to its residual value over its estimated useful life. The following are the estimated useful lives for the current and comparative periods:

| | |
|---|---|
| Buildings | 13 - 40 years |
| Fixtures, fittings and equipment | 3 - 13 years |
| Motor vehicles | 5 years |
| Computer equipment | 4 - 5 years |

Freehold and leasehold land is not depreciated as it is deemed to have an unlimited useful life.

Capitalised leased assets are depreciated over the shorter of the lease term and their useful lives, except where it is reasonably certain that the Group will obtain ownership at the end of the lease term, in which case the period of expected useful life of the asset is used.

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

Depreciation methods, useful lives and residual values of property and equipment are reviewed at the end of each reporting period. Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised in other operating income/other operating expense in profit or loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

### (i) Work in progress

Work in progress represents costs incurred on capital projects relating to refurbishment of the Group's branch network. It is measured at cost accumulated to the reporting date. Costs include all expenditure related directly to the specific projects and an allocation of fixed and variable overheads incurred in normal operating capacity.

Work in progress is presented under property and equipment in the consolidated and separate statements of financial position and is transferred to respective class of assets upon completion of the projects. Work in progress is not depreciated.

### (j) Intangible assets

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

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. The estimated useful life of software is between three to fifteen years.

The carrying amount of intangible 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 exceeds its recoverable amount.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### Impairment of non-financial assets

These assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest CGUs. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use.

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 through non-trading and capital related items 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.

### (k) Leases

#### Lessee accounting policies

#### Single lessee accounting model

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

#### Lease liabilities

Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the group) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The Group's internal funding rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group, should it be reasonably certain that this option will be exercised;
- Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised.

## 3. Material accounting policies (Continued)

### (k) Leases (continued)

#### Lease liabilities (continued)

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

#### Right-of-use assets

Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

The Group applies the cost model subsequent to the initial measurement of the right of use assets.

#### Termination of leases

When the Group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised. On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

#### Interest expense on lease liabilities

A lease finance cost, determined with reference to the interest rate implicit in the lease or the Group's incremental borrowing rate, is recognised within interest expense over the lease period. The Group uses the incremental borrowing rate in calculating the interest expense on lease liabilities.

#### Depreciation on right of use assets

Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the Group at the end of the lease term, whereby the right of use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses.

#### Reassessment of lease terms and lease modifications that are not accounted for as a separate lease

When the Group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.

For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.

#### Lease modifications that are accounted for as a separate lease

When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the Group elected the short-term lease exemption and the lease term is subsequently modified.

#### Separating components of a lease contract

The Group has elected to apply the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. The practical expedient is applied to each class of underlying asset.

### Lessor accounting policies

#### Finance leases

Leases, where the group transfers substantially all the risk and rewards incidental to ownership, are classified as finance leases

Finance lease receivable, including initial direct costs and fees, are primarily accounted for as financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances.

Finance charges earned within interest income are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. The tax benefits arising from investment allowances on assets leased to clients are accounted for within direct taxation.

#### Operating leases

All leases that do not meet the criteria of a financial lease are classified as operating leases.

The asset underlying the lease continues to be recognised and accounted for in terms of the relevant Group accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised.

Operating lease income net of any incentives given to lessees, is recognised on the straight-line basis, or a more representative basis where applicable, over the lease term and is recognised in operating income.
When an operating lease is terminated before the lease period has expired, any payment received/(paid) by the group by way of a penalty is recognised as income/(expense) in the period in which termination takes place.

### Lessor lease modifications

#### Finance leases

When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modifications as a separate new lease.

All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease.

These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.

#### Operating leases

Modifications are accounted for as a new lease from the effective date of the modification.

### (l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If such an estimate cannot be made, a contingent liability is disclosed.

### (m) Income tax expense

Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income in which case it is recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The following temporary differences are not provided for:

- initial recognition of goodwill,
- investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future, and
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits.

# 3. Material accounting policies (Continued)

### (m) Income tax expense (continued)

Tax rates enacted or substantively enacted at the reporting date are used to determine deferred tax, taking consideration of the expected manner of recovery or realisation or settlement of the carrying amount of the assets and liabilities.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related deferred tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and 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 realized simultaneously. Additional income taxes that arise from the distribution of dividend are recognised at the same time as the liability to pay the related dividend is recognised.

### (n) Dividends

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

### (o) Interest income and expense

Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) are recognised in net interest income using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income.

When a financial asset is classified as stage 3 impaired, interest income is calculated on the impaired value (gross carrying amount less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial asset is reclassified out of stage 3. Dividends received on preference share investments classified as debt form part of the group's lending activities and are included in interest income.

### (p) Employee benefits

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

#### (i) Short-term employee benefits

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

A provision 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.

#### (ii) Leave pay liability

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the reporting date.

#### (iii) Termination benefits

Termination benefits are recognised when the Group is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy when it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

#### (iv) Retirement contribution plan

The Group operates a defined contribution retirement scheme for employees. Under the defined contribution plan the Group pays fixed contributions to a separate entity and will have no legal or constructive obligations to pay further amounts. The assets of the scheme are held in separate trustee administered fund, which is funded by contributions from both the Group and employees.

The Group's contributions to the defined contribution scheme are recognised in the income statement in the year to which they relate.

### (q) Acceptances, guarantees and letters of credit

Acceptances, guarantees (other than financial guarantees) and letters of credit are not recognised in the annual financial statements, but are disclosed in the notes to the annual financial statements unless the terms and conditions thereof have been met.

### (r) Fees and commissions

Fee and commission revenue, including point of representation fees, card-based commission, documentation and administration fees, electronic banking fees, foreign currency service fees, insurance based fees and commissions, guarantees fees, ATM fees, custody fees, penalty-based fees and knowledge-based fees and commissions and other fees are recognised at the amount that reflects the consideration to which the group expects to be entitled in exchange for providing the related services. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

Loan syndication fees, where the Group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

### (s) Trading income

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

### (t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. The basic EPS is determined by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS 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.

### (u) Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is internally provided to the Country Leadership Council which is the Group's chief operating decision maker. 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 Country's Leadership Council to make decisions about resource allocation to the segment and assess its performance and for which discrete information is available.

## 3. Material accounting policies (Continued)

### (v) Non-current assets held for sale

Non-current assets and liabilities comprise assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than continuing use (including regular purchases and sales in the ordinary course of business). Immediately before classification, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies and tested for impairment. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities (or components of a disposal group) are presented separately in the statement of Financial Position. In presenting the Group's non-current assets and liabilities as held for sale, intercompany balances are eliminated in full.

Impairment losses on initial classification as well as subsequent gains and losses on remeasurement of these assets are recognised in profit or loss. Property and equipment and intangible assets are not subsequently depreciated or amortised. Equity accounting thereafter for an interest in an associate or joint venture is suspended.

### (w) Joint Ventures

Joint ventures are initially measured at cost and subsequently accounted for using the equity method at an amount that reflects the Group's share of the net assets of the joint venture (including goodwill). Equity accounting is applied from the date on which the entity becomes a joint ventures up to the date on which the Group ceases to have significant influence or joint control.

Equity accounting of losses is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the Group has an obligation or has made payments on behalf of the associates or joint ventures. Additional interests acquired in associates form part of the equity accounted investment to the extent that they give rise to current access to returns associated with an ownership interest.

### (x) New standards and interpretations not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2024 and have not been applied in preparing these annual consolidated and separate financial statements. The Group does not plan to adopt these standards early:

#### (i) IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.

The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments) effective date has been deferred indefinitely

#### (ii) IFRS 9 Financial Instruments (IFRS 9) and IFRS 7 Financial Instruments: Disclosure (amendments)

The IASB issued amendments to the classification and measurement requirements of financial instruments in response to feedback received as part of the post implementation review of IFRS 9. The amendments include a new requirement to permit an entity to deem a financial liability that is settled using an electronic payment system to be discharged before the settlement date if specified criteria are met; and provide clarifications regarding assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features, financial assets with non-recourse features and investments in contractually linked instruments. The IASB also amended the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs. The amendments will be applied prospectively. The impact on the annual consolidated and separate financial statements is currently being assessed and not expected to have a material impact on the group's results.

IFRS 9 Financial Instruments (IFRS 9) and IFRS 7 Financial Instruments: Disclosure (amendments) is effective 1 January 2026.

#### (iii) Annual Improvements to IFRS Accounting Standards - Volume 11

The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a material impact on the group's annual consolidated and separate financial statements.

Annual Improvements to IFRS Accounting Standards - Volume 11 is effective 1 January 2026.

#### (iv) IAS 21 Exchange Rates (amendments)

The International Accounting Standards Board (IASB) issued 'Lack of Exchangeability' to require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. These amendments will assist companies and investors by addressing a matter not previously covered in the accounting requirements for the effects of changes in foreign exchange rates. The amendments will be applied retrospectively and are not expected to have a material impact on the group's consolidated and separate financial statements.

IAS 21 Exchange Rates (amendments) is effective 1 January 2025.

#### (v) IFRS 18 Presentation and Disclosures in Financial Statements (IFRS 18)

In April 2024, the IASB issued a new IFRS Accounting Standard to improve reporting of financial performance by requiring defined subtotals in the statement of profit or loss, requiring disclosure about management-defined performance measures, and adding new principles for aggregation and disaggregation of information. IFRS 18 replaces IAS 1 Presentation of Financial Statements. IFRS 18 is effective from 1 January 2027 with earlier application permitted. IFRS 18 will be retrospectively applied. The group is in the planning phase of determining the impact on the group's annual consolidated and separate financial statements.

IFRS 18 Presentation and Disclosures in Financial Statements (IFRS 18) is effective from 1 January 2027.

#### (vi) IFRS 19 Subsidiaries without Public Accountability: Disclosure (IFRS 19)

In May 2024, the IASB issued IFRS 19 that permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements. When a parent company prepares consolidated financial statements that comply with IFRS Accounting Standards, its subsidiaries are required to report to the parent using IFRS Accounting Standards. However, for their own financial statements, subsidiaries are permitted to use IFRS Accounting Standards, the IFRS for SMEs Accounting Standard or national accounting standards. Subsidiaries are eligible to apply IFRS 19 if they do not have public accountability and their parent company applies IFRS Accounting Standards in their consolidated financial statements. A subsidiary does not have public accountability if it does not have equities or debt listed on a stock exchange and does not hold assets in a fiduciary capacity for a broad group of outsiders. The group is in the planning phase of determining the impact on the annual consolidated and separate financial statements of its qualifying subsidiaries. IFRS 19 will however, not be applicable to the group's annual consolidated and separate financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosure (IFRS 19) is effective from 1 January 2027.

# 4. Risk management

## (a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk;

The Group also has exposure to operational, legal, reputational, business and compliance risks.

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

### Risk measurement and control

The effective management of risk is critical to earnings and statement of financial position growth within the Standard Bank Group where the culture encourages sound commercial decision making which adequately balances risk and reward.

### Risk management approach

The Group has governance standards for all major risk types. All standards are applied consistently across the Group and are approved by the Board.

The standards form an integral part of the Group's governance infrastructure, reflecting the expectations and requirements of the Board in respect of key areas of control across the Group. The standards ensure alignment and consistency in the manner that major risk types across the Group are identified, measured, managed, controlled, and reported.

The Group's Internal Audit Department independently audits the adequacy and effectiveness of the Group's risk management, control and governance processes. The Head of Internal Audit department provides independent assurance to the Board Audit Committee and has unrestricted access to the Chief Executive and the Chairperson of the Board.

### Risk appetite and risk tolerance

Risk appetite is the quantum of risk the Group is willing to accept in the normal course of business in pursuit of its strategic and financial objectives. Risk taken within "appetite" may give rise to expected losses, but these should be covered by expected earnings.

Risk tolerance is an assessment of the maximum risk the Group is willing to sustain for short periods of time. It emphasises the "downside" of the risk distribution, and the Group's capacity to survive unexpected losses. The capacity to take unexpected losses depends on having sufficient capital and liquidity available to avoid insolvency. Risk tolerance typically provides a useful upper boundary for the Group's risk appetite.

The Group's board of directors has ultimate responsibility for risk management, which includes evaluating key risk areas and ensuring the process for risk management and systems of internal control are implemented. It has delegated its risk-related responsibilities primarily to three committees, as follows: the risk management committee, the audit committee and the credit committee - with each committee focusing on different risk exposures.

### Risk management

Naturally, the Group faces a number of risks when conducting its business which it may choose to take, transfer or mitigate as described in the notes to the consolidated and separate financial statements from 4(a) to 4(g).

## (b) Credit risk

Credit risk is the risk that a loss will be incurred if counterparty to a credit transaction does not fulfil its contractual obligations in a timely manner.

The Group's Personal and Private Banking, Business and Commercial Banking and Corporate and Investment Banking credit policies cover the entire credit risk management process within the Group. These policies are more stringent than the Banking Act of Malawi and Reserve Bank of Malawi (RBM) Directives. They are subject to review and require the approval of the Group's Board of Directors. The policies outline issues pertaining to delegated lending limits, risk concentrations and internal lending constraints, security and legal documentation, risk weightings applied to lending, excesses and irregular accounts reporting and the treatment of non-performing loans.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

### Management of credit risk

The Board of Directors has delegated the responsibility of the management of credit risk to its Credit Committee. A separate Credit Function (within the Risk Management Department), that reports quarterly to the Credit Committee of the Board through the Credit Risk Management Committee, is responsible for oversight of the credit risk, including:

- **Formulating credit policies** in consultation with 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 approvals and renewals of credit facilities. Authorisation limits are provided to credit officers and credit committees. Large credit limits require approval by the country Credit Risk Management Committee and the Head of Credit as delegated by the Board.

- **Reviewing and assessing credit risk.** The Credit Function assesses all credit exposures and prepares a watch list which includes all those clients which have exceeded their limits or repayments are in arrears.

- **Limit concentration of exposure** to counterparts' location and type of customer in relation to the Group loans and advances to customers by carrying a balanced portfolio.

- **Reviewing compliance** so that exposure limits remain within the acceptable range.

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

Regular audits of business units and credit processes are undertaken by the internal audit department.

### Maximum exposure to credit risk without taking into account any collateral or other credit enhancements

The table overleaf shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include financial instruments defined and recognised under IAS 32 Financial Instruments: Presentation as well as other financial instruments not recognised. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

Refer to note 5 Accounting estimates and judgements - expected credit loss (ECL) on financial assets for details on the Groups rating scale.

# 4. Risk management (Continued)

## (b) Credit risk (continued)

### Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset (gross) for credit risk related items, based on the Group's credit rating system.

| At 31 December 2024 Consolidated | Note | Gross Carrying amount | SB 1 - 12 | | SB 13 - 20 | | SB 21 - 25 | | Default | Total gross carrying amount of default exposures | Securities and expected recoveries on default exposures | Interest in suspense on default exposures | Balance sheet expected credit loss on default exposures | Gross default coverage | Non-performing exposures |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 3 | | | | | | |
| | | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | % | % |
| **Loans and advances at amortised cost** | | | | | | | | | | | | | | | |
| ***PPB and BCB*** | | | | | | | | | | | | | | | |
| Mortgage loans | 12 | **7,576** | - | - | **5,659** | - | - | **1,019** | **898** | **898** | **345** | **100** | **453** | **62%** | **12%** |
| Vehicle and asset finance | 12 | **16,293** | - | - | **14,349** | - | - | **373** | **1,571** | **1,571** | **158** | **526** | **887** | **90%** | **10%** |
| Overdrafts | 12 | **28,077** | **6,988** | - | **12,424** | - | - | **4,180** | **4,485** | **4,485** | - | **180** | **4,305** | **100%** | **16%** |
| Term Loans | 12 | **180,323** | - | - | **149,503** | - | - | **14,439** | **16,381** | **16,381** | **6,713** | **1,276** | **8,392** | **59%** | **9%** |
| ***CIB*** | | | | | | | | | | | | | | | |
| Corporates | 12 | **174,689** | **43,201** | - | **103,088** | **9,843** | **5,553** | **12,966** | **38** | **38** | - | - | **38** | **100%** | - |
| Banks and other financial institutions | 11 | **233,758** | - | - | - | - | **233,758** | - | - | - | - | - | - | - | - |
| **Gross carrying amount** | | **640,716** | **50,189** | - | **285,023** | **9,843** | **239,311** | **32,977** | **23,373** | **23,373** | **7,216** | **2,082** | **14,075** | **69%** | **4%** |
| Less: Interest in suspense | 12 | **(2,082)** | | | | | | | | | | | | | |
| Less: Total expected credit losses for loans and advances | 11,12 | **(26,631)** | | | | | | | | | | | | | |
| **Net carrying amount of loans and advances measured at amortised cost** | | **612,003** | | | | | | | | | | | | | |
| **Financial investments measured at amortised cost** | | | | | | | | | | | | | | | |
| Sovereign | 13 | **415,716** | - | - | - | - | **413,027** | **2,689** | - | | | | | | |
| **Gross carrying amount** | | **415,716** | - | - | - | - | **413,027** | **2,689** | - | | | | | | |
| Less: total expected credit loss for financial investments | 13 | **(21,834)** | | | | | | | | | | | | | |
| **Net carrying amount of financial investments measured at amortised cost** | | **393,882** | | | | | | | | | | | | | |
| **Financial investments at fair value through OCI** | | | | | | | | | | | | | | | |
| Sovereign | | **314** | - | - | - | - | - | **314** | - | | | | | | |
| **Gross carrying amount** | | **314** | - | - | - | - | - | **314** | - | | | | | | |
| Add: Fair value reserve relating to fair value adjustments (before the ECL balance) | 25 | **348** | | | | | | | | | | | | | |
| **Total financial investment at fair value through OCI** | 13 | **662** | | | | | | | | | | | | | |

# 4. Risk management (Continued)

## (b) Credit risk (continued)

### Credit quality per class of financial assets (continued)

| At 31 December 2024<br>Consolidated | Note | Gross Carrying amount |
|---|---|---|
| | | MKm |
| **Off-balance sheet exposures** | | |
| Letters of credit and banker's acceptances | 39 | **23,432** |
| Guarantees | 39 | **199,488** |
| **Total exposure to off-balance sheet credit risk** | | **222,920** |
| Expected credit losses for off-balance sheet exposures | 23 | **(1,299)** |
| **Net carrying amount of off-balance sheet exposures** | | **221,621** |
| **Total exposure to credit risk on financial assets subject to an expected credit loss** | | **1,228,168** |
| **Add the following other banking activities exposures not subject to ECL:** | | |
| Cash and balances held with the Central Bank | 8 | **197,187** |
| Derivative assets | 9 | **2,772** |
| Trading assets | 10 | **36,862** |
| Other financial assets | 15 | **13,201** |
| **Total exposure to credit risk** | | **1,478,190** |

## 4. Risk management (Continued)

### (b) Credit risk (continued)

**Credit quality per class of financial assets (continued)**

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset (gross) for credit risk related items, based on the Group's credit rating system.

| At 31 December 2023 Consolidated | Note | Gross Carrying amount MKm | SB 1 - 12 Stage 1 MKm | SB 1 - 12 Stage 2 MKm | SB 13 - 20 Stage 1 MKm | SB 13 - 20 Stage 2 MKm | SB 21 - 25 Stage 1 MKm | SB 21 - 25 Stage 2 MKm | Default Stage 3 MKm | Total gross carrying amount of default exposures MKm | Securities and expected recoveries on default exposures MKm | Interest in suspense on default exposures MKm | Balance sheet expected credit loss on default exposures MKm | Gross default coverage % | Non-performing exposures % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Loans and advances at amortised cost** | | | | | | | | | | | | | | | |
| ***PPB and BCB*** | | | | | | | | | | | | | | | |
| Mortgage loans | 12 | 7,630 | - | - | 5,643 | - | - | 1,697 | 290 | 290 | 38 | 12 | 240 | 87% | 4% |
| Vehicle and asset finance | 12 | 11,175 | - | - | 9,223 | - | - | 887 | 1,065 | 1,065 | 137 | 183 | 745 | 87% | 10% |
| Overdrafts | 12 | 16,127 | - | - | 14,789 | - | - | 845 | 493 | 493 | 174 | 69 | 250 | 65% | 3% |
| Term loans | 12 | 157,786 | - | - | 130,024 | - | - | 19,791 | 7,971 | 7,971 | 910 | 791 | 6,270 | 89% | 5% |
| ***CIB*** | | | | | | | | | | | | | | | |
| Corporates | 12 | 119,681 | 7,370 | - | 83,071 | 16,515 | 12,563 | 162 | - | - | - | - | - | - | - |
| Banks and other financial institutions | 11 | 239,863 | - | - | - | - | 239,863 | - | - | - | - | - | - | - | - |
| **Gross carrying amount** | | 552,262 | 7,370 | - | 242,750 | 16,515 | 252,426 | 23,382 | 9,819 | 9,819 | 1,259 | 1,055 | 7,505 | 87% | 2% |
| Less: Interest in suspense | 12 | (1,055) | | | | | | | | | | | | | |
| Less: Total expected credit losses for loans and advances | 11,12 | (17,168) | | | | | | | | | | | | | |
| **Net carrying amount of loans and advances measured at amortised cost** | | 534,039 | | | | | | | | | | | | | |
| **Financial investments measured at amortised cost** | | | | | | | | | | | | | | | |
| Sovereign | 13 | 343,339 | - | - | - | - | 200,928 | 142,411 | - | | | | | | |
| **Gross carrying amount** | | 343,339 | - | - | - | - | 200,928 | 142,411 | - | | | | | | |
| Less: total expected credit loss for financial investments | 13 | (9,154) | | | | | | | | | | | | | |
| **Net carrying amount of financial investments measured at amortised cost** | | 334,185 | | | | | | | | | | | | | |
| **Financial investments at fair value through OCI** | | | | | | | | | | | | | | | |
| Sovereign | | 329 | - | - | - | - | - | 329 | - | | | | | | |
| **Gross carrying amount** | | 329 | - | - | - | - | - | 329 | - | | | | | | |
| Add: Fair value reserve relating to fair value adjustments (before the ECL balance) | 25 | 345 | | | | | | | | | | | | | |
| **Total financial investment at fair value through OCI** | 13 | 674 | | | | | | | | | | | | | |

# 4. Risk management (Continued)

## (b) Credit risk (continued)

### Credit quality per class of financial assets (continued)

| At 31 December 2023<br>Consolidated | Note | Gross Carrying amount |
|---|---|---|
| | | MKm |
| **Off-balance sheet exposures** | | |
| Letters of credit and banker's acceptances | 39 | 21,208 |
| Guarantees | 39 | 84,442 |
| **Total exposure to off-balance sheet credit risk** | | 105,650 |
| Expected credit losses for off-balance sheet exposures | 23 | (1,642) |
| **Net carrying amount of off-balance sheet exposures** | | 104,008 |
| **Total exposure to credit risk on financial assets subject to an expected credit loss** | | 972,906 |
| **Add the following other banking activities exposures not subject to ECL:** | | |
| Cash and balances held with the Central Bank | 8 | 152,232 |
| Derivative assets | 9 | 798 |
| Trading assets | 10 | 22,644 |
| Other financial assets | 15 | 10,894 |
| **Total exposure to credit risk** | | 1,159,474 |

## 4. Risk management (Continued)

### (b) Credit risk (continued)

### Credit quality per class of financial assets (continued)

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset (gross) for credit risk related items, based on the Group's credit rating system.

| At 31 December 2024 Separate | Note | Gross Carrying amount | SB 1 - 12 Stage 1 | SB 1 - 12 Stage 2 | SB 13 - 20 Stage 1 | SB 13 - 20 Stage 2 | SB 21 - 25 Stage 1 | SB 21 - 25 Stage 2 | Default Stage 3 | Total gross carrying amount of default exposures | Securities and expected recoveries on default exposures | Interest in suspense on default exposures | Balance sheet expected credit loss on default exposures | Gross default coverage | Non-performing exposures |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | % | % |
| **Loans and advances at amortised cost** | | | | | | | | | | | | | | | |
| ***PPB and BCB*** | | | | | | | | | | | | | | | |
| Mortgage loans | 12 | **7,576** | **-** | **-** | **5,659** | **-** | **-** | **1,019** | **898** | **898** | **345** | **100** | **453** | **62%** | **12%** |
| Vehicle and asset finance | 12 | **16,293** | **-** | **-** | **14,349** | **-** | **-** | **373** | **1,571** | **1,571** | **158** | **526** | **887** | **90%** | **10%** |
| Overdrafts | 12 | **28,077** | **6,988** | **-** | **12,424** | **-** | **-** | **4,180** | **4,485** | **4,485** | **-** | **180** | **4,305** | **100%** | **16%** |
| Term Loans | 12 | **180,323** | **-** | **-** | **149,503** | **-** | **-** | **14,439** | **16,381** | **16,381** | **6,713** | **1,276** | **8,392** | **59%** | **9%** |
| ***CIB*** | | | | | | | | | | | | | | | |
| Corporates | 12 | **174,689** | **43,201** | **-** | **103,088** | **9,843** | **5,553** | **12,966** | **38** | **38** | **-** | **-** | **38** | **100%** | **-** |
| Banks and other financial institutions | 11 | **230,703** | **-** | **-** | **-** | **-** | **230,703** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Gross carrying amount** | | **637,661** | **50,189** | **-** | **285,023** | **9,843** | **236,256** | **32,977** | **23,373** | **23,373** | **7,216** | **2,082** | **14,075** | **69%** | **4%** |
| Less: Interest in suspense | 12 | **(2,082)** | | | | | | | | | | | | | |
| Less: Total expected credit losses for loans and advances | 11,12 | **(26,613)** | | | | | | | | | | | | | |
| **Net carrying amount of loans and advances measured at amortised cost** | | **608,966** | | | | | | | | | | | | | |
| **Financial investments measured at amortised cost** | | | | | | | | | | | | | | | |
| Sovereign | 13 | **415,716** | **-** | **-** | **-** | **-** | **413,027** | **2,689** | **-** | | | | | | |
| **Gross carrying amount** | | **415,716** | **-** | **-** | **-** | **-** | **413,027** | **2,689** | **-** | | | | | | |
| Less: total expected credit loss for financial investments | 13 | **(21,834)** | | | | | | | | | | | | | |
| **Net carrying amount of financial investments measured at amortised cost** | | **393,882** | | | | | | | | | | | | | |
| **Financial investments at fair value through OCI** | | | | | | | | | | | | | | | |
| Sovereign | | **314** | **-** | **-** | **-** | **-** | **-** | **314** | **-** | | | | | | |
| **Gross carrying amount** | | **314** | **-** | **-** | **-** | **-** | **-** | **314** | **-** | | | | | | |
| Add: Fair value reserve relating to fair value adjustments (before the ECL balance) | 25 | **348** | | | | | | | | | | | | | |
| **Total financial investment at fair value through OCI** | 13 | **662** | | | | | | | | | | | | | |

# 4. Risk management (Continued)

## (b) Credit risk (continued)

### Credit quality per class of financial assets (continued)

| At 31 December 2024<br>Separate | Note | Gross Carrying amount |
|---|---|---|
| | | MKm |
| **Off-balance sheet exposures** | | |
| Letters of credit and banker's acceptances | 39 | **23,432** |
| Guarantees | 39 | **199,488** |
| **Total exposure to off-balance sheet credit risk** | | **222,920** |
| Expected credit losses for off-balance sheet exposures | 23 | **(1,299)** |
| **Net carrying amount of off-balance sheet exposures** | | **221,621** |
| **Total exposure to credit risk on financial assets subject to an expected credit loss** | | **1,225,131** |
| **Add the following other banking activities exposures not subject to ECL:** | | |
| Cash and balances held with the Central Bank | 8 | **196,951** |
| Derivative assets | 9 | **2,772** |
| Trading assets | 10 | **36,862** |
| Other financial assets | 15 | **13,545** |
| **Total exposure to credit risk** | | **1,475,261** |

# 4. Risk management (Continued)

## (b) Credit risk (continued)

### Credit quality per class of financial assets (continued)

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset (gross) for credit risk related items, based on the Group's credit rating system.

| At 31 December 2023 Separate | Note | Gross Carrying amount | SB 1 - 12 | | SB 13 - 20 | | SB 21 - 25 | | Default | Total gross carrying amount of default exposures | Securities and expected recoveries on default exposures | Interest in suspense on default exposures | Balance sheet expected credit loss on default exposures | Gross default coverage | Non-performing exposures |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 3 | | | | | | |
| | | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm | % | % |
| **Loans and advances at amortised cost** | | | | | | | | | | | | | | | |
| ***PPB and BCB*** | | | | | | | | | | | | | | | |
| Mortgage loans | 12 | 7,630 | - | - | 5,643 | - | - | 1,697 | 290 | 290 | 38 | 12 | 240 | 87% | 4% |
| Vehicle and asset finance | 12 | 11,175 | - | - | 9,223 | - | - | 887 | 1,065 | 1,065 | 137 | 183 | 745 | 87% | 10% |
| Overdrafts | 12 | 16,127 | - | - | 14,789 | - | - | 845 | 493 | 493 | 174 | 69 | 250 | 65% | 3% |
| Term loans | 12 | 157,786 | - | - | 130,024 | - | - | 19,791 | 7,971 | 7,971 | 910 | 791 | 6,270 | 89% | 5% |
| ***CIB*** | | | | | | | | | | | | | | | |
| Corporates | 12 | 119,681 | 7,370 | - | 83,071 | 16,515 | 12,563 | 162 | - | - | - | - | - | - | - |
| Banks and other financial institutions | 11 | 239,670 | - | - | - | - | 239,670 | - | - | - | - | - | - | - | - |
| **Gross carrying amount** | | 552,069 | 7,370 | - | 242,750 | 16,515 | 252,233 | 23,382 | 9,819 | 9,819 | 1,259 | 1,055 | 7,505 | 87% | 2% |
| Less: Interest in suspense | 12 | (1,055) | | | | | | | | | | | | | |
| Less: Total expected credit losses for loans and advances | 11,12 | (17,168) | | | | | | | | | | | | | |
| **Net carrying amount of loans and advances measured at amortised cost** | | 533,846 | | | | | | | | | | | | | |
| **Financial investments measured at amortised cost** | | | | | | | | | | | | | | | |
| Sovereign | 13 | 343,339 | - | - | - | - | 200,928 | 142,411 | - | | | | | | |
| **Gross carrying amount** | | 343,339 | - | - | - | - | 200,928 | 142,411 | - | | | | | | |
| Less: total expected credit loss for financial investments | 13 | (9,154) | | | | | | | | | | | | | |
| **Net carrying amount of financial investments measured at amortised cost** | | 334,185 | | | | | | | | | | | | | |
| **Financial investments at fair value through OCI** | | | | | | | | | | | | | | | |
| Sovereign | | 329 | - | - | - | - | - | 329 | - | | | | | | |
| **Gross carrying amount** | | 329 | - | - | - | - | - | 329 | - | | | | | | |
| Add: Fair value reserve relating to fair value adjustments (before the ECL balance) | 25 | 345 | | | | | | | | | | | | | |
| **Total financial investment at fair value through OCI** | 13 | 674 | | | | | | | | | | | | | |

# 4. Risk management (Continued)

## (b) Credit risk (continued)

### Credit quality per class of financial assets (continued)

| At 31 December 2023<br>Separate | Note | Gross Carrying amount<br>MKm |
|---|---|---|
| **Off-balance sheet exposures** | | |
| Letters of credit and banker's acceptances | 39 | 21,208 |
| Guarantees | 39 | 84,442 |
| **Total exposure to off-balance sheet credit risk** | | 105,650 |
| Expected credit losses for off-balance sheet exposures | 23 | (1,642) |
| **Net carrying amount of off-balance sheet exposures** | | 104,008 |
| **Total exposure to credit risk on financial assets subject to an expected credit loss** | | 972,713 |
| **Add the following other banking activities exposures:** | | |
| Cash and balances held with the Central Bank | 8 | 152,118 |
| Derivative assets | 9 | 798 |
| Trading assets | 10 | 22,644 |
| Other financial assets | 15 | 10,935 |
| **Total exposure to credit risk** | | 1,159,208 |

The fair value of collateral that the Group holds relating to loans individually determined to be impaired at 31 December 2024 amounts to **MK7,216 million** (2023: MK1,259 million). The collateral consists of securities, mortgages over property and guarantees. The gross carrying amount for modifications during the reporting period that resulted in no economic gain or loss was **MK5,337 million** (2023: MK 16,859 million). Refer to note 12.2 for further details.

# 4. Risk management (Continued)

## (b) Credit risk (continued)

### Credit quality per class of financial assets (continued)

Description of collateral held as security and other credit enhancements, in respect of the exposures.

The Group has holds mortgages over property, registered securities and guarantees as collateral within the following classes:

| 31 December 2024<br>Consolidated<br>Financial assets | Maximum exposure to credit risk MKm | Cash MKm | 3rd party/ government guarantees MKm | Property MKm | Other MKm | Surplus Collateral MKm | Total Collateral MKm | Net Exposure MKm | % of exposure subject to collateral requirements | Associated ECL MKm |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash and balances with central banks** | 197,187 | - | - | - | - | - | - | 197,187 | 0.00% | - |
| **Due from banks and other financial institutions** | 233,758 | - | - | - | - | - | - | 233,758 | 0.00% | 98 |
| **Loans and advances to customers** | | | | | | | | | | |
| Corporate and Investment Banking | 174,689 | - | - | 33,059 | 33,672 | - | 66,731 | 107,958 | 38.20% | 5,182 |
| Business and Commercial Banking | 83,687 | 361 | 36,791 | 50,171 | 48,273 | (51,909) | 135,596 | - | 100.00% | 10,746 |
| Personal and Private Banking | 148,582 | 61 | - | 18,190 | 6,902 | - | 25,153 | 123,429 | 16.93% | 10,605 |
| | 406,958 | 422 | 36,791 | 101,420 | 88,847 | (51,909) | 227,480 | 231,387 | | 26,533 |
| **Financial investments at amortised cost** | 415,716 | - | - | - | - | - | - | 415,716 | 0.00% | 21,834 |
| **Total financial assets at amortised cost** | 1,253,619 | 422 | 36,791 | 101,420 | 88,847 | (51,909) | 227,480 | 1,078,048 | | 48,465 |
| **Derivative financial instruments** | 2,772 | - | - | - | - | - | - | 2,772 | 0.00% | - |
| **Financial assets held for trading** | 36,862 | - | - | - | - | - | - | 36,862 | 0.00% | - |
| **Total financial instruments at fair value through profit or loss** | 39,634 | - | - | - | - | - | - | 39,634 | | - |
| **Debt Instruments at fair value through OCI** | 662 | - | - | - | - | - | - | 662 | 0.00% | 2 |
| **Total debt instruments at fair value through OCI** | 662 | - | - | - | - | - | - | 662 | | 2 |
| | 1,293,915 | 422 | 36,791 | 101,420 | 88,847 | (51,909) | 227,480 | 1,118,344 | | 48,467 |
| **Financial Guarantees** | 199,488 | 21,333 | 154,934 | - | - | - | 176,267 | 23,221 | 88.36% | 1,043 |
| **Letters of Credit for Customers** | 23,432 | 12,302 | - | - | - | - | 12,302 | 11,130 | 52.50% | 256 |
| | 222,920 | 33,635 | 154,934 | - | - | - | 188,569 | 34,351 | | 1,299 |
| | 1,516,835 | 34,057 | 191,725 | 101,420 | 88,847 | (51,909) | 416,049 | 1,152,695 | | 49,766 |

# 4. Risk management (Continued)

## (b) Credit risk (continued)

### Credit quality per class of financial assets (continued)

Description of collateral held as security and other credit enhancements, in respect of the exposures.

The Group has holds mortgages over property, registered securities and guarantees as collateral within the following classes:

| 31 December 2023<br>Consolidated<br>Financial assets | Maximum exposure to credit risk MKm | Cash MKm | 3rd party/ government guarantees MKm | Property MKm | Other MKm | Surplus Collateral MKm | Total Collateral MKm | Net Exposure MKm | % of exposure subject to collateral requirements | Associated ECL MKm |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash and balances with central banks** | 152,232 | - | - | - | - | - | - | 152,232 | 0.00% | - |
| **Due from banks and other financial institutions** | 239,863 | - | - | - | - | - | - | 239,863 | 0.00% | 124 |
| **Loans and advances to customers** | | | | | | | | | | |
| Corporate and Investment Banking | 119,681 | - | - | 30,142 | 34,707 | - | 64,849 | 54,832 | 54.18% | 2,274 |
| Business and Commercial Banking | 75,638 | 894 | 49,687 | 48,418 | 41,380 | (64,741) | 140,379 | - | 100.00% | 6,746 |
| Personal and Private Banking | 117,080 | 32 | - | 17,805 | 6,421 | - | 24,258 | 92,822 | 20.72% | 8,024 |
| | 312,399 | 926 | 49,687 | 96,365 | 82,508 | (64,741) | 229,486 | 147,654 | | 17,044 |
| **Financial investments at amortised cost** | 343,339 | - | - | - | - | | - | 343,339 | 0.00% | 9,154 |
| **Total financial assets at amortised cost** | 1,047,833 | 926 | 49,687 | 96,365 | 82,508 | (64,741) | 229,486 | 883,088 | | 26,322 |
| **Derivative financial instruments** | 798 | - | - | - | - | - | - | 798 | 0.00% | - |
| **Financial assets held for trading** | 22,644 | - | - | - | - | - | - | 22,644 | 0.00% | - |
| **Total financial instruments at fair value through profit or loss** | 23,442 | - | - | - | - | - | - | 23,442 | | - |
| **Debt Instruments at fair value through OCI** | 674 | - | - | - | - | - | - | 674 | 0.00% | 19 |
| **Total debt instruments at fair value through OCI** | 674 | - | - | - | - | - | - | 674 | | 19 |
| | 1,071,949 | 926 | 49,687 | 96,365 | 82,508 | (64,741) | 229,486 | 907,204 | | 26,341 |
| **Financial Guarantees** | 84,442 | 1,371 | 78,286 | - | - | - | 79,657 | 4,785 | 94.33% | 1,443 |
| **Letters of Credit for Customers** | 21,208 | 3,371 | 15,070 | - | - | - | 18,441 | 2,767 | 86.95% | 199 |
| | 105,650 | 4,742 | 93,356 | - | - | - | 98,098 | 7,552 | | 1,642 |
| | 1,177,599 | 5,668 | 143,043 | 96,365 | 82,508 | (64,741) | 327,584 | 914,756 | | 27,983 |

# 4. Risk management (Continued)

## (b) Credit risk (continued)

### Credit quality per class of financial assets (continued)

Description of collateral held as security and other credit enhancements, in respect of the exposures.

The Group has holds mortgages over property, registered securities and guarantees as collateral within the following classes:

| 31 December 2024 Separate Financial assets | Maximum exposure to credit risk MKm | Cash MKm | 3rd party/ government guarantees MKm | Property MKm | Other MKm | Surplus Collateral MKm | Total Collateral MKm | Net Exposure MKm | % of exposure subject to collateral requirements | Associated ECL MKm |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash and balances with central banks** | 196,951 | - | - | - | - | - | - | 196,951 | 0.00% | - |
| **Due from banks and other financial institutions** | 230,703 | - | - | - | - | - | - | 230,703 | 0.00% | 80 |
| **Loans and advances to customers** | | | | | | | | | | |
| Corporate and Investment Banking | 174,689 | - | - | 33,059 | 33,672 | - | 66,731 | 107,958 | 38.20% | 5,182 |
| Business and Commercial Banking | 83,687 | 361 | 36,791 | 50,171 | 48,273 | (51,909) | 135,596 | - | 100.00% | 10,746 |
| Personal and Private Banking | 148,582 | 61 | - | 18,190 | 6,902 | - | 25,153 | 123,429 | 16.93% | 10,605 |
| | 406,958 | 422 | 36,791 | 101,420 | 88,847 | (51,909) | 227,480 | 231,387 | | 26,533 |
| **Financial investments at amortised cost** | 415,716 | - | - | - | - | - | - | 415,716 | 0.00% | 21,834 |
| **Total financial assets at amortised cost** | 1,250,328 | 422 | 36,791 | 101,420 | 88,847 | (51,909) | 227,480 | 1,074,757 | | 48,447 |
| **Derivative financial instruments** | 2,772 | - | - | - | - | - | - | 2,772 | 0.00% | - |
| **Financial assets held for trading** | 36,862 | - | - | - | - | - | - | 36,862 | 0.00% | - |
| **Total financial instruments at fair value through profit or loss** | 39,634 | - | - | - | - | - | - | 39,634 | | - |
| **Debt Instruments at fair value through OCI** | 662 | - | - | - | - | - | - | 662 | 0.00% | 2 |
| **Total debt instruments at fair value through OCI** | 662 | - | - | - | - | - | - | 662 | | 2 |
| | 1,290,624 | 422 | 36,791 | 101,420 | 88,847 | (51,909) | 227,480 | 1,115,053 | | 48,449 |
| **Financial Guarantees** | 199,488 | 21,333 | 154,934 | - | - | - | 176,267 | 23,221 | 88.36% | 1,043 |
| **Letters of Credit for Customers** | 23,432 | 12,302 | - | - | - | - | 12,302 | 11,130 | 52.50% | 256 |
| | 222,920 | 33,635 | 154,934 | - | - | - | 188,569 | 34,351 | | 1,299 |
| | 1,513,544 | 34,057 | 191,725 | 101,420 | 88,847 | (51,909) | 416,049 | 1,149,404 | | 49,748 |

# 4. Risk management (Continued)

## (b) Credit risk (continued)

### Credit quality per class of financial assets (continued)

Description of collateral held as security and other credit enhancements, in respect of the exposures.

The Group has holds mortgages over property, registered securities and guarantees as collateral within the following classes:

| 31 December 2023<br>Separate<br>Financial assets | Maximum exposure to credit risk<br>MKm | Cash<br>MKm | 3rd party/ government guarantees<br>MKm | Property<br>MKm | Other<br>MKm | Surplus Collateral<br>MKm | Total Collateral<br>MKm | Net Exposure<br>MKm | % of exposure subject to collateral requirements | Associated ECL<br>MKm |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash and balances with central banks** | 152,118 | - | - | - | - | - | - | 152,118 | 0.00% | - |
| **Due from banks and other financial institutions** | 239,670 | - | - | - | - | - | - | 239,670 | 0.00% | 124 |
| **Loans and advances to customers** | | | | | | | | | | |
| Corporate and Investment Banking | 119,681 | - | - | 30,142 | 34,707 | - | 64,849 | 54,832 | 54.18% | 2,274 |
| Business and Commercial Banking | 75,638 | 894 | 49,687 | 48,418 | 41,380 | (64,741) | 140,379 | - | 100.00% | 6,746 |
| Personal and Private Banking | 117,080 | 32 | | 17,805 | 6,421 | - | 24,258 | 92,822 | 20.72% | 8,024 |
| | 312,399 | 926 | 49,687 | 96,365 | 82,508 | (64,741) | 229,486 | 147,654 | 0.00% | 17,044 |
| **Financial investments at amortised cost** | 343,339 | - | - | - | - | - | - | 343,339 | 0.00% | 9,154 |
| **Total financial assets at amortised cost** | 1,047,526 | 926 | 49,687 | 96,365 | 82,508 | (64,741) | 229,486 | 882,781 | | 26,322 |
| **Derivative financial instruments** | 798 | - | - | - | - | - | - | 798 | 0.00% | - |
| **Financial assets held for trading** | 22,644 | - | - | - | - | - | - | 22,644 | 0.00% | - |
| **Total financial instruments at fair value through profit or loss** | 23,442 | - | - | - | - | - | - | 23,442 | | - |
| **Debt Instruments at fair value through OCI** | 674 | - | - | - | - | - | - | 674 | 0.00% | 19 |
| **Total debt instruments at fair value through OCI** | 674 | - | - | - | - | - | - | 674 | | 19 |
| | 1,071,642 | 926 | 49,687 | 96,365 | 82,508 | (64,741) | 229,486 | 906,897 | | 26,341 |
| **Financial Guarantees** | 84,442 | 1,371 | 78,286 | - | - | - | 79,657 | 4,785 | 94.33% | 1,443 |
| **Letters of Credit for Customers** | 21,208 | 3,371 | 15,070 | - | - | - | 18,441 | 2,767 | 86.95% | 199 |
| | 105,650 | 4,742 | 93,356 | - | - | - | 98,098 | 7,552 | | 1,642 |
| | 1,177,292 | 5,668 | 143,043 | 96,365 | 82,508 | (64,741) | 327,584 | 914,449 | | 27,983 |

# 4. Risk management (Continued)

## (b) Credit risk (continued)

### Credit quality per class of financial assets (continued)

Description of collateral held as security and other credit enhancements, in respect of the exposures.

| The Group holds mortgages over property, registered securities and guarantees as collateral within the following classes: | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| **Collateral demanded** | | |
| Residential property | **1,809** | 2,011 |
| Commercial property | **350** | 2,710 |
| Vehicle and asset finance | **263** | 1,154 |
| Other (machinery) | **203** | 35 |
| | **2,625** | 5,910 |

Collateral includes:

- financial securities that have a tradable market, such as shares and other securities.
- physical items, such as property, plant and equipment.
- financial guarantees, suretyships and intangible assets.

The Group's collateral valuation guidelines outline general requirements covering the valuation of collateral received to mitigate credit risk, specifically related to non-trading limits and exposures and are designed to facilitate a consistent valuation approach to Banking Book Collateral. Credit assessments focus on appropriateness, suitability and recovery of assets proposed and held as collateral. Collateral is regularly verified and treated as a potential loss given default mitigant when there is satisfaction on its value and the Group's legal right to take control and realise such collateral to offset exposures. As at 31 December 2024, guarantees dominated the collateral portfolio in CIB and property in PPB and BCB.

The unsecured loans and advances in PPB and BCB were comprised mostly of the personal loan segment.

There have been no significant changes in the quality of collateral during the year.

It is the Group's policy to dispose off repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

### Net exposure to credit risk without taking into account any collateral or other credit enhancements

In respect of certain financial assets, the Group has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling net, or of realising the financial assets and settling the financial liabilities simultaneously. Consequently, the financial assets are not offset against the respective financial liabilities for financial reporting purposes as there are no master netting arrangements for any of the exposures. However, the exposure to credit risk relating to the respective financial assets is mitigated as follows:

| | | At 31 December 2024 | | |
|---|---|---|---|---|
| **Consolidated** | **Note** | **Carrying amount MKm** | **Offset MKm** | **Net exposure to credit risk MKm** |
| Cash and balances held with the Central Bank | 8 | **197,187** | **-** | **197,187** |
| Derivative assets | 9 | **2,772** | **-** | **2,772** |
| Trading assets | 10 | **36,862** | **-** | **36,862** |
| Loans and advances to banks and other financial institutions | 11 | **233,660** | **-** | **233,660** |
| Loans and advances to customers | 12 | **378,343** | **(422)** | **377,921** |
| Financial investments | 13 | **394,544** | **-** | **394,544** |
| Other assets | 15 | **13,201** | **-** | **13,201** |
| | | **1,256,569** | **(422)** | **1,256,147** |

# 4. Risk management (Continued)

## (b) Credit risk (continued)

**Net exposure to credit risk without taking into account any collateral or other credit enhancements (continued)**

**At 31 December 2023**

| Consolidated | Note | Carrying amount MKm | Offset MKm | Net exposure to credit risk MKm |
|---|---|---|---|---|
| Cash and balances held with the Central Bank | 8 | 152,232 | - | 152,232 |
| Derivative assets | 9 | 798 | - | 798 |
| Trading assets | 10 | 22,644 | - | 22,644 |
| Loans and advances to banks and other financial institutions | 11 | 239,739 | - | 239,739 |
| Loans and advances to customers | 12 | 294,300 | (926) | 293,374 |
| Financial investments | 13 | 334,859 | - | 334,859 |
| Other assets | 15 | 10,894 | - | 10,894 |
| | | 1,055,466 | (926) | 1,054,540 |

**At 31 December 2024**

| Separate | Note | Carrying amount MKm | Offset MKm | Net exposure to credit risk MKm |
|---|---|---|---|---|
| Cash and balances held with the Central Bank | 8 | **196,951** | **-** | **196,951** |
| Derivative assets | 9 | **2,772** | **-** | **2,772** |
| Trading assets | 10 | **36,862** | **-** | **36,862** |
| Loans and advances to banks and other financial institutions | 11 | **230,623** | **-** | **230,623** |
| Loans and advances to customers | 12 | **378,343** | **(422)** | **377,921** |
| Financial investments | 13 | **394,544** | **-** | **394,544** |
| Other assets | 15 | **13,545** | **-** | **13,545** |
| | | **1,253,640** | **(422)** | **1,253,218** |

**At 31 December 2023**

| Separate | Note | Carrying amount MKm | Offset MKm | Net exposure to credit risk MKm |
|---|---|---|---|---|
| Cash and balances held with the Central Bank | 8 | 152,118 | - | 152,118 |
| Derivative assets | 9 | 798 | - | 798 |
| Trading assets | 10 | 22,644 | - | 22,644 |
| Loans and advances to banks and other financial institutions | 11 | 239,546 | - | 239,546 |
| Loans and advances to customers | 12 | 294,300 | (926) | 293,374 |
| Financial investments | 13 | 334,859 | - | 334,859 |
| Other assets | 15 | 10,935 | - | 10,935 |
| | | 1,055,200 | (926) | 1,054,274 |

## Impaired loans and advances to customers

For the definition of impaired loans and advances, see overleaf.

The table below sets out a reconciliation of changes in the carrying amount of impaired loans and advances to customers.

| | Consolidated and Separate 2024 MKm | 2023 MKm |
|---|---|---|
| **Impaired loans and advances to customers at 1 January** | **9,819** | 6,456 |
| Classified as impaired during the year | **21,819** | 8,929 |
| Transferred to not impaired during the year | **(5,358)** | (1,168) |
| Amount written off | **(2,907)** | (4,398) |
| **Impaired loans and advances to customers at 31 December** | **23,373** | 9,819 |

# 4. Risk management (Continued)

**(b) Credit risk (continued)**

## Credit portfolio characteristics and metrics in terms of IFRS 9

### Default

The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).The Group will not rebut IFRS 9's 90 days past due rebuttable presumption.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- a breach of contract, such as default or delinquency in interest and/or principal payments
- disappearance of active market due to financial difficulties
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

| | | Consolidated and Separate | |
|---|---|---|---|
| **Loans and advances to customers** | | **2024** | 2023 |
| | **Note** | **MKm** | MKm |
| **Segmental analysis – industry** | | | |
| Agriculture | | **95,990** | 86,554 |
| Construction | | **25,052** | 8,134 |
| Energy | | **9,310** | 7,381 |
| Finance, real estate and other business services | | **6,601** | 5,917 |
| Individuals, community, social and personal services | | **150,519** | 122,319 |
| Manufacturing | | **46,407** | 9,086 |
| Transport, storage and communication | | **40,217** | 39,402 |
| Wholesale | | **32,862** | 33,606 |
| | 12 | **406,958** | 312,399 |

Economic sector risk concentrations within the customer loan portfolio were as follows:

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| Agriculture | **24%** | 28% |
| Construction | **6%** | 3% |
| Energy | **2%** | 2% |
| Finance, real estate and other business services | **2%** | 2% |
| Individuals, community, social and personal services | **37%** | 39% |
| Manufacturing | **11%** | 3% |
| Transport, storage and communication | **10%** | 13% |
| Wholesale | **8%** | 10% |
| | **100%** | 100% |

# 4. Risk management (Continued)

## (b) Credit risk (continued)

Industry segmental analysis for stage 3 loans and advances to customers

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| Agriculture | **130** | 103 |
| Construction | **11,957** | 1,662 |
| Energy | **1,243** | 124 |
| Finance, real estate and other business services | **2** | 56 |
| Individuals, community, social and personal services | **6,343** | 4,805 |
| Manufacturing | **967** | 862 |
| Transport, storage and communication | **1,100** | 614 |
| Wholesale | **1,631** | 1,593 |
| | **23,373** | 9,819 |

The risk that counterparties to trading instruments might default on their obligations is monitored on an on-going basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and the volatility of the fair value of trading instruments.

To manage the level of credit risk, the Group deals with counterparties of good credit standing, enters into master netting agreements whenever possible, and when appropriate, obtains collateral. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

## (c) Liquidity risk

Liquidity risk arises from exposure to daily calls on the Group's cash resources. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

### Management of liquidity risk

The Group has access to a diverse funding base. Funds are raised mainly from deposits and shareholders. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business objectives. In addition the Group holds a portfolio of liquid assets as part of its liquidity risk management strategy.

### Structural liquidity risk management

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. Structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of balance sheet items in order to highlight potential risks within the company's defined liquidity risk thresholds. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis with active management intervention if potential limit breaches are evidenced. The behaviourally adjusted cumulative liquidity mismatch remains within the Group's liquidity risk appetite.

### Maturity analysis of financial assets and liabilities by contractual maturity

The table below analyses financial assets and liabilities into relevant maturity rankings based on the remaining period at 31 December 2024 to the contractual maturity date on a discounted basis.

| **At 31 December 2024** | | **Up to 1 month** | **1-3 months** | **3-12 months** | **Over 1 Year** | **Undated** | **Total** |
|---|---|---|---|---|---|---|---|
| **Consolidated** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Assets** | | | | | | | |
| Cash and balances held with the Central Bank | 8 | **197,187** | **-** | **-** | **-** | **-** | **197,187** |
| Derivative assets | 9 | **2,047** | **725** | **-** | **-** | **-** | **2,772** |
| Trading assets | 10 | **13** | **36,849** | **-** | **-** | **-** | **36,862** |
| Gross loans and advances to banks and other financial institutions | 11 | **161,466** | **54,792** | **17,500** | **-** | **-** | **233,758** |
| Gross loans and advances to customers | 12 | **28,948** | **59,069** | **110,020** | **208,921** | **-** | **406,958** |
| Gross financial Investments | 13 | **66,118** | **108,163** | **239,330** | **2,767** | **355** | **416,733** |
| Other assets | 15 | **13,201** | **-** | **-** | **-** | **-** | **13,201** |
| **Total assets** | | **468,980** | **259,598** | **366,850** | **211,688** | **355** | **1,307,471** |

# 4. Risk management (Continued)

## (c) Liquidity risk (continued)

### Maturity analysis of financial assets and liabilities by contractual maturity (continued)

| At 31 December 2024 | | Up to 1 month | 1-3 months | 3-12 months | Over 1 Year | Undated | Total |
|---|---|---|---|---|---|---|---|
| **Consolidated** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Liabilities** | | | | | | | |
| Derivative liabilities | 9 | **562** | **246** | **-** | **-** | **-** | **808** |
| Deposits and loans from banks | 19 | **24,789** | **12,009** | **1,754** | **-** | **-** | **38,552** |
| Deposits from customers | 20 | **917,263** | **8,399** | **2,295** | **77** | **-** | **928,034** |
| Other liabilities | 21 | **63,594** | **90** | **453** | **596** | **-** | **64,733** |
| **Total liabilities** | | **1,006,208** | **20,744** | **4,502** | **673** | **-** | **1,032,127** |
| **On balance sheet liquidity gap** | | **(537,228)** | **238,854** | **362,348** | **211,015** | **355** | **275,344** |
| **Off balance sheet exposures** | | | | | | | |
| Letters of credit and guarantees | 39 | **31,936** | **34,829** | **115,556** | **40,599** | **-** | **222,920** |
| **Total off balance sheet exposures** | | **31,936** | **34,829** | **115,556** | **40,599** | **-** | **222,920** |
| **Total liquidity gap (on and off balance sheet)** | | **(569,164)** | **204,025** | **246,792** | **170,416** | **355** | **52,424** |

| At 31 December 2023 | | Up to 1 month | 1-3 months | 3-12 months | Over 1 Year | Undated | Total |
|---|---|---|---|---|---|---|---|
| **Consolidated** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Assets** | | | | | | | |
| Cash and balances held with the Central Bank | 8 | 152,232 | - | - | - | - | 152,232 |
| Derivative assets | 9 | 209 | 589 | - | - | - | 798 |
| Trading assets | 10 | - | 22,644 | - | - | - | 22,644 |
| Gross loans and advances to banks and other financial institutions | 11 | 213,857 | 26,006 | - | - | - | 239,863 |
| Gross loans and advances to customers | 12 | 40,861 | 22,578 | 66,618 | 182,342 | - | 312,399 |
| Gross financial investments | 13 | 70,037 | 207,934 | 51,520 | 14,522 | 160 | 344,173 |
| Other assets | 15 | 10,894 | - | - | - | - | 10,894 |
| **Total assets** | | 488,090 | 279,751 | 118,138 | 196,864 | 160 | 1,083,003 |
| **Liabilities** | | | | | | | |
| Derivative liabilities | 9 | 1,617 | - | - | - | - | 1,617 |
| Deposits and loans from banks | 19 | 21,569 | - | - | - | - | 21,569 |
| Deposits from customers | 20 | 789,784 | 204 | 48 | 603 | - | 790,639 |
| Other liabilities | 21 | 49,545 | 5 | 22 | 208 | - | 49,780 |
| **Total liabilities** | | 862,515 | 209 | 70 | 811 | - | 863,605 |
| **On balance sheet liquidity gap** | | (374,425) | 279,542 | 118,068 | 196,053 | 160 | 219,398 |
| **Off balance sheet exposures** | | | | | | | |
| Letters of credit and guarantees | 39 | 13,179 | 9,983 | 46,118 | 36,370 | - | 105,650 |
| **Total off balance sheet exposures** | | 13,179 | 9,983 | 46,118 | 36,370 | - | 105,650 |
| **Total liquidity gap (on and off balance sheet)** | | (387,604) | 269,559 | 71,950 | 159,683 | 160 | 113,748 |

# 4. Risk management (Continued)

## (c) Liquidity risk (continued)

### Maturity analysis of financial assets and liabilities by contractual maturity (continued)

| At 31 December 2024 | | Up to 1 month | 1-3 months | 3 -12 months | Over 1 Year | Undated | Total |
|---|---|---|---|---|---|---|---|
| **Separate** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Assets** | | | | | | | |
| Cash and balances held with the Central Bank | 8 | **196,951** | **-** | **-** | **-** | **-** | **196,951** |
| Derivative assets | 9 | **2,047** | **725** | **-** | **-** | **-** | **2,772** |
| Trading assets | 10 | **13** | **36,849** | **-** | **-** | **-** | **36,862** |
| Gross loans and advances to banks and other financial institutions | 11 | **159,459** | **53,744** | **17,500** | **-** | **-** | **230,703** |
| Gross loans and advances to customers | 12 | **28,948** | **59,069** | **110,020** | **208,921** | **-** | **406,958** |
| Gross financial investments | 13 | **66,118** | **108,163** | **239,330** | **2,767** | **355** | **416,733** |
| Other assets | 15 | **13,545** | **-** | **-** | **-** | **-** | **13,545** |
| **Total assets** | | **467,081** | **258,550** | **366,850** | **211,688** | **355** | **1,304,524** |
| **Liabilities** | | | | | | | |
| Derivative liabilities | 9 | **562** | **246** | **-** | **-** | **-** | **808** |
| Deposits and loans from banks | 19 | **24,789** | **12,009** | **1,754** | **-** | **-** | **38,552** |
| Deposits from customers | 20 | **923,300** | **8,399** | **2,295** | **77** | **-** | **934,071** |
| Other liabilities | 21 | **63,591** | **90** | **453** | **596** | **-** | **64,730** |
| **Total liabilities** | | **1,012,242** | **20,744** | **4,502** | **673** | **-** | **1,038,161** |
| **On balance sheet liquidity gap** | | **(545,161)** | **237,806** | **362,348** | **211,015** | **355** | **266,363** |
| **Off balance sheet exposures** | | | | | | | |
| Letters of credit and guarantees | 39 | **31,936** | **34,829** | **115,556** | **40,599** | **-** | **222,920** |
| **Total off balance sheet exposures** | | **31,936** | **34,829** | **115,556** | **40,599** | **-** | **222,920** |
| **Total liquidity gap (on and off balance sheet)** | | **(577,097)** | **202,977** | **246,792** | **170,416** | **355** | **43,443** |

## 4. Risk management (Continued)

### (c) Liquidity risk (continued)

**Maturity analysis of financial assets and liabilities by contractual maturity (continued)**

| At 31 December 2023 | | Up to 1 month | 1-3 months | 3 -12 months | Over 1 Year | Undated | Total |
|---|---|---|---|---|---|---|---|
| **Separate** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Assets** | | | | | | | |
| Cash and balances held with the Central Bank | 8 | 152,118 | - | - | - | - | 152,118 |
| Derivative assets | 9 | 209 | 589 | - | - | - | 798 |
| Trading assets | 10 | - | 22,644 | - | - | - | 22,644 |
| Gross loans and advances to banks and other financial institutions | 11 | 213,664 | 26,006 | - | - | - | 239,670 |
| Gross loans and advances to customers | 12 | 40,861 | 22,578 | 66,618 | 182,342 | - | 312,399 |
| Gross financial investments | 13 | 70,037 | 207,934 | 51,520 | 14,522 | 160 | 344,173 |
| Other assets | 15 | 10,935 | - | - | - | - | 10,935 |
| **Total assets** | | 487,824 | 279,751 | 118,138 | 196,864 | 160 | 1,082,737 |
| **Liabilities** | | | | | | | |
| Derivative liabilities | 9 | 1,617 | - | - | - | - | 1,617 |
| Deposits and loans from banks | 19 | 21,569 | - | - | - | - | 21,569 |
| Deposits from customers | 20 | 796,269 | 204 | 48 | 603 | - | 797,124 |
| Other liabilities | 21 | 49,546 | 5 | 22 | 208 | - | 49,781 |
| **Total liabilities** | | 869,001 | 209 | 70 | 811 | - | 870,091 |
| **On balance sheet liquidity gap** | | (381,177) | 279,542 | 118,068 | 196,053 | 160 | 212,646 |
| **Off balance sheet exposures** | | | | | | | |
| Letters of credit and guarantees | 39 | 13,179 | 9,983 | 46,118 | 36,370 | - | 105,650 |
| **Total off balance sheet exposures** | | 13,179 | 9,983 | 46,118 | 36,370 | - | 105,650 |
| **Total liquidity gap (on and off balance sheet)** | | (394,356) | 269,559 | 71,950 | 159,683 | 160 | 106,996 |

The contractual liquidity gap shows the mismatch before any adjustments are made for product and customer behavioural assumptions. The Group's Asset and Liability Committee (ALCO) manages this mismatch by setting guidelines and limits for anticipated liquidity gaps and monitors these gaps daily.

Monitoring of liquidity risk using structural gaps is facilitated by the adoption of maximum mismatch tolerance limits appetite triggers and monitoring items.

Should there be breaches, the Group triggers the contingency funding plan to raise additional funding.

ALCO reviews the product and customer behavioural assumptions when there is indication that there is a shift in one or more of the variables.

## 4. Risk management (Continued)

### (c) Liquidity risk (continued)

**Analysis of financial assets and liabilities by remaining contractual maturities (continued)**

The table below summarizes the remaining contractual maturities of the Group's non-derivative financial assets and liabilities based on undiscounted cashflows:

| At 31 December 2024 | | Redeemable on demand | Maturing within 1 month | Maturing after 1 month but within 6 months | Maturing after 6 months but within 12 months | Maturing over 1 year | Undated | Gross nominal inflow/(outflow) | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| **Consolidated** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Non-derivative financial assets** | | | | | | | | | |
| Cash and balances held with the Central Bank | 8 | 197,187 | - | - | - | - | - | 197,187 | 197,187 |
| Trading assets | 10 | - | 14 | 40,012 | - | - | - | 40,026 | 36,862 |
| Gross loans and advances to banks and other financial institutions | 11 | 152,779 | 34,931 | 48,478 | - | - | - | 236,188 | 233,660 |
| Gross loans and advances to customers | 12 | 2,925 | 85,690 | 84,364 | 129,621 | 313,753 | - | 616,353 | 378,343 |
| Gross financial investments | 13 | - | 66,358 | 224,417 | 158,344 | 2,662 | 355 | 452,136 | 394,899 |
| Other assets | 15 | - | 13,201 | - | - | - | - | 13,201 | 13,201 |
| **Non-derivative financial liabilities** | | | | | | | | | |
| Deposits and loans from banks | 19 | (7,806) | (16,984) | (12,009) | (1,754) | - | - | (38,553) | (38,552) |
| Deposits from customers | 20 | (903,883) | (13,386) | (9,584) | (1,176) | (82) | - | (928,111) | (928,034) |
| Other liabilities | 21 | - | (63,594) | (90) | (453) | (596) | - | (64,733) | (64,733) |
| **Off balance sheet exposures** | | | | | | | | | |
| Letters of credit and guarantees | 39 | - | (31,936) | (95,637) | (54,748) | (40,599) | - | (222,920) | (222,920) |
| **Total non-derivative financial instruments** | | (558,798) | 74,294 | 279,951 | 229,834 | 275,138 | 355 | 300,774 | (87) |

# 4. Risk management (Continued)

## (c) Liquidity risk (continued)

### Analysis of financial assets and liabilities by remaining contractual maturities (continued)

The table below summarizes the remaining contractual maturities of the Group's derivative financial assets and liabilities based on undiscounted cash flows:

| At 31 December 2024 | | Redeemable on demand | Maturing within 1 month | Maturing after 1 month but within 6 months | Maturing after 6 month but within 12 months | Gross nominal inflow/(outflow) | Carrying amount |
|---|---|---|---|---|---|---|---|
| **Consolidated** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Derivative financial assets** | | | | | | | |
| **Derivative assets** | | | | | | | |
| Trading: | 9 | - | - | - | - | - | 2,772 |
| Inflow | | - | 25,786 | 7,123 | - | 32,909 | - |
| Outflow | | - | (23,600) | (6,311) | - | (29,911) | - |
| **Derivatives and trading liabilities** | | | | | | | |
| Trading: | 9 | - | - | - | - | - | (808) |
| Inflow | | - | 24,371 | 4,493 | - | 28,864 | - |
| Outflow | | - | (24,941) | (4,739) | - | (29,680) | - |
| **Total derivative financial instruments** | | - | 1,616 | 566 | - | 2,182 | 1,964 |

# 4. Risk management (Continued)

## (c) Liquidity risk (continued)

### Analysis of financial assets and liabilities by remaining contractual maturities (continued)

The table below summarizes the remaining contractual maturities of the Group's non derivative financial assets and liabilities based on undiscounted cashflows:

| At 31 December 2023 | | Redeemable on demand | Maturing within 1 month | Maturing after 1 month but within 6 months | Maturing after 6 months but within 12 months | Maturing over 1 year | Undated | Gross nominal inflow/(outflow) | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| **Consolidated** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Non-derivative financial assets** | | | | | | | | | |
| Cash and balances held with the Central Bank | 8 | 152,232 | - | - | - | - | - | 152,232 | 152,232 |
| Trading assets | 10 | - | - | 23,197 | - | - | - | 23,197 | 22,644 |
| Gross loans and advances to banks and other financial institutions | 11 | 103,876 | 110,452 | 27,132 | - | - | - | 241,460 | 239,739 |
| Gross loans and advances to customers | 12 | 10,427 | 44,279 | 52,782 | 45,223 | 294,047 | - | 446,758 | 294,300 |
| Gross financial investments | 13 | - | 69,702 | 242,482 | 25,822 | 14,848 | 160 | 353,014 | 335,019 |
| Other assets | 15 | - | 10,894 | - | - | - | - | 10,894 | 10,894 |
| **Non-derivative financial liabilities** | | | | | | | | | |
| Deposits and loans from banks | 19 | (21,570) | - | - | - | - | - | (21,570) | (21,569) |
| Deposits from customers | 20 | (796,791) | (108) | (223) | (35) | (637) | - | (797,794) | (790,639) |
| Other liabilities | 21 | - | (49,545) | (12) | (15) | (208) | - | (49,780) | (49,780) |
| **Off balance sheet exposures** | | | | | | | | | |
| Letters of credit and guarantees | 39 | - | (13,179) | (27,863) | (28,238) | (36,370) | - | (105,650) | (105,650) |
| **Total non-derivative financial instruments** | | (551,826) | 172,495 | 317,495 | 42,757 | 271,680 | 160 | 252,761 | 87,190 |

## 4. Risk management (Continued)

### (c) Liquidity risk (continued)

**Analysis of financial assets and liabilities by remaining contractual maturities (continued)**

The table below summarizes the remaining contractual maturities of the Group's derivative financial assets and liabilities based on undiscounted cash flows:

| At 31 December 2023 | | Redeemable on demand | Maturing within 1 month | Maturing after 1 month but within 6 months | Maturing after 6 month but within 12 months | Gross nominal inflow/(outflow) | Carrying amount |
|---|---|---|---|---|---|---|---|
| **Consolidated** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Derivative financial assets** | | | | | | | |
| **Derivative assets** | | | | | | | |
| Trading: | 9 | - | - | - | - | - | 798 |
| Inflow | | - | 6,970 | 14,849 | - | 21,819 | - |
| Outflow | | - | (6,746) | (14,107) | - | (20,853) | - |
| **Derivatives and trading liabilities** | | | | | | | |
| Trading: | 9 | - | - | - | - | - | (1,617) |
| Inflow | | - | 4,748 | - | - | 4,748 | - |
| Outflow | | - | (6,355) | - | - | (6,355) | - |
| **Total derivative financial instruments** | | - | (1,383) | 742 | - | (641) | (819) |

# 4. Risk management (Continued)

## (c) Liquidity risk (continued)

### Analysis of financial assets and liabilities by remaining contractual maturities (continued)

The table below summarizes the remaining contractual maturities of the Group's non-derivative financial assets and liabilities based on undiscounted cashflows:

| At 31 December 2024 | | Redeemable on demand | Maturing within 1 month | Maturing after 1 month but within 6 months | Maturing after 6 months but within 12 months | Maturing over 1 year | Undated | Gross nominal inflow/(outflow) | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| **Separate** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Non-derivative financial assets** | | | | | | | | | |
| Cash and balances held with the Central Bank | 8 | 196,951 | - | - | - | - | - | 196,951 | 196,951 |
| Trading assets | 10 | - | 14 | 40,012 | - | - | - | 40,026 | 36,862 |
| Gross loans and advances to banks and other financial institutions | 11 | 152,420 | 33,324 | 47,407 | - | - | - | 233,151 | 230,623 |
| Gross loans and advances to customers | 12 | 2,925 | 85,690 | 84,364 | 129,621 | 313,753 | - | 616,353 | 378,343 |
| Gross financial investments | 13 | - | 66,358 | 224,417 | 158,344 | 2,662 | 355 | 452,136 | 394,899 |
| Other assets | 15 | - | 13,545 | - | - | - | - | 13,545 | 13,545 |
| **Non-derivative financial liabilities** | | | | | | | | | |
| Deposits and loans from banks | 19 | (7,806) | (16,984) | (12,009) | (1,754) | - | - | (38,553) | (38,552) |
| Deposits from customers | 20 | (909,920) | (13,386) | (9,584) | (1,176) | (82) | - | (934,148) | (934,071) |
| Other liabilities | 21 | - | (63,591) | (90) | (453) | (596) | - | (64,730) | (64,730) |
| **Off balance sheet exposures** | | | | | | | | | |
| Letters of credit and guarantees | 39 | - | (31,936) | (95,637) | (54,748) | (40,599) | - | (222,920) | (222,920) |
| **Total non-derivative financial instruments** | | (565,430) | 73,034 | 278,880 | 229,834 | 275,138 | 355 | 291,811 | (9,050) |

# 4. Risk management (Continued)

## (c) Liquidity risk (continued)

### Analysis of financial assets and liabilities by remaining contractual maturities (continued)

The table below summarizes the remaining contractual maturities of the Group's derivative financial assets and liabilities based on undiscounted cash flows:

| At 31 December 2024 | | Redeemable on demand | Maturing within 1 month | Maturing after 1 month but within 6 months | Maturing after 6 month but within 12 months | Gross nominal inflow/(outflow) | Carrying amount |
|---|---|---|---|---|---|---|---|
| **Separate** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Derivative financial assets** | | | | | | | |
| **Derivative assets** | | | | | | | |
| Trading: | 9 | - | - | - | - | - | 2,772 |
| Inflow | | - | 25,786 | 7,123 | - | 32,909 | - |
| Outflow | | - | (23,600) | (6,311) | - | (29,911) | - |
| **Derivatives and trading liabilities** | | | | | | | |
| Trading: | 9 | - | - | - | - | - | (808) |
| Inflow | | - | 24,371 | 4,493 | - | 28,864 | - |
| Outflow | | - | (24,941) | (4,739) | - | (29,680) | - |
| **Total derivative financial instruments** | | - | 1,616 | 566 | - | 2,182 | 1,964 |

## 4. Risk management (Continued)

### (c) Liquidity risk (continued)

**Analysis of financial assets and liabilities by remaining contractual maturities (continued)**

The table below summarizes the remaining contractual maturities of the Group's non-derivative financial assets and liabilities based on undiscounted cashflows:

| At 31 December 2023 | | Redeemable on demand | Maturing within 1 month | Maturing after 1 month but within 6 months | Maturing after 6 months but within 12 months | Maturing over 1 year | Undated | Gross nominal inflow/(outflow) | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| **Separate** | **Note** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** | **MKm** |
| **Non-derivative financial assets** | | | | | | | | | |
| Cash and balances held with the Central Bank | 8 | 152,118 | - | - | - | - | - | 152,118 | 152,118 |
| Trading assets | 10 | - | - | 23,197 | - | - | - | 23,197 | 22,644 |
| Gross loans and advances to banks and other financial institutions | 11 | 103,683 | 110,452 | 27,132 | - | - | - | 241,267 | 239,546 |
| Gross loans and advances to customers | 12 | 10,427 | 44,279 | 52,782 | 45,223 | 294,047 | - | 446,758 | 294,300 |
| Gross financial investments | 13 | - | 69,702 | 242,482 | 25,822 | 14,848 | 160 | 353,014 | 335,019 |
| Other assets | 15 | - | 10,935 | - | - | - | - | 10,935 | 10,935 |
| **Non-derivative financial liabilities** | | | | | | | | | |
| Deposits and loans from banks | 19 | (21,570) | - | - | - | - | - | (21,570) | (21,569) |
| Deposits from customers | 20 | (803,276) | (108) | (223) | (35) | (637) | - | (804,279) | (797,124) |
| Other liabilities | 21 | - | (49,546) | (12) | (15) | (208) | - | (49,781) | (49,781) |
| **Off balance sheet exposures** | | | | | | | | | |
| Letters of credit and guarantees | 39 | - | (13,179) | (27,863) | (28,238) | (36,370) | - | (105,650) | (105,650) |
| **Total non-derivative financial instruments** | | (558,618) | 172,535 | 317,495 | 42,757 | 271,680 | 160 | 246,009 | 80,438 |

# 4. Risk management (Continued)

## (c) Liquidity risk (continued)

### Analysis of financial assets and liabilities by remaining contractual maturities (continued)

The table below summarizes the remaining contractual maturities of the Group's derivative financial assets and liabilities based on undiscounted cash flows:

| At 31 December 2023 | | Redeemable on demand | Maturing within 1 month | Maturing after 1 month but within 6 months | Maturing after 6 month but within 12 months | Gross nominal inflow/(outflow) | Carrying amount |
|---|---|---|---|---|---|---|---|
| Separate | Note | MKm | MKm | MKm | MKm | MKm | MKm |
| **Derivative financial assets** | | | | | | | |
| **Derivative assets** | | | | | | | |
| Trading: | 9 | - | - | - | - | - | 798 |
| Inflow | | - | 6,970 | 14,849 | - | 21,819 | - |
| Outflow | | - | (6,746) | (14,107) | - | (20,853) | - |
| **Derivatives and trading liabilities** | | | | | | | |
| Trading: | 9 | - | - | - | - | - | (1,617) |
| Inflow | | - | 4,748 | - | - | 4,748 | - |
| Outflow | | - | (6,355) | - | - | (6,355) | - |
| **Total derivative financial instruments** | | - | (1,383) | 742 | - | (641) | (819) |

# 4. Risk management (Continued)

## (d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and other price risk will affect the Group's income or the value of 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 Global Markets unit, 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.

All foreign exchange risk within the Group is transferred and sold down by the banking book. Accordingly, the foreign exchange position is treated as part of the Group's trading portfolios for risk management purposes.

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

### Exposure to market risks – Trading portfolios

The principal tool used to measure and control market risk exposure with the Group's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that would arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 95% confidence level and assumes a one-day holding period. The VaR Model used is based mainly on historical simulation taking account of market data from the one-year data or from at least 250 business days, and observed relationships between different markets and prices. The model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 95% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 5% probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature;
- The VaR measure is dependent upon the Group's position and the volatility of market prices; and
- The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The Group uses VaR limits for specific foreign exchange, present value (PV01) limit and other price risks. The overall structure of VaR limits is subject to review and approval by ALCO. VaR is measured at least daily. VaR limits are allocated to trading portfolios.

### (i) Exposure to market risk – Value at Risk

The Group applies a Value at Risk (VaR) methodology to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Assets and Liabilities Committee (ALCO) sets limits on the value of risk that may be acceptable for the Group, which are monitored on a daily basis by market risk.VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VaR estimate.

**Diversified normal VaR exposures (USD'000)**

| Desk name | High | Min | Average | 31-Dec-24 | Limit |
|---|---|---|---|---|---|
| Bank wide | **112** | **41** | **73** | **51** | **162** |
| Forex trading | **107** | **41** | **70** | **50** | **111** |
| Money markets trading | **10** | **0** | **5** | **6** | **77** |

| Desk name | High | Min | Average | 31-Dec-23 | Limit |
|---|---|---|---|---|---|
| Bank wide | 143 | 60 | 91 | 63 | 168 |
| Forex trading | 144 | 60 | 90 | 62 | 115 |
| Money markets trading | 20 | 0.2 | 7 | 2 | 80 |

### Stress tests

Stress testing is done to augment other risk measures that are used by the Group, such as VaR and market risk factor sensitivities (e.g. PV01's). These stress scenarios are typically used to highlight exposures that may not be explicitly incorporated by the VaR calculations. Such tests provide an indication of the potential size of losses that could arise in extreme market conditions. The stress tests carried out by the Group include: cross market stress testing where stress movements are applied to each risk factor across different markets and interest rate hypothetical stress testing where stress movements are applied to different interest rate scenarios

# 4. Risk management (Continued)

## (d) Market risk (continued)

**Diversified Stress VaR exposures (USD'000)**

| Desk name | High | Min | Average | 31-Dec-24 | Limit |
|---|---|---|---|---|---|
| Bank wide * | **811** | **195** | **425** | **205** | **2,181** |
| Forex trading | **562** | **84** | **292** | **85** | **1,412** |
| Money markets trading | **806** | **7** | **293** | **184** | **1,049** |

| Desk name | High | Min | Average | 31-Dec-23 | Limit |
|---|---|---|---|---|---|
| Bank wide * | 879 | 377 | 581 | 467 | 2,266 |
| Forex trading | 876 | 382 | 560 | 469 | 1,467 |
| Money markets trading | 848 | 9 | 281 | 48 | 1,090 |

* = combined represents VAR for forex trading and money markets trading

As VaR constitutes an integral part of the Group's market risk control regime, VaR limits are established by the Board of Directors (the Board) annually for all trading non trading portfolios. Actual exposure against limits, together with a consolidated group wide VaR, is reviewed daily by Bank's treasury and market risk

The Stress VaR model is based upon a 99% confidence level and assumes a ten-day holding period. The model used is based on historical simulation taking account of market data from five-year data or from at least 1,250 business days.

The quality of the VaR model is continuously monitored by back testing the VaR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VaR distribution are investigated.

### Sensitivity analysis for each type of market risk

#### Interest rate risk

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit or loss in local currency:

| Consolidated and separate | Increase/(decrease) in basis points | Sensitivity of net interest income MKm |
|---|---|---|
| **2024** | | |
| | **350** | **13,451** |
| | **(350)** | **(16,326)** |

| Consolidated and separate | | |
|---|---|---|
| **2023** | | |
| | 350 | 16,987 |
| | (350) | (14,011) |

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's equity in local currency:

| Consolidated and separate | Increase/(decrease) in basis points | Sensitivity of equity MKm |
|---|---|---|
| **2024** | | |
| | **350** | **(5)** |
| | **(350)** | **5** |

| Consolidated and separate | | |
|---|---|---|
| **2023** | | |
| | 350 | (7) |
| | (350) | 7 |

To reflect the volatile interest rate environment, the relative change in interest rates are measured monthly by calculating a market calibrated shock using the historic volatility over a period of five years, with a 95% confidence interval, assuming a holding period of one month. This calculation is then used to determine the quantum of an upward and downward parallel interest rate shock and as such rate shocks are subject to change from time to time.

# 4. Risk management (Continued)

## (d) Market risk (continued)

### Interest rate gap analysis

The table below summarises the exposure to interest rate risks. Included in the table are the Group's gross assets and liabilities categorised by the earlier of contractual re-pricing or maturity dates. The Group does not bear an interest rate risk on unrecognized financial instruments.

| Consolidated At 31 December 2024 | Note | Up to 1 Month MKm | 1-3 months MKm | 3-12 months MKm | Over 1 Year MKm | Non rate sensitive MKm | Total MKm |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Gross loans and advances to banks and other financial institutions | 11 | 230,423 | 1,048 | - | - | 2,287 | 233,758 |
| Gross loans and advances to customers | 12 | 370,828 | - | - | - | 36,130 | 406,958 |
| Gross financial investments | 13 | 60,921 | 103,302 | 219,118 | 2,621 | 30,771 | 416,733 |
| **Total assets** | | 662,172 | 104,350 | 219,118 | 2,621 | 69,188 | 1,057,449 |
| **Liabilities** | | | | | | | |
| Deposits and loans from banks | 19 | 8,689 | - | - | - | 29,863 | 38,552 |
| Deposits from customers | 20 | 498,369 | - | 1,105 | 4,845 | 423,715 | 928,034 |
| **Total liabilities** | | 507,058 | - | 1,105 | 4,845 | 453,578 | 966,586 |
| **Interest sensitivity gap** | | 155,114 | 104,350 | 218,013 | (2,224) | (384,390) | 90,863 |

| Consolidated At 31 December 2023 | Note | Up to 1 Month MKm | 1-3 months MKm | 3-12 months MKm | Over 1 Year MKm | Non rate sensitive MKm | Total MKm |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Gross loans and advances to banks and other financial institutions | 11 | 239,848 | - | - | - | 15 | 239,863 |
| Gross loans and advances to customers | 12 | 287,906 | - | - | - | 24,493 | 312,399 |
| Gross financial investments | 13 | 247,799 | 26,359 | 34,002 | 68 | 35,945 | 344,173 |
| **Total assets** | | 775,553 | 26,359 | 34,002 | 68 | 60,453 | 896,435 |
| **Liabilities** | | | | | | | |
| Deposits and loans from banks | 19 | - | - | - | 1,327 | 20,242 | 21,569 |
| Deposits from customers | 20 | 423,737 | 1,980 | 1,063 | 4,655 | 359,204 | 790,639 |
| **Total liabilities** | | 423,737 | 1,980 | 1,063 | 5,982 | 379,446 | 812,208 |
| **Interest sensitivity gap** | | 351,816 | 24,379 | 32,939 | (5,914) | (318,993) | 84,227 |

| Separate At 31 December 2024 | Note | Up to 1 Month MKm | 1-3 months MKm | 3-12 months MKm | Over 1 Year MKm | Non rate sensitive MKm | Total MKm |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Gross loans and advances to banks and other financial institutions | 11 | 228,804 | - | - | - | 1,899 | 230,703 |
| Gross loans and advances to customers | 12 | 370,828 | - | - | - | 36,130 | 406,958 |
| Gross financial investments | 13 | 60,921 | 103,302 | 219,118 | 2,621 | 30,771 | 416,733 |
| **Total assets** | | 660,553 | 103,302 | 219,118 | 2,621 | 68,800 | 1,054,394 |
| **Liabilities** | | | | | | | |
| Deposits and loans from banks | 19 | 8,689 | - | - | - | 29,863 | 38,552 |
| Deposits from customers | 20 | 501,535 | - | 1,105 | 4,845 | 426,586 | 934,071 |
| **Total liabilities** | | 510,224 | - | 1,105 | 4,845 | 456,449 | 972,623 |
| **Interest sensitivity gap** | | 150,329 | 103,302 | 218,013 | (2,224) | (387,649) | 81,771 |

| Separate At 31 December 2023 | Note | Up to 1 Month MKm | 1-3 months MKm | 3-12 months MKm | Over 1 Year MKm | Non rate sensitive MKm | Total MKm |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Gross loans and advances to banks and other financial institutions | 11 | 239,655 | - | - | - | 15 | 239,670 |
| Gross loans and advances to customers | 12 | 287,906 | - | - | - | 24,493 | 312,399 |
| Gross financial investments | 13 | 247,799 | 26,359 | 34,002 | 68 | 35,945 | 344,173 |
| **Total assets** | | 775,360 | 26,359 | 34,002 | 68 | 60,453 | 896,242 |
| **Liabilities** | | | | | | | |
| Deposits and loans from banks | 19 | - | - | - | 1,327 | 20,242 | 21,569 |
| Deposits from customers | 20 | 430,222 | 1,980 | 1,063 | 4,655 | 359,204 | 797,124 |
| **Total liabilities** | | 430,222 | 1,980 | 1,063 | 5,982 | 379,446 | 818,693 |
| **Interest sensitivity gap** | | 345,138 | 24,379 | 32,939 | (5,914) | (318,993) | 77,549 |

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios.

The Group has an Interest Rate of the Banking Book (IRRBB) policy which it refers to when managing interest rate risk of the banking book. IRRBB refers to the current or prospective risk to the Group's capital and earnings arising from adverse movements in interest rates that affect the Group's banking book positions. When interest rates change, the present value and timing of future cash flows change.

## 4. Risk management (Continued)

### (e) Currency risk

This risk relates to the exposure of the Group's foreign exchange position to adverse movements in foreign exchange rates. These movements may impact on the Group's future cash flows. The Group manages this risk by adhering to internally set limits and those set by the Reserve Bank of Malawi. Transactions that require the Group to guarantee the provision of foreign currency in future are only undertaken where the Group is certain that foreign currency will be available.

In respect of monetary assets and liabilities in foreign currency, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.
The Group had the following significant foreign currency positions (all amounts expressed in millions of Malawi Kwacha):

**Consolidated**

| At 31 December 2024 | USD | GBP | Euro | ZAR | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 4,702 | 33 | 27 | 8 | 4,770 |
| Loans and advances to banks and other financial institutions | 123,329 | 7,815 | 10,470 | 4,959 | 146,573 |
| Loans and advances to customers | 70,118 | - | - | - | 70,118 |
| Other assets | 1,698 | 128 | 485 | 18,972 | 21,283 |
| Derivative assets | 4,318 | - | - | - | 4,318 |
| **Total assets** | 204,165 | 7,976 | 10,982 | 23,939 | 247,062 |
| **Liabilities** | | | | | |
| Deposits and loans from banks | 804 | - | 32 | 12 | 848 |
| Deposits from customers | 143,488 | 7,301 | 9,705 | 980 | 161,474 |
| Other liabilities | 47,766 | 580 | 455 | 22,938 | 71,739 |
| **Total liabilities** | 192,058 | 7,881 | 10,192 | 23,930 | 234,061 |
| **Net position** | 12,107 | 95 | 790 | 9 | 13,001 |

**Consolidated**

| At 31 December 2023 | USD | GBP | Euro | ZAR | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 6,956 | 42 | 604 | 30 | 7,632 |
| Loans and advances to banks and other financial institutions | 174,663 | 9,049 | 12,050 | 5,385 | 201,147 |
| Loans and advances to customers | 53,808 | 4 | 2,022 | 1,621 | 57,455 |
| Other assets | 1,490 | 178 | 1,831 | 6,044 | 9,543 |
| Derivative assets | 9,955 | - | - | - | 9,955 |
| **Total assets** | 246,872 | 9,273 | 16,507 | 13,080 | 285,732 |
| **Liabilities** | | | | | |
| Deposits and loans from banks | 11,677 | - | 2,016 | 1,631 | 15,324 |
| Deposits from customers | 182,913 | 8,751 | - | 600 | 192,264 |
| Other liabilities | 39,648 | 483 | 14,474 | 10,769 | 65,374 |
| **Total liabilities** | 234,238 | 9,234 | 16,490 | 13,000 | 272,962 |
| **Net position** | 12,634 | 39 | 17 | 80 | 12,770 |

**Separate**

| At 31 December 2024 | USD | GBP | Euro | ZAR | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 4,652 | 33 | 13 | 5 | 4,703 |
| Loans and advances to banks and other financial institutions | 123,329 | 7,815 | 10,470 | 4,959 | 146,573 |
| Loans and advances to customers | 70,118 | - | - | - | 70,118 |
| Other assets | 1,698 | 128 | 485 | 18,972 | 21,283 |
| Derivative assets | 4,318 | - | - | - | 4,318 |
| **Total assets** | 204,115 | 7,976 | 10,968 | 23,936 | 246,995 |
| **Liabilities** | | | | | |
| Deposits and loans from banks | 804 | - | 801 | 12 | 1,617 |
| Deposits from customers | 146,467 | 7,368 | 9,705 | 980 | 164,520 |
| Other liabilities | 47,766 | 580 | 455 | 22,938 | 71,739 |
| **Total liabilities** | 195,037 | 7,948 | 10,961 | 23,930 | 237,876 |
| **Net position** | 9,078 | 28 | 7 | 6 | 9,119 |

## 4. Risk management (Continued)

### (e) Currency risk (continued)

**Separate**

| At 31 December 2023 | USD | GBP | Euro | ZAR | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 6,953 | 41 | 601 | 27 | 7,622 |
| Loans and advances to banks and other financial institutions | 174,663 | 9,049 | 12,050 | 5,385 | 201,147 |
| Loans and advances to customers | 53,808 | 4 | 2,022 | 1,621 | 57,455 |
| Other assets | 1,490 | 178 | 1,831 | 6,044 | 9,543 |
| Derivative assets | 9,955 | - | - | - | 9,955 |
| **Total assets** | 246,869 | 9,272 | 16,504 | 13,077 | 285,722 |
| **Liabilities** | | | | | |
| Deposits and loans from banks | 11,677 | - | 2,023 | 1,631 | 15,331 |
| Deposits from customers | 184,557 | 8,753 | - | 600 | 193,910 |
| Other liabilities | 39,648 | 483 | 14,474 | 10,769 | 65,374 |
| **Total liabilities** | 235,882 | 9,236 | 16,497 | 13,000 | 274,615 |
| **Net position** | 10,987 | 36 | 7 | 77 | 11,107 |

### Foreign currency sensitivity analysis

The foreign currency risk sensitivity analysis below reflects the expected financial impact in Kwacha equivalent resulting from a **10%** (2023:10%) shock to foreign currency risk exposures, with respect to derivative financial instruments, foreign denominated balances and accruals.

The sensitivity analysis reflects the sensitivity to profit or loss and equity on the Group's foreign denominated exposures with all variables held constant.

All amounts expressed below are in millions of Malawi Kwacha.

**Consolidated**

| At 31 December 2024 | USD | GBP | Euro | ZAR | Total |
|---|---|---|---|---|---|
| **Sensitivity** | | | | | |
| **Total net long/(short) position** | **12,107** | **95** | **790** | **9** | **13,001** |
| **Impact of 10% weakening of the Kwacha on profit or loss and equity** | **1,211** | **10** | **79** | **1** | **1,300** |
| **Impact of 10% strengthening of the Kwacha on profit or loss and equity** | **(1,211)** | **(10)** | **(79)** | **(1)** | **(1,300)** |

**At 31 December 2023**

| Sensitivity | USD | GBP | Euro | ZAR | Total |
|---|---|---|---|---|---|
| **Total net long/(short) position** | 12,634 | 39 | 17 | 80 | 12,770 |
| **Impact of 10% weakening of the Kwacha on profit or loss and equity** | 1,263 | 4 | 2 | 8 | 1,277 |
| **Impact of 10% strengthening of the Kwacha on profit or loss and equity** | (1,263) | (4) | (2) | (8) | (1,277) |

# 4. Risk management (Continued)

## (e) Currency risk (continued)

**Separate**

| At 31 December 2024 | USD | GBP | Euro | ZAR | Total |
|---|---|---|---|---|---|
| **Sensitivity** | | | | | |
| **Total net long/(short) position** | **9,078** | **28** | **7** | **6** | **9,119** |
| **Impact of 10% weakening of the Kwacha on profit or loss and equity** | **908** | **3** | **1** | **1** | **912** |
| **Impact of 10% strengthening of the Kwacha on profit or loss and equity** | **(908)** | **(3)** | **(1)** | **(1)** | **(912)** |
| **At 31 December 2023** | | | | | |
| **Sensitivity** | | | | | |
| **Total net long/(short) position** | 10,987 | 36 | 7 | 77 | 11,107 |
| **Impact of 10% weakening of the Kwacha on profit or loss and equity** | 1,099 | 4 | 1 | 8 | 1,111 |
| **Impact of 10% strengthening of the Kwacha on profit or loss and equity** | (1,099) | (4) | (1) | (8) | (1,111) |

## (f) 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 management of this risk is done through the implementation of an Operational Risk Management (ORM) Policy and Framework. The ORM model involves use of risk tables, risk control self-assessments, key risk indicators, incident management, audit findings, compliance reports, information risk management, loss control programmes and business continuity management. Audits and routine control (or operational integrity) processes provide an independent assurance on the adequacy and effectiveness of the management of operational risk, including, but not limited to, the processes, systems and controls.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by the Internal Audit Department. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Operational risk disclosures are not within the scope of IFRS 7 as such the information in the section is unaudited.

## (g) Compliance risk

Compliance is an independent core risk management activity, the head of which also has unrestricted access to the Chief Executive and the Chairperson of the Board. The Group is subject to extensive supervisory and regulatory regimes, and the executive management remains responsible for overseeing the management of the Group's compliance risk.

Money laundering control and occupational health and safety (including aspects of environmental risk management) are managed within the compliance function and there are increasingly onerous legislative requirements being imposed in both these areas. The Group has adopted anti-money laundering policies including Know Your Customer policies and procedures and adheres to the country's anti-money laundering legislation and the Reserve Bank of Malawi's regulations/directives.

The management of compliance risk has become a distinct discipline within the Group's overall risk management framework. Ultimate responsibility for this risk lies with the Board of Directors. A combination of key activities are undertaken to manage the risk such as identifying the regulatory universe and developing compliance management plans, training staff and other stakeholders on relevant regulatory requirements, and monitoring compliance. Compliance with the Know-Your-Customer and Anti-money Laundering procedures and legislation remains an area of major focus for the Group. The Group has a dedicated Money Laundering Control Officer who consults the country's Financial Intelligence Unit on money laundering and anti-terrorist financing matters.

### (1) Statutory requirements

In accordance with the Banking Act, the Reserve Bank of Malawi has established the following requirements as at the reporting date:

### (i) Liquidity reserve requirement

The Group is required to maintain a liquidity reserve amount with the Reserve Bank of Malawi, in cash and/or with registered discount houses, calculated on a biweekly basis, of not less than **10%** of local and **3.75%** of foreign currency deposits (2023: 7.75% of local currency deposits and 3.75% foreign currency deposits) of the preceding two weeks' average total deposit liabilities. The Group complied with the liquidity reserve requirement in 2024. In the last two weeks of December 2024, the liquidity reserve was **19.19%** (2023: 16.29%) of average customer deposits.

### (ii) Capital adequacy requirement

The Group's available capital is required to be a minimum of **15%** (2023: 15%) of risk weighted assets and contingent liabilities. As at 31 December 2024, the Group's available capital was **24.11%** (2023: 23.62%) of its risk weighted assets and contingent liabilities. The Group has complied with this requirement during the year.

# 4. Risk management (Continued)

**(g) Compliance risk (continued)**

## (1) Statutory requirements (continued)

### (iii) Expected credit losses

Expected credit losses in accordance with Reserve Bank of Malawi guidelines amounts to **MK52 billion** (2023: MK29 billion). The amount of expected credit losses (including interest in suspense) included in the consolidated and separate financial statements in accordance with IFRS 9 is **MK52 billion** (2023: MK29 billion).

## (2) Prudential aspects of the Group's liquidity

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

### Liquidity ratio

Net liquidity (total liquid assets less suspense account in foreign currency) divided by total deposits must be at least 25%.

The Group complied with the liquidity ratio requirements in 2024. At 31 December 2024, the Group's liquidity ratio was **74.25%** (2023: 67.64%).

Implementing current capital requirements of the Reserve Bank of Malawi requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The Group calculates requirements for market risk in its trading portfolios based upon the Group's VaR models and uses its internal grading as the basis for risk weightings for credit risk.

The Group has access to a diverse funding base. Funds are raised mainly from deposits and shareholders. This enhances funding flexibility, limits dependence on any one source of funds while lowering the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required for meeting business objectives. In addition, the Group holds a portfolio of liquid assets as part of its liquidity risk management strategy.

### Capital management

Reserve Bank of Malawi sets and monitors the capital requirements for the Group. In implementing current capital requirements, the Reserve Bank of Malawi requires the Group to maintain a minimum ratio of **15%** (2023:15%) of total capital to risk-weighted assets. The Group's regulatory capital is analysed in two parts:

**Tier I** capital, which includes ordinary share capital, share premium, retained earnings, and other regulatory reserve after taking out 50% of investment in a subsidiary, deferred tax assets, 50% investment in the capital of other banks and financial institutions; and:

**Tier II** capital, which includes share revaluation reserve investment revaluation reserve, property revaluation reserve and loan loss reserve after taking out 50% of investment in a subsidiary.

The calculations of both the above ratios is shown below:

| | 2024 MKm | 2023 MKm |
|---|---|---|
| **Tier 1 capital** | | |
| Share capital and share premium | **8,726** | 8,726 |
| Retained earnings and other reserves | **210,055** | 142,690 |
| **Total tier 1 capital** | **218,781** | 151,416 |
| **Tier 2 capital** | | |
| Revaluation reserve on property, loan loss reserve less 50% of investment in a subsidiary | **22,500** | 17,593 |
| **Total tier 2 capital** | **22,500** | 17,593 |
| **Total regulatory capital** | **241,281** | 169,009 |
| **Risk weighted assets** | **1,000,788** | 715,389 |
| **Capital ratios** | | |
| **Total regulatory capital expressed as a percentage of total risk weighted assets** | **24.11%** | 23.62% |
| **Total Tier 1 capital expressed as a percentage of total risk weighted assets** | **21.86%** | 21.17% |

The Group has complied with all capital management requirements during the year ended 31 December 2024.

# 5. Accounting estimates and judgements

Management discussed with the Board Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

### Key sources of estimates and uncertainty

Note 4(b) contains information about the assumptions and their risk factors relating to provision for loan losses. In notes 4(c), 4(d) and 4(e) detailed analysis is given of the exposure to liquidity risk, interest rates and currency risk respectively. Detailed analysis of fair value measurement is disclosed in more detail on note 7.

### (i) Expected credit loss (ECL) on financial assets - IFRS 9 drivers

#### ECL measurement period

#### For the purpose of determining the ECL:

- The PPB and BCB portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio.
- CIB exposures are calculated separately based on rating models for each of the asset classes.

#### ECL measurement period

- The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset for CIB exposures if the remaining lifetime is less than 12-months).
- A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- Lifetimes include consideration for multiple default events, i.e. where defaulted exposures cure and then subsequently re-default. This consideration increases the lifetime periods and the potential ECL.
- The measurement periods for unutilised loan commitments utilise the same approach as on-balance-sheet exposures.

#### Significant increase in credit risk (SICR) and low credit risk

#### PPB and BCB

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk.

The Group also determines an appropriate transfer rate of exposures from stage 1 to stage 2 by taking into account the expected levels of arrears status for similar exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR throughout the life of the exposure and consequently facilitate appropriate impairment coverage. Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

#### CIB

The Group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the Group's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the group's master rating scale as investment grade (within credit risk grade 1 - 12 of the group's 25-point master rating scale) are assessed for SICR at each reporting date but are considered to be of a low credit risk customer. To determine whether a client's credit risk has increased significantly since origination, the Group would need to determine the extent of the change in credit risk using the table below.

| Group master rating scale band | SICR trigger (from origination) |
|---|---|
| SB 1 - 12 | Low credit risk |
| SB 13 - 20 | 3 rating or more |
| SB 21 - 25 | 1 rating or more |

#### Incorporation of forward looking information in ECL measurement

The Group determines the macroeconomic outlook, over a planning horizon of at least three years, based on the Group's global outlook and its global view of commodities.

For PPB and BCB these forward-looking economic expectations are included in the ECL where adjustments are made based on the Group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the Group's macro-economic outlook expectations. In addition to forward-looking macroeconomic information, other types of FLI, such as specific event risk, have been taken into account in ECL estimates when required, through the application of out-of-model adjustment.

The Group's macroeconomic outlooks are incorporated in CIB's client rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the Group's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

#### Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the Group's internal credit risk management approach and definitions. Whilst the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Group has not rebutted IFRS 9's 90 days past due rebuttable presumption.

#### Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. VAF, homes loans, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan;
- and at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with no reasonable expectations of recovery of the asset, or a portion thereof.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

# 5. Accounting estimates and judgements (Continued)

**(i) Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)**

## Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). In the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Group's CIB or PPB and BCB Credit Governance Committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset conditions.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

## The Group's forward-looking economic expectations were applied in the determination of the ECL at the reporting date:

A range of base, bullish and bearish forward-looking economic expectations were determined, as at 31 December 2024, for inclusion in the Group's forward-looking process and ECL calculation.

## Expectations about the Malawi economy

### Base Case

Private consumption will likely continue to face headwinds. However, a modest rebound in private spending is expected to propel real GDP growth in 2025, from an estimated 1.8% in 2024 to 2.2% year on year. Shortage of hard currency is likely to keep limiting GDP growth. The manufacturing and service sectors will likely be supported by an anticipated stabilization of the electricity supply as new power plants, primarily solar and wind, come online.

Recovery in agricultural growth is anticipated starting in 2025, assuming better weather and reduction in fertilizer costs. However, La Nina weather patterns could bring persistent floods and pose negative risks. Growth in export revenue will be supported by increased tobacco production and the anticipated restart of uranium mining at the inactive Kayelekera mine in late 2025 or early 2026. The government has raised public-sector compensation, raising the wage bill beyond the 6% of GDP that was originally planned in the 2024 budget allocation, since rising inflation has reduced real wages. Only after the 2025 election and when inflation starts to decline later in the projection period is when progress in reducing the wage bill is anticipated.

The Reserve Bank of Malawi will likely continue to employ deficit monetization in 2024 and 2025 due to the significant fiscal deficit. Given the inflationary nature of the high money supply growth, the lack of progress in implementing policy reforms, and the rigidity of the exchange rate, there is a chance that the IMF might end the current extended credit facility (ECF), possibly with a new program in place after the elections of 2025.

Since it started its tightening cycle in May 2022, the RBM has increased the policy rate by a total of 1,400 basis points to 26%. Inflation will likely continue to rise in 2024 and 2025 as a result of deficit monetization and high food and energy prices. This will eventually cause the policy rate to remain higher for longer.

### Bull case

The positive growth outlook for Malawi is predicated on a more robust reform momentum under this scenario. The health of Malawi's public finances would significantly improve as the government successfully enact significant fiscal reforms.

The bull case forecasts a stronger economic recovery, with GDP growth driven by meaningful improvements to electricity production with positive slipover impact on other sectors. In this scenario, there are more donor inflows supporting stronger economic development. Current account transfers help to enhance the Balance of Payment position. This, paired with increased external borrowings, would increase foreign exchange (FX) reserves. Ample FX reserves would provide the RBM scope to supply the onshore market with FX while keeping the market liquid.

The inflation trajectory is lower than in the base case. Inflation is under control, owing to a more stable currency rate and a plentiful food supply. As the economy recovers and output gaps close, the Monetary Policy Committee will be more confident in cutting the policy rate. In this scenario, the stronger economic recovery supports an improvement in state finances.

### Bear case

A more bearish scenario would entail minimal fiscal consolidation progress in the upcoming years.
Investor confidence in Malawian policymakers would be damaged if the IMF decided to stop providing financial assistance to Malawi due to a lackluster reform movement and large spending overruns. Under this scenario, Malawi would be shut out from external funding, and foreign aid and foreign direct investment (FDI) would decline. It is highly likely that Malawian authorities would turn to unconventional economic policies, such as the monetization of budget deficits, considering the country's severe financing constraints.

High inflation would become the norm, depressing consumer demand. Externally, shocks related to geopolitics would affect the outlook. An increasingly competitive and fragmented global geopolitical landscape is made more complex by the Israel-Hamas conflict. Onshore FX liquidity circumstances deteriorate, and the currency faces significant upward pressure.

The inflation trajectory is higher than in the base case. A faster rate of currency depreciation contributes to headline inflation, with food inflation rising as climate change impact disrupts food supplies. The MPC raises the policy rate at a faster pace than under base which has an impact on the recovery. However, the second-round inflationary pressures caused by fuel price increases may be long-lasting. Even though the exchange rate would have been corrected, further unanticipated changes represent an upside risk to non-food inflation.

## Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the allowances for credit losses on loans. For each scenario namely, the base case, bullish and bearish scenario, the average values of the factors over the next 12 months and over the remaining forecast period are presented below.

| 2024 Macroeconomic factors | Base scenario Next 12 months | Base scenario Remaining forecast period | Bearish scenario Next 12 months | Bearish scenario Remaining forecast period | Bullish scenario Next 12 months | Bullish scenario Remaining forecast period |
|---|---|---|---|---|---|---|
| Inflation rate | **30.07** | **14.41** | **36.32** | **17.91** | **26.32** | **10.66** |
| Policy rate | **26.00** | **18.46** | **28.00** | **20.46** | **24.50** | **16.46** |
| 3 month treasury bill rate | **14.00** | **10.92** | **16.00** | **13.50** | **12.00** | **8.92** |
| 6 month treasury bill rate | **18.00** | **14.63** | **22.00** | **20.33** | **16.00** | **12.63** |
| Exchange rate | **2,345.66** | **3,277.87** | **2,457.35** | **3,926.15** | **1,762.66** | **1,791.10** |
| Real GDP | **2.20** | **3.47** | **1.20** | **2.84** | **2.85** | **4.12** |

1 The remaining forecast period is 2026 to 2028.
2 2025 - The scenario weighing is: Base at 50%, Bull at 10% and Bear at 40%
3 2024 - The scenario weighing is: Base at 50%, Bull at 5% and Bear at 45%

## 5. Accounting estimates and judgements (Continued)

### (i) Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)

#### Main macroeconomic factors (continued)

| 2023 | Base scenario | | Bearish scenario | | Bullish scenario | |
|---|---|---|---|---|---|---|
| Macroeconomic factors | Next 12 months | Remaining forecast period | Next 12 months | Remaining forecast period | Next 12 months | Remaining forecast period |
| Inflation rate | 31.53 | 16.38 | 34.77 | 20.88 | 27.75 | 12.63 |
| Policy rate | 26.50 | 18.46 | 28.50 | 20.46 | 24.50 | 16.46 |
| 3 month treasury bill rate | 17.20 | 12.49 | 20.20 | 15.49 | 15.20 | 10.49 |
| 6 month treasury bill rate | 20.50 | 15.79 | 23.50 | 18.79 | 18.50 | 13.79 |
| Exchange rate | 2,211.90 | 2,894.71 | 2,230.49 | 3,337.42 | 1,830.08 | 1,982.75 |
| Real GDP | 2.00 | 3.87 | 1.50 | 3.20 | 2.65 | 4.52 |

1 The remaining forecast period is 2025 to 2027
2 2024 - The scenario weighing is: Base at 50%, Bull at 5% and Bear at 45%
3 2023 - The scenario weighing is: Base at 50%, Bull at 10% and Bear at 40%

#### Sensitivity analysis of CIB forward-looking impact on ECL provision

Management assessed and considered the sensitivity of the provision against the forward-looking economic conditions and scenarios. It should be noted that CIB impairment methodology is based primarily on client specific risk metrics, and that the incorporation of forward-looking macro-economic information is only a single component and/or driver of reported expected credit losses. Therefore, this sensitivity analysis should in no way be viewed as the total sensitivity inherent within the CIB ECL provision.

Rating reviews of each client are performed at least annually, and this process entails credit analysts completing a credit scorecard and incorporating forward-looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting provision for the individual client. Therefore, the impact of forward-looking economic conditions is embedded into the total provision for each client and cannot be stressed or separated out of the overall provision.

#### Sensitivity analysis of PPB and BCB allowances for credit losses on non-impaired loans

The following table shows a comparison of the Group's allowances for credit losses on non-impaired exposures under IFRS 9 as at 31 December 2024 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Change of total PPB and BCB provisions on loans and advances | | Change of total PPB and BCB provisions on loans and advances | |
| | MKm | % | MKm | % |
| **Forward looking impact on IFRS 9 provision** | **1,907** | | 2,377 | |
| Scenarios | | | | |
| 100% Base | **1,719** | **(10%)** | 2,237 | (6%) |
| 100% Bear | **2,529** | **33%** | 2,816 | 18% |
| 100% Bull | **771** | **(60%)** | 1,551 | (35%) |

### (ii) Determining fair values

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

### (iii) Current and deferred tax

The Group is subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The Group and Company recognise provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. 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.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

### (iv) IFRIC 23 – Uncertain Tax Positions

The Group is currently involved in a transfer pricing tax audit with the Malawi Revenue Authority (MRA) for the 2015 and 2016 tax years. The MRA's audit report disallowed 52% of franchise fees, claiming they were not at arm's length as defined by Section 127A of the Taxation Act. The Group's appeal to the Commissioner General was unsuccessful, with the Commissioner indicating they may disallow the entire amount (100%) of the franchise fees. The Group has subsequently appealed both determinations to the Special Arbitrator. As of 31 December 2024, the Special Arbitrator had not yet scheduled a hearing date.

In accordance with IFRIC 23 and IAS 37, the Group has recognized provisions for the years under audit, as well as subsequent years, anticipating that an unfavourable ruling would likely be applied to those years as well. As of 31 December 2024, the provision amounts to **MK10,819 million** (2024: MK14,134 million). This provision is based on the expected value approach as prescribed by IFRIC 23.

### (v) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Group's provisions typically (when applicable) include the following:

#### Provisions for legal claims

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting

## 5. Accounting estimates and judgements (Continued)

### (v) Provisions (continued)

### Provisions for legal claims (continued)

date. In determining the provision, management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

### (vi) Computer software intangible assets

The Group review assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amounts. The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

The recoverable amount is determined as the higher of an assets' fair value less costs to sell and its value in use. The value in use is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate.

During the 2024 financial year, the Group conducted an impairment test in line with IAS 36 Impairment of Assets. The intangible assets were tested for impairment and there were no indications of impairment. Therefore, the computer software assets' recoverable values were determined to be equal to their carrying values.

## 6. Segment reporting

Segment information is presented in respect of the Group's operating segments. The format, operating segments, is based on the Group's management and internal reporting structure.

The segment report includes only those business unit activities conducted within the Group. No geographical segment information is disclosed due to the fact that business activities relate to Malawi.

Operating segments pay and receive interest to and from the Central Treasury to reflect the allocation of capital and funding costs.

The Group comprises the following main operating segments:

### (i) Corporate and Investment Banking (CIB)

Includes the Group's trading and corporate finance activities, central treasury, loans, deposits and other transactions and balances with corporate customers.

- Commercial and investment banking services to larger corporate companies, financial institutions and international counterparties.
- Global markets - includes foreign exchange, commodities, debt securities and equities trading.
- Transactional products and services - includes transactional banking, trade finance and investor services.
- Investment banking - includes equity investment, advisory, project finance, structured finance, structured trade finance, corporate lending, primary markets, acquisition and finance, property finance and the asset and wealth management units.

### (ii) Personal and Private Banking (PPB)

PPB client segment is responsible for the end-to-end lifecycle of clients. PPB services individual clients. We enable our clients' daily lives by providing relevant solutions throughout their life journeys.

### (iii) Business and Commercial Banking (BCB)

The BCB segment provide broad based client solutions for a wide spectrum of small and medium sized businesses as well as large commercial enterprises. Our client coverage support extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enabler their growth.

### (iv) Treasury and Capital Management (TCM)

Capital and liquidity are managed within Group treasury and capital management (TCM). TCM maintains a framework of governance standards and policies which enable it to effectively manage capital, liquidity, prudential limits and ratings. The objective of TCM is to contribute to shareholder value through managing the statement of financial position and financial resources in a way that is optimised, comprehensive and integrated across all banking operations.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the operating segments.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

### (v) Client segments

The client segments are responsible for designing and executing the client value proposition strategy. Client segments own the client relationship and create multi-product customer experiences to address life events distributed through our client engagement platforms.

### Operating segments

| | CIB | | BCB | | PPB | | TCM | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Consolidated** | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm |
| Interest income | **126,178** | 90,296 | **16,363** | 11,635 | **42,704** | 30,478 | **-** | - | **185,245** | 132,409 |
| Interest expense | **(6,224)** | (7,029) | **(926)** | (997) | **(1,991)** | (1,520) | **-** | - | **(9,141)** | (9,546) |
| **Net interest income** | **119,954** | 83,267 | **15,437** | 10,638 | **40,713** | 28,958 | **-** | - | **176,104** | 122,863 |
| Funding income/ (expense) | **(20,800)** | (14,821) | **16,973** | 13,531 | **405** | (2,359) | **6,592** | 5,520 | **3,170** | 1,871 |
| Fee and commission income | **7,421** | 5,585 | **5,722** | 4,540 | **22,811** | 16,240 | **-** | - | **35,954** | 26,365 |
| Fee and commission expense | **(922)** | - | **(1,006)** | (1,557) | **(6,063)** | (3,926) | **-** | - | **(7,991)** | (5,483) |
| **Net fee and commission income** | **6,499** | 5,585 | **4,716** | 2,983 | **16,748** | 12,314 | **-** | - | **27,963** | 20,882 |
| Trading income | **44,549** | 50,112 | **49** | - | **3,708** | 2,802 | **-** | - | **48,306** | 52,914 |
| Other operating income | **(10)** | 86 | **14** | 20 | **1,002** | 491 | **-** | - | **1,006** | 597 |
| Other gains on financial instruments | **225** | 430 | **-** | - | **-** | - | **-** | - | **225** | 430 |
| Inter-segment attribution revenue | **-** | - | **2,355** | 2,164 | **1,735** | 2,897 | **-** | - | **4,090** | 5,061 |
| **Operating income** | **150,417** | 124,659 | **39,544** | 29,336 | **64,311** | 45,103 | **6,592** | 5,520 | **260,864** | 204,618 |
| Credit impairment charges | **(15,095)** | (9,253) | **(3,850)** | (2,155) | **(4,613)** | (3,700) | **-** | - | **(23,558)** | (15,108) |
| **Income after credit impairments** | **135,322** | 115,406 | **35,694** | 27,181 | **59,698** | 41,403 | **6,592** | 5,520 | **237,306** | 189,510 |

## 6. Segment reporting (Continued)

| | CIB | | BCB | | PPB | | TCM | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| **Consolidated** | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm |
| Direct staff costs before allocation | **(5,967)** | (5,226) | **(3,377)** | (2,236) | **(15,239)** | (14,285) | **-** | - | **(24,583)** | (21,747) |
| Direct operating expenses before allocation | **(5,374)** | (8,538) | **(4,546)** | (4,520) | **(29,280)** | (22,166) | **-** | - | **(39,200)** | (35,224) |
| Other operating expenses from enabling functions | **(17,447)** | (12,731) | **(23,645)** | (18,965) | **9,097** | 9,428 | **-** | - | **(31,995)** | (22,268) |
| **Total expenditure** | **(28,788)** | (26,495) | **(31,568)** | (25,721) | **(35,422)** | (27,023) | **-** | - | **(95,778)** | (79,239) |
| Inter-segment attribution expense | **(4,090)** | (3,804) | **-** | - | **-** | - | **-** | - | **(4,090)** | (3,804) |
| **Profit before income tax** | **102,444** | 85,107 | **4,126** | 1,460 | **24,276** | 14,380 | **6,592** | 5,520 | **137,438** | 106,467 |
| Income tax expense | **(35,269)** | (37,565) | **(2,241)** | (3,849) | **(10,070)** | (9,753) | **(2,583)** | (2,144) | **(50,163)** | (53,311) |
| **Profit for the year** | **67,175** | 47,542 | **1,885** | (2,389) | **14,206** | 4,627 | **4,009** | 3,376 | **87,275** | 53,156 |

| | CIB | | BCB | | PPB | | TCM | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| **Consolidated** | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm |
| **Assets** | | | | | | | | | | |
| Cash and balances held with the Central Bank | **164,257** | 123,772 | **-** | - | **24,134** | 22,109 | **-** | - | **188,391** | 145,881 |
| Derivative assets | **2,772** | 798 | **-** | - | **-** | - | **-** | - | **2,772** | 798 |
| Trading assets | **36,862** | 22,644 | **-** | - | **-** | - | **-** | - | **36,862** | 22,644 |
| Loans and advances to banks and other financial institutions | **233,660** | 239,739 | **-** | - | **-** | - | **-** | - | **233,660** | 239,739 |
| Loans and advances to customers | **169,526** | 117,065 | **72,119** | 69,275 | **136,698** | 107,960 | **-** | - | **378,343** | 294,300 |
| Financial investments | **394,394** | 334,708 | **-** | - | **-** | - | **151** | 151 | **394,545** | 334,859 |
| Other assets | **12,718** | 11,166 | **1,807** | 1,674 | **11,592** | 775 | **-** | - | **26,117** | 13,615 |
| Current and deferred tax assets | **(5,056)** | 2,013 | **9,945** | 813 | **14,420** | 508 | **-** | - | **19,309** | 3,334 |
| Property, equipment and right-of-use assets | **(28)** | (73) | **934** | 704 | **14,593** | 12,797 | **-** | - | **15,499** | 13,428 |
| Investment in subsidiaries | **-** | - | **-** | - | **-** | - | **-** | 100 | **-** | 100 |
| Intangible assets | **-** | - | **-** | - | **11,143** | 12,693 | **-** | - | **11,143** | 12,693 |
| **Total assets** | **1,009,105** | 851,832 | **84,805** | 72,466 | **212,580** | 156,842 | **151** | 251 | **1,306,641** | 1,081,391 |
| **Liabilities** | | | | | | | | | | |
| Derivative liabilities | **808** | 1,617 | **-** | - | **-** | - | **-** | - | **808** | 1,617 |
| Deposits and loans from banks | **33,517** | 18,731 | **5,035** | 2,838 | **-** | - | **-** | - | **38,552** | 21,569 |
| Deposits from customers | **502,871** | 466,660 | **249,697** | 207,755 | **175,466** | 116,224 | **-** | - | **928,034** | 790,639 |
| Other liabilities and provisions | **26,223** | 38,434 | **26,165** | 10,865 | **45,700** | 22,981 | **-** | - | **98,088** | 72,280 |
| Current and deferred tax liabilities | **5,613** | 17,846 | **1,393** | 6,088 | **13,494** | 16,995 | **(366)** | (366) | **20,134** | 40,563 |
| **Total liabilities** | **569,032** | 543,288 | **282,290** | 227,546 | **234,660** | 156,200 | **(366)** | (366) | **1,085,616** | 926,668 |



| | CIB | | BCB | | PPB | | TCM | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Consolidated** | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm |
| **Shareholders' equity** | | | | | | | | | | |
| Share capital and premium | **-** | - | **-** | - | **-** | - | **8,726** | 8,726 | **8,726** | 8,726 |
| Retained earnings and reserves | **87,698** | 66,257 | **25,475** | 19,257 | **49,196** | 40,756 | **70,404** | 42,099 | **232,773** | 168,369 |
| Funding | **352,375** | 242,287 | **(222,960)** | (174,337) | **(71,276)** | (40,114) | **(78,613)** | (50,208) | **(20,474)** | (22,372) |
| **Total shareholders' equity** | **440,073** | 308,544 | **(197,485)** | (155,080) | **(22,080)** | 642 | **517** | 617 | **221,025** | 154,723 |
| **Total equity and liabilities** | **1,009,105** | 851,832 | **84,805** | 72,466 | **212,580** | 156,842 | **151** | 251 | **1,306,641** | 1,081,391 |

**Reconciliation of information on reportable segments to IFRS measures**

| **Consolidated** | **2024 MKm** | 2023 MKm |
|---|---|---|
| **(i) Revenues** | | |
| Total revenues for reportable segments | **260,864** | 204,618 |
| Interest expense | **(30)** | (28) |
| Interdepartmental funding expense | **(7,260)** | (6,932) |
| Other income | **2** | 2,763 |
| **Consolidated operating income** | **253,576** | 200,421 |
| **(ii) Profit before tax** | | |
| Total profit for reportable segments | **137,438** | 106,467 |
| Unallocated amounts* | **(983)** | (719) |
| **Consolidated profit before tax** | **136,455** | 105,748 |
| **(iii) Assets** | | |
| Total assets for reportable segments | **1,306,641** | 1,081,391 |
| Unallocated amounts* | **26,004** | 31,125 |
| **Consolidated total assets** | **1,332,645** | 1,112,516 |
| **(iv) Liabilities** | | |
| Total liabilities for reportable segments | **1,085,616** | 926,668 |
| Other unallocated amounts* | **(12,756)** | (7,969) |
| **Consolidated total liabilities** | **1,072,860** | 918,699 |

*Unallocated amounts comprise of corporate functions (primarily head office units).

### Key reporting measures

| | CIB | | BCB | | PPB | | TCM | |
|---|---|---|---|---|---|---|---|---|
| **Consolidated** | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| Profit/(loss) after tax (MKm) | **67,175** | 47,542 | **1,885** | (2,389) | **14,206** | 4,627 | **4,009** | 3,376 |
| Cost to income ratio* | **19%** | 21% | **80%** | 88% | **55%** | 60% | **-** | - |
| Number of employees | **58** | 57 | **62** | 53 | **483** | 459 | **2** | 2 |

*There are no costs allocated to TCM in the Group set up hence no CTI ratio is disclosed.

# 7. Accounting classifications and fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

## (a) Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1:** inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable 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 in which all significant inputs are directly or indirectly observable from market data.
- **Level 3:** inputs that are unobservable. This category includes all instruments for which 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 for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

If the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgement in determining appropriate portfolio-level adjustments such as bid-ask spreads. Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio. Similarly, when the Group measures portfolios of financial assets and financial liabilities on the basis of net exposure to the credit risk of a particular counterparty, then it takes into account any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty).

## (b) Financial instruments measured at fair value – 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 consolidated and separate statements of financial position.

| Consolidated | | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| At 31 December 2024 | Note | Mkm | Mkm | Mkm | Mkm |
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 8 | **120,102** | **-** | **-** | **120,102** |
| Derivative assets | 9 | **-** | **2,772** | **-** | **2,772** |
| Trading assets | 10 | **-** | **36,862** | **-** | **36,862** |
| Financial investments | 13 | **-** | **662** | **-** | **662** |
| **Total** | | **120,102** | **40,296** | **-** | **160,398** |
| **Liabilities** | | | | | |
| Derivative liabilities | 9 | **-** | **808** | **-** | **808** |
| **Total** | | **-** | **808** | **-** | **808** |

| Consolidated | | | | | |
|---|---|---|---|---|---|
| At 31 December 2023 | | | | | |
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 8 | 81,598 | - | - | 81,598 |
| Derivative assets | 9 | - | 798 | - | 798 |
| Trading assets | 10 | - | 22,644 | - | 22,644 |
| Financial investments | 13 | - | 674 | - | 674 |
| **Total** | | 81,598 | 24,116 | - | 105,714 |
| **Liabilities** | | | | | |
| Derivative liabilities | 9 | - | 1,617 | - | 1,617 |
| **Total** | | - | 1,617 | - | 1,617 |

| Separate | | | | | |
|---|---|---|---|---|---|
| At 31 December 2024 | | | | | |
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 8 | **119,866** | **-** | **-** | **119,866** |
| Derivative assets | 9 | **-** | **2,772** | **-** | **2,772** |
| Trading assets | 10 | **-** | **36,862** | **-** | **36,862** |
| Financial investments | 13 | **-** | **662** | **-** | **662** |
| **Total** | | **119,866** | **40,296** | **-** | **160,162** |
| **Liabilities** | | | | | |
| Derivative liabilities | 9 | **-** | **808** | **-** | **808** |
| **Total** | | **-** | **808** | **-** | **808** |

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

### (b) Financial instruments measured at fair value – fair value hierarchy (Continued)

| Separate<br>At 31 December 2023 | Note | Level 1<br>Mkm | Level 2<br>Mkm | Level 3<br>Mkm | Total<br>Mkm |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 8 | 81,484 | - | - | 81,484 |
| Derivative assets | 9 | - | 798 | - | 798 |
| Trading assets | 10 | - | 22,644 | - | 22,644 |
| Financial investments | 13 | - | 674 | - | 674 |
| **Total** | | 81,484 | 24,116 | - | 105,600 |
| **Liabilities** | | | | | |
| Derivative liabilities | 9 | - | 1,617 | - | 1,617 |
| **Total** | | - | 1,617 | - | 1,617 |

| Consolidated<br>At 31 December 2023 | Note | Level 1<br>Mkm | Level 2<br>Mkm | Level 3<br>Mkm | Total<br>Mkm |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 8 | 70,634 | - | - | 70,634 |
| Loans and advances to banks and other financial institutions | 11 | - | 239,739 | - | 239,739 |
| Loans and advances to customers | 12 | - | - | 294,300 | 294,300 |
| Financial investments | 13 | - | 334,185 | 160 | 334,345 |
| Other assets | 15 | - | - | 10,894 | 10,894 |
| **Total** | | 70,634 | 573,924 | 305,354 | 949,912 |
| **Liabilities** | | | | | |
| Deposits and loans from banks | 19 | - | 21,569 | - | 21,569 |
| Deposits from customers | 20 | - | 790,639 | - | 790,639 |
| Other liabilities | 21 | - | - | 49,780 | 49,780 |
| **Total** | | - | 812,208 | 49,780 | 861,988 |

### (c) Financial instruments not measured at fair value - fair value hierarchy

| Consolidated<br>31 December 2024 | Note | Level 1<br>Mkm | Level 2<br>Mkm | Level 3<br>Mkm | Total<br>Mkm |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 8 | **77,085** | **-** | **-** | **77,085** |
| Loans and advances to banks and other financial institutions | 11 | **-** | **233,660** | **-** | **233,660** |
| Loans and advances to customers | 12 | **-** | **-** | **378,343** | **378,343** |
| Financial investments | 13 | **-** | **393,882** | **355** | **394,237** |
| Other assets | 15 | **-** | **-** | **13,201** | **13,201** |
| **Total** | | **77,085** | **627,542** | **391,899** | **1,096,526** |
| **Liabilities** | | | | | |
| Deposits and loans from banks | 19 | **-** | **38,552** | **-** | **38,552** |
| Deposits from customers | 20 | **-** | **928,034** | **-** | **928,034** |
| Other liabilities | 21 | **-** | **-** | **64,733** | **64,733** |
| **Total** | | **-** | **966,586** | **64,733** | **1,031,319** |

| Separate<br>At 31 December 2024 | Note | Level 1<br>Mkm | Level 2<br>Mkm | Level 3<br>Mkm | Total<br>Mkm |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 8 | **77,085** | **-** | **-** | **77,085** |
| Loans and advances to banks and other financial institutions | 11 | **-** | **230,623** | **-** | **230,623** |
| Loans and advances to customers | 12 | **-** | **-** | **378,343** | **378,343** |
| Financial investments | 13 | **-** | **393,882** | **355** | **394,237** |
| Other assets | 15 | **-** | **-** | **13,545** | **13,545** |
| **Total** | | **77,085** | **624,505** | **392,243** | **1,093,833** |
| **Liabilities** | | | | | |
| Deposits and loans from banks | 19 | **-** | **38,552** | **-** | **38,552** |
| Deposits from customers | 20 | **-** | **934,071** | **-** | **934,071** |
| Other liabilities | 21 | **-** | **-** | **64,730** | **64,730** |
| **Total** | | **-** | **972,623** | **64,730** | **1,037,353** |

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

### (c) Financial instruments not measured at fair value - fair value hierarchy (Continued)

| Separate | | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **At 31 December 2023** | **Note** | **Mkm** | **Mkm** | **Mkm** | **Mkm** |
| **Assets** | | | | | |
| Cash and balances held with the Central Bank | 8 | 70,634 | - | - | 70,634 |
| Loans and advances to banks and other financial institutions | 11 | - | 239,546 | - | 239,546 |
| Loans and advances to customers | 12 | - | - | 294,300 | 294,300 |
| Financial investments | 13 | - | 334,185 | 160 | 334,345 |
| Other assets | 15 | - | - | 10,935 | 10,935 |
| **Total** | | 70,634 | 573,731 | 305,395 | 949,760 |
| **Liabilities** | | | | | |
| Deposits and loans from banks | 19 | - | 21,569 | - | 21,569 |
| Deposits from customers | 20 | - | 797,124 | - | 797,124 |
| Other liabilities | 21 | - | - | 49,781 | 49,781 |
| **Total** | | - | 818,693 | 49,781 | 868,474 |

### (d) 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:

| Item and description | Valuation technique | Main inputs and assumptions |
|---|---|---|
| **Derivative financial instruments** | | |
| Derivative financial instruments comprise foreign exchange derivatives and are held-for-trading. | Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include:<br>• discounted cash flow model<br>• Black-Scholes model<br>• combination technique models. | For level 2 and 3 fair value hierarchy items<br>discount rate<br>- spot prices of the underlying<br>- correlation factors<br>- volatilities<br>- dividend yields<br>- earnings yield<br>- valuation multiples. |
| **Trading assets and trading liabilities** | | |
| Trading assets and liabilities comprise instruments which are part of the Group's underlying trading activities. These instruments primarily include sovereign and corporate debt | Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks.<br><br>Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity. | |
| **Pledged assets** | | |
| Pledged assets comprise instruments that may be sold or repledged by the Group's counterparty in the absence of default by the Group. Pledged assets include sovereign debt. | | |

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

### (d) Estimation of fair values (continued)

| Item and description | Valuation technique | Main inputs and assumptions |
|---|---|---|
| **Financial investments** | | |
| Financial investments are non-trading financial assets and primarily comprise of sovereign debt and unlisted equity instruments | Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks.<br><br>Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity. | For level 2 and 3 fair value hierarchy items discount rate<br>- spot prices of the underlying<br>- correlation factors<br>- volatilities<br>- dividend yields<br>- earnings yield<br>- valuation multiples. |
| **Loans and advances to banks, other financial institutions and Customers** | | |
| Loans and advances comprise:<br>• Loans and advances to banks and other financial institutions: call loan and balances held with other banks<br>• Loans and advances to customers:<br>mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements). | For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan. | For level 2 and 3 fair value hierarchy items<br>- discount rate |

| Item and description | Valuation technique | Main inputs and assumptions |
|---|---|---|
| **Deposits and debt funding** | | |
| Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits. | For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument.<br><br>The fair value measurement incorporates all market risk factors, including a measure of the Group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. | For level 2 and 3 fair value hierarchy items<br>- discount rate |

| Consolidated | Note | Fair value through profit or loss - default | Fair value through OCI | Fair value through profit or loss - Held for trading | Amortised cost | Carrying Amount | Fair value |
|---|---|---|---|---|---|---|---|
| | | Mkm | Mkm | Mkm | Mkm | Mkm | Mkm |
| **At 31 December 2024** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and balances held with the Central Bank | 8 | 120,102 | - | - | 77,085 | 197,187 | 197,187 |
| Derivative assets | 9 | - | - | 2,772 | - | 2,772 | 2,772 |
| Trading assets | 10 | - | - | 36,862 | - | 36,862 | 36,862 |
| Loans and advances to banks and other financial institutions | 11 | - | - | - | 233,660 | 233,660 | 233,660 |
| Loans and advances to customers | 12 | - | - | - | 378,343 | 378,343 | 378,343 |
| Financial investments | 13 | 355 | 662 | - | 393,882 | 394,899 | 397,973 |
| Other assets | 15 | 13,201 | - | - | - | 13,201 | 13,201 |
| **Total** | | 133,658 | 622 | 39,634 | 1,082,970 | 1,256,924 | 1,259,998 |
| **Liabilities** | | | | | | | |
| Derivative liabilities | 9 | - | - | 808 | - | 808 | 808 |
| Deposits and loans from banks | 19 | - | - | - | 38,552 | 38,552 | 38,552 |
| Deposits from customers | 20 | - | - | - | 928,034 | 928,034 | 928,034 |
| Other liabilities | 21 | - | - | - | 64,733 | 64,733 | 64,733 |
| **Total** | | - | - | 808 | 1,031,319 | 1,032,127 | 1,032,127 |

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

### (d) Estimation of fair values (continued)

| Consolidated | Note | Fair value through profit or loss - default | Fair value through OCI | Fair value through profit or loss - Held for trading | Amortised cost | Carrying Amount | Fair value |
|---|---|---|---|---|---|---|---|
| | | Mkm | Mkm | Mkm | Mkm | Mkm | Mkm |
| **At 31 December 2023** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and balances held with the Central Bank | 8 | 81,598 | - | - | 70,634 | 152,232 | 152,232 |
| Derivative assets | 9 | - | - | 798 | - | 798 | 798 |
| Trading assets | 10 | - | - | 22,644 | - | 22,644 | 22,644 |
| Loans and advances to banks and other financial institutions | 11 | - | - | - | 239,739 | 239,739 | 239,739 |
| Loans and advances to customers | 12 | - | - | - | 294,300 | 294,300 | 294,300 |
| Financial investments | 13 | 160 | 674 | - | 334,185 | 335,019 | 333,659 |
| Other assets | 15 | 10,894 | - | - | - | 10,894 | 10,894 |
| **Total** | | 92,652 | 674 | 23,442 | 938,858 | 1,055,626 | 1,054,266 |
| **Liabilities** | | | | | | | |
| Derivative liabilities | 9 | - | - | 1,617 | - | 1,617 | 1,617 |
| Deposits and loans from banks | 19 | - | - | - | 21,569 | 21,569 | 21,569 |
| Deposits from customers | 20 | - | - | - | 790,639 | 790,639 | 790,639 |
| Other liabilities | 21 | - | - | - | 49,780 | 49,780 | 49,780 |
| **Total** | | - | - | 1,617 | 861,988 | 863,605 | 863,605 |

| Separate | Note | Fair value through profit or loss - default | Fair value through OCI | Fair value through profit or loss - Held for trading | Amortised cost | Carrying Amount | Fair value |
|---|---|---|---|---|---|---|---|
| **At 31 December 2024** | | Mkm | Mkm | Mkm | Mkm | Mkm | Mkm |
| **Assets** | | | | | | | |
| Cash and balances held with Central Bank | 8 | **119,866** | **-** | **-** | **77,085** | **196,951** | **196,951** |
| Derivative assets | 9 | **-** | **-** | **2,772** | **-** | **2,772** | **2,772** |
| Trading assets | 10 | **-** | **-** | **36,862** | **-** | **36,862** | **36,862** |
| Loans and advances to banks and other financial institutions | 11 | **-** | **-** | **-** | **230,623** | **230,623** | **230,623** |
| Loans and advances to customers | 12 | **-** | **-** | **-** | **378,343** | **378,343** | **378,343** |
| Financial investments | 13 | **355** | **662** | **-** | **393,882** | **394,899** | **397,973** |
| Other assets | 15 | **13,545** | **-** | **-** | **-** | **13,545** | **13,545** |
| **Total** | | **133,766** | **622** | **39,634** | **1,079,933** | **1,253,995** | **1,257,069** |
| **Liabilities** | | | | | | | |
| Derivative liabilities | 9 | **-** | **-** | **808** | **-** | **808** | **808** |
| Deposits and loans from banks | 19 | **-** | **-** | **-** | **38,552** | **38,552** | **38,552** |
| Deposits from customers | 20 | **-** | **-** | **-** | **934,071** | **934,071** | **934,071** |
| Other liabilities | 21 | **-** | **-** | **-** | **64,730** | **64,730** | **64,730** |
| **Total** | | **-** | **-** | **808** | **1,037,353** | **1,038,161** | **1,038,161** |

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

### (d) Estimation of fair values (continued)

| Separate<br>At 31 December 2023 | Note | Fair value through profit or loss - default<br>Mkm | Fair value through OCI<br>Mkm | Fair value through profit or loss - Held for trading<br>Mkm | Amortised cost<br>Mkm | Carrying Amount<br>Mkm | Fair value<br>Mkm |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and balances held with Central Bank | 8 | 81,484 | - | - | 70,634 | 152,118 | 152,118 |
| Derivative assets | 9 | - | - | 798 | - | 798 | 798 |
| Trading assets | 10 | - | - | 22,644 | - | 22,644 | 22,644 |
| Loans and advances to banks and other financial institutions | 11 | - | - | - | 239,546 | 239,546 | 239,546 |
| Loans and advances to customers | 12 | - | - | - | 294,300 | 294,300 | 294,300 |
| Financial investments | 13 | 160 | 674 | - | 334,185 | 335,019 | 333,659 |
| Other assets | 15 | 10,935 | - | - | - | 10,935 | 10,935 |
| **Total** | | 92,579 | 674 | 23,442 | 938,665 | 1,055,360 | 1,054,000 |
| **Liabilities** | | | | | | | |
| Derivative liabilities | 9 | - | - | 1,617 | - | 1,617 | 1,617 |
| Deposits and loans from banks | 19 | - | - | - | 21,569 | 21,569 | 21,569 |
| Deposits from customers | 20 | - | - | - | 797,124 | 797,124 | 797,124 |
| Other liabilities | 21 | - | - | - | 49,781 | 49,781 | 49,781 |
| **Total** | | - | - | 1,617 | 868,474 | 870,091 | 870,091 |

## 8. Cash and balances held with the Central Bank

See accounting policy in Note 3 (c)

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm |
| Cash balances | **32,930** | 28,460 | **32,694** | 28,346 |
| Balances with the Reserve Bank of Malawi | **164,257** | 123,772 | **164,257** | 123,772 |
| | **197,187** | 152,232 | **196,951** | 152,118 |

Included within balances with Reserve Bank of Malawi of **MK164,257 million** (2023: MK123,772 million) is **MK87,172 million** (2023: MK53,138 million) that primarily comprises of liquidity reserving requirement held with the Reserve Bank of Malawi and is available for use by the Group. These balances are primarily held at FVTPL. The balance at amortised cost is regarded as having a low probability of default, therefore the ECL is insignificant.

*The carrying amounts approximates the fair values.*

## 9. Derivative assets and liabilities

See accounting policy in Note 3 (d)

The table below analyses derivatives held for risk management purposes by type of instrument:

| | Consolidated and Separate | | | |
|---|---|---|---|---|
| | **2024** | | 2023 | |
| | **MKm** | **MKm** | MKm | MKm |
| | **Asset** | **Liability** | Asset | Liability |
| Foreign exchange derivatives | **2,772** | **808** | 798 | 1,617 |

At 31 December 2024, **MK Nil** (2023:MK Nil) of derivative assets/liabilities are expected to be recovered more than twelve months after the reporting date.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The Group transacts in derivative contracts to address client demand, both as a market maker in the wholesale markets and in structuring tailored derivatives for clients. The Group also takes proprietary positions for its own account.

All derivatives are held-for-trading.

## 10. Trading assets

See accounting policy in Note 3(e)

| **Trading assets** | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| Treasury bills | **36,862** | 22,644 |
| | **36,862** | 22,644 |
| **Comprising:** | | |
| Treasury bills | **36,862** | 22,644 |
| | **36,862** | 22,644 |

At 31 December 2024, **MK Nil** (2023:MK Nil) of trading assets are expected to be recovered more than twelve months after the reporting date.

## 11. Loans and advances to banks and other financial institutions

See accounting policy in Note 3 (g)

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024 MKm** | 2023 MKm | **2024 MKm** | 2023 MKm |
| Loans and advances to other banks and financial institutions | **213,383** | 111,523 | **210,328** | 111,330 |
| Loans and advances with related banks (Note 43) | **20,375** | 128,340 | **20,375** | 128,340 |
| **Gross loans and advances to banks and other financial institutions** | **233,758** | 239,863 | **230,703** | 239,670 |
| Less: Expected credit losses for loans and advances to banks and other financial institutions measured at amortised cost | **(98)** | (124) | **(80)** | (124) |
| | **233,660** | 239,739 | **230,623** | 239,546 |

At 31 December 2024 **MK Nil** (2023: MK Nil) loans and advances to banks and other financial institutions are expected to be recovered more than twelve months after the reporting date.

### 11.1 Impairment losses on loans and advances to banks and other financial institutions measured at amortised cost

Income statement movements

| Consolidated | Opening ECL 1 January 2024 Mkm | Total transfers between stages Mkm | ECL on new exposures raised Mkm | Change in ECL due to modifications Mkm | Subsequent changes in ECL Mkm | Change in ECL due to derecognition Mkm | Net ECL raised/ (released) Mkm | Other movements Mkm | Closing ECL 31 December 2024 Mkm |
|---|---|---|---|---|---|---|---|---|---|
| Stage 1 | **124** | **-** | **31** | **-** | **(54)** | **(3)** | **(26)** | **-** | **98** |
| Total | **124** | **-** | **31** | **-** | **(54)** | **(3)** | **(26)** | **-** | **98** |
| **Separate** | | | | | | | | | |
| Stage 1 | **124** | **-** | **13** | **-** | **(54)** | **(3)** | **(44)** | **-** | **80** |
| Total | **124** | **-** | **13** | **-** | **(54)** | **(3)** | **(44)** | **-** | **80** |

| Consolidated and separate | Opening ECL 1 January 2023 Mkm | Total transfers between stages Mkm | ECL on new exposures raised Mkm | Change in ECL due to modifications Mkm | Subsequent changes in ECL Mkm | Change in ECL due to derecognition Mkm | Net ECL raised/ (released) Mkm | Other movements Mkm | Closing ECL 31 December 2023 Mkm |
|---|---|---|---|---|---|---|---|---|---|
| Stage 1 | 6 | - | 8 | - | 111 | (4) | 115 | 3 | 124 |
| Total | 6 | - | 8 | - | 111 | (4) | 115 | 3 | 124 |



## Loss allowance

The ECL on new exposures raised primarily relates to the growth in the gross carrying amount of loans and advances to banks and other financial institutions.

| Loans and advances to banks and other financial institutions are analysed as follows: | Gross loans and advances | | Expected credit loss (ECL) excluding interest in suspense | |
|---|---|---|---|---|
| | **2024 MKm** | 2023 MKm | **2024 MKm** | 2023 MKm |
| **Consolidated** | | | | |
| Loans and advances to banks and other financial institutions: | | | | |
| Corporate and Investment Banking (Note 11) | **233,758** | 239,863 | **98** | 124 |
| **Separate** | | | | |
| Loans and advances to banks and other financial institutions: | | | | |
| Corporate and Investment Banking (Note 11) | **230,703** | 239,670 | **80** | 124 |

*The carrying amount approximates the fair values*

## 12. Loans and advances to customers

See accounting policy in Note 3 (g)

| | Consolidated and Separate | |
|---|---|---|
| | **2024 MKm** | 2023 MKm |
| Loans and advances to staff at amortised cost | **11,223** | 8,518 |
| Loans and advances to customers at amortised cost | **395,735** | 303,881 |
| **Gross loans and advances to customers** | **406,958** | 312,399 |
| Less: Interest in suspense | **(2,082)** | (1,055) |
| - Expected credit loss for loans and advances to customers measured at amortised cost | **(26,533)** | (17,044) |
| **Net loans and advances to customers** | **378,343** | 294,300 |

At 31 December 2024, **MK313,753 million** (2023: MK294,047 million) of loans and advances to customers are expected to be recovered more than twelve months after the reporting date.

## 12. Loans and advances to customers (Continued)

| Gross loans and advances to customers<br>Personal and Private Banking and Business and Commercial Banking | Consolidated and Separate 2024 MKm | 2023 MKm |
|---|---|---|
| Overdrafts | **28,077** | 16,127 |
| Term loans | **180,323** | 157,786 |
| Vehicle and asset finance | **16,293** | 11,175 |
| Mortgages | **7,576** | 7,630 |
| | **232,269** | 192,718 |
| **Corporate and Investment Banking** | | |
| Overdrafts | **58,459** | 30,231 |
| Term loans | **114,007** | 89,444 |
| Vehicle and asset finance | **2,223** | 6 |
| | **174,689** | 119,681 |
| **Total gross loans and advances to customers** | **406,958** | 312,399 |

**Gross Loans and advances to customers are analysed as follows:**

| Consolidated and separate | Gross loans and advances to customers 2024 MKm | 2023 MKm | Expected credit loss (ECL) excluding interest in suspense 2024 MKm | 2023 MKm |
|---|---|---|---|---|
| **Loans and advances to customers** | | | | |
| Personal and Private Banking and Business and Commercial Banking | **232,269** | 192,718 | **21,351** | 14,770 |
| Corporate and Investment Banking | **174,689** | 119,681 | **5,182** | 2,274 |
| **Total** | **406,958** | 312,399 | **26,533** | 17,044 |

### Vehicle and asset finance

Leases entered into are at market terms. Under the terms of the lease agreement, no contingent rentals are payable. Moveable assets are leased or sold to customers under finance leases and instalment sale agreements for periods varying between 12 and 84 months. Depending on the terms of the agreement, the lessee may have the option to purchase the asset at the end of the lease term.

The loans and advances to customers include the following finance lease receivables, for leases of certain property and equipment where the Group is the lessor:

| Gross investment in vehicle and asset finance: | Consolidated and Separate 2024 MKm | 2023 MKm |
|---|---|---|
| Not later than one year | **9,475** | 4,486 |
| Later than one year but less than five years | **12,432** | 9,708 |
| | **21,907** | 14,194 |
| Unearned future finance income on vehicle and asset finance | **(3,391)** | (3,013) |
| **Net investment in finance leases** | **18,516** | 11,181 |
| The net investment in vehicle and asset finance is analysed as follows: | | |
| Not later than one year | **6,015** | 2,178 |
| Later than one year but less than five years | **12,501** | 9,003 |
| | **18,516** | 11,181 |

### 12.1 Impairment losses on loans and advances to customers (including interest in suspense) measured at amortised cost

**Income statement movements**

| Consolidated and separate | Opening ECL 1 January 2024 MKm | Total transfers between stages MKm | ECL on new exposure raised MKm | Change in ECL due to modifi-cations MKm | Sub-sequent changes in ECL MKm | Change in ECL due to recog-nition MKm | Net ECL rais Net ECL raised/ (released) MKm | Other move-ments* MKm | Closing ECL 31 December 2024 MKm |
|---|---|---|---|---|---|---|---|---|---|
| Stage 1 | **3,510** | **(7,229)** | **1,577** | **-** | **6,317** | **(362)** | **7,532** | **16** | **3,829** |
| Stage 2 | **6,029** | **(859)** | **1,479** | **-** | **2,432** | **(452)** | **3,459** | **-** | **8,629** |
| Stage 3* | **8,560** | **8,088** | **1,213** | **-** | **176** | **-** | **1,389** | **(1,880)** | **16,157** |
| **Total** | **18,099** | **-** | **4,629** | **-** | **8,925** | **(814)** | **12,380** | **(1,864)** | **28,615** |

**Income statement movements**

| Consolidated and separate | Opening ECL 1 January 2023 MKm | Total transfers between stages MKm | ECL on new exposure raised MKm | Change in ECL due to modifi-cations MKm | Sub-sequent changes in ECL MKm | Change in ECL due to recog-nition MKm | Net ECL rais Net ECL raised/ (released) MKm | Other move-ments* MKm | Closing ECL 31 December 2023 MKm |
|---|---|---|---|---|---|---|---|---|---|
| Stage 1 | 3,690 | (5,912) | 1,982 | - | 4,258 | (779) | (451) | 271 | 3,510 |
| Stage 2 | 4,322 | (65) | 2,461 | - | (686) | (3) | 1,707 | - | 6,029 |
| Stage 3* | 6,371 | 5,977 | 484 | - | (22) | - | 6,439 | (4,250) | 8,560 |
| **Total** | 14,383 | - | 4,927 | - | 3,550 | (782) | 7,695 | (3,979) | 18,099 |

* Other movement includes changes in interest in suspense and write offs in the year.

## 12. Loans and advances to customers (Continued)

### 12.1 Impairment losses on loans and advances to customers (including interest in suspense) measured at amortised cost (continued)

### A reconciliation of the ECL for loans and advances to customers by product:

| Consolidated and separate | Opening ECL 1 January 2024 MKm | Transfers between stages: (To)/ from stage 1 MKm | From/(to) stage 2 MKm | From/(to) stage 3 MKm | Total MKm | Net ECL raised/ (released) MKm | TVM Unwind and IIS movements MKm | Impaired accounts written off MKm | Other movements* MKm | Closing ECL 31 December 2024 MKm |
|---|---|---|---|---|---|---|---|---|---|---|
| **Mortgage** | | | | | | | | | | |
| Stage 1 | 49 | - | (18) | (275) | (293) | 320 | - | - | - | 76 |
| Stage 2 | 63 | 18 | - | (84) | (66) | 312 | - | - | - | 309 |
| Stage 3* | 262 | 275 | 84 | - | 359 | (52) | - | - | 77 | 646 |
| **Total** | 374 | 293 | 66 | (359) | - | 580 | - | - | 77 | 1,031 |
| **Vehicle and asset finance** | | | | | | | | | | |
| Stage 1 | 87 | - | (3) | (39) | (42) | 69 | - | - | - | 114 |
| Stage 2 | 327 | 3 | - | (24) | (21) | (254) | - | - | - | 52 |
| Stage 3* | 927 | 39 | 24 | - | 63 | 137 | - | (31) | 343 | 1,439 |
| **Total** | 1,341 | 42 | 21 | (63) | - | (48) | - | (31) | 343 | 1,605 |
| **Corporate** | | | | | | | | | | |
| Stage 1 | 1,163 | - | (76) | - | (76) | 53 | - | - | 16 | 1,156 |
| Stage 2 | 1,111 | 76 | - | - | 76 | 2,801 | - | - | - | 3,988 |
| Stage 3* | - | - | - | - | - | 37 | - | - | - | 37 |
| **Total** | 2,274 | 76 | (76) | - | - | 2,891 | - | - | 16 | 5,181 |
| **Overdraft** | | | | | | | | | | |
| Stage 1 | 87 | - | (1) | (23) | (24) | (3) | - | - | - | 60 |
| Stage 2 | 239 | 1 | - | (27) | (26) | 369 | - | - | - | 582 |
| Stage 3* | 318 | 23 | 27 | - | 50 | (31) | - | (20) | 395 | 712 |
| **Total** | 644 | 24 | 26 | (50) | - | 335 | - | (20) | 395 | 1,354 |
| **Term** | | | | | | | | | | |
| Stage 1 | 2,124 | - | (244) | (6,550) | (6,794) | 7,093 | - | - | - | 2,423 |
| Stage 2 | 4,289 | 244 | - | (1,066) | (822) | 231 | - | - | - | 3,698 |
| Stage 3* | 7,053 | 6,550 | 1,066 | - | 7,616 | 1,298 | - | (2,856) | 212 | 13,323 |
| **Total** | 13,466 | 6,794 | 822 | (7,616) | - | 8,622 | - | (2,856) | 212 | 19,444 |
| **Total** | | | | | | | | | | |
| Stage 1 | 3,510 | - | (342) | (6,887) | (7,229) | 7,532 | - | - | 16 | 3,829 |
| Stage 2 | 6,029 | 342 | - | (1,201) | (859) | 3,459 | - | - | - | 8,629 |
| Stage 3* | 8,560 | 6,887 | 1,201 | - | 8,088 | 1,389 | - | (2,907) | 1,027 | 16,157 |
| **Total** | 18,099 | 7,229 | 859 | (8,088) | - | 12,380 | - | (2,907) | 1,043 | 28,615 |

* Other movement includes changes in interest in suspense in the year.

## 12. Loans and advances to customers (Continued)

### 12.1 Impairment losses on loans and advances to customers (including interest in suspense) measured at amortised cost (continued)

### A reconciliation of the ECL for loans and advances to customers by product:

| | | Transfers between stages | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Opening ECL 1 January 2023 | (To)/ from stage 1 | From/(to) stage 2 | From/(to) stage 3 | Total | Net ECL raised/ (released) | TVM Unwind and IIS movements | Impaired accounts written off | Other movements* | Closing ECL 31 December 2023 |
| **Consolidated and separate** | **Mkm** | **Mkm** | **Mkm** | **Mkm** | **Mkm** | **Mkm** | **Mkm** | **Mkm** | **Mkm** | **Mkm** |
| **Mortgage** | | | | | | | | | | |
| Stage 1 | 10 | - | (31) | (111) | (142) | 181 | - | - | - | 49 |
| Stage 2 | 115 | 31 | - | (44) | (13) | (39) | - | - | - | 63 |
| Stage 3* | 109 | 111 | 44 | - | 155 | 31 | - | (38) | 5 | 262 |
| **Total** | 234 | 142 | 13 | (155) | - | 173 | - | (38) | 5 | 374 |
| **Vehicle and asset finance** | | | | | | | | | | |
| Stage 1 | 146 | - | (76) | (649) | (725) | 666 | - | - | - | 87 |
| Stage 2 | 902 | 76 | - | (46) | 30 | (605) | - | - | - | 327 |
| Stage 3* | 122 | 649 | 46 | - | 695 | (23) | - | (47) | 180 | 927 |
| **Total** | 1,170 | 725 | (30) | (695) | - | 38 | - | (47) | 180 | 1,341 |
| **Corporate** | | | | | | | | | | |
| Stage 1 | 915 | - | (206) | - | (206) | 184 | - | - | 270 | 1,163 |
| Stage 2 | 1 | 206 | - | - | 206 | 903 | - | - | 1 | 1,111 |
| Stage 3* | - | - | - | - | - | - | - | - | - | - |
| **Total** | 916 | 206 | (206) | - | - | 1,087 | - | - | 271 | 2,274 |
| **Overdraft** | | | | | | | | | | |
| Stage 1 | 139 | - | (7) | (215) | (222) | 170 | - | - | - | 87 |
| Stage 2 | 352 | 7 | - | (78) | (71) | (42) | - | - | - | 239 |
| Stage 3* | 105 | 215 | 78 | - | 293 | (92) | - | (49) | 61 | 318 |
| **Total** | 596 | 222 | 71 | (293) | - | 36 | - | (49) | 61 | 644 |
| **Term** | | | | | | | | | | |
| Stage 1 | 2,480 | - | (822) | (3,795) | (4,617) | 4,260 | - | - | 1 | 2,124 |
| Stage 2 | 2,952 | 822 | - | (1,039) | (217) | 1,555 | - | - | (1) | 4,289 |
| Stage 3* | 6,035 | 3,795 | 1,039 | - | 4,834 | 546 | - | (4,264) | (98) | 7,053 |
| **Total** | 11,467 | 4,617 | 217 | (4,834) | - | 6,361 | - | (4,264) | (98) | 13,466 |
| **Total** | | | | | | | | | | |
| Stage 1 | 3,690 | - | (1,142) | (4,770) | (5,912) | 5,461 | - | - | 271 | 3,510 |
| Stage 2 | 4,322 | 1,142 | - | (1,207) | (65) | 1,772 | - | - | - | 6,029 |
| Stage 3* | 6,371 | 4,770 | 1,207 | - | 5,977 | 462 | - | (4,398) | 148 | 8,560 |
| **Total** | 14,383 | 5,912 | 65 | (5,977) | - | 7,695 | - | (4,398) | 419 | 18,099 |

* Other movement includes changes in interest in suspense in the year.

## 12. Loans and advances to customers (Continued)

### 12.1 Impairment losses on loans and advances to customers (including interest in suspense) measured at amortised cost (continued)

### Changes in gross exposures relating to changes in ECL (consolidated and separate)

The below is an explanation of significant changes in the gross carrying amount on financial instruments used to determine the changes in ECL:

- The net ECL on exposures raised of **MK12,380 million** (2024: MK7,695 million) primarily relates to the growth in gross carrying amount of:
  - CIB term loans of **MK24,563 million**, overdrafts of **MK28,228 million** and vehicle and asset finance of **MK2,217 million**.
  - PPB and BCB term loans of **MK22,537 million**, overdrafts of **MK11,950 million** and vehicle and asset finance of **MK5,118 million**.

### Loss allowance

Net impairments raised less recoveries of amounts written off in previous years equals income statement impairment charge (refer to credit impairment charges note 31)

The Group's policy is to transfer opening balances based on the ECL stage at the end of the reporting period. Therefore, exposures can be transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period. Furthermore, the expected credit loss recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the column "ECL on new exposure raised" based on the exposures ECL stage as at the end of the reporting period.

Below is an explanation of significant changes in the gross carrying amount on financial instruments used to determine the changes in ECL.

The ECL on new exposures raised/(released) primarily relates to the growth in the gross carrying amount as stated above.

Subsequent changes in ECL were driven by:

- Impact on the measurement of ECL due to changes in PDs, EADs and LGD in the period arising from regular refreshing of inputs to models.
- Impact on the measurement of ECL due to changes made to models and assumptions.
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.
- Deteriorating country macroeconomic factors which impacted client credit ratings.

### 12.2 Modifications on loans and advances to customers measured at amortised cost

| Year ended 31 December 2024 | Consolidated and Separate |
|---|---|
| **Stage 2** | **MKm** |
| Gross amortised cost before modification | **337** |
| Net modification loss | **(1)** |

| Year ended 31 December 2023 | |
|---|---|
| **Stage 2** | |
| Gross amortised cost before modification | 1,045 |
| Net modification gain | 62 |

The gross carrying amount for modifications during the reporting year that resulted in no economic gain or loss (i.e. no net economic gain or loss) is **MK5,337 million** (2023: MK16,859 million).

PPB and BCB clients with an exposure of **MK5,674 million** (2023: MK17,901 million) as well as CIB clients with exposure totalling **Nil** (2023: Nil) qualified for increased liquidity facilities, loan restructuring, covenant relaxations and payment holidays.



## 13. Financial investments

See accounting policy in Note 3 (f)

| | Consolidated and Separate | |
|---|---|---|
| | **2024 MKm** | 2023 MKm |
| Gross debt financial investments measured at amortised cost | **415,716** | 343,339 |
| Less: Expected credit losses for debt financial investments measured at amortised cost (note 13.1) | **(21,834)** | (9,154) |
| **Net debt financial investments measured at amortised cost** | **393,882** | 334,185 |
| Financial investments measured at fair value through profit or loss | **355** | 160 |
| Debt financial investments measured at fair value through OCI | **662** | 674 |
| | **394,899** | 335,019 |

At 31 December 2024 **MK2,662 million** (2023: MK14,848 million) of financial investments are expected to be recovered more than twelve months after the reporting date.

| | Consolidated and Separate | |
|---|---|---|
| **Financial investments by category** | **2024 MKm** | 2023 MKm |
| **Net debt financial investments measured at amortised cost** | | |
| Treasury bills and bonds | **393,882** | 334,185 |
| **Financial investments measured at fair value through profit or loss** | | |
| Equity investment in National Switch Limited (note 35) | **355** | 160 |
| **Debt financial investments measured at fair value through OCI** | | |
| Treasury bills and bonds | **662** | 674 |

### 13.1 Reconciliation of expected credit losses for debt financial investments measured at amortised cost

Income statement movements

| Consolidated and Separate | Opening ECL 1 January MKm | Total transfers between stages MKm | ECL on new exposure raised MKm | Subsequent changes in ECL MKm | Change in ECL due to derecognition MKm | Net ECL raised/ (released) MKm | Other movements MKm | Closing ECL 31 December MKm |
|---|---|---|---|---|---|---|---|---|
| **2024** | | | | | | | | |
| **Sovereign** | | | | | | | | |
| Stage 1 | **3,725** | **-** | **25,098** | **(3,416)** | **(4,050)** | **17,632** | **1** | **21,358** |
| Stage 2 | **5,429** | **-** | **-** | **-** | **(4,951)** | **(4,951)** | **(2)** | **476** |
| **Total** | **9,154** | **-** | **25,098** | **(3,416)** | **(9,001)** | **12,681** | **(1)** | **21,834** |
| 2023 | | | | | | | | |
| **Sovereign** | | | | | | | | |
| Stage 1 | 2,097 | (722) | 5,377 | (1,494) | (1,533) | 1,628 | - | 3,725 |
| Stage 2 | - | 722 | 1,739 | 2,986 | (19) | 5,428 | 1 | 5,429 |
| **Total** | 2,097 | - | 7,116 | 1,492 | (1,552) | 7,056 | 1 | 9,154 |

## 13. Financial investments (Continued)

### 13.1 Reconciliation of expected credit losses for debt financial investments measured at amortised cost (continued)

### Loss allowance

The ECL on new exposures raised primarily relates to the impact of deteriorating macroeconomic factors which in turn impacted forward looking credit impairment drivers.

### 13.2 Reconciliation of FVOCI reserve movements

| Consolidated and Separate | 1 January MKm | Net change in fair value MKm | Realised fair value adjustments and reversal to profit or loss MKm | Net expected credit loss (released)/ raised during the period MKm | 31 December MKm |
|---|---|---|---|---|---|
| **2024** | | | | | |
| Sovereign | **345** | **1** | **-** | **2** | **348** |
| **Total** | **345** | **1** | **-** | **2** | **348** |
| 2023 | | | | | |
| Sovereign | 386 | (60) | - | 19 | 345 |
| **Total** | 386 | (60) | - | 19 | 345 |

The ECL on new exposures raised primarily relates to the impact of deteriorating macroeconomic factors which in turn impacted forward looking credit impairment drivers.

## 14. Investment in subsidiary

See accounting policy in Note 3 (a)

| | Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| Investment in Standard Bank Bureau De Change Limited | **100** | 100 |

Standard Bank PLC owns 100% of the shares in Standard Bank Bureau De Change Limited and Standard Bank Nominees Limited. Investments in subsidiaries are measured at cost in the separate financial statements.

The principal place of business for Standard Bank Bureau De Change Limited and Standard Bank Nominees Limited is Malawi.

## 15. Other assets

See accounting policy in Note 3 (f) and 7 (d)

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| **Financial assets** | **MKm** | MKm | **MKm** | MKm |
| Remittances in transit* | **-** | 4,649 | **-** | 4,649 |
| Sundry receivables** | **13,201** | 6,245 | **13,545** | 6,286 |
| | **13,201** | 10,894 | **13,545** | 10,935 |
| **Non financial assets** | | | | |
| Inventory*** | **567** | 60 | **567** | 60 |
| Staff loan employee benefits*** | **15,314** | 13,584 | **15,314** | 13,584 |
| Prepayments: other *** | **2,909** | 1,451 | **2,909** | 1,451 |
| | **18,790** | 15,095 | **18,790** | 15,095 |
| **Total Balance at 31 December** | **31,991** | 25,989 | **32,335** | 26,030 |

Other financial assets carrying values approximate their fair values due to short-term nature of the balances.

The following table discloses the maturity analysis for the company's non financial assets on a contractual discounted basis.

| | Consolidated | | | Separate | | |
|---|---|---|---|---|---|---|
| | Less than 12 months after reporting period MKm | More than 12 months after reporting period MKm | Total MKm | Less than 12 months after reporting period MKm | More than 12 months after reporting period MKm | Total MKm |
| **2024** | | | | | | |
| **Non financial assets** | | | | | | |
| Inventory*** | **567** | **-** | **567** | **567** | **-** | **567** |
| Staff loan employee benefits*** | **1,945** | **13,369** | **15,314** | **1,945** | **13,369** | **15,314** |
| Prepayments: other*** | **2,355** | **554** | **2,909** | **2,355** | **554** | **2,909** |
| **Total** | **4,867** | **13,923** | **18,790** | **4,867** | **13,923** | **18,790** |
| 2023 | | | | | | |
| **Non financial assets** | | | | | | |
| Inventory*** | 60 | - | 60 | 60 | - | 60 |
| Staff loan employee benefits*** | 2,916 | 10,668 | 13,584 | 2,916 | 10,668 | 13,584 |
| Prepayments: other*** | 1,420 | 31 | 1,451 | 1,420 | 31 | 1,451 |
| **Total** | 4,396 | 10,699 | 15,095 | 4,396 | 10,699 | 15,095 |

* Included within items in transit are unpaid cheques and in transit remittances.
** Included in sundry receivables are government scheme cheques due for collection, VISA/Mastercard chargeback transactions and other sundry receivables.
*** Inventory, staff loan employee benefits and prepayments: other are not included in the analysis of credit, liquidity and market risk under the Risk management section and Accounting classifications and fair values of financial instruments section.

*The carrying amounts approximates the fair values*

## 16. Property, equipment and right-of-use assets

See accounting policy in Note 3 (h) and (i)

| Consolidated and Separate | Freehold land and buildings | Leasehold land and buildings | Motor vehicles | Computers | Fixtures and fittings | Work in progress | Right-of-use assets | Total |
|---|---|---|---|---|---|---|---|---|
| | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm |
| **Cost or valuation** | | | | | | | | |
| **Balance at 1 January 2024** | **7,931** | **11,237** | **1,930** | **13,242** | **7,727** | **283** | **1,613** | **43,963** |
| Additions during the year | **201** | **-** | **832** | **2,775** | **1,366** | **404** | **1,084** | **6,662** |
| Revaluation during the year | **1,572** | **2,678** | **-** | **-** | **-** | **-** | **-** | **4,250** |
| Transfers during the year | **-** | **128** | **-** | **108** | **-** | **(236)** | **-** | **-** |
| Disposals/terminations during the year | **(86)** | **-** | **(135)** | **(33)** | **(163)** | **-** | **-** | **(417)** |
| **Balance at 31 December 2024** | **9,618** | **14,043** | **2,627** | **16,092** | **8,930** | **451** | **2,697** | **54,458** |
| **Balance at 1 January 2023** | 6,159 | 9,933 | 1,495 | 7,667 | 7,075 | 179 | 1,399 | 33,907 |
| Additions during the year | 460 | 104 | 435 | 5,482 | 758 | 288 | 214 | 7,741 |
| Revaluation during the year | 725 | 1,200 | - | - | - | - | - | 1,925 |
| Transfers during the year | 3 | - | - | 133 | 34 | (170) | - | - |
| Non-current assets held-for-sale | 598 | - | - | - | - | - | - | 598 |
| Disposals/terminations during the year | (14) | - | - | (40) | (140) | (14) | - | (208) |
| **Balance at 31 December 2023** | 7,931 | 11,237 | 1,930 | 13,242 | 7,727 | 283 | 1,613 | 43,963 |
| **Accumulated depreciation** | | | | | | | | |
| **Balance at 1 January 2024** | **-** | **731** | **1,109** | **6,410** | **5,281** | **-** | **1,330** | **14,861** |
| Depreciation charge for the year | **281** | **574** | **388** | **2,019** | **842** | **-** | **429** | **4,533** |
| Eliminated on revaluation | **(280)** | **(475)** | **-** | **-** | **-** | **-** | **-** | **(755)** |
| Disposals/terminations during the year | **(1)** | **(1)** | **(112)** | **(21)** | **(149)** | **-** | **-** | **(284)** |
| **Balance at 31 December 2024** | **-** | **829** | **1,385** | **8,408** | **5,974** | **-** | **1,759** | **18,355** |

| Consolidated and Separate | Freehold land and buildings | Leasehold land and buildings | Motor vehicles | Computers | Fixtures and fittings | Work in progress | Right-of-use assets | Total |
|---|---|---|---|---|---|---|---|---|
| | MKm | MKm | MKm | MKm | MKm | MKm | MKm | MKm |
| **Accumulated depreciation** | | | | | | | | |
| **Balance at 1 January 2023** | - | 616 | 865 | 4,959 | 4,517 | - | 1,043 | 12,000 |
| Depreciation charge for the year | 228 | 709 | 244 | 1,487 | 877 | - | 287 | 3,832 |
| Transfers during the year | - | - | - | 2 | (2) | - | - | - |
| Non-current assets held-for-sale | 27 | - | - | - | - | - | - | 27 |
| Eliminated on evaluation | (252) | (594) | - | - | - | - | - | (846) |
| Disposals/terminations during the year | (3) | - | - | (38) | (111) | - | - | (152) |
| **Balance at 31 December 2023** | - | 731 | 1,109 | 6,410 | 5,281 | - | 1,330 | 14,861 |
| **Carrying amount At 31 December 2024** | **9,618** | **13,214** | **1,242** | **7,684** | **2,956** | **451** | **938** | **36,103** |
| At 31 December 2023 | 7,931 | 10,506 | 821 | 6,832 | 2,446 | 283 | 283 | 29,102 |

Brick & Mortar Limited independent valuers, valued land and buildings at 31 December 2024. Land and buildings were revalued by Joshua Mabvuto Beka Mkuziwaduka BSc. Land Mgmt. (Est.), Dip, Cert. Land Admin, MSIM. Valuations were made on the basis of the open market value. The carrying values of the properties were adjusted to the revaluations and the resultant surplus was credited to revaluation reserves and this reserve is not distributable until realised.

A register of freehold land and buildings is available for inspection at the registered office of the Company.

At 31 December 2024, **MK39,676 million** (2023: MK25,024 million) property and equipment and right of use assets are expected to be realised more than twelve months after the reporting date.

## 16. Property, equipment and right-of-use assets (Continued)

The additions in the property and equipment have resulted in the maintaining of the operating capacity of the Group.

The following table analyses property and equipment measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

| Fair value hierarchy<br>Consolidated and Separate | Level 1<br>MKm | Level 2<br>MKm | Level 3<br>MKm | Total<br>MKm |
|---|---|---|---|---|
| **At 31 December 2024** | | | | |
| Freehold land and buildings | **-** | **-** | **9,618** | **9,618** |
| Leasehold land and buildings | **-** | **-** | **13,214** | **13,214** |
| | **-** | **-** | **22,832** | **22,832** |
| **At 31 December 2023** | | | | |
| Freehold land and buildings | - | - | 7,931 | 7,931 |
| Leasehold land and buildings | - | - | 10,506 | 10,506 |
| | - | - | 18,437 | 18,437 |

### Level 3 fair value measurements - reconciliation

The following tables provide a reconciliation of the opening to closing balance for freehold and leasehold land and buildings that are measured at fair value based on inputs that are not based on observable market data (level 3):

| | Freehold land and buildings<br>MKm | Leasehold land and buildings<br>MKm | Total<br>MKm |
|---|---|---|---|
| **Opening Balance 1 January 2024** | **7,931** | **10 506** | **18,437** |
| Acquisitions | **201** | **-** | **201** |
| Disposals | **(86)** | **-** | **(86)** |
| Transfers | **-** | **128** | **128** |
| **Amounts recognised in profit or loss** | | | |
| Depreciation and impairment | **(281)** | **(574)** | **(855)** |
| Disposals/terminations during the year | **1** | **1** | **2** |
| Gains recognised in other comprehensive income | **1,852** | **3,153** | **5,005** |
| **Closing balance 31 December 2024** | **9,618** | **13,214** | **22,832** |
| **Opening Balance 1 January 2023** | 6,159 | 9,317 | 15,476 |
| Acquisitions | 460 | 104 | 564 |
| Disposals | (14) | - | (14) |
| Transfer from non-current assets held-for-sale | 598 | - | 598 |
| Transfer from WIP | 3 | - | 3 |
| **Amounts recognised in profit or loss** | | | |
| Depreciation and impairment | (228) | (709) | (937) |
| Non-current assets held-for-sale | (27) | - | (27) |
| Disposals/terminations during the year | 3 | - | 3 |
| Gains recognised in other comprehensive income | 977 | 1,794 | 2,771 |
| **Closing balance 31 December 2023** | 7,931 | 10,506 | 18,437 |

### Valuation techniques used to determine level 3 fair values

The Group obtains independent valuations for its freehold land and buildings (classified as property and equipment) at least every three years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The following was taken into account in the revaluations (valuation inputs) which informs the basis supports the "Value" indicated notwithstanding the "Cost" of investment in the refurbishment project. In coming up with the valuation, the following factors were considered but not limited to;

- Traffic congestions;
- Demand for office space compared to retail space;
- Rental concessions and escalation holidays;
- Crowd congestion hence compromised security (relating to specific properties).

### Valuation techniques and significant unobservable inputs

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|
| Discounted cash flows: The valuation model considers the present value of net cashflows to be generated from the property taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cashflows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the building and its location, tenant quality and lease terms. | Rental per square metre – **MK6,500 to MK17,000** (2023: MK6,500 to MK15,000)<br><br>Vacancy rate - **6% to 30%** (2023:6% to 22%)<br><br>Yield - **5% to 14%** (2023: 9% to 14%)<br><br>Outgoings – **20% to 35%** (2023: 20% to 35%)<br><br>Construction cost per square metre – **US$1,500 to US$2,500** (2023: US$1,500 – US$2,000)<br><br>Inflation – **32.2%** (2023:28.8%) | The estimated fair value would increase (decrease) if :<br>- Expected market rental growth were higher (lower);<br>- Void periods were shorter (longer);<br>- The occupancy rate was higher (lower);<br>- Rent free periods were shorter (longer) or;<br>- The risk adjusted discount rate were lower (higher). |

If the land and buildings were stated on the historical cost basis, the carrying amounts would be as follows:

| | Consolidated and Separate | |
|---|---|---|
| | **2024**<br>**MKm** | 2023<br>MKm |
| Cost | **9,398** | 8,803 |
| Accumulated depreciation and impairment losses | **(4,620)** | (4,513) |
| **Net carrying amount** | **4,778** | 4,290 |

## 17. Intangible assets – software

See accounting policy in Note 3 (j)

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| **Cost** | **MKm** | MKm |
| **Balance at 1 January** | **22,534** | 22,290 |
| Additions during the year | **-** | 244 |
| **Balance at 31 December** | **22,534** | 22,534 |
| **Accumulated amortisation** | | |
| **Balance at 1 January** | **9,841** | 8,311 |
| Amortisation during the year | **1,550** | 1,530 |
| **Balance at 31 December** | **11,391** | 9,841 |
| **Carrying amount** | **11,143** | 12,693 |

At 31 December 2024 **MK8,063 million** (2023: MK11,134 million) intangible assets are expected to be realised more than twelve months after the reporting date.

## 18. Deferred tax assets and liabilities

See accounting policy in Note 3 (m)

In April 2023, the Malawi Parliament approved a change in income tax rates applicable to companies registered under the Banking Act. The change saw banks being taxed at 30% for taxable profits up to MK10 billion and 40% for taxable profits above MK10 billion from a flat 30% on all taxable profits.

The bank realises the temporary differences at the highest rate of 40% since its profit before tax is forecasted to stay above the lower bracket of MK10 billion. Deferred tax has therefore been calculated at 40%.

Analysis of deferred tax assets and liabilities in the consolidated and separate statements of financial position is as follows:

| | Deferred tax asset | | Deferred tax Liability | | Net | |
|---|---|---|---|---|---|---|
| **Consolidated** | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm |
| Other provisions | **7,856** | 6,138 | **-** | - | **7,856** | 6,138 |
| Expected credit losses on loans and advances, financial investments and off-balance sheet items | **20,746** | 11,615 | **-** | - | **20,746** | 11,615 |
| Property, equipment and intangibles | **7** | - | **(3,910)** | (4,680) | **(3,903)** | (4,680) |
| Fair value adjustments and receivables | **2** | 329 | **(15,016)** | (15,446) | **(15,014)** | (15,117) |
| | **28,611** | 18,082 | **(18,926)** | (20,126) | **9,685** | (2,044) |

| | Deferred tax asset | | Deferred tax Liability | | Net | |
|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm | **MKm** | MKm |
| Other provisions | **7,856** | 6,138 | **-** | - | **7,856** | 6,138 |
| Expected credit losses on loans and advances, financial investments and off-balance sheet items | **20,740** | 11,615 | **-** | - | **20,740** | 11,615 |
| Property, equipment and intangibles | **7** | - | **(3,910)** | (4,680) | **(3,903)** | (4,680) |
| Fair value adjustments and receivables | **-** | 328 | **(15,016)** | (15,446) | **(15,016)** | (15,118) |
| | **28,603** | 18,081 | **(18,926)** | (20,126) | **9,677** | (2,045) |

Deferred tax is calculated, in full, on all temporary differences under the liability method using the enacted tax rate of **40%** (2023:30%). The movement on the deferred tax account is as follows:

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm |
| **Balance at 1 January** | **(2,044)** | (8,142) | **(2,045)** | (8,141) |
| Profit or loss (Note 36) | **11,730** | 3,637 | **11,723** | 3,635 |
| Movement through OCI | **(1)** | 2,461 | **(1)** | 2,461 |
| **Balance at 31 December** | **9,685** | (2,044) | **9,677** | (2,045) |

| **Consolidated** | **As at 1 January 2024 MKm** | **(Charged)/ credited to profit or loss MKm** | **(Charged)/ credited to OCI MKm** | **As at 31 December 2024 MKm** |
|---|---|---|---|---|
| Other provisions | **6,138** | **1,718** | **-** | **7,856** |
| Expected credit losses on loans and advances, financial investments and off-balance sheet items | **11,615** | **9,131** | **-** | **20,746** |
| Property, equipment and intangibles | **(4,680)** | **777** | **-** | **(3,903)** |
| Fair value adjustments and receivables | **(15,117)** | **104** | **(1)** | **(15,014)** |
| | **(2,044)** | **11,730** | **(1)** | **9,685** |
| **Separate** | | | | |
| Other provisions | **6,138** | **1,718** | **-** | **7,856** |
| Expected credit losses on loans and advances, financial investments and off-balance sheet items | **11,615** | **9,125** | **-** | **20,740** |
| Property, equipment and intangibles | **(4,680)** | **777** | **-** | **(3,903)** |
| Fair value adjustments and receivables | **(15,118)** | **103** | **(1)** | **(15,016)** |
| | **(2,045)** | **11,723** | **(1)** | **9,677** |

## 18. Deferred tax assets and liabilities (Continued)

Deferred tax assets and liabilities, deferred tax credit/ (charge) in the profit or loss, and deferred tax (charge)/credit on revaluation reserve in equity are attributable to the following items:

| Consolidated | As at 1 January 2023 at 30% MKm | (Charged) /credited to profit or loss MKm | (Charged) /credited to OCI MKm | As at 31 December 2023 at 30% MKm | Tax rate change to profit or loss MKm | Tax rate change to OCI MKm | As at 31 December 2023 MKm |
|---|---|---|---|---|---|---|---|
| Other provisions | 3,510 | 1,094 | - | 4,604 | 1,534 | - | 6,138 |
| Expected credit losses on loans and advances, financial investments and off-balance sheet items | 3,104 | 5,607 | - | 8,711 | 2,904 | - | 11,615 |
| Property, equipment and intangibles | (3,839) | (835) | - | (4,674) | (6) | - | (4,680) |
| Fair value adjustments and receivables | (8,403) | (2,936) | 2 | (11,337) | (3,725) | (55) | (15,117) |
| Revaluation reserve | (2,514) | - | 2,514 | - | - | - | - |
| | (8,142) | 2,930 | 2,516 | (2,696) | 707 | (55) | (2,044) |

Deferred tax assets and liabilities, deferred tax credit/ (charge) in the profit or loss, and deferred tax (charge)/credit on revaluation reserve in equity are attributable to the following items:

| Separate | As at 1 January 2023 at 30% MKm | (Charged) /credited to profit or loss MKm | (Charged) /credited to equity MKm | As at 31 December 2023 at 30% MKm | Tax rate change to profit or loss MKm | Tax rate change to equity MKm | As at 31 December 2023 MKm |
|---|---|---|---|---|---|---|---|
| Other provisions | 3,510 | 1,094 | - | 4,604 | 1,534 | - | 6,138 |
| Expected credit losses on loans and advances, financial investments and off-balance sheet items | 3,104 | 5,607 | - | 8,711 | 2,904 | - | 11,615 |
| Property, equipment and intangibles | (3,839) | (835) | - | (4,674) | (6) | - | (4,680) |
| Fair value adjustments and receivables | (8,402) | (2,938) | 2 | (11,338) | (3,725) | (55) | (15,118) |
| Revaluation reserve | (2,514) | - | 2 514 | - | - | - | - |
| | (8,141) | 2,928 | 2,516 | (2,697) | 707 | (55) | (2,045) |

## 19. Deposits and loans from banks

See accounting policy in Note 3 (f)

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| Balances due to related banks (Note 43) | **26,452** | 14,257 |
| Balances due to other banks | **12,100** | 7,312 |
| | **38,552** | 21,569 |

At 31 December 2024, **MK Nil** (2023: MK Nil) of deposits and loans from banks are expected to be settled more than twelve months after the reporting date.

*The carrying amounts approximates the fair values*

## 20. Deposits from customers

See accounting policy in Note 3 (f)

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| **Personal and Private Banking** | **MKm** | MKm | **MKm** | MKm |
| Current and demand deposits | **96,098** | 120,867 | **96,098** | 120,867 |
| Savings accounts | **51,979** | 6,411 | **51,979** | 6,411 |
| Fixed deposit accounts | **6,522** | 20,201 | **6,522** | 20,201 |
| Foreign currency deposit accounts | **20,867** | 60,276 | **20,867** | 60,276 |
| | **175,466** | 207,755 | **175,466** | 207,755 |
| **Business and Commercial Banking** | | | | |
| Current and demand deposits | **149,911** | 58,964 | **149,911** | 58,964 |
| Savings accounts | **15,819** | 33,540 | **15,819** | 33,540 |
| Fixed deposit accounts | **25,301** | 5,794 | **25,301** | 5,794 |
| Foreign currency deposit accounts | **58,666** | 17,926 | **58,666** | 17,926 |
| | **249,697** | 116,224 | **249,697** | 116,224 |
| **Corporate and Investment Banking** | | | | |
| Current and demand deposits | **259,042** | 233,913 | **265,079** | 240,398 |
| Savings accounts | **2,199** | 136 | **2,199** | 136 |
| Fixed deposit accounts | **154,208** | 104,588 | **154,208** | 104,588 |
| Foreign currency deposit accounts | **87,422** | 128,023 | **87,422** | 128,023 |
| | **502,871** | 466,660 | **508,908** | 473,145 |
| **Total deposits from customers** | **928,034** | 790,639 | **934,071** | 797,124 |

At 31 December 2024, **MK82 million** (2023: MK637 million) of deposits from customers are expected to be settled more than twelve months after the reporting date.

Included in customer deposits were deposits of **MK19,544 million** (2023: MK4,742 million) held as collateral for irrevocable commitments under import letters of credit and guarantees.

Some deposits carry fixed interest rates. Most customer deposits are at variable rate (see note 40).

## 21. Other liabilities

See accounting policy in note 3 (f)

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm |
| **Financial liabilities** | | | | |
| Items in transit | **6,927** | 1,044 | **6,927** | 1,044 |
| Lease liabilities (Note 21.1) | **957** | 237 | **957** | 237 |
| Trade payables | **1,751** | 66 | **1,751** | 66 |
| Accruals | **2,515** | 8,905 | **2,859** | 8,906 |
| Due to Standard Bank of South Africa (Note 43) | **33,468** | 23,846 | **33,468** | 23,846 |
| Unclaimed balances | **6,871** | 3,509 | **6,871** | 3,509 |
| Other** | **12,244** | 12,173 | **11,897** | 12,173 |
| | **64,733** | 49,780 | **64,730** | 49,781 |
| **Non financial liabilities** | | | | |
| Contract liabilities -deferred income (Note 21.2)* | **3,039** | 2,329 | **3,039** | 2,329 |
| Other*** | **3,834** | - | **3,834** | - |
| | **71,606** | 52,109 | **71,603** | 52,110 |

Other financial liabilities carrying values approximate their fair values due to the short-term nature of the balances.

*Contract liabilities - At 31 December 2024, **MK2,210 million** (2023: MK 1,872) contract liabilities were maturing more than twelve months after the reporting date.
**Included within items in other are cheques in course of collection, credits outstanding and point of sale transactions.
*** Included within items in other are indirect taxes and garnishee orders transactions.

### 21.1 Reconciliation of lease liabilities

| | Consolidated and Separate | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 1 January | Additions | Early terminations/ Cancellations | Interest expense | Payments* | Balance at 31 December |
| | MKm | MKm | MKm | MKm | MKm | MKm |
| **2024** | | | | | | |
| Buildings | **237** | **1,084** | **-** | **118** | **(482)** | **957** |
| **Total** | **237** | **1,084** | **-** | **118** | **(482)** | **957** |
| **2023** | | | | | | |
| Buildings | 481 | 214 | - | 69 | (527) | 237 |
| **Total** | 481 | 214 | - | 69 | (527) | 237 |

*These amounts include the principal lease repayments as disclosed in the statements of cash flows of **MK364 million** (2023:MK458 million) for Consolidated and Separate. The remainder represents interest expense paid during the year.

### Maturity analysis of lease liabilities

The following table presents minimum lease payments in relation to non-cancellable operating leases where the Group is a lessee.

| | Consolidated and Separate | | | |
|---|---|---|---|---|
| | Within 1 year | Greater than 1 year but less than 5 years | More than 5 years | Total |
| | MKm | MKm | MKm | MKm |
| **2024** | | | | |
| Buildings | **361** | **469** | 127 | **957** |
| **2023** | | | | |
| Buildings | 29 | 208 | - | 237 |

### 21.2 Contract liabilities - deferred income

| The group has recognised the following liabilities related to contracts with customers | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| Letters of credit and guarantees | **827** | 397 |
| Other - loan commitments/origination | **2,212** | 1,932 |
| **Total** | **3,039** | 2,329 |

### Significant changes in contract liabilities

Contract liabilities in the year increased as a result of growth of the gross carrying amount of loans and advances to customers which resulted in a corresponding increase in loan origination fees.

## 22. Income tax payable

See accounting policy in Note 3 (m)

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm |
| **Balance at 1 January** | **29,619** | 10,565 | **29,433** | 10,133 |
| Provisions raised during the year (Note 36) | **61,820** | 56 865 | **60,903** | 56,071 |
| Income tax payments during the year | **(70,450)** | (37,573) | **(69,853)** | (36,559) |
| Tax credits utilised during the year | **(148)** | (238) | **(140)** | (212) |
| **Balance at 31 December** | **20,841** | 29,619 | **20,343** | 29,433 |

At 31 December 2024, **MK Nil** (2023: MK Nil) income tax is payable more than twelve months after the reporting date.

## 23. Provisions

See accounting policy in Note 3 (l)

| | Consolidated and Separate | | | |
|---|---|---|---|---|
| | Performance and deferred bonus | Sundry* | Expected credit loss for off-balance sheet exposures | Total |
| | MKm | MKm | MKm | MKm |
| **Balance at 1 January 2024** | **5,562** | **13,898** | **1,642** | **21,102** |
| Provisions raised during the year | **5,937** | **4,952** | **132** | **11,021** |
| Provisions released during the year | **(5,562)** | **(13,067)** | **(475)** | **(19,104)** |
| **Balance at 31 December 2024** | **5,937** | **5,783** | **1,299** | **13,019** |
| **Balance at 1 January 2023** | 3,606 | 3,970 | 231 | 7,807 |
| Provisions raised during the year | 5,468 | 11,715 | 1,451 | 18,634 |
| Provisions released during the year | (3,512) | (1,787) | (40) | (5,339) |
| **Balance at 31 December 2023** | 5,562 | 13,898 | 1,642 | 21,102 |

### Performance and deferred bonus

A significant portion of the provisions are staff performance-based bonuses which are expected to be settled in full by the first quarter of the year 2025.

*Included within sundry provisions are severance pay provisions for ex staff and retired employees whose cases are in court, legal provisions for outstanding court cases and sundry provisions.

### Reconciliation of expected credit losses for off-balance sheet exposures

| | Consolidated and Separate |
|---|---|
| | MKm |
| **Stage 1 impairments:** | |
| **Balance at 1 January 2024** | **1,642** |
| Impairment loss for the year: | |
| ECL on new exposure raised | **90** |
| Subsequent change in ECL | **(462)** |
| Change in ECL due to derecognition | **(13)** |
| **Net impairments released** | **(385)** |
| Other movements | **42** |
| **Balance at 31 December 2024** | **1,299** |

| | Consolidated and Separate |
|---|---|
| | MKm |
| **Stage 1 impairments:** | |
| **Balance at 1 January 2023** | 231 |
| Impairment loss for the year: | |
| ECL on new exposure released | 954 |
| Subsequent change in ECL | 23 |
| Change in ECL due to derecognition | (40) |
| **Net impairments raised** | 937 |
| Other movements | 474 |
| **Balance at 31 December 2023** | 1,642 |

### Loss allowance

The ECL on new exposures raised/(released) primarily relates to the growth in the gross carrying amount of off-balance sheet exposures (see Note 39).

## 24. (i) Share capital

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| Issued and fully paid up as at 31 December | **235** | 235 |

At 31 December 2024 the total authorised share capital comprised **240 million** ordinary shares of **MK1 each** (2023: 240 million ordinary shares of MK1 each).

## (ii) Share premium

| | | |
|---|---|---|
| Issue of shares at a premium at 31 December | **8,491** | 8,491 |

## 25. Reserves

### (i) Revaluation reserve

| | | |
|---|---|---|
| **Balance at 1 January** | **17,723** | 12,437 |
| Revaluation gain during the year | **5,005** | 2,772 |
| Deferred tax reversal on revaluation | **-** | 2,514 |
| **Balance at 31 December** | **22,728** | 17,723 |

The revaluation reserve comprises the surplus on revaluation of the Group's land and buildings in accordance with the Group's policy on land and buildings. The carrying values of the properties were adjusted to the revalued amounts and the resultant surplus, was credited to revaluation reserves in shareholders' equity and this reserve is not distributable until realised.

## 25. Reserves (Continued)

### (ii) Fair value through OCI reserve

| | Consolidated and Separate 2024 MKm | 2023 MKm |
|---|---|---|
| **Balance at 1 January** | **345** | 386 |
| Expected credit losses on financial instruments at fair value through OCI | **2** | 19 |
| Net movement from changes in fair value | **2** | (7) |
| Deferred income taxes | **(1)** | (53) |
| **Balance at 31 December** | **348** | 345 |

### (iii) Retained earnings

| | Consolidated 2024 MKm | Consolidated 2023 MKm | Separate 2024 MKm | Separate 2023 MKm |
|---|---|---|---|---|
| Balance at 1 January | **167,023** | 126,503 | **160,556** | 121,883 |
| Dividends declared | **(25,405)** | (12,000) | **(25,405)** | (12,000) |
| Profit for the year | **86,365** | 52,520 | **84,459** | 50,673 |
| **Balance at 31 December** | **227,983** | 167,023 | **219,610** | 160,556 |

## 26. Net interest income

See accounting policy in Note 3(o)

| | Consolidated 2024 MKm | Consolidated 2023 MKm | Separate 2024 MKm | Separate 2023 MKm |
|---|---|---|---|---|
| **Interest income** | | | | |
| Loans and advances | **103,207** | 69,616 | **103,207** | 69,616 |
| Financial investments – FVTOCI | **24** | 27 | **24** | 27 |
| Financial investments – Amortised cost | **68,146** | 61,465 | **68,146** | 61,465 |
| Cash and short term funds | **13,868** | 1,276 | **13,625** | 1,265 |
| | **185,245** | 132,384 | **185,002** | 132,373 |
| **Interest expense** | | | | |
| Customer deposits | **9,053** | 9,480 | **9,078** | 9,547 |
| Interest on lease liabilities | **118** | 69 | **118** | 69 |
| | **9,171** | 9,549 | **9,196** | 9,616 |
| **Net interest income** | **176,074** | 122,835 | **175,806** | 122,757 |

Total interest income and expense calculated using the effective interest rate method reported above that relate to financial assets or financial liabilities that are not valued at fair value through profit or loss are **MK185,245 million** (2023: MK132,384 million) and **MK9,171 million** (2023: MK9,549 million) respectively.

## 27. Net fee and commission income

See accounting policy in Note 3 (r)

| | Consolidated and Separate 2024 MKm | 2023 MKm |
|---|---|---|
| **Fee and commission income** | | |
| Point of representation fees | **3,694** | 2,206 |
| Card based commissions | **6,262** | 4,450 |
| Electronic banking fees | **3,995** | 2,672 |
| Foreign currency service fees | **7,151** | 6,356 |
| Documentation and administration fees | **4,670** | 4,978 |
| Knowledge based fees | **48** | 234 |
| Insurance commission | **2,538** | 2,759 |
| Penalty based fees | **113** | 131 |
| Guarantee fees | **2,267** | 1,521 |
| ATM fees | **1,069** | 72 |
| Custody fees | **411** | 325 |
| Other | **3,736** | 3,421 |
| | **35,954** | 29,125 |
| **Fee and commission expense** | | |
| Interbank transactions | **(7,991)** | (5,483) |
| **Net fee and commission income** | **27,963** | 23,642 |

All fee and commission revenue/ (expense) reported above relates to financial assets or liabilities not carried at fair value through profit or loss for the Group and Company.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

| **Revenue recognised that was included in the contract liability balance at the start of the period** | Consolidated and Separate 2024 MKm | 2023 MKm |
|---|---|---|
| Letters of credit and guarantees | **308** | 373 |
| Other - overdrafts and loan origination (recognised in interest income) | **1,426** | 1,267 |
| | **1,734** | 1,640 |

Refer to accounting policy in Note 3(r) that describes the types of revenues recognised on a point in time basis and on the overtime basis.

## 28. Trading income

See accounting policy in Note 3 (s)

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm |
| Foreign exchange | **40,147** | 47,537 | **36,434** | 44,735 |
| Trading income on debt securities | **8,159** | 5,377 | **8,159** | 5,377 |
| | **48,306** | 52,914 | **44,593** | 50,112 |

## 29. Other operating income

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm |
| Sundry income | **1,008** | 600 | **1,052** | 701 |
| | **1,008** | 600 | **1,052** | 701 |

Sundry income includes rental income for leased properties and franchise fees billed to subsidiary entity.

## 30. Other gains on financial instruments

See accounting policy in Note 3(f)

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| Gains on debt realisation of financial assets measured at fair value through OCI | **225** | 430 |

## 31. Credit impairment charges

See accounting policy in Note 3 (f)

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm |
| **Net expected credit losses raised and released** | | | | |
| - Loans and advances to banks (Note 11) | **(26)** | 115 | **(44)** | 115 |
| - Loans and advances to customers (Note 12) | **12,380** | 7,695 | **12,380** | 7,695 |
| - Financial investments (Note 13) | **12,683** | 7,075 | **12,683** | 7,075 |
| - Letters of credit, bank acceptances and guarantees (Note 23) | **(385)** | 937 | **(385)** | 937 |
| - Recoveries on loans and advances previously written off | **(1,095)** | (652) | **(1,095)** | (652) |
| - Modification losses/ (gains) on distressed financial assets (Note 12) | **1** | (62) | **1** | (62) |
| | **23,558** | 15,108 | **23,540** | 15,108 |

## 32. Staff costs

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm |
| Salaries and allowances | **34,070** | 29,710 | **33,485** | 29,710 |
| Retirement benefit costs | **3,062** | 2,321 | **2,991** | 2,321 |
| | **37,132** | 32,031 | **36,476** | 32,031 |

## 33. Depreciation and amortisation

See accounting policy in Note 3(h) and (j)

| | | |
|---|---|---|
| Depreciation (Note 16) | **4,533** | 3,832 |
| Amortisation of intangible assets (Note 17) | **1,550** | 1,530 |
| Loss on derecognition of right-of-use assets | **88** | - |
| | **6,171** | 5,362 |

## 34. Other operating expenses

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm |
| Group directional fees* | **(1,936)** | 5,899 | **(1,936)** | 5,899 |
| Auditor's remuneration and fees for other services | **662** | 394 | **662** | 394 |
| Motor vehicle and fuel costs | **663** | 377 | **660** | 377 |
| Software, IT costs and other services | **18,886** | 10,488 | **18,836** | 10,488 |
| Communication costs | **2,834** | 2,015 | **2,829** | 2,015 |
| Travel and entertainment expenses | **3,240** | 2,109 | **3,218** | 2,109 |
| Recurrent expenditure on property and equipment | **2,366** | 1,835 | **2,334** | 1,835 |
| Marketing and advertising expenses | **2,155** | 1,538 | **2,138** | 1,538 |
| Stationery and printing expenses | **714** | 303 | **713** | 303 |
| Training expenses | **794** | 491 | **791** | 491 |
| Insurance and security costs | **5,432** | 4,503 | **5,399** | 4,503 |
| Premises expenses | **654** | 470 | **639** | 470 |
| Professional fees | **2,510** | 1,480 | **2,475** | 1,432 |
| Indirect taxes | **6,306** | 5,450 | **6,148** | 5,450 |
| Operational risk losses | **871** | 318 | **871** | 318 |
| Administration and membership fees | **207** | 132 | **202** | 132 |
| Commission paid | **489** | 302 | **426** | 233 |
| Coverage expenses | **899** | 531 | **899** | 531 |
| Foreign exchange differences | **363** | 2,134 | **378** | 2,134 |
| Other expenses | **2,346** | 1,452 | **2,326** | 1,429 |
| | **50,455** | 42,221 | **50,008** | 42,081 |

* This is a reversal of an overprovision which was made using the information available at that time and expensed through the same line in 2023 pending the Central Bank's decision. The approved final amounts were lower than the provisions leading to this reversal.

## 35. Interest in joint venture

See accounting policy in Note 3(w)

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| Carrying value at the beginning of the year | **160** | 111 |
| Share of post-tax profit for the year | **195** | 49 |
| Carrying value at the end of the year (note 13) | **355** | 160 |

There are no significant restrictions on the ability of the joint venture to transfer funds to the group in the form of cash or dividends or repayments of loans and advances.

## 36. Income tax expense

See accounting policy in Note 3(m)

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | Mkm |
| Current tax | **61,820** | 56,865 | **60,903** | 56,071 |
| Deferred tax (Note 18) | **(11,730)** | (3,637) | **(11,723)** | (3,635) |
| | **50,090** | 53,228 | **49,180** | 52,436 |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | Mkm |
| **Profit before income tax expense** | **136,455** | 105,748 | **133,639** | 103,109 |
| Tax calculated at the statutory tax rate of 30% up to MK10 billion and 40% for the excess (2023: 30%, 40%) | **53,300** | 41,036 | **52,456** | 40,244 |
| **Tax effect of:** | | | | |
| Expenses not deductible for tax purposes | **1,547** | 13,397 | **1,481** | 13,397 |
| Non-taxable income for tax purposes | **(4,757)** | (3,026) | **(4,757)** | (3,026) |
| Effect of change in tax rates | **-** | 1,821 | **-** | 1,821 |
| **Total income tax expense in profit or loss** | **50,090** | 53,228 | **49,180** | 52,436 |

The effective tax rate for the Group was **36.7%** (2023:50.0%)

## 37. Earnings per share

See accounting policy in Note 3(t)

| | | | | |
|---|---|---|---|---|
| Net profit attributable to equity holders (MKm) | **86,365** | 52,520 | **84,459** | 50,673 |
| Weighted average number of ordinary shares in issue (millions) | **235** | 235 | **235** | 235 |
| Basic earnings per share (expressed in MK per share) | **367.51** | 223.49 | **359.40** | 215.63 |
| Diluted earnings per share (expressed in MK per share) | **367.51** | 223.49 | **359.40** | 215.63 |

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

## 38. Dividends per share

See accounting policy in Note 3(n)

Interim dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. The directors recommend a final dividend in respect of the year ended 31 December 2024 of **MK70.31** (2023: MK54.97) per ordinary share representing **MK16.5 billion** (2023: MK12.9 billion).

A first interim dividend of **MK21.31** (2023: MK21.31) per ordinary share representing **MK5 billion** (2023: MK5 billion) was declared in January 2025. In March 2025, the directors resolved to pay a second interim dividend of **MK16.5 billion** (2023: MK7.5 billion) representing **MK70.31** (2023: MK31.96) per ordinary share. Therefore, total dividend for the year is **MK161.93** per share (2023: MK108.24), amounting to a total of **MK38 billion** (2023: MK25.4 billion).

## 39. Unrecognised financial instruments, contingent liabilities and commitments

### a) Legal proceedings

There are a number of legal proceedings outstanding against the Group as at 31 December 2024. Management is accordingly satisfied that the legal proceedings currently pending against the Group should 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 succeed.

### b) Capital commitments and contingent liabilities

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

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 | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| **Contingent liabilities** | | |
| Acceptances and letters of credit | **23,432** | 21,208 |
| Guarantees and performance bonds | **199,488** | 84,442 |
| | **222,920** | 105,650 |

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| **Commitments** | | |
| Undrawn formal stand-by facilities, credit lines and other commitments to lend | **35,456** | 22,783 |
| Authorised but not yet contracted capital commitments on property and equipment | **1,336** | 1,211 |
| | **36,792** | 23,994 |

Included in undrawn formal stand-by facilities, credit lines and other commitments to lend are irrevocable commitments amounting to **MK Nil** (2023: MK Nil).

## 40. Effective interest rates of financial assets and financial liabilities

The effective interest rates for the principal financial assets and liabilities at 31 December were in the following ranges:

| Consolidated and Separate | 2024 In MK | 2024 In US$ |
|---|---|---|
| **Assets** | | |
| Government securities | **14.00% - 26.80%** | - |
| Deposits with banking institutions | **23.00% - 23.60%** | **4.00% - 4.30%** |
| Loans and advances to customers | **24.60% - 37.30%** | **4.46% - 12.76%** |
| **Liabilities** | | |
| Customer deposits | **0.00% -13.00%** | **0.37% - 5.15%** |

| Consolidated and Separate | 2023 In MK | 2023 In US$ |
|---|---|---|
| **Assets** | | |
| Government securities | 13.99% - 26.80% | - |
| Deposits with banking institutions | 23.25% - 26.50% | 5.26% - 5.30% |
| Loans and advances to customers | 15.00%-34.60% | 3.89% - 14.67% |
| **Liabilities** | | |
| Customer deposits | 0.00% -11.70% | 0.10% - 5.15% |

## 41. Statement of cash flows notes:

### 41.1 Adjustment for non-cash items included in the income statement

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm |
| Armotisation of intangibles (note 33) | **1,550** | 1,530 | **1,550** | 1,530 |
| Depreciation of property and equipment and ROU (note 33) | **4,533** | 3,832 | **4,533** | 3,832 |
| Loss on derecognition of right-of-use assets (note 33) | **88** | - | **88** | - |
| Expected credit losses (note 31) | **24,652** | 15,822 | **24,634** | 15,822 |
| Modification loss/(gain) on distressed financial assets (note 31) | **1** | (62) | **1** | (62) |
| Other gains on financial instruments (note 30) | **(225)** | (430) | **(225)** | (430) |
| Stock write off | **49** | - | **49** | - |
| (Gain) / loss on sale of property and equipment | **(4)** | 21 | **(4)** | 21 |
| Share of profit from joint venture | **(195)** | (49) | **(195)** | (49) |
| Fair value adjustments to derivatives assets | **(1,974)** | 669 | **(1,974)** | 669 |
| Fair value adjustments to derivatives liabilities | **(809)** | 1,399 | **(809)** | 1,399 |
| Fair value adjustments to trading assets | **(716)** | 30 | **(716)** | 30 |
| Spread profit adjustment | **179** | 17 | **179** | 17 |
| Interest income (note 26) | **(185,245)** | (132,384) | **(185,002)** | (132,373) |
| Interest expense (note 26) | **9,171** | 9,549 | **9,196** | 9,616 |
| | **(148,945)** | (100,056) | **(148,695)** | (99,978) |

### 41.2 Increase in income-earning and other assets

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **MKm** | MKm | **MKm** | MKm |
| | | Restated* | | Restated* |
| Trading assets | **(11,978)** | (19,729) | **(11,978)** | (19,729) |
| Financial investments | **(77,736)** | 20,100 | **(77,511)** | 20,100 |
| Loans and advances to banks and other financial institutions | **(18,254)** | (6,293) | **(18,117)** | (6,365) |
| Loans and advances to customers | **(93,291)** | (42,641) | **(93,291)** | (42,641) |
| Other assets | **(9,264)** | (31,874) | **(9,559)** | (31,849) |
| | **(210,523)** | (80,437) | **(210,456)** | (80,484) |

### 41.3 Increase in deposits and other liabilities

| | Consolidated 2024 MKm | Consolidated 2023 MKm | Separate 2024 MKm | Separate 2023 MKm |
|---|---|---|---|---|
| Deposits and loans from banks | **16,964** | 106 | **16,964** | 106 |
| Deposits from customers | **132,002** | 120,768 | **131,554** | 122,506 |
| Other liabilities | **10,745** | 13,436 | **10,741** | 13,442 |
| | **159,711** | 134,310 | **159,259** | 136,054 |

### 41.4 Analysis of cash and cash equivalents as shown in the statement of cash flows

| | Consolidated 2024 MKm | Consolidated 2023 MKm | Separate 2024 MKm | Separate 2023 MKm |
|---|---|---|---|---|
| Cash and balances with Reserve Bank of Malawi (note 8) | **197,187** | 152,232 | **196,951** | 152,118 |
| Gross on demand loans and advances to banks and other financial institutions | **203,747** | 230,220 | **201,247** | 230,220 |
| | **400,934** | 382,452 | **398,198** | 382,338 |

### 41.5 Dividends paid

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| **Contingent liabilities** | | |
| Opening liability | **9,742** | 5,709 |
| Add: Dividend declared in the year | **25,405** | 12,000 |
| Less: Closing liability | **(11,141)** | (9,472) |
| Amount paid during the year | **23,456** | 8,237 |

## 42. Restatement of statement of cash flows

During 2024, the group performed benchmarking and internal investigations to reassess the definition of cash and cash equivalents when compiling the statement of cash flows within the definition of cash and cash equivalent under IAS 7 Statement of Cash Flows. The following have been identified as industry best practice during this exercise and have resulted in the following restatements of errors, updated accounting policies and other additional disclosures:

- Demand gross loans and advances to banks maturing within 3 months from acquisition date have been presented as part of the cash and cash equivalents line that the statement of cash flows reconciles to, refer to note 41.4 for the accompanying note. These balances, amounting to MK230,220 million in the 2023 closing cash and cash equivalents balance and MK128,109 million in the opening balance, were in prior periods erroneously excluded from cash and cash equivalents. The movement in these balances, of MK102,111 million (of which MK79,267 million related to effects of exchange rate changes), was also erroneously included in the movement in income-earning assets. Both the balances and movement have now been presented in cash and cash equivalents.
- Specific accounting policies, refer to note 3(c), have been included for the following: Cash and cash equivalents.

The above changes had the following impact on the statement of cash flows:

| Consolidated | Note | 2023 Before Mkm | 2023 Adjustment Mkm | 2023 After Mkm |
|---|---|---|---|---|
| **Operating activities** | | | | |
| **Profit before income tax expense** | | 105,748 | - | 105,748 |
| Adjustment for non-cash items included within the income statement | 41.1 | (100,056) | - | (100,056) |
| Increase in income-earning and other assets | 41.2 | (103,281) | 22,844 | (80,437) |
| Increase in deposits and other liabilities | 41.3 | 134,310 | - | 134,310 |
| Interest paid | | (9,687) | - | (9,687) |
| Interest received | | 119,974 | - | 119,974 |
| Dividend received | | - | - | - |
| Income tax paid | 22 | (37,573) | - | (37,573) |
| **Net cash flows generated from operating activities** | | 109,435 | 22,844 | 132,279 |
| **Investing activities** | | | | |
| Capital expenditure on property and equipment and intangible assets | 16,17 | (7,771) | - | (7,771) |
| Proceeds from sale of property and equipment | | 37 | - | 37 |
| **Net cash flows used in investing activities** | | (7,734) | - | (7,734) |
| **Financing activities** | | | | |
| Principal lease repayments | 21.1 | (458) | - | (458) |
| Dividends declared and paid | | (8,237) | - | (8,237) |
| **Net cash flows used in financing activities** | | (8,695) | - | (8,695) |
| **Net increase in cash and cash equivalents** | | 93,006 | 22,844 | 115,850 |
| Cash and cash equivalents at the beginning of the year | | 56,385 | 128,109 | 184,494 |
| Effects of exchange rate changes | | 2,841 | 79,267 | 82,108 |
| **Cash and cash equivalents at the end of the year** | 41.4 | 152,232 | 230,220 | 382,452 |

| Separate | Note | 2023 Before Mkm | 2023 Adjustment Mkm | 2023 After Mkm |
|---|---|---|---|---|
| **Operating activities** | | | | |
| **Profit before income tax expense** | | 103,109 | - | 103,109 |
| Adjustment for non-cash items included within the income statement | 41.1 | (99,978) | - | (99,978) |
| Increase in income-earning and other assets | 41.2 | (103,328) | 22,844 | (80,484) |
| Increase in deposits and other liabilities | 41.3 | 136,054 | - | 136,054 |
| Interest paid | | (9,754) | - | (9,754) |
| Interest received | | 119,963 | - | 119,963 |
| Dividend received | | - | - | - |
| Income tax paid | 22 | (36,559) | - | (36,559) |
| **Net cash flows generated from operating activities** | | 109,507 | 22,844 | 132,351 |
| **Investing activities** | | | | |
| Capital expenditure on property and equipment and | 16,17 | (7,771) | - | (7,771) |
| Proceeds from sale of property and equipment | | 37 | - | 37 |
| **Net cash flows used in investing activities** | | (7,734) | - | (7,734) |
| **Financing activities** | | | | |
| Principal lease repayments | 21.1 | (458) | - | (458) |
| Dividends declared and paid | | (8,237) | - | (8,237) |
| **Net cash flows used in financing activities** | | (8,695) | - | (8,695) |
| **Net increase in cash and cash equivalents** | | 93,078 | 22,844 | 115,922 |
| Cash and cash equivalents at the beginning of the year | | 56,199 | 128,109 | 184,308 |
| Effects of exchange rate changes | | 2,841 | 79,267 | 82,108 |
| **Cash and cash equivalents at the end of the year** | 41.4 | 152,118 | 230,220 | 382,338 |

## 43. Related party transactions

The Group is controlled by Stanbic Africa Holdings Ltd, a Bank incorporated in the United Kingdom. The ultimate parent company of the Group is Standard Bank Group Limited, incorporated in the Republic of South Africa. There are other companies which are related to Standard Bank PLC through common shareholdings.

In the normal course of business, a number of banking transactions are entered into with related parties at arm's length. These include loans, deposits and foreign currency transactions. The parent company also provides professional and technical consultancy services for which it charges market rates. The outstanding balances at the year end and related expense and income for the year are as follows:

| | Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| **Balances due from related parties** | | |
| **Derivative assets** | | |
| Standard Bank of South Africa – Fellow subsidiary | **106** | 149 |
| **Loans and advances to banks** | | |
| Standard Bank of South Africa – Fellow subsidiary | **20,326** | 26,370 |
| Stanbic Bank Kenya - Fellow subsidiary | **4** | 4 |
| Stanbic Bank Botswana - Fellow subsidiary | **45** | - |
| Standard Bank Mauritius – Fellow subsidiary | **-** | 101,966 |
| **Balances due from related banks (Note 11)** | **20,375** | 128,340 |
| **Loans and advances to customers** | | |
| Balances due from directors and other key management personnel | **2,086** | 1,758 |
| Balances due from other related parties | **2,390** | 3,300 |
| | **4,476** | 5,058 |
| **Other assets** | | |
| Balance due from Standard Bank Bureau De Change Limited - subsidiary | **344** | 41 |
| Balance due from Stanbic Bank Zambia – Fellow subsidiary | **14** | 6 |
| Balance due from Standard Bank of South Africa – Fellow subsidiary | **961** | 406 |
| | **1,319** | 453 |
| Interest income earned from related party banks | **9,432** | 5,576 |
| Staff costs recovered for related party banks | **1,500** | - |
| Other fees earned from related party banks | **91** | 10 |
| Trading income from related party banks | **628** | 299 |
| Mark up on recovery of costs from Standard Bank Bureau De Change Limited | **44** | 101 |

The amounts due from related party banks relate to nostro accounts and are not secured.

The amounts due from related party banks are at market related interest rates and are short term in nature.

The loans issued to directors are repayable over two years and are granted at market related interest rates and are secured by the asset being purchased. The loans issued to key management personnel follow staff loans policy.

No stage 3 expected credit losses have been recorded against balances with related parties outstanding during the year.

| | Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| **Balances due to related parties** | | |
| **Deposits from customers** | | |
| Balances due to directors and other key management personnel | **369** | 373 |
| Balances due to other related parties | **5,265** | 9,113 |
| Standard Bank Bureau De Change Limited -Subsidiary | **6,037** | 6,485 |
| | **11,671** | 15,971 |
| **Deposits and loans from banks** | | |
| Standard Bank of South Africa – Fellow subsidiary | **26,390** | 14,195 |
| Industrial and Commercial Bank of China - Significant shareholder of Standard Bank Group | **32** | 32 |
| Stanbic Zimbabwe – Fellow subsidiary | **2** | 2 |
| Stanbic Zambia – Fellow subsidiary | **28** | 28 |
| **Balances due to related party banks (Note 19)** | **26,452** | 14,257 |
| **Other liabilities** | | |
| Standard Bank of South Africa - Fellow subsidiary (Note 21) | **33,468** | 23,846 |
| **Balances due to related parties** | **33,468** | 23,846 |
| **Provisions** | | |
| Standard Bank of South Africa – Fellow subsidiary | **-** | 5,906 |
| **Contingencies** | | |
| Letter of guarantee – Standard Bank of South Africa – Fellow subsidiary | **8,464** | 6,869 |
| Letter of guarantee – Stanbic Bank of Zambia – Fellow subsidiary | **1,750** | - |
| Letter of guarantee – Stanbic Bank of Botswana – Fellow subsidiary | **4,709** | 1 |
| Letter of guarantee - Industrial and Commercial Bank of China – Significant Shareholder of Standard Bank Group | **8,892** | 2,388 |
| | **23,815** | 9,258 |
| **Key management compensation** | | |
| Salaries and other short-term benefits | **3,226** | 2,518 |
| Contributions to defined contribution plans | **307** | 271 |
| | **3,533** | 2,789 |

## 43. Related party transactions (Continued)

| | Separate | |
|---|---|---|
| | **2024** | 2023 |
| | **MKm** | MKm |
| Staff costs paid to related banks | **337** | 4 |
| Training cost paid to related party banks | **8** | - |
| Group directional fees – Standard Bank of South Africa (Note 34) | **(1,936)** | 5,899 |
| Information technology fees and other services- Standard Bank of South Africa | **12,249** | 4,935 |
| Dividends paid - Stanbic Africa Holdings Limited | **15,290** | 7,222 |
| **Directors remuneration** | | |
| Non-executive directors – fees | **115** | 93 |
| Non-executive directors – expenses | **175** | 167 |
| Executive director's salaries and other short-term benefits | **659** | 441 |
| | **949** | 701 |

A listing of members of the Board of Directors is shown on first page of the directors' report.

**The fees for the Directors for 2024 are as detailed below:**

| | |
|---|---|
| Mr. C. Kapanga | MK15.84million |
| Mr. M.Sauti-Phiri | MK12.45million |
| Mrs. C. Chithila | MK12.45million |
| Mr. S. Ulemu | MK12.45million |
| Mr. D. Pinto | MK12.45million |
| R. Sibande, PhD | MK12.45million |
| Mr. A. Mkandawire | MK12.45million |
| Mr. G. Kuyeri | MK12.45million |
| Mrs. M.A. Chirwa | MK12.45million |

## 44. Inflation and exchange rates

The foreign currencies affecting most the operations of the Group are United States Dollar, British Pound and South African Rand. The average of selling and buying exchange i.e. rate at year end of these currencies and the country's national index price which presents inflation rate were as follows:

| | **2024** | 2023 | 2022 |
|---|---|---|---|
| United States Dollar (USD) | **1,749.93** | 1,697.98 | 1,034.67 |
| Sterling Pound (GBP) | **2,250.25** | 2,224.30 | 1,282.60 |
| South African Rand (ZAR) | **95.89** | 94.17 | 62.69 |
| Inflation rates as at 31 December (%) | **28.1** | 34.5 | 25.4 |

As at the date of approval of the consolidated and separate financial statements, the exchange rates were as follows:

| | |
|---|---|
| United States Dollar (USD) | **1,749.65** |
| Sterling Pound (GBP) | **2,268.53** |
| South African Rand (ZAR) | **97.04** |

## 45. Subsequent events

Subsequent to the reporting date, nothing has occurred requiring adjustments to and/or disclosure in the consolidated and separate financial statements.

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Standard Bank

## Footprint in Malawi