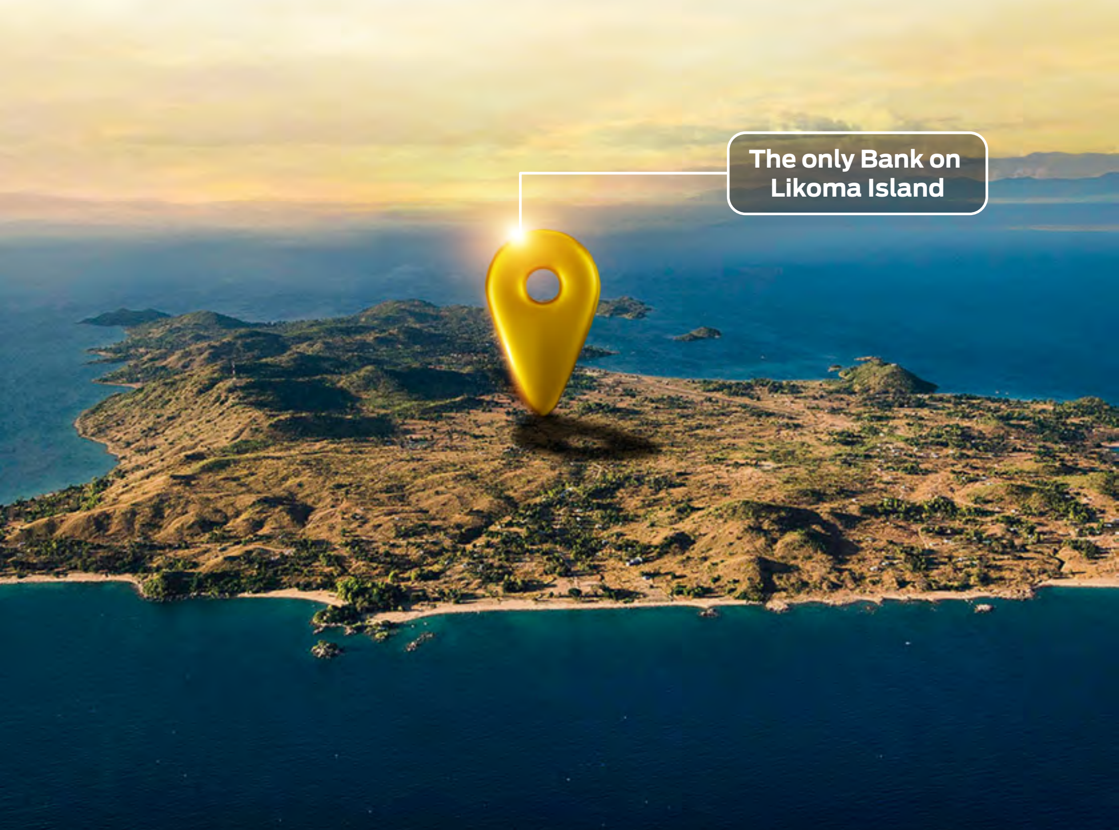
Annual Report 2024



FDH Bank Plc

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01

Introduction

Company Information

Company Secretary:
Mr. Juliano Kanyongolo

Managing Director:
Mr. Noel Mkulichi

Registered office of the Company:
FDH Bank Plc
Umoyo House
P.O. Box 512
Blantyre, Malawi
Tel: +265 (0) 1 820 219
info@ fdh.co.mw
www.fdh.co.mw

Transfer Secretaries:
NICO Asset Managers Limited
Chibisa House
19 Glyn Jones Road
P.O. Box 3173
Blantyre, Malawi
Tel: +265 (0) 1 832 085
invest@nicoassetmanagers.com

Auditors:
Ernst & Young Chartered Accountants (Malawi)

Principal Attorneys:
Mbendera and Nkhono Associates

FDH Bank Plc Profile

FDH Bank Plc ('The Bank') was incorporated and registered in Blantyre, Malawi on 16 May 2007, with registration number 8328 under the Companies Act, 1984, as repealed by the Companies Act, 2013, as a private limited liability company. The Company was re-registered as a public limited liability company under the Companies Act, 2013 on 3 June 2020. The Bank is also registered with the Reserve Bank of Malawi ('RBM') as a commercial bank and authorized dealer for exchange control purposes. The Bank's registered office is situated at Umoyo House, Victoria Avenue, P.O. Box 512, Blantyre, Malawi. On 3 August 2020, the Bank was listed on the Malawi Stock Exchange.

FDH Bank Plc owns 100% shares of FDH Properties Limited ('FDHP'). FDHP is a real estate investment company whose registered address is FDH House, Corner Victoria Avenue and Chilembwe Road, P.O. Box 512, Blantyre, Malawi.

FDH Bank Plc is a subsidiary of FDH Financial Holdings Limited. The other subsidiaries in the Group are the First Discount House Limited and FDH Money Bureau Limited.

The principal function of FDH Bank Plc is to provide banking services through our main divisions of Personal and Business Banking, Corporate and Institutional Banking, Treasury and Investment Banking, Global Markets and Trade Finance and Digital Financial Services. The related products include:

1. **Current accounts**
2. **Savings accounts**
3. **Call and fixed deposits**
4. **Overdrafts and loans**
5. **Foreign exchange and international trade transactions**
6. **Custodial services**
7. **Financial advice to corporate and private clients**
8. **Digital products and services**

A leading money market service provider offering high yield investment products and services on the market to personal, business and corporate clients with a view to grow their investments. The services on offer include government securities, repurchase agreements and commercial papers, among others.

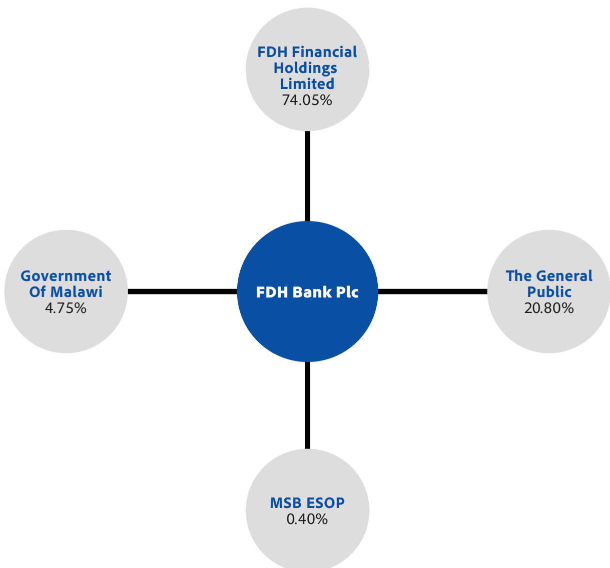
A leading money bureau in Malawi offering seamless transactions in foreign exchange trading and international money transfer services including MoneyGram, Western Union, Hello Paisa, Mukuru, Mama Money, Thunes, Shoprite Send and Ria.

A real estate investment company that is wholly owned by FDH Bank Plc. It currently owns twenty-one (21) properties. A significant portion of the properties are let to the Bank and its sister companies in the group. The company offers independent commercial and residential property consultancy services.

The Bank has a leading, expansive and strategic branch network of 48 service centres, 95 auto-teller machines and an extensive network of *Banki Pakhomo* agents spread throughout the country. The Bank is also a leader in cutting edge innovative digital product solutions and has the most comprehensive portfolio of digital products in the sector.

FDH Bank Plc shareholding as of 31 December 2024 was as follows:

	2024	2023
FDH Financial Holdings Limited	74.05%	74.05%
The General Public	20.80%	20.80%
Government of Malawi	4.75%	4.75%
Malawi Savings Bank (MSB) ESOP	0.40%	0.40%



Purpose and Strategy

Our Purpose

We provide easy access to financial solutions that enable our communities to grow with us.

Our vision

To be the leading provider of first class financial solutions in Malawi and the Southern Africa.

Our Strategy

To provide accessible financial solutions by focusing on our customers, continuously innovating, operating efficiently, and developing our people.

Core Values: FASTTER

- Fun
- Adaptability
- Sustainability
- Transparency and accountability
- Team work
- Excellence
- Respect

Strategic pillars

Customer Focus
We understand our customers and deliver an excellent experience.

Operational Efficiency
We operate efficiently and effectively using flexible and robust approaches.

People Development
We develop our people to have the right skills to deliver excellence.

Continuous Innovation
We continuously innovate to simplify and improve the way we do things

Financial Highlights

Revenue
K195 Billion
Up by 90%

Profit After Tax
K74 Billion
Up by 108%

Deposits
K883 Billion
Up by 99%

Total Assets
K1.2 Trillion
Up by 119%

Share Price
K148.23
Per Share as at 31 Dec 2024
Up by 118.75%

Net Interest Income
K141 Billion
Up by 136%

Dividend Paid
K35.1 Billion
Up by 79%

K5.09
Per Share

Performance

Delivered a strong performance in 2024 with record Revenue of K195bn from K103bn in 2023.

Growth Trajectory

Sustained growth trajectory with 108% growth in PAT to K74bn from K36bn in 2023 and a Return on Equity of 76% from 61% in 2023.

Growth Prospects

Prospects for regional growth, which will widen and diversify the revenue base and the future earnings are expected to increase in the long run.

02

Leadership Team

Board of Directors

CHAIRPERSON
Charity Mseka
Master of Science in Strategic Business Management
Member of the Chartered Institute of Management Accountants (CIMA)

DIRECTOR
Dr. Nathan Mpinganjira
Doctor of Business Administration
Fellow of the Association of Chartered Certified Accountants (FCCA)

DIRECTOR
Judith Chirwa
Master of Arts in Strategic Management

DIRECTOR
Annabel Mpinganjira *
Master of Arts Management (International Business)
Bachelor of Laws (LLB (Hons)) UK

DIRECTOR
Pilirani Roselyn Chuma
Master in International Trade Law
Master of Business Administration

DIRECTOR
Maria Brigitta Msiska
Master of Business Leadership
Fellow of the Association of Chartered Certified Accountants (FCCA)

DIRECTOR
Dr. Ulemu Katunga
Doctor of Philosophy in Business Administration
Fellow of the Association of Chartered Certified Accountants (FCCA)

* Joined the Board on 6th September 2024

DIRECTOR

James Diverias Kamsesa

Master of Business Administration
Fellow of the Association of Chartered Certified Accountants (FCCA)

DIRECTOR

Juliana Somba Banda

Master of Science in Agricultural Economics

DIRECTOR

Grey Nkungula

Master of Science in Analysis, Design and Management of Information Systems

DIRECTOR

Harold Kuchande

Master of Science in Human Resources Management

DIRECTOR

William Mpinganjira

Master of Business Administration
Fellow of the Association of Chartered Certified Accountants (FCCA)
Chartered Banker (UK)

DIRECTOR

Patrice Nkhono, SC

Master of Laws (LLM) in International Development Law

DIRECTOR

George Chitera

Master of Business Administration
Fellow of the Association of Chartered Certified Accountants (FCCA)

DIRECTOR

Noel Mkulichi

Master of Banking and Finance

COMPANY SECRETARY

Juliano G. Kanyongolo

Master of Laws (Commercial Law)

Executive Management

MANAGING DIRECTOR

Noel Mkulichi
Master of Banking and Finance

DEPUTY MANAGING DIRECTOR

George Chitera
Master of Business Administration.
Fellow of the Association of Chartered Certified Accountants (FCCA).

HEAD OF FINANCE

Richard M. Chipezaani
Fellow of the Association of Chartered Certified Accountants (FCCA)

HEAD OF CORPORATE AND INSTITUTIONAL BANKING

Kawawa Msapato
Master of Science in Strategic Management

HEAD OF DIGITAL FINANCIAL SERVICES

Victoria T. Mbewe
Master of Business Administration

HEAD OF TREASURY AND INVESTMENT BANKING

Esnat Chilije Suleman
Chartered Financial Analyst (CFA)

HEAD OF HUMAN RESOURCES

Chrispin Chikwama
Master of Business Administration

HEAD OF INTERNAL AUDIT

Jones Chabwera
Fellow of the Association of Chartered Certified Accountants (FCCA)

HEAD OF ADMINISTRATION AND PROCUREMENT

Roselyn Coroa
Master of Business Administration
in Chartered Banker (UK)

HEAD OF MARKETING AND COMMUNICATION

Levie Nkunika
Master of Business Administration
Strategic Marketing

HEAD OF RISK AND COMPLIANCE

Arthur Yapuwa
Fellow of the Association of Chartered
Certified Accountants (FCCA)

HEAD OF GLOBAL MARKETS AND TRADE FINANCE

Leslie Fatch *
Bachelor of Education
ACI Dealing Certificate

HEAD OF CREDIT

Allans Nkhoma
Master of Development Finance
Fellow of the Association of Chartered
Certified Accountants (FCCA)

HEAD OF OPERATIONS

Mwiza Murowa
Member of the Association of Chartered
Certified Accountants (ACCA)

HEAD OF PERSONAL AND BUSINESS BANKING

Daniel Pinto Khamula
Master of Business Administration
Fellow of the Association of Chartered
Certified Accountants (FCCA)

HEAD OF INFORMATION TECHNOLOGY

Ruth Mandolo *
Bachelor of Science in computing and
Management Information Systems

HEAD OF LEGAL AND COMPANY SECRETARY

Juliano G. Kanyongolo
Master of Laws (Commercial Law)

* Effective 1 April 2025

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Our Year

Our Year

1. CUSTOMER FOCUS

FDH Bank Plc is committed to deliver superior customer experience and support clients with relevant solutions and build strategic partnerships for growth.

Promoting Intra-African Trade

The Bank, in partnership with Afreximbank, launched the African Trade Gateway (ATG), a platform meant to provide Malawi Import and Export clients access to wider markets for the promotion of intra-African trade.

Promoting SMEs

Signing ceremony for the $15 million medium term loan facility from the Afreximbank to support the SMEs Sector in Malawi. Event took place on the sidelines of the Afrexibank Annual Meeting in Nassau, Bahamas.

Innovation: FDH Salama Banking Launch

The Bank unveiled FDH Salama Banking Solution as part of its strategy to offer easy access to financial solutions for communities. The solution, a first on the Malawi market, offers Shariah Compliant Banking services to customers.

Driving Financial Inclusion: Likoma Service Centre Unveiling




The Bank launched the first commercial bank fully fledged service centre on Likoma Island, extending its presence to every district in Malawi.

Banking That Matters Campaign

The Bank in 2024 run Banking That Matters brand campaign aimed at reiterating its commitment to providing first class innovative and relevant banking solutions to customers.

Affordable Life Cover

The Bank launched FDH Life Plan product aimed at providing aforadable life cover and promoting peace of mind for clients.

2. STAKEHOLDER ENGAGEMENT

FDH Bank Plc continues to build and strengthen relationships with its stakeholders for continued growth and success.

Annual General Meeting and Investors' Forum

The Bank hosted its 17th Annual General Meeting (AGM) on 24 May 2024 and Investors Forum on 30 April 2024 at Mount Soche Hotel in Blantyre. The Bank continues to strive to provide superior shareholder returns by growing its revenue and profitability sustainably.

PRSM Annual Conference

FDH Financial Holding Chief Executive Officer, William Mpinganjira gave a keynote speech at the 2024 Public Relations Society of Malawi (PRSM) Annual Conference under the theme "Managing Narratives for Enhanced Democracy and Development".

Afreximbank Annual General Meeting

FDH Bank Plc Deputy Managing Director George Chitera was part of a panel discussion titled "Unlocking the Opportunities to African Trade and Finance through Africa Trade Gateway (ATG) platform" at the 31st African Export-Import Bank (Afreximbank) Annual General Meeting in Nassau, Bahamas.

Client Engagements

The Bank held various client engagement events across the country aimed at engaging and appreciating clients.

3. COMMUNITY EMPOWERMENT

FDH Bank Plc remains committed to promoting sustainability, and supporting the community through various engagements and programs.

FDH TEVET Loan Program

The Bank in partnership with Technical Entrepreneurial and Vocational Training Authority in Malawi (TEVETA) launched the FDH TEVET Loan Program aiming to provide concessional loans to groups of freshly graduated TEVET Qualified Graduates to foster entrepreneurial growth and job creation among the youth.

FDH-MUBAS Graduate Start-up Program

FDH Bank Plc signed a Memorandum of Understanding with Malawi University of Science and Technology (MUBAS), sustainably anchoring the FDH Graduate Start-Ups Program, aimed at providing capital and mentorship for innovative start-ups and fostering an entrepreneurial spirit among the youth.

FDH Mayor's Trophy Sponsorship Renewal

The Bank reaffirmed its commitment to youth empowerment and grassroots development by renewing its support for the Mzuzu, Zomba, and Lilongwe Mayor's Trophies and the Intercity Mayor's Trophy.

FDH Bank Cup Season Four

A deserved win by the Blue Eagles Football Club at FDH Bank Cup final.

Embracing Electric Vehicles for Operations

The Bank, in line with its sustainability commitments to reducing carbon emissions while maintaining cost-effectiveness, has procured electric cars as part of modernising its fleet.

4. EMPLOYEE DEVELOPMENT

FDH Bank Plc prioritises employee engagement and development and held various initiatives within the year for staff members.

Graduate Trainees Program

The Bank completed another cycle of Graduate Trainees program that saw a new crop of trainees posted to various positions within the institution after an 18-month training program.

FDH 2024 Employee of The Year

The Bank's 2024 Employee of the Year winner was unveiled at the 2024 FDH End of Year Party at Mount Soche Hotel in Blantyre.

Management Development Program

Graduation: FDH Bank Plc Executive Management are seen with FDH Managers after the completion of the program at Ryalls Hotel in Blantyre.

FDH End of Year Parties

The Bank held End of Year parties with a dress like the 70's theme to celebrate with staff and foster team building in the North, Central and Southern Regions.

FDH Legacy Awards

FDH Bank Plc and FDH Financial Holdings celebrated staff members who have worked for over 10 years, 15 years, 20 years and 25 years at a ceremony held at Ryalls Hotel in Blantyre.

5. INDUSTRY RECOGNITION

FDH Bank Plc's outstanding initiatives in 2024 earned recognition from various professional bodies.

Marketing Excellence Awards

Recognition by Institute of Marketing in Malawi(IMM): Print Commercial of the Year – FDH Salama Banking, Marketing Team of the Year – FDH Marketing Team, Corporate Social Responsibility (CSR) Initiative of the Year – FDH Cares, Marketer of the Year – Head of Marketing Levie Nkunika.

Employer's Consultative Association of Malawi

Recognition by Employers Consultative Association of Malawi: Corporate Social Responsibility Institution of the Year 2024 – FDH Cares.

04

Directors' Reports

CHAIRPERSON AND MANAGING DIRECTOR'S STATEMENT

Performance

We are pleased to report a Profit After Tax of K74.063 billion, up by 108% from K35.647 billion profit achieved over a similar period in 2023. Net Interest Income increased by 136% on the back of the increase in interest-bearing assets, mainly the loan book, government securities and placements. The increase in Net Interest Income was partly offset by the increase in Interest Expense as a result of the significant growth in customer deposits the Bank registered in 2024.

Commissions and Other Fee Income increased by 25% as a result of increase in customer transactions and growth of digital revenue. However, there was subdued growth on international trade and trade finance revenue due to low availability of foreign currency. The increase in Net Interest Income and Non-Interest Income resulted in Total Income growth of 90%.

Operating expenses grew by 42% when compared to the same period last year as a result of increase in investment in staff development and investment in delivery channels as the Bank focuses on continuous innovation to meet customer needs. The growth in expenses was also influenced by high inflation during the year which averaged 32.2%. Notwithstanding the increase in expenses, the Cost to Income Ratio improved to 34% from 45% in prior year. The Bank continues to improve its operational efficiencies to contain costs.

There was an increase in net impairment charges due to the increase in expected credit losses resulting from customers whose businesses were affected by the challenging economic environment and low availability of foreign currency; however, recovery efforts are in progress to minimise the loss.

Total assets increased by 119% from December 2023 mainly emanating from growth in Loans by 56%, Government Securities by 101% and placements by 176% as part of the Bank's strategy to grow the interest earning assets. This growth was supported by an increment in customer deposits of 99% from K444 billion in 2023 to K883 billion in 2024.

Dividend

The Bank paid out dividends amounting to K35.126 billion (representing K5.09 per share) during the year ended December 2024 including a dividend of K7.039 billion (K1.02 per share) in respect of 2023 profits which was approved at the Bank's Annual General Meeting on 24th May 2024. On 1st August 2024, the Directors of the Bank approved a first interim dividend of K13.043 billion (K1.89 per share) in respect of 2024 profits, which was paid on 22nd August 2024. On 22nd November 2024, the Directors approved a second interim dividend of K15.044 billion (K2.18 per share) in respect of 2024 profits, and dividend was paid on 19th December 2024.

A final dividend of K4.555 billion (K0.66 per share) for the year ended 31 December 2024 was recommended by the Board on 24th February 2025 and this will be presented to the shareholders for declaration at the Bank's 18th Annual General Meeting which will be held at a date to be communicated.

Outlook, Strategy and Business

The global economic environment in 2025 is expected to remain volatile, uncertain, complex and ambiguous exacerbated by geopolitical tensions and trade restrictions posing significant risks to global growth.

Domestically, the economic environment is expected to remain challenging in 2025 with the country facing continued foreign currency shortages from the widening trade deficit gap and slow gross domestic product (GDP) growth. However, the Malawi economy is expected to recover and grow by 4.0% in 2025, from 1.8% in 2024, mainly driven by key sectors of agriculture, mining, tourism, construction, information and communication. Annual inflation rate is anticipated to slow down in 2025 to average 29.2% (2024: 32.2%).

The Bank has a responsive strategy designed to foster adaptability, resilience, agility, organizational learning and sustainable growth. The strategy is anchored by four strategic pillars of customer focus, operational efficiency, people development, and continuous innovation. The strategy aims to deliver the Bank's purpose of "providing easy access to financial solutions that enable our communities to grow with us" leveraging our customer insights, experience, market position, widest distribution network, effective digital platforms and brand equity. Our capabilities in corporate and institutional banking, personal and business banking, global markets and trade finance, treasury and investment banking and digital sales enable us to deliver our purpose.

As a significant enabler to both the private and public sectors of the economy, the Bank seeks to achieve positive impact by continuing to align its efforts to the Government's Agriculture, Tourism, Mining and Manufacturing (ATM&M) strategy focus areas and the key enabling sectors of energy, construction, education, manufacturing and industrialisation, and international trade, among others. We are continuously innovating and introducing products that specifically serve the needs of these sectors as well as collaborating with key stakeholders. We leverage on our expertise and global partnerships to provide financial solutions and support clients that have projects of varying sizes, complexity and at different stages of implementation. Our new approach also allows us to serve corporate, business, small and medium-sized enterprises (SMEs) and personal markets with bespoke and innovative solutions for their growth and success.

In the year, as part of our innovation journey, we launched FDH Salama Banking Solution, Malawi's first Islamic banking services, offering Shariah-compliant financial products and services targeting corporate, business, SMEs and personal markets. We also officially launched the first commercial banking branch on Likoma Island as part of contributing towards financial inclusion.

We continue to leverage on our strength in facilitation of trade and international payments by providing a variety of trade financing solutions. We continue to leverage on partnerships with international counterparties to enhance the capacity in trade finance and payments. Being an advocate of Intra-Africa trade promotion, we continue to onboard clients on the Africa Trade Gateway (ATG), which is a digital platform by Afreximbank housing the Africa Trade Exchange (ATEX), a platform that provides African companies (both importers and exporters) access to wider African markets. To complement this, we signed a USD15 million 3-year facility with Afreximbank, aimed at supporting the SME sector, to give them access to financing and equip them with capacity to utilize opportunities in Intra-Africa trade.

To continue leading and driving digital innovations in the sector, we upgraded our Core Banking system from Temenos Release 14 to Temenos Transact 23. This will bring improved performance and security, increased business agility and improved customer experience.

We continue leveraging our strategic partnership with the Government of Malawi, Financial Access for Rural Markets, Smallholders and Enterprise (FARMSE), and the International Fund for Agriculture Development (IFAD) to drive financial inclusion and provide convenient last mile access to banking services using our expansive agency banking network.

Regional Growth
In line with the strategy to pursue regional growth, FDH Bank Plc is prospecting to acquire a controlling stake in a bank within the African region and negotiations are underway and the outcome is expected to be known in the course of the year 2025.

Shareholders are advised to exercise caution and should consult their professional advisors before dealing in the shares of the Company until such a time when the outcome of such negotiations is known.

Our People
In the year, we continued our quest for nurturing present and future fit-for-purpose employees to drive the business forward. We strive to enhance our employee value proposition (EVP) through workplace learning programs, employee motivation initiatives, employee engagement and leadership development, among other initiatives.

During the year, we continued with our efforts for employee development led by workplace learning and development initiatives with the objective of ensuring that the employees have the necessary attitude, knowledge, and skills for them to perform best in their current roles as well as being prepared for potential future roles. A total of 90 different learning and development programs were conducted during the year which saw over 800 employees trained.

A total of 205 employees were recognized with staff awards as individuals, teams as well as service centres for innovation and outstanding performance through the Machawi Awards. The Employee of the Year was awarded an all-expenses-paid trip to Australia with her spouse. We had 74 employees recognized for their loyalty under long service awards program with service ranging from 10 to 25 years and were given certificates and cash prizes.

We have a highly responsive and well-thought-out succession plan to prepare our employees to cater for both immediate and future human resources needs at all levels. We therefore continue to run an Executive Development Program for members of Executive Management which saw 2 executives undergo a six-month program facilitated by the University of Stellenbosch. Our Management Development Program trained 17 managers. In 2023, our Graduate Trainee eighteen-month program enrolled 23 employees, who successfully completed the program in August 2024 and have since been deployed into various supervisory positions in the Bank.

Sustainability
Inspired by UN Sustainable Development Goals (SDGs) and Africa's Agenda 2063, our sustainability program, FDH Cares, is designed to support Malawi's Agenda 2063, focusing on the economy, the environment and the community requirements.

Responding to the national food insecurity occasioned by El Nino weather, we partnered with the National Food Reserve Agency (NFRA) and contributed 100 metric tonnes of maize valued at K95.5 million for food insecure households and with Mary's Meals for its children school feeding program that helps children to stay in school.

The 22 Cyclone Freddy victims' disaster resistant houses, whose construction started in 2023, were completed and occupied by the intended families in Chiradzulu and Phalombe districts constructed at the cost of K220 million.

We are contributing to youth entrepreneurship and development through various interventions including the FDH Bank and Technical Entrepreneurial and Vocational Training Authority (TEVETA) partnership offering concessional loans to fresh graduates from TEVET registered institutions that work in groups to start and expand their businesses. The institutions produce over 11,000 graduates every year.

Additionally, with the graduate start up program, that offers working capital and mentorship to fresh university graduates that started with Malawi University of Business and Applied Sciences (MUBAS) graduates 3 years ago, we are now expanding to other public universities.

Started 4 years ago, our Be Green Smart initiative surpassed its 1 million planted trees target to 1.1 million trees planted by the close of 2024 leveraging our extensive branch network and partnerships with various private sector, government, NGOs, parastatals and the religious community. We are committed to reducing our carbon footprint and we have started on a journey of embracing clean energy with the procurement of 2 electric cars and have replaced close to half of our 48 service centres' backup power source of diesel generator with solar energy. Switching to electric vehicles and solar energy enables us to contribute towards a sustainable future by reducing environmental pollution and fuel cost.

As part of coming up with innovative and sustainable ways of promoting tertiary education accessibility, FDH Bank supports Malawi University of Science and Technology (MUST) with its Students Endowment Fund having contributed K100 million and provided additional sponsorship of K10 million through the Presidential Charity Fund for University Students.

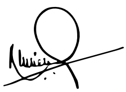
The Bank's staff and management have mentored over 20,000 youth in secondary schools through the FDH Mentor a Child program across the country meeting its 4-year target as part of contributing towards youth development.

We continued our commitment to creating a primary schools youth sports platform for their development and growth through the K100 million mayors' trophy initiative for Lilongwe, Mzuzu, Zomba and the Intercity Mayor's Trophy competed by all the four cities including Blantyre.

Our 9-year-old partnership with the Football Association of Malawi (FAM) to develop football in Malawi continues to grow and we are the main sponsor of the Malawi National Football Team, the Flames with K250 million annually and have a K1 billion four-year partnership. The prestigious FDH Bank Cup 2024 with sponsorship of K150 million annually was successfully held, unearthing raw talent that would be used in building the national football team.

Appreciation
We would like to thank all stakeholders of FDH Bank Plc, including our valued customers, the shareholders, the Government of Malawi, the Reserve Bank of Malawi, the Malawi Stock Exchange, correspondent banks and other business partners, who rendered their support to the Bank during the year which inspired the good performance of the Bank. .

Charity Mseka
Board Chairperson



Noel Mkulichi
Managing Director

DIRECTORS' REPORT

The directors have pleasure in presenting the consolidated and separate financial statements of FDH Bank Plc and its wholly owned subsidiary, FDH Properties Limited, which comprise the consolidated and separate statements of financial position, statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows and notes to the financial statements for the year ended 31 December 2024.

Activities

The Bank is engaged in the business of commercial banking whilst FDH Properties Limited manages properties. Both companies are incorporated in Malawi under the Malawi Companies Act 2013 but the Bank is also registered under the Banking Act.

The registered office and principal place of business for both the Bank and its subsidiary, FDH Properties Limited, is Upper Ground Floor, Umoyo House, 8 Victoria Avenue North, P.O. Box 512, Blantyre, Malawi.

Results

The directors report a consolidated profit after tax of K74.063 billion and K73.337 billion for the Bank for the year ended 31 December 2024 (2023: K35.647 billion and K33.551 billion respectively).

Share capital

The authorised share capital of the Bank is K10,000,000,000 (2023: K10,000,000,000) divided into 10,000,000,000 (2023: 10,000,000,000) Ordinary shares. The issued share capital of the Bank is K6,901,031,250 (2023: K6,901,031,250) divided into 6,901,031,250 (2023: 6,901,031,250) Ordinary shares.

FDH Bank Plc is listed on the Malawi Stock Exchange and the shareholding as at 31 December 2024 is as follows:

	2024	2023
FDH Financial Holdings Limited	74.05%	74.05%
The General Public	20.80%	20.80%
Government of Malawi	4.75%	4.75%
MSB ESOP	0.4%	0.4%

Dividend

The Bank paid out dividends of K35.126 billion during the year ended December 2024 which included a dividend of K7.039 billion (representing K1.02 per share) in respect of 2023 profits.

On 1 August 2024, the Bank declared a first interim dividend of K13.043 billion (representing K1.89 per share) in respect of 2024 profits. The dividend was paid on 22 August 2024.

On, 26 November 2024, the Bank declared a second interim dividend of K15.044 billion (K2.18 per share) in respect of 2024 profits. This dividend was paid on 19 December 2024.

Going concern

In accordance with their responsibilities, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements. The Group recorded a profit of K74.063 billion (2023: K35.647 billion) and the Bank recorded a profit of K73.337 billion (2023: K35.551 billion) for the year ended 31 December 2024. The Group had current liabilities of K1,097 billion and the Bank had current liabilities of K1,095 billion (December 2023: K497.493 billion for the Group and K496.563 billion for Bank) against Group's current assets of K581.336 billion and Bank's current assets of K580.288 billion (December 2023: K257.353 billion and Bank's current assets of K254.882 billion). As at 31 December 2024, the Capital Ratios for Tier 1 and Tier 2 ratios were 26.29 % (December 2023: 23.81%) and 32.64% (2023: 26.04%) respectively.

The short-term mismatches between the current liabilities and current assets are managed through the Asset and Liabilities Committee (ALCO), which is charged with the safeguarding the liquidity of the Bank. This is complemented by the access to window borrowing on the money market which includes Lombard and interbank.

The Bank also has a liquidity contingency plan in collaboration with other financial institutions to address any emergency liquidity shortfalls. However, when we consider the behavioral patterns of demand deposits (that form a big portion of the current liabilities), they are stable over time and the Bank's strategy is to maintain and grow its customer base, thereby ensuring the stability of the demand deposits.

In assessing the going concern assumption, the directors considered the current performance of the Bank and all available forward-looking information for the near future.

The key issue going into the rest of the 2025 financial year will be the ongoing impact of the closure of NGOs in Malawi, which previously contributed significantly to foreign exchange inflows. This reduction in aid has been partly triggered by the shift in US foreign policy under the new presidency, which has led to tighter regulations and changes in aid distribution. As a result, the Bank anticipates a noticeable reduction in the USD flowing into the country. This decline is expected to affect the forex market, contributing to increased volatility in exchange rates and pressures on the Malawi Kwacha. The Bank will be evaluating how this shortfall in foreign exchange inflows will impact liquidity, trade balances, and inflationary pressures. Additionally, the Bank will assess the effect on sectors reliant on donor funding, particularly in health, education, and infrastructure, and explore ways to manage the reduced availability of USD. Strategies will be developed to mitigate currency risk, ensure financial stability, and adapt to the more constrained economic environment, including seeking alternative foreign exchange sources and diversifying funding streams.

FDH Bank has also carefully considered the impact of rising inflation on its operations and financial stability. In its assessment of going concern, the Bank has taken into account the anticipated effects of inflationary pressures on costs, interest rates, and the purchasing power of consumers. The Bank is committed to mitigating these challenges through prudent financial management and by adapting to the evolving macroeconomic environment.

The directors determined that the financial statements are prepared on a going concern basis that assumes that the Group and Bank will continue in operational existence for the foreseeable future.

Directors
The following directors served in office during the year while residing in Malawi unless stated otherwise. Directors serve a term of 3 years and are eligible for re-appointment.

Name	Role	Period	Attendance of meetings
Mrs. C. Mseka	Chairperson	Throughout the period	5/5
Dr. N. Mpinganjira*	Director	Throughout the period	5/5
Mr. J. D.L. Kamsesa	Director	Throughout the period	5/5
Mrs. J. Chirwa	Director	Throughout the period	5/5
Mrs. M. B. Msiska	Director	Throughout the period	5/5
Mr. P. Nkhono, SC	Director	Throughout the period	5/5
Mrs P. R. Chuma	Director	Throughout the period	5/5
Dr. U. Katunga	Director	Throughout the period	5/5
Mr. H. Kuchande	Director	Throughout the period	5/5
Mrs. J. Somba-Banda	Director	Throughout the period	5/5
Dr. E. J. Sankhulani**	Director	Up to 24 May 2024	2/5
Mr. G. Mkungula	Director	Throughout the period	5/5
Ms. C. A. Mpinganjira	Director	From 6 September 2024	2/5
Mr. W. Mpinganjira	Group CEO	Throughout the period	5/5
Mr. N. Mkulichi	Managing Director	Throughout the period	5/5
Mr. G. Chitera	Deputy Managing Director	Throughout the period	5/5
Mr. J. Kanyongolo	Company Secretary	Throughout the period	5/5
*Resident in South Africa **Retired			

Board meetings
The Board meets quarterly on scheduled meetings and ad-hoc meetings are held when necessary. The directors are provided with comprehensive board documentation at least seven days prior to each of the scheduled meetings. During the year there were five board meetings, four were ordinary and the other one, was extraordinary.

Finance and Audit Committee

The Committee meets quarterly on scheduled meetings and meets on ad-hoc basis according to business requirement. The Committee is comprised of three non-executive directors. The role of the Committee is to provide an independent evaluation of the adequacy and efficiency of the Bank's internal control system, accounting practices, information systems and auditing processes. Communication between the Board, Executive Management, internal audit, and external audit is encouraged. The Committee liaises with the internal auditors on accounting procedures and on the adequacy of controls and information systems, and reviews the financial statements, considers loss reports on major defalcations, and the Bank's compliance plan for effectiveness. The Committee also engages with the external auditors on matters pertaining to the Financial Reporting and internal controls based on the external auditors' work. The members of the Committee were as follows: -

Name	Role	Period	Attendance of meetings
Dr. Ulemu Katunga	Chairperson	Throughout the period	5/5
Mr. James Kamsesa	Member	Throughout the period	5/5
Mrs. Juliana Somba-Banda	Member	Throughout the period	5/5

Risk and Capital Management Committee (RCMC)

The Committee meets quarterly on scheduled meetings and meets on ad-hoc basis according to business requirement. The Committee is comprised of three non-executive directors. The Committee reviews and assesses the integrity of the risk control systems and ensures that risk policies and strategies are effectively identified, managed and monitored in order to contribute to a climate of discipline and control, which will reduce the opportunity of risk, including fraud, in all areas of operation. The RCMC also reviews the capital position and approves risk appetite, reviews stress testing results and considers the adequacy of mitigating actions if required. The members of the committee were:

Name	Role	Period	Attendance of meetings
Mr. Patrice Nkhono SC	Chairperson	Throughout the period	4/4
Mrs. Maria B. Msiska	Member	Throughout the period	4/4
Dr. E. J. Sankhulani	Member	Up to 24 May 2024	2/4

Remuneration and Appointments Committee

The Committee meets quarterly on scheduled meetings and meets on ad-hoc basis according to business requirement. The committee is comprised of four non-executive directors. The Committee considers all human resources issues including recruitment policy, industrial relations, succession planning, safety and health and remuneration terms and packages for management and staff. The members of the Committee were:

Name	Role	Period	Attendance of meetings
Mr. Harold. Kuchande	Chairperson	Throughout the period	6/6
Dr. Nathan Mpinganjira	Member	Throughout the period	6/6
Mrs. Pilirani R. Chuma	Member	Throughout the period	6/6
Ms. Chikondi A. Mpinganjira	Member	From 6 September 2024	1/6
Dr. E. J. Sankhulani	Member	Up to 24 May 2024	2/6

Credit Risk Committee (CRC)

This Committee meets quarterly on scheduled meetings and meets on ad-hoc basis according to business requirements. The Committee is comprised of four non-executive directors. The Board Credit Risk Committee is tasked with the overall review of the Bank's lending policies. At each meeting, the Committee directs, monitors, reviews and considers all issues that may materially impact on the present and future quality of the Bank's credit risk management. It ensures that there are effective procedures to identify irregular credit facilities, minimise credit losses and maximise recoveries. The Committee analyses and authorizes any transactions above the authorised limits of the Credit Risk Management Committee. The members of the Committee were:

Name	Role	Period	Attendance of meetings
Mrs. Judith P. Chirwa	Chairperson	Throughout the period	10/10
Mrs Pilirani R. Chuma	Member	Throughout the period	10/10
Dr. Nathan Mpinganjira	Member	Throughout the period	10/10
Ms. Chikondi A. Mpinganjira	Member	From 6 September 2024	2/10

Information Technology (IT) Committee

This Committee meets quarterly on scheduled meetings and meets on ad-hoc basis according to business requirement. The Committee is comprised of four non-executive directors. The committee is tasked with ensuring effective and secure utilisation of technology within the Bank to ensure that the Bank meets its strategic objectives. It also evaluates, and advises with respect to, the direction of the corporation's technological evolution and in the process, oversee effective protection of the corporation's intellectual property. The Information Technology Committee also recommends technology and procedures to meet the Bank's financial and regulatory obligations with respect to privacy, data retention and data protection. The members of the Committee were:

Name	Role	Period	Attendance of meetings
Dr. Eric Sankhulani	Chairperson	Up to 24 May 2024	2/5
Dr. Nathan Mpinganjira	Member	Throughout the period	5/5
Mrs. Judith P. Chirwa	Member	Throughout the period	5/5
Mr. Grey Nkungula	Member	Throughout the period	5/5
Ms. Chikondi A. Mpinganjira	Member	From 6 September 2024	2/5

Compliance with Corporate Governance

The directors are committed to the implementation of and endorse the main principles of modern corporate governance as contained in the Malawi Code II (Code of Best Practice for Corporate Governance in Malawi). In this regard, the Bank has at Board level, a Board Audit Committee, Board Risk Committee, Board Credit Committee, Board Information and Technology Committee and Board Appointments and Remuneration Committee. The Committees comprise of Non-Executive Directors.

Directors' and other key management's Interest

Some directors and key management have shares in FDH Bank Plc which were bought on the stock exchange and these shares cumulatively were valued at K75.5 billion as at 31 December 2024.

	No. of Shares 2024		No. of Shares 2023		Value of Shares (K'000) 2024		Value of Shares (K'000) 2023	
Name of Director	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**	**Direct Interest**	**Indirect Interest**
Dr. Ulemu Katunga	200,000		200,000		29,646	-	14,000	-
Dr. Nathan Mpinganjira		414,158,249		346,464,879	-	61,390,677	-	24,252,542
Mrs. Juliana Msomba Banda	8,599,096		8,599,096		1,274,644	-	601,937	-
Mrs. Charity Mseka	300,000		300,000		44,469	-	21,000	-
Mrs. Pilirani R. Chuma	110,071		76,979		16,316	-	5,389	-
Mr. William Mpinganjira	40,829,148		32,199,018		6,052,105	-	2,253,931	-
Mr. Noel Mkulichi	727,818		500,000		107,884	-	35,000	-
Mr. George Chitera	10,500,000	34,175,000	17,775,000	15,300,000	1,556,415	5,065,760	1,244,250	1,071,000
Total	**60,428,244**	**448,333,249**	**59,650,093**	**361,764,879**	**9,081,479**	**66,456,437**	**4,175,507**	**25,323,542**

Auditors

On 24 May 2024 the FDH Bank Annual General Meeting (AGM) approved the appointment of Ernst & Young (EY) as the auditor for the Bank for year ended 31 December 2024. EY have signified their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting in relation to their appointment as auditors in respect of the year ending 31 December 2025.

For and on Behalf of the Board

Chairperson

Director

24 February 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2024

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

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

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

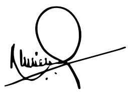
- Maintenance of proper accounting records that correctly record and explain the transactions of the Bank.
- Selection of suitable accounting policies and applying them consistently.
- Making judgements and estimates that are reasonable and prudent.
- Compliance with applicable accounting standards when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

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

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

The directors are of the opinion that the financial statements for the year ended 31 December 2024 give a true and fair view of the state of the financial affairs of the Bank and of its operating results.

Chairperson



Director

24 February 2025

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Independent Auditor's Report to the Shareholders

Shape the future
with confidence

Chartered Accountants (Malawi)
Apex House, Kidney Crescent
PO Box 530, Blantyre, Malawi
Tel: +265 1 876 476 / 870 367 / 878 092
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FDH BANK PLC

We have audited the consolidated and separate financial statements of FDH Bank plc ("the Group") set out on pages 35 to 125 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 material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

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

Level	Key audit matter
FDH Bank Plc **FDH Bank Group**	**Expected credit losses** The disclosures associated with Credit Risk are set out in the consolidated and separate financial statements in the following notes: • Note 3.11.1 - *Classification and measurement of financial instruments under IFRS 9* • Note 3.20, 4.1.2 – 4.1.4 - *Approach to credit risk and impairment of loans and advances* • Note 8 - *Loans and advances to customers* • Note 29(b) - *Management of credit risk*

Valuation of expected credit losses on loans and advances	How the matter was addressed in the audit
We identified the audit of expected credit losses (ECL) as a key audit matter considering the following • FDH Bank's loan and advances to customers at K221 billion represent 17% of total assets and the associated impairment provisions for expected credit losses of K10 billion are material to the consolidated financial statements. • The high degree of estimation uncertainty, significant judgements and assumptions applied in estimating the ECL on loans and advances to customers. • The Significant portion of ECL is calculated on a modelled basis. The development and execution of the model requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters. Significant increases in credit risk (SICR) are assessed based on the current risk of default of an account relative to its risk of default at origination. This assessment incorporates judgement and estimation by management, including impact of external factors. In particular we have focused on the following areas of significant judgement and estimation which required the use of specialists, additional audit effort and increased discussions with management during the course of the audit: **Modelled ECL provisions** Determination of expected credit losses require consideration of multiple forward-looking macro-economic factors, including consideration of observable relationships between these factors and Non-Performing Loans (NPL) in the past projected into the future. The key factors considered by the bank include inflation, GDP, interest rates, fuel prices, and historical correlations between these inputs against the NPL rate. Calculation of expected losses utilizes models that utilize collateral reports from valuers, legal experts and credit specialists.	Our response to the key audit matter included performing the following audit procedures: • We obtained an understanding of the Group's policies and procedures, including controls in place around determination of expected credit losses. We confirmed our understanding of the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification and loan impairment assessment including the oversight role of those charged with governance in the determination, accounting and reporting of expected credit losses. • We carried out procedures to ensure the data being used in the models is complete, accurate, and that assumptions used are reasonable and supportable. • Our internal specialists reviewed the models used to process data and the alignment of these models to the 'methodology' and recalibrations approved for use by the Group. **Modelled ECL provisions** We have assessed the appropriateness of the macro-economic forecasts and scenario weightings by benchmarking these against external evidence and economic data. Our internal specialists reviewed the correlation between probabilities of default and external macro-economic factors using historical data and results thereof, including reviewing the appropriateness of the statistical methodologies used to project these relationships in the future. For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral. The collateral valuation techniques applied by management were benchmarked to the market practice and values compared to market achievable disposal values on the market.
Extensive disclosures in accordance with International Financial Reporting Standards (IFRS).	**Extensive disclosures International Financial Reporting Standards (IFRS).**
Extensive disclosures are required in the financial statements in order to allow users of the financial statements to understand the additional level of judgement applied by management, this included additional disclosure with regards to management adjustments and sensitivity analyses. Due to the extensive nature of these disclosures which are non- routine and very specific to the environmental conditions, this required significant audit effort to assess the reasonability and compliance with International Financial Reporting Standards (IFRS).	Our financial reporting specialists reviewed the additional disclosures related to adequacy and appropriateness in accordance with the requirements of IFRS 7- Financial Instruments: Disclosures requirements. Specifically, we assessed the reasonability of the disclosures in light of the audit work performed and disclosures made elsewhere in the financial statements.

Other Information

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2013; and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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's 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's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion.
- Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young

Chartered Accountants (Malawi)
Chiwemi Chihana

Registered Practicing Accountant

27 March 2025

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Financial Statements

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

		Group		Bank	
	Note	2024	2023	2024	2023
		K'000	K'000	K'000	K'000
Assets					
Cash and funds with Reserve Bank of Malawi	5	168,904,694	33,751,398	168,904,694	33,751,398
Malawi Government Treasury bills, promissory notes and Reserve Bank of Malawi bonds	6	460,298,357	229,093,865	458,821,690	227,902,663
Placements with other banks	7	303,166,969	109,927,257	303,166,969	109,927,257
Loans and advances to customers	8	211,325,375	135,796,264	211,325,375	135,796,264
Investment in subsidiary	12.a	-	-	6,920,233	6,920,233
Other investments	12.b	146,232	146,232	146,232	146,232
Other receivables and prepayments	11	54,873,787	22,696,528	53,824,966	21,418,700
Property, plant and equipment	13	26,435,326	21,409,071	15,751,574	13,211,097
Intangible assets	14	8,677,705	6,941,040	8,677,705	6,941,040
Right of Use Asset	3.21	2,133,571	1,331,058	5,105,771	2,526,013
Deferred tax asset	20	5,134,120	4,971,948	5,134,120	2,549,171
Total Assets		**1,241,096,136**	**566,064,661**	**1,237,779,329**	**561,090,068**
Liabilities and Equity					
Liabilities					
Term Loans	16	44,469,729	24,910,193	44,469,729	24,910,193
Liabilities to customers	17	882,518,141	443,962,688	882,522,407	443,983,299
Liabilities to financial institutions	18	157,297,966	-	157,297,966	-
Payables and accruals	19a	20,310,421	23,682,699	19,837,137	22,736,530
Provisions	19b	14,889,800	6,473,932	14,889,800	6,473,932
Lease Liability	3.21	2,533,725	821,540	5,505,925	2,016,495
Income tax liability	25	21,669,431	7,511,661	21,355,190	7,278,989
Total liabilities		**1,143,689,213**	**507,362,713**	**1,145,878,154**	**507,399,438**
Equity					
Share capital		6,901,031	6,901,031	6,901,031	6,901,031
Share premium		4,910,065	4,910,065	4,910,065	4,910,065
Capital reserve		2,716,230	2,716,230	2,716,230	2,716,230
Loan loss reserve		14,861,740	2,790,590	14,861,740	2,790,590
Revaluation reserves		1,716,850	1,948,628	-	-
Retained earnings		66,301,007	39,435,404	62,512,109	36,372,714
Total equity		**97,406,923**	**58,701,948**	**91,901,175**	**53,690,630**
Total Equity and Liabilities		**1,241,096,136**	**566,064,661**	**1,237,779,329**	**561,090,068**
Memorandum items					
Guarantees and letters of credit	21	63,184,336	51,223,908	63,184,336	51,223,908

The financial statements were approved and authorised for issue by the Board of Directors on **24 February 2025** and were signed on its behalf by:

………………………………… ……………………………

Board Chairperson
Mrs. Charity Mseka

Managing Director
Mr. Noel Mkulichi

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

		Group		Bank	
	Note	2024	2023	2024	2023
		K'000	K'000	K'000	K'000
Revenue					
Interest earned	22	181,628,711	73,424,273	181,628,711	73,424,273
Interest expense	22	(40,285,646)	(13,574,907)	(40,285,646)	(13,574,907)
Net interest income	**22**	**141,343,065**	**59,849,366**	**141,343,065**	**59,849,366**
Commissions and other fee income	23	53,855,742	43,155,760	53,424,938	42,980,820
Total income		**195,198,807**	**103,005,126**	**194,768,003**	**102,830,186**
Expenditure					
Administrative costs	10	(29,206,561)	(21,678,580)	(30,011,195)	(22,463,675)
Depreciation and amortisation	13 & 14	(3,420,903)	(2,934,835)	(3,420,903)	(2,934,835)
Employee benefits costs	10	(32,801,428)	(21,546,769)	(32,603,429)	(21,352,274)
Total expenditure		**(65,428,892)**	**(46,160,184)**	**(66,035,527)**	**(46,750,784)**
Profit before tax and net impartment losses		**129,769,915**	**56,844,942**	**128,732,476**	**56,079,402**
Impairment losses	8	(7,863,181)	(1,388,820)	(7,863,181)	(1,388,820)
Profit before Tax	**24**	121,906,734	55,456,122	120,869,295	54,690,582
Income tax expense	25	(47,843,732)	(19,809,193)	(47,532,501)	(21,140,070)
Profit for the year		**74,063,002**	**35,646,929**	**73,336,794**	**33,550,512**
Other comprehensive income that will not be reclassified to income statement					
Revaluation surplus	13	2,191,000	1,149,950	-	-
Deferred tax	20	(2,422,778)	(344,985)	-	-
Total other comprehensive (loss) / income net of tax		**(231,778)**	**804,965**	**-**	**-**
Total Comprehensive income for the year		**73,831,224**	**36,451,894**	**73,336,794**	**33,550,512**
Basic and diluted earnings per share (tambala)	**26**	**1 073**	**517**	**1 063**	**486**

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital	Share premium	Capital reserve	Loan loss reserve	Revaluation reserve	Retained earnings	Total
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Group							
31 December 2024							
At the beginning of the year	**6,901,031**	**4,910,065**	**2,716,230**	**2,790,590**	**1,948,628**	**39,435,404**	**58,701,948**
Other comprehensive (loss) for the year	-	-	-	-	(231,778)	-	(231,778)
Profit for the year	-	-	-	-	-	74,063,002	74,063,002
Total comprehensive income for the year	**6,901,031**	**4,910,065**	**2,716,230**	**2,790,590**	**1,716,850**	**113,498,406**	**132,533,172**
Transfer from retained earnings	-	-	-	12,071,150	-	(12,071,150)	-
Dividend declared	-	-	-	-	-	(35,126,249)	(35,126,249)
At the end of the year	**6,901,031**	**4,910,065**	**2,716,230**	**14,861,740**	**1,716,850**	**66,301,007**	**97,406,923**
31 December 2023							
At the beginning of the year	**6,901,031**	**4,910,065**	**2,716,230**	**914,590**	**1,143,663**	**25,260,475**	**41,846,054**
Other comprehensive income for the year	-	-	-	-	804,965	-	804,965
Profit for the year	-	-	-	-	-	35,646,929	35,646,929
Total comprehensive income for the year	**6,901,031**	**4,910,065**	**2,716,230**	**914,590**	**1,948,628**	**60,907,404**	**78,297,948**
Transfer from retained earnings	-	-	-	1,876,000	-	(1,876,000)	-
Dividend declared	-	-	-	-	-	(19,596,000)	(19,596,000)
At the end of the year	**6,901,031**	**4,910,065**	**2,716,230**	**2,790,590**	**1,948,628**	**39,435,404**	**58,701,948**

	Share capital	Share premium	Capital reserve	Loan loss reserve	Revaluation reserve	Retained earnings	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Bank							
31 December 2024							
At the beginning of the year	**6,901,031**	**4,910,065**	**2,716,230**	**2,790,590**	**-**	**36,372,714**	**53,690,630**
Profit for the year	-	-	-	-	-	73,336,794	73,336,794
Transfer from retained earnings	-	-	-	12,071,150	-	(12,071,150)	-
Dividend declared	-	-	-	-	-	(35,126,249)	(35,126,249)
At the end of the year	**6,901,031**	**4,910,065**	**2,716,230**	**14,861,740**	**-**	**62,512,109**	**91,901,175**
Bank							
31 December 2023							
At the beginning of the year	**6,901,031**	**4,910,065**	**2,716,230**	**914,590**	**-**	**24,294,202**	**39,736,118**
Profit for the year	-	-	-	-	-	33,550,512	33,550,512
Transfer from retained earnings	-	-	-	1,876,000	-	(1,876,000)	-
Dividend declared	-	-	-	-	-	(19,596,000)	(19,596,000)
At the end of the year	**6,901,031**	**4,910,065**	**2,716,230**	**2,790,590**	**-**	**36,372,714**	**53,690,630**

	2024	2023
	K'000	K'000
Analysis of share capital		
Authorised		
10,000,000,000 (2023: 10,000,000,000) Ordinary shares	10,000,000	10,000,000
Issued and fully paid		
6,901,031,250 (2023: 6,901,031,250) Ordinary shares of K1 each	6,901,031	6,901,031

Capital reserve

Included in capital reserve is a transfer of pre-acquisition net reserve of MSB Properties Limited on acquisition of MSB Properties Limited by FDH Bank Plc.

Loan loss reserve

In order to comply with Reserve Bank of Malawi (RBM) capital adequacy requirements, a non-distributable statutory general reserve is used, the Loan Loss Reserve. The loan loss reserve (general provision) is made up of the excess provisions on Loans required by RBM above the required IFRS 9 provisions.

Revaluation reserve

The revaluation reserves relate to surplus arising from valuation of land and buildings in accordance with accounting policy in note 3.7 to the financial statements. The reserve is not available for distribution in terms of the Malawi Companies Act.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

		Notes	Group 2024 K'000	Group 2023 K'000	Bank 2024 K'000	Bank 2023 K'000
Cash flows from operating activities						
Profit before tax			121,906,734	55,456,121	120,869,295	54,690,582
Adjustments for:						
·	Depreciation of property, plant and equipment	13	2,870,985	2,365,655	2,870,985	2,365,655
·	Amortisation of intangible assets	14	549,918	569,180	549,918	569,180
·	Impairment losses on loans and advances	8	8,198,439	1,881,184	8,198,439	1,881,184
·	Impairment losses on government securities	6	33,414	9,378	33,414	9,378
·	Depreciation of right-of-use assets	3.21	919,678	574,797	2,114,634	1,575,131
	Employee profit share provision	10	9,493,878	3,585,035	9,493,878	3,585,035
·	(Profit)/Loss / on disposal of equipment	24	(123,269)	12,912	(123,269)	12,912
·	Interest charged government securities	6	(65,702,847)	(40,483,193)	(65,646,991)	(39,957,957)
·	Interest payable on shareholder's loan	15	-	12,332	-	12,332
·	Interest payable on long term loan	16	2,103,281	2,168,937	2,103,281	2,168,937
·	Unrealised exchange loss on foreign loan	16	642,100	12,596,332	642,100	12,596,332
·	Interest on lease liabilities	3.21	240,712	348,774	702,632	409,037
Operating cash flows before movements in working capital			**81,133,023**	**39,097,444**	**81,808,316**	**39,917,738**
·	Movement in other receivables and prepayments	11	(32,177,259)	18,827,360	(32,406,266)	19,196,688
·	Movement in loans and advances	8	(83,727,550)	(27,611,865)	(83,727,550)	(27,611,865)
·	Movement in payables and accruals	19	(4,450,286)	7,076,400	(3,977,404)	6,858,414
·	Movement in liabilities to customers		438,555,453	115,850,725	438,539,108	115,736,731
·	Movement in liabilities to financial institutions		157,297,966	(16,392,950)	157,297,966	(16,392,950)
Cash from operating activities			**556,631,347**	**136,847,114**	**557,534,170**	**137,704,756**
Interest paid on shareholders loan		15	-	(12,332)	-	(12,332)
Lease liabilities interest paid		3.21	(240,712)	(273,557)	(702,632)	(409,037)
Taxation paid		25	(36,270,912)	(19,326,393)	(36,041,250)	(19,301,412)
Net cash from operating activities			**520,119,723**	**117,234,832**	**520,790,288**	**117,981,975**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2024 (Continued)

		Group		Bank	
		2024	2023	2024	2023
	Notes	K'000	K'000	K'000	K'000
Cash flows from investing activities					
• Proceeds from disposal of equipment		1,240,752	110,612	1,240,752	110,612
• Purchase of government securities	6	(243,071,642)	(48,977,600)	(242,039,962)	(48,977,600)
• Proceeds from maturities of government securities	6	77,536,583	34,179,540	76,734,512	34,179,540
• Purchase of intangible assets	14	(2,286,583)	(4,836,577)	(2,286,583)	(4,836,577)
• Purchase of property, plant and equipment	13	(6,846,469)	(6,653,170)	(6,541,999)	(6,468,196)
Net cash used in investing activities		**(173,427,359)**	**(26,177,195)**	**(172,893,280)**	**(25,992,221)**
Cash flows from financing activities					
Dividend paid		(35,126,249)	(19,596,000)	(35,126,249)	(19,596,000)
Repayment of principal portion of lease liabilities	3.21	(941,142)	(1,143,990)	(1,204,963)	(2,069,107)
Interest paid on long term loan	16	(1,998,149)	(2,245,164)	(1,998,149)	(2,168,937)
Repayment of shareholder's principal loan	15	-	(442,816)	-	(442,816)
Proceeds from long term loan	16	65,216,832	15,636,937	65,216,832	15,636,937
Repayment of long-term loan	16	(46,404,528)	(26,292,566)	(46,404,528)	(26,292,566)
Net cash from financing activities		**(19,253,236)**	**(34,083,599)**	**(19,517,057)**	**(34,932,489)**
Net increase in cash and cash equivalents		327,439,128	56,974,038	328,379,951	57,057,265
Effect on Foreign Exchange rates – Placements		953,880	99,989	13,057	16,762
Cash and cash equivalents at beginning of the period		143,678,655	86,604,628	143,678,655	86,604,628
Cash and cash equivalents at end of the period		**472,071,663**	**143,678,655**	**472,071,663**	**143,678,655**
Cash and cash equivalents comprise:					
Cash and balances with the Reserve Bank of Malawi	5	168,904,694	33,751,398	168,904,694	33,751,398
Placements with other banks (maturing within 3 months) (Note 29c)	7	303,166,969	109,927,257	303,166,969	109,927,257
		472,071,663	**143,678,655**	**472,071,663**	**143,678,655**

1. GENERAL INFORMATION

The Group is engaged in the business of commercial banking whilst the subsidiary is engaged in the business of property management. The Group and its subsidiary are incorporated in Malawi and are registered under the Companies Act. The Bank is also registered under the Banking Act.

The Group's registered office and principal place of business is Upper Ground Floor, Umoyo House, 8 Victoria Avenue North, P. O. Box 512, Blantyre, Malawi. The Group (FDH Bank Plc) is owned by FDH Financial Holdings Limited, an investment holding company registered under the Companies Act 74.05%, (2023 74.05%); The General public 19.30%, (2023 19.30%); the Government of Malawi 4.75%, (2023: 4.75%) and Malawi Savings Bank (MSB) ESOP 1.90%, (2023: 1.90%).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7

2.2. New and amended standards and Interpretations and standards issued but not yet effective

Below are new standards, amendments to standards and interpretations are issued and their effective dates These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

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

On 30 May 2024, the IASB issued *Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments* (the Amendments). The Amendments include:

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

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments.

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank is currently performing an assessment of all material electronic payment systems utilised in the various jurisdictions it operates, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Bank is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Bank is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements, however, the assessment is yet to be concluded.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as Good Bank, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

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

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

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

*The amendments are effective immediately upon issuance. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2024 but are not required for any interim period ending on or before 31 December 2024.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

IAS 21 Lack of exchangeability – Amendments

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.
The amendments are not expected to have a material impact on the Group's financial statements.

3. MATERIAL ACCOUNTING POLICIES

3.1. Statement of compliance

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

3.2. Basis of preparation

The consolidated and separate financial statements have been prepared on the historical cost basis, except for land and buildings; and certain financial instruments which are measured at revalued amount and fair value respectively at the end of the reporting period. No other procedures are adopted to reflect the impact on the consolidated and separate financial statements of specific price changes or changes in the general level of prices.

3.3. Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated and separate financial statements.

3.4. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entity controlled by the company (its subsidiary) made up to 31 December each year. Control is achieved when the company:

- has the power over the investee.
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- potential voting rights held by the company, other vote holders or other parties.
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, the results of subsidiary acquired or disposed of during the year are included in profit or loss from the date the company gains control until the date when the company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non- controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Comparatives

Where necessary, the Group adjusts comparative figures to conform to changes in presentation. In the current year, the group reclassified Staff loans from Other Assets to Loans and Advances. There were no further changes in the current year.

3.5. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively.
- liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

3.6. Foreign Currencies

The financial statements are presented in Malawi Kwacha (rounded to the nearest thousand), the currency of the primary economic environment in which the Bank and the Group operates and its functional currency.

In preparing the financial statements, transactions in currencies other than Malawi Kwacha (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

3.7. Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings	4 per cent per annum
Plant and equipment	10 per cent – 25 per cent per annum
Fixtures and fittings	10 per cent – 20 per cent per annum
Computer equipment	20 per cent per annum
Motor Vehicles	20 per cent per annum

3.8. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 14. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

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

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

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

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

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.9. Impairment of non-financial assets excluding goodwill

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

3.10. Leases

(a) The Group as lessee

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

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

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

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

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

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

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other operating costs" in profit or loss (see note 10).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non- lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

b) The Group as lessor

The Subsidiary enters into lease agreements as a lessor (mainly the Bank) with respect to its investment properties. For the purpose of this consolidated financial statements these properties have been recognised as owner occupied properties.

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

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

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

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

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

3.11. Financial instruments

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

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

3.11.1. Financial assets

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

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

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

Classification of financial assets

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

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through the profit or loss (FVTPL); or
- Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

Categories	Assets classified under this category
Amortised cost (Lending / customer financing activity)	1. Loans and advances to customers. 2. Placements with other banks. 3. Government Securities 4. Loan commitments and letters of credit issued. 5. Financial guarantee contracts issued. 6. Staff Loan. 7. Debt investment securities; and 8. Funds with Reserve Bank of Malawi. 9. Equity investments

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

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

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

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

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

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

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

(i) *Amortised cost and effective interest method*

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

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

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

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

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Interest income" line item (note 22).

(ii) *Debt instruments classified as at FVTOCI*

Debt instruments classified as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these instruments had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. There were no debt instruments at FVTOCI during the year or as at the year-end (2023: Nil)

(iii) *Equity instruments designated as at FVTOCI*

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

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings. There are currently no such investments revaluation reserves.

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

The Bank has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

(iv) *Financial assets at FVTPL*

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

- Investments in equity instruments are classified as at FVTPL, unless the Bank designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).

Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Bank has not designated any debt instruments as at FVTPL

(v) *Financial assets at FVTPL (Continued)*

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

Reclassification

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

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

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

i. Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

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

ii. Definition of default

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

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

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

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

iv. Write-off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into Groupruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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

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

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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

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

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

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

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 20% the Group deems the arrangement is substantially different leading to derecognition.

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

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

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

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

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

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

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

3.11.2. Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to [share premium/other equity Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to [retained profits/other equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Financial liabilities

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Interest expense' line item in profit or loss. The Group does not have financial liabilities to meet this criteria.

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

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

Fair value is determined in the manner described in note 28.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

Financial guarantee contract liabilities

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

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

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

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

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

Derecognition of financial liabilities

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

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

3.11.3. Offsetting of financial instruments

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

3.12. Cash and cash equivalents

Cash and cash equivalents comprise treasury bills maturing within 3 months or less from the date of acquisation, cash balances and funds with Reserve Group of Malawi and call deposits with other Groups and discount houses that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.13. Other receivables

Other receivables comprise prepayments and sundry non-trade receivables and are stated at their cost less impairment losses.

3.14. Provisions

Provisions are recognised when the Group has a present obligation (constructive or legal) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Liabilities that do not meet this recognition criteria are disclosed in the financial statements as contingent liabilities.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

3.15. Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as completed within one year from the date of classification.

Assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. In the current year there were no assets held for sale.

3.16. Revenue recognition

3.16.1. Net Interest Income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument 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. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

3.16.2. Net fee and commission Income

Fee and commission income and expense include fees other than those that are an integral part of EIR. The fees included in this part of the Group's statement of profit or loss include among other things fees charged for servicing a loan, nonutilisation fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan syndication fees.

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

3.16.3. Global Markets and Trade finance

Revenue from the Global Markets and Trade finance among other things is forex trading, letters of credits, guarantees, custodial services income and cards business transaction fees. The revenue is recognised once the Group has fulfilled its contractual obligation, and it is probable that related economic benefit will flow to the Group.

3.16.4. Arrangement fee income

Revenue from the provision of other grouping services is recognised once the related service is completed.

3.16.5. Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

3.17. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.18. Retirement benefit costs

The Group operates a defined contribution retirement benefit plan. Contributions to the scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3.19. Earnings per share

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

3.20. Expected Credit Losses (ECL)

Impairment and methodology

Overview of the ECL principles

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

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

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

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

The calculation/measurement of ECLs

The Group calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

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

When estimating the ECLs, the Group considers three scenarios (a base case, an upside and downside. Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

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

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

The mechanics of the ECL method are summarised below:

- **Stage 1:** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Group only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit-adjusted EIR.
- **Loan commitments and letters of credit:** When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For overdrafts and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within *Provisions*.

- **Financial guarantee contracts -** The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.
- **Overdrafts and other revolving facilities -** The Group's product offering includes a variety of corporate and retail overdraft facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

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

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Incorporation of forward-looking information

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

- GDP growth;
- Unemployment rate;
- Reserve Bank policy rate;
- Inflation rate; and
- Exchange rate.

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

The table below summarizes the principal macroeconomic indicators included in the economic scenarios used for the year ended 31 December 2024, including the projections for the years 2025 to 2028. It is worth noting that the forecast macroeconomic factors relate to Malawi, where the Group operates its business activities. The macroeconomic factors of the country have a material impact in the determination of the expected credit losses (ECLs).

	2024	2025	2026	2027	2028
GDP growth					
Base scenario	2.3	5.0	5.0	5.4	5.6
Range of upside scenarios	1.8	4.0	4.0	4.3	4.5
Range of downside scenarios	1.4	3.0	3.0	3.2	3.4
Unemployment rates					
Base scenario	5.0	5.0	5.0	5.0	5.0
Range of upside scenarios	3.75	3.75	3.75	3.75	3.75
Range of downside scenarios	6.25	6.25	6.25	6.25	6.25
Benchmark interest rates (RBM Policy Rate)					
Base scenario	26	24	22	20	18
Range of upside scenarios	19.5	18	16.5	15	13.5
Range of downside scenarios	32.5	30	27.5	25	22.5
USD: Kwacha Exchange Rate					
Base scenario	2,000.00	2,100.00	2,300.00	2,500.00	2,700.00
Range of upside scenarios	1,500.00	1,575.00	1,725.00	1,875.00	2,025.00
Range of downside scenarios	2,500.00	2,625.00	2,875.00	3,125.00	3,375.00

Note: GDP, Unemployment, and interest rates are in percentages terms. The macroeconomic indicator data above were obtained mainly from three different sources (the base case was obtained from the Ministry of Finance and Economic Planning, the upside case and downside cases were obtained from World Bank and the Economic Intelligence Unit).

The Group performs sensitivity analyses on how ECL on the main portfolios change given that the key assumptions for calculating ECL changes. The sensitivity analyses are reviewed on the basis of three scenarios namely an upside scenario that has a 25% probability, a downside scenario with a 25% probability, and a base case scenario that is more likely with a 40% probability. The key macroeconomic factors that are considered are the GDP Growth rates, unemployment rates, the benchmark central bank policy rates, and the exchange rates. The table below provides the summary of the total ECL per portfolio as at 31 December 2024 given the assumptions for measuring ECL (amount as presented in the statement of financial position), as well as also that each of the key assumptions' changes by a plus or a minus risk factor with an upside or down side 25% probability. The changes are applied in isolation for illustrative purposes and are applied to each probability weighted scenarios to estimate expected credit losses. The sensitivity of the exposure may vary across different economic scenarios and there are interdependencies between the various economic inputs. Nonetheless, the model assumptions and scenarios provide a fair estimate of the movements of the ECL.

Expected Credit Losses Scenario Analyses								
[Total Portfolio Model]	31 December 2024				31 December 2023			
	Scenario	Average PD	Average LGD	ECL Cum (K'000)	Scenario	Average PD	Average LGD	ECL Cum (K'000)
GDP growth	25%	0.1452	0.4193	8,347,201	25%	0.3368	0.3548	1,954,857
	-25%	0.1452	0.4193	8,343,669	-25%	0.3368	0.3548	1,953,459
	25%	0.1452	0.4193	8,346,551	25%	0.3368	0.3548	1,952,656
Benchmark interest rates (Policy Rate)	-25%	0.1452	0.4193	8,344,318	-25%	0.3368	0.3548	1,956,685
USD: Kwacha Exchange Rate	25%	0.1452	0.4193	8,346,551	25%	0.3372	0.3548	1,956,612
	-25%	0.1452	0.4193	8,344,318	-25%	0.3364	0.3548	1,951,472
Actual Case				**8,345,345**				**1,954,042**

Estimation / calculation of PDs, LGDs and EADs

Estimation of PDs

The Bank's independent Credit Risk Department operates the internal rating model. The internal rating model incorporates both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from an international credit rating agency. These information sources are first used to determine the PDs and the internal credit grades are assigned based on these grades.

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank's Asset and Liability Committee (ALCO) analyses publicly available information such as financial information and other external data e.g., the rating from S & P, and assigns the internal rating.

For corporate and Transaction Banking loans, the borrowers are assessed by specialised credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model (SME Rate) that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention;
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports or press releases and articles;
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates;
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.
- The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.
- Retail lending and some of the less complex small business lending are rated by a scorecard tool primarily driven by days past due.

Estimation of Exposure at Default
The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.
To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Bank's models.

Estimation of Loss Given Default
For Corporate and Transaction Banking financial instruments, LGD values are assessed at least every quarter by account managers and reviewed and approved by the Bank's specialised Credit Risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the Bank. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

The ECL calculation for accounting purposes is different to the ECL calculation for regulatory purposes, although many inputs used are similar. The Bank has ensured that the appropriate methodology is used when calculating ECL for both accounting and regulatory purposes. The main differences between the methodologies used to measure ECL in accordance with IFRS 9 versus the ones applied for regulatory purposes are:

- Period within which collateral can be used to reduce ECL for regulatory purposes it is only 18 Month while there is no limitation in the standard.
- For regulatory purposes you can only use either collateral or expected cash flows to reduce the ECL and not both.

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

Groupings based on shared risks characteristics (Portfolio segmentation)
The Bank performs portfolio segmentation for collective assessment of ECL based on shared risk characteristics of different portfolios such that risk exposures within a Bank are homogeneous. In performing this segmentation, there must be sufficient information for the portfolio or Banking to be statistically credible. Where sufficient information is not available internally, the Bank considers benchmarking internal/external supplementary data to use for modelling purposes.

The exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, are described below:

For Personal and Business Banking these are:

- Product type (overdraft, unsecured personal loan, agricultural loan, etc.);
- Internal grade;
- Utilisation;
- In the case of overdrafts, whether or not borrowers repay their balances in full every month; and
- Exposure value.

For Corporate and Institutional Banking exposures:

- Borrower's industry;
- Internal credit grade;
- Geographic location;
- Exposure value; and
- Collateral type.

Individual and collective assessment

The Bank calculates ECLs either on a collective or an individual basis.

Asset classes where the Bank calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets;
- The Corporate and Transaction Banking lending portfolio;
- The large and unique exposures of the SME lending portfolio;
- The treasury, trading and interbank relationships (such as Due from Banks, Cash collateral on securities borrowed and reverse repurchase agreements and debt instruments at amortised cost/FVOCI; and
- Exposures that have been classified as POCI when the original loan was de-recognised, and a new loan was recognised as a result of a credit driven debt restructuring.

Asset classes where the Bank calculates ECL on a collective basis include:

- The smaller and more generic balances of the Bank's SME lending portfolio;
- Stage 1 and 2 Personal lending portfolios; and
- POCI exposures managed on a collective basis.

ECL computation use the following factors when estimating future changes

GDP Growth

Gross Domestic Product (GDP) growth projection for 2024 was revised downwards to 1.8% from the earlier estimate of 2%. The downward revision reflects the adverse effect of the El Nino-induced drop in agricultural output. Meanwhile, the anticipated growth is supported by positive performance in the construction, manufacturing, wholesale and retail trade, mining and quarrying, and real estate sectors. The outlook is however somewhat positive with further GDP growth of 4.0% projected in 2025.

USD: Kwacha Exchange Rate

The exchange rate (Kwacha to US Dollar rate) has not moved significantly over the past twelve months, closing at MWK1,751 up by from MWK1,700 as at the end of 2023. However, the misalignment between the local currency and rates offered on the parallel market continues to widen. The performance of the Kwacha in 2025 is likely to depend largely on donor inflows as well as tobacco sales. Nonetheless, based on the historical trends, the Bank expects a moderate change where the exchange rates will increase by 20.0% to reach MWK2,100.00 by December 2025, and this may have a moderate impact on the increase in ECLs.

Unemployment Rate

The unemployment rate stabilized at 5.4% in 2024, similar to the previous year. Generally unfavourable economic conditions have had a negative impact on employer-supported loans in 2024. The forecast is that this will remain at the same level of 5% during 2025. The Bank therefore expects to have low to no changes in the default rates for the employer supported loans. The ECL provided for these is in anticipation of the 5.0% rate of unemployment.

RBM Policy Rate

The policy rate was adjusted once during 2024, closing the year at 26.0%, which was 200bps higher than the closing rate for the previous year. This position has provided a negative impact on the ECLs for 2024. The policy rate is expected to start trending downwards in 2025 as the current inflationary pressures in the economy start to dissipate.

Probability of Default

The PD is affected by the credit history of the account as well as the forward-looking macroeconomic factors above. The GDP growth, foreign currency exchange rate and the policy rate have been included in the forward-looking information. The low GDP growth and the high exchange rate results in increased business stress in the short to medium term. However, most of the big businesses navigate these shocks through their risk management processes and having adequate financial resources to survive the challenges. The smaller-scale businesses are the ones that face difficulties in meeting their contractual financial obligations.

The Group expects the ECLs to increase moderately as a result of the continued depreciation of the Kwacha and the relatively high policy rate. However, this is expected to be mitigated somewhat by the expected increase of the GDP on the back of increased economic activity. Stage 3 facilities bear 100% PD since the accounts in this category are classified as being in full default. However, with NPL ratio at 4.91% as at 31 December 2024 compared to 1.57% as at 31 December 2023, the total ECL for the Bank for the year 2024 has increased.

Loss Given Default (LGD)
The loss given default is declining due to integral credit enhancements as well as usage of collateral.

Assets	Type of Collateral
Loans & Advances to banks	Government Securities
Mortgage lending	Property
Personal Lending	Property, Cash & African Guarantee Fund (AGF)
Corporate lending	Property, Cash & Guarantees
Investment securities	
Lease receivables	
Other assets	

Qualitative Factors

Factor	Item
Economy, wider environment, Industry & Competition	Position within industry rapidly eroding Industry may be mature and in long term decline, and / or in a cyclical downturn Catastrophic events such as flooding or drought in an area may negatively affect performance of assets in that particular area. Falling gross domestic production, rising inflation and interest rates, movements in rates of unemployment, and balance of payments. Government policy toward certain industries.
Ownership/Management	Concerns over the ability of management to effectively manage existing operations, and/or the business expansion plans. Owners show lack of commitment to support business operations. Environmental Risk: Causing pollution or destruction of the natural environment (land, water, air, natural habitats, animal and plant species) either through accidents or deliberate actions. Social Risk: Customer not meeting acceptable standards for employment and business ethics within his business or by his actions.
Balance Sheet	Delay in submission, stale financials and / or continued weakness and/or deterioration. Operating results are deteriorating and/or working capital cycle deteriorating. Highly geared relative to peers / industry and on upward trend. Rapid acquisition of assets without proper financial structuring Declining asset cover for short term debt.

Factor	Item
Cash Flow/Repayment Source	Liquidity strained and there is a need for additional borrowing or capital now or in the near future. The working capital needs ratio of greater than 50% Cash flow is unlikely to cover both mandatory debt service (principal plus interest) and other business needs (e.g. Capex). Ability to reduce working capital bank lines is limited or non-existent. The client diverted funds to other usages other than purpose specified in loan application.
Performance/T24 Reports	Interest or principal 30 days overdue. Temporary overdraft 30 days or more which has not been regularised via formal limit and security documentation.
General economic and/or market conditions	1. existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates. 2. other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments. 3. an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations, such as a decline in the demand for the borrower's sales product because of a shift customer taste. 4. significant increases in credit risk on other financial instruments of the same borrower.

Qualitative Factor	Description
Operating performance of the borrower	· an actual or expected significant change in the operating results of the borrower. Examples include actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organisational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations.
Breaches of covenant	· expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.
Changes to contractual terms	· other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage) because of changes in the credit risk of the financial instrument since initial recognition.

Qualitative Factor	Description
Cash flow or liquidity issues	1. significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Bank (for example, an increase in the expected number or extent of delayed contractual payments). 2. Liquidity strained and there is a need for additional borrowing or capital now or in the near future. The working capital needs ratio of greater than 50%. 3. Cash flow is unlikely to cover both mandatory debt service (principal plus interest) and other business needs (e.g. Capex). 4. Ability to reduce working capital bank lines is limited or non-existent. 5. The client diverted funds to other usages other than purpose specified in loan application.
Credit Rating	1. an actual or expected internal credit rating downgrade for the borrower or 2. decrease in behavioural scoring used to assess credit risk internally. Internal credit ratings and internal behavioural scoring are more reliable when they are mapped to external ratings or supported by default studies. 3. an actual or expected significant change in the financial instrument's external credit rating.
Payment delays and past due information	• past due information, including the rebuttable presumption - Interest or principal 30 days overdue.
Changes in Collateral Value/Quality of Parent Guarantee	1. significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring. For example, if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages. 2. a significant change in the quality of the guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) has an incentive and financial ability to prevent default by capital or cash infusion.

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

1. Malawi Government Securities (note 6);
2. Intercompany receivables (note 9);
3. Interbank placements (note 7);
4. Off balance sheet items (note 21); and
5. Staff loans (included in loans and advance to customers balance note 8).

No provisions for expected credit losses have been made with respect to balances held with the Reserve Bank of Malawi and intercompany balances since they have been assessed to be immaterial.

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

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

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

12MECL movement for low-risk assets are as follows:

Group

Movement in allowance for impairment in low-risk assets for 2024 were as follows:

	Government securities	Interbank placements	Staff loans	Off-balance sheet items	Total
	K'000	K'000	K'000	K'000	K'000
Loss allowance as at 1 January 2024	26,595	10,993	34,190	15,914	87,692
Additional provision in the year	33,414	14,724	25,144	25,856	99,138
Loss allowance as at 31 December 2024	**60,009**	**25,717**	**59,334**	**41,770**	**186,830**

Low credit risk assets (Stage 1)	Government Securities	Placements with banks	Staff loans	Off-balance sheet items	Total
	K'000	K'000	K'000	K'000	K'000
Gross Carrying Amount 1 January 2024	**229,120,460**	**109,938,250**	**6,704,013**	**51,223,908**	**396,986,631**
Additions	243,071,642	494,361,219	3,433,782	176,580,181	917,446,824
Interest	65,702,847	26,083,449	430,398	-	92,216,694
Maturities/Repayments	(77,536,583)	(327,190,232)	(3,754,871)	(164,619,752)	(573,101,438)
Changes in the gross carrying amount	**231,237,906**	**193,254,436**	**109,309**	**11,960,429**	**436,562,080**
Gross Carrying Amount at 31 December 2024	**460,358,366**	**303,192,686**	**6,813,322**	**63,184,337**	**833,548,711**
Loss allowance as at 31 December 2024	(60,009)	(25,717)	(59,334)	(41,770)	(186,830)
Transfer to loan and advances	-	-	-	41,770	41,770
Carrying Amount at 31 December 2024	**460,298,357**	**303,166,969**	**6,753,988**	**63,184,337**	**833,403,651**

Bank

Low credit risk assets (Stage 1)	Government Securities	Placements with banks	Staff loans	Off-balance sheet items	Total
	K'000	K'000	K'000	K'000	K'000
Gross Carrying Amount 1 January 2024	**227,929,258**	**109,938,250**	**6,704,013**	**51,223,908**	**395,795,429**
Additions	242,039,962	494,361,219	3,433,782	176,580,181	916,415,144
Interest	65,646,991	26,083,449	430,398	-	92,160,838
Maturities/Repayments	(76,734,512)	(327,190,232)	(3,754,871)	(164,619,752)	(572,299,367)
Changes in the gross carrying amount	**230,952,441**	**193,254,436**	**109,309**	**11,960,429**	**436,276,615**
Gross Carrying Amount at 31 December 2024	**458,881,699**	**303,192,686**	**6,813,322**	**63,184,337**	**832,072,044**
Loss allowance as at 31 December 2024	(60,009)	(25,717)	(59,334)	(41,770)	(186,830)
Transfer to loan and advances	-	-	-	41,770	41,770
Carrying Amount at 31 December 2024	**458,821,690**	**303,166,969**	**6,753,988**	**63,184,337**	**831,926,984**

Group

	Government Securities	Placements with banks	Staff loans	Off-balance sheet items	Total
Gross Carrying Amount as at 1 January 2023	**173,821,990**	**73,291,678**	**5,492,753**	**71,385,294**	**323,974,498**
Additions	48,977,600	45,518,148	3,878,686	63,708,379	186,199,888
Interest*	40,509,788	45,195	101,438	-	28,006,751
Maturities/Repayments	(34,188,918)	(8,916,771)	(1,769,921)	(25,605,540)	(57,789,515)
Changes in the gross carrying amount	**55,298,470**	**36,646,572**	**1,211,260**	**(20,161,386)**	**73,001,140**
Gross Carrying Amount at 31 December 2023	**229,120,460**	**109,938,250**	**6,704,013**	**51,223,908**	**396,975,638**
Loss allowance as at 31 December 2023	(26,595)	(10,993)	(34,190)	(15,914)	(87,692)
Transfer to loan and advances	-	-	-	15,914	15,914
Carrying Amount at 31 December 2023	**229,093,865**	**109,927,257**	**6,669,823**	**51,223,908**	**396,903,860**

Low risk assets

Movement in allowance for impairment in low-risk assets for 2023 were as follows:

	Government securities	Interbank placements	Staff loans	Off-balance sheet items	Total
	K'000	**K'000**	**K'000**	**K'000**	**K'000**
Loss allowance as at 1 January 2023	17,218	7,330	32,030	20,156	76,734
Additional provision in the year	9,377	3,663	2,160	(4,242)	10,958
Loss allowance as at 31 December 2023	26,595	10,993	34,190	15,914	87,692

Movement in low-risk assets balances is as follows:

Bank

Low credit risk assets (Stage 1)	Government Securities	Placements with other banks	Staff loans	Off-balance sheet items	Total
	K'000	**K'000**	**K'000**	**K'000**	**K'000**
Gross Carrying Amount as at 1 January 2023	**173,156,024**	**73,291,678**	**5,492,753**	**71,385,294**	**323,308,532**
Additions	48,977,600	45,518,148	3,878,686	63,708,379	186,282,691
Interest	39,984,552	45,195	101,438	-	28,006,751
Maturities/Repayments	(34,188,918)	(8,916,771)	(1,769,921)	(25,605,540)	(57,789,515)
Changes in the gross carrying amount	**54,773,234**	**36,646,572**	**1,211,260**	**(20,161,386)**	**72,449,309**
Gross Carrying Amount at 31 December 2023	**227,929,258**	**109,938,250**	**6,704,013**	**51,223,908**	**395,795,429**
Loss allowance as at 31 December 2023	(26,595)	(10,993)	(34,290)	(15,914)	(87,792)
Transfer to loan and advances	-	-	-	15,914	15,914
Carrying Amount at 31 December 2023	**227,902,663**	**109,927,257**	**6,669,723**	**51,223,908**	**395,723,551**

Right-of-use assets

The Bank entered into leasing arrangements for most of its premises. The average term of the leases entered into is 2 years.

Group	Buildings	
	2024	**2023**
	K'000	**K'000**
Cost		
At 1 January	5,235,624	4,590,348
Additions	1,722,191	645,276
As at 31 December	**6,957,815**	**5,235,624**
Accumulated depreciation		
At 1 January	3,904,566	3,329,769
Charge for the year	919,678	574,797
As at 31 December	4,824,244	3,904,566
Carrying amount		
As at 31 December	**2,133,571**	**1,331,058**
Bank		
Cost		
At 1 January	10,299,553	8,459,321
Additions	4,694,392	1,840,232
At 31 December	**14,993,945**	**10,299,553**
Accumulated depreciation		
At 1 January	7,773,540	6,198,409
Charge for the year	2,114,634	1,575,131
At 31 December	9,888,174	7,773,540
Carrying amount		
At 31 December	**5,105,771**	**2,526,013**

Lease liabilities	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
At 1 January	821,540	1,134,834	2,016,495	2,135,166
Additions	2,653,327	755,480	4,694,393	1,950,436
Accretion of interest	240,712	348,774	702,632	409,037
Lease liabilities interest paid	(240,712)	(273,558)	(702,632)	(409,037)
Lease liabilities principal paid	(941,142)	(1,143,990)	(1,204,963)	(2,069,107)
As at period end	**2,533,725**	**821,540**	**5,505,925**	**2,016,495**

Lease liabilities split as follows:

	2024	2023
	K'000	K'000
Group		
Analysed as:		
Non-current	1,508,831	-
Current	1,024,894	821,540
	2,533,725	**821,540**
Maturity analysis		
Year 1	1,024,894	821,540
Year 2	1,047,939	-
Year 3	332,861	-
Year 4 and beyond	128,031	-
	2,533,725	**821,540**

Bank		
Analysed as:		
Non-current	2,540,977	745,590
Current	2,964,948	1,270,905
	5,505,925	**2,016,495**
Maturity analysis		
Year 1	2,964,948	1,270,905
Year 2	2,080,085	331,478
Year 3	332,861	414,112
Year 5 and beyond	128,031	-
	5,505,925	**2,016,495**

Lease liabilities	2024	2023
	K'000	**K'000**
Group		
Operating lease commitments at 31 December	3,126,623	1,414,438
Effects of discounting the above amounts	(592,898)	(592,898)
Lease liabilities recognized at 31 December	**2,533,725**	**821,540**

Finance costs

Interest expense on lease liabilities	**240,712**	**348,774**

Amounts recognised in profit and loss

Depreciation expense on right of use assets	919,678	574,797
Interest expense on lease liabilities	240,712	348,774
Expense relating to short-term leases	-	620,855
Total lease expense recognised in profit and loss	**1,160,390**	**1,544,426**

Lease liabilities		
Bank		
Operating lease commitments at 31 December	6,374,638	2,135,166
Effects of discounting the above amounts	(868,713)	(118,670)
Lease liabilities recognised at 31 December	**5,505,925**	**2,016,496**

Finance costs

Interest expense on lease liabilities	**702,632**	**409,037**

Amounts recognised in profit and loss

Depreciation expense on right of use assets	2,114,634	1,575,131
Interest expense on lease liabilities	702,632	409,037
Total lease expense recognised in profit and loss	**2,817,266**	**1,984,168**

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.'

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

Critical judgements made by the directors during the current period which would have a material impact on the financial statements relate to the recoverability of loans and advances to customers. The credit risk management policies are outlined in note 29 (b) below.

4.1.1. Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 3). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

4.1.2. Significant increase in credit risk

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

4.1.3. Establishing groups of assets with similar credit risk characteristics

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

4.1.4. Models and assumptions used

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

4.2. Key sources of estimation uncertainty

4.2.1. Useful lives and residual values of property and equipment

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

4.2.2. Valuation of property

The Group carries its land and buildings at open market value. The properties were valued by T. G. Msonda Associates as at 31 December 2024.

4.2.3. Impairment losses on loans and advances

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

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

Key assumptions used:

a) Cash flows arising from repayment agreement are aggregated over yearly intervals and assumed to arise at the end of the period;

b) Where there is an agreement but no security in place and cash flows in the subsequent years are doubtful, total future estimated cash flows are assumed to be nil;

c) Unsupported guarantees are assumed to result in nil cash flows;

d) No cash flows are assumed to arise where there is no repayment agreement and no security and repayments are erratic or unpredictable; and

e) Cash flows arising from security realisation have been assumed to arise at the end of the calendar year in which they are expected.

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

When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to note 29 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward-looking information

4.2.5. Probability of Default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See note 3.20 for more details, including analysis of the sensitivity of the reported ECL to changes in PD resulting from changes in economic drivers.

4.2.6. Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See note 3.20 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

4.2.7. Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank uses valuation models to determine the fair value of its financial instruments. Refer to note 28 for more details on fair value measurement.

4.2.8. Provisions

In estimating provisions, the Bank identifies potential future liabilities or expenses resulting from past events and then estimating the amount of the provision to be made. The amount of the provision is estimated reliably, based on historical data, expert judgment, or legal requirements. Legal provisions on decided cases, the amounts are based on legal remedies provided and precedents from past cases. On ongoing cases, the contingent liabilities is based on the expected outcomes of the cases provided by legal experts.

4.2.9. Deferred tax assets

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

5. CASH AND FUNDS WITH RESERVE BANK OF MALAWI

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Cash on hand	16,900,857	15,099,340	16,900,857	15,099,340
Balances with Reserve Bank of Malawi	152,003,837	18,652,058	152,003,837	18,652,058
	168,904,694	**33,751,398**	**168,904,694**	**33,751,398**

Balances held at Reserve Bank of Malawi are denominated in Malawi Kwacha and are non-interest bearing. The funds with Reserve Bank of Malawi includes funds held to meet the minimum Liquidity Reserve Requirement (LRR) of 8.75% (2023: 7.75%) of local currency deposits an 3.75% (2023:3.75%) for foreign currency deposits. These funds are available for operations and are monitored on a weekly basis. The LRR balance at year end was K74,639,800 (2023: K32,294,125)

6. MALAWI GOVERNMENT TREASURY BILLS, PROMISSORY NOTES AND RESERVE BANK OF MALAWI BONDS

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
At the beginning of the year	229,120,460	173,821,990	227,929,258	173,156,024
Additions	243,071,642	48,977,600	242,039,962	48,977,600
Interest charged	65,702,847	40,509,788	65,646,991	39,984,552
Repayments	(77,536,583)	(34,188,918)	(76,734,512)	(34,188,918)
At the end of the year	**460,358,366**	**229,120,460**	**458,881,699**	**227,929,258**
Gross amount	460,358,366	229,120,460	458,881,699	227,929,258
Loss allowance (see note 3.20)	(60,009)	(26,595)	(60,009)	(26,595)
Net	**460,298,357**	**229,093,865**	**458,821,690**	**227,902,663**
• Within 3 months	1,476,667	7,816,103	-	7,816,104
• Over 3 months	458,821,690	221,277,762	458,821,690	220,086,559
Total	**460,298,357**	**229,093,865**	**458,821,690**	**227,902,663**

Average interest rate on Malawi Government Treasury Notes was **33.28.%** (2023: 25.9%).

7. PLACEMENTS WITH OTHER BANKS

		Group	Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Balances with banks abroad	134,084,172	65,557,994	134,084,172	65,557,994
Balances with local banks	169,108,515	44,380,256	169,108,515	44,380,256
Gross amount	**303,192,687**	**109,938,250**	**303,192,687**	**109,938,250**
Loss allowance	(25,718)	(10,993)	(25,718)	(10,993)
Net amount	**303,166,969**	**109,927,257**	**303,166,969**	**109,927,257**

The balances with banks abroad were denominated in foreign currency as follows:

	Group		Bank	
	2024	2023	2024	2023
US Dollar denominated	126,192,044	60,239,362	126,192,044	60,239,362
GBP denominated	575,653	949,444	575,653	949,444
Euro denominated	7,294,962	4,313,292	7,294,962	4,313,292
ZAR denominated	18,225	55,560	18,225	55,560
JPY denominated	49	-	49	-
DKK denominated	3,239	336	3,239	336
	134,084,172	**65,557,994**	**134,084,172**	**65,557,994**

Balances with banks abroad earn interest at an average rate of **3.82%** (2023: 0.11%). Placements with local banks earned average interest rate of **23.6%** (2023: 19.6%). The interbank placements are for short term use and for use in the bank's day to day operations.

8. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
Loans and advances to customers	**2024**	**2023**	**2024**	**2023**
Term loans	198,007,463	107,006,550	198,007,463	107,006,550
Overdrafts	23,553,847	30,827,210	23,553,847	30,827,210
Gross loans and advances	**221,561,310**	**137,833,759**	**221,561,310**	**137,833,759**
Expected credit losses allowance	(10,235,935)	(2,037,496)	(10,235,935)	(2,037,496)
Net loans and advances	**211,325,375**	**135,796,264**	**211,325,375**	**135,796,264**
Movement in expected credit loss allowances				
At the beginning of the year	2,037,496	6,990,517	2,037,496	6,990,517
Gross current year provision	8,287,812	1,881,184	8,287,812	1,881,184
Transfer from off balance sheet assets (See note 3.20)	(41,770)	-	(41,770)	-
Net current year charge	**8,246,042**	**1,881,184**	**8,246,042**	**1,881,184**
Current Year Write offs	(47,603)	(6,834,205)	(47,603)	(6,834,205)
At the end of the year	**10,235,935**	**2,037,496**	**10,235,935**	**2,037,496**
Net impairment loss				
Increase in expected credit losses	8,287,812	1,881,184	8,287,812	1,881,184
Recoveries from write offs	(424,631)	(492,364)	(424,631)	(492,364)
Net impairment loss	**7,863,181**	**1,388,820**	**7,863,181**	**1,388,820**

Principal and interest past due but not impaired				
Amounts past due	10,536,412	2,038,177	10,536,412	2,038,177
Amounts past due and impaired	(10,536,412)	(2,038,177)	(10,536,412)	(2,038,177)
Amounts past due but not impaired	**-**	**-**	**-**	**-**

The maturity profile of loans and advances is outlined in note 29c to the financial statements. The Malawi Kwacha maximum base-lending rate for the Bank as at 31 December 2024 was **36.4%** (Dec 2023: 34.7%). Included in loans and advances balance is staff loan balance of K9.6 billion (Dec 2023: K6.7 billion) offered at a subsidized rate of **6.25%** (Dec 2023: 6.25%).

The Bank's credit risk is primarily attributed to overdraft and other loan facilities extended to its customers. The amounts presented in the statement of financial position are net of expected credit losses as shown above. The provision represents allowances for estimated irrecoverable amounts when there is objective evidence that the asset is impaired.

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

Loss allowance – Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	K'000	**K'000**	**K'000**	**K'000**
At 1 January 2024	**147,356**	**83,325**	**1,806,815**	**2,037,496**
Changes in the loss allowance				
– Transfer to stage 1	2,280,159	13,042	(2,293,201)	-
– Transfer to stage 2	(6,499)	10,151	(3,652)	-
– Transfer to stage 3	(195,063)	(28,233)	7,421,735	**7,198,439**
– Increases due to disbursements (net of repayment)	-	-	1,047,603	**1,047,603**
– Write-offs	-	-	(47,603)	**(47,603)**
Closing Balance	**2,225,953**	**78,285**	**7,931,697**	**10,235,935**

	Stage 1	Stage 2	Stage 3	Total
	K'000	**K'000**	**K'000**	**K'000**
As at 1 January 2023	**176,488**	**56,918**	**6,757,111**	**6,990,517**
Changes in the loss allowance				
– Transfer to stage 1	26,047	(1,974)	(24,073)	-
– Transfer to stage 2	(41,333)	41,333	-	-
– Transfer to stage 3	(13,846)	(12,952)	26,798	-
– Increases due to disbursements (net of repayment)	-	-	1,881,185	1,881,185
– Write-offs	-	-	(6,834,206)	(6,834,206)
Closing Balance	**147,356**	**83,325**	**1,806,815**	**2,037,496**

The changes in the gross carrying amount explaining the above changes in the loss allowances are mainly as a new loans moving into stage 3 and new loan disbursements (net of repayment) which contributed to a loss allowance of K5.7 billion and write offs of K0.5 billion. In 2023 the changes were on account of normal increases in disbursements and write offs of K0.1 billion.

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

	As at 31 December 2024		As at 31 December 2023	
Days past due	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
		K'000	**K'000**	**K'000**
0-29 days	200,327,801	2,225,953	109,687,826	147,356
30-90 days	10,697,097	78,285	25,983,289	83,325
91-180 days	6,578,465	4,100,679	505,663	412,632
181-360 days	2,222,890	2,018,937	383,494	338,147
More than 360 days	1,735,057	1,812,081	1,273,488	1,056,036
Total	**221,561,310**	**10,235,935**	**137,833,760**	**2,037,496**

There are modified (restructured) loans amounting to K1.194 billion included in the closing book balance of loans and advances. These are mostly loans modified on the payment terms so that the instalment pattern suits the customer cash flow pattern. There were no gains or losses on these modified loans as interest was capitalised on the date of modification and the loans continued to charge interest.

9. RELATED PARTIES

The following are the types of the relationships with the related parties;

Name of related party	Type of relationship
A & J Construction	Member of senior management has a stake in the company
Chisapi Limited	Director of FDH Bank Plc has a stake in the company
First Equity Limited	Investment vehicle managed by Old Mutual Plc
First Discount House Limited	Fellow subsidiary
FDH Financial Holdings Limited	Parent company
FDH Money Bureau Limited	Fellow subsidiary
Malawi Government	Minority Shareholder
Malawi Property Investment Company Plc	Subsidiary of Old Mutual, who is shareholder of FDH Financial Holdings Limited
Mbendera and Nkhono Associates	Director of FDH Bank Plc has a stake in the firm
MS Properties Limited	Subsidiary
Old Mutual Malawi Plc	Shareholder of FDH Financial Holdings Limited
Orascon Continental Security Services	Director of FDH Bank Plc has a stake in the company
Reunion Insurance Limited	Members of senior management have stakes in the company
T.F. Mpinganjira Trust	Owned by shareholders of FDH Financial Holdings Limited
Diplomats Car Hire	Owned by shareholders of FDH Financial Holdings Limited
Ekhaya Group	Owned by shareholders of FDH Financial Holdings Limited
Gala Agriculture	Old Mutual, who is shareholder of FDH Financial Holdings Limited has stake in the company

Related party relationships exist between the Bank and its parent company, FDH Financial Holdings Limited (FDHFHL) and other subsidiaries of the FDHFHL Group. Related party balances as at period end were as follows:-

Amounts owed by related parties	
	K'000
December 2024	
Group and Bank Balances	
FDH FINANCIAL HOLDINGS	4,793,490
GALA AGRICULTURE	3,756,681
FDH MONEY BUREAU	3,477,091
CHISAPI LIMITED	434,923
MPICO PLC	338,609
THE BAKER	200,000
PATRICE C. NKHONO	28,652
ORASCON CONTINENTAL SECURITY SERVICES	18,005
MBENDERA AND NKHONO ASSOCIATES	15,053
Amounts owed by related parties	**13,062,504**

Amounts owed to related parties	
	K'000
Old Mutual Limited	20,280,000
FDH Money Bureau Limited	3,937,487
First Discount House Limited	1,405,019
FDH Financial Holdings Limited	344,158
Ekhaya Group	247,117
Diplomats Car Hire	23,770
Mbendera & Nkhono Associates	8,345
FDH Properties Limited	4,267
Orascon Continental Security Services	1,417
Amounts owed to related parties	**26,251,580**

These related parties cash balances are included in the Liabilities to Customers Balance on the face of the Statement of Financial Position.

December 2023	
FDH Money Bureau Limited	3,660,103
FDH Properties Limited	20,611
First Discount House Limited	356,035
FDH Financial Holdings Limited	3,326,988
	7,363,737

The bank balances are deposits with FDH Bank Plc included in liabilities to customers.

	2024	2023
	K'000	K'000
Lease liabilities payable by the Bank to FDH Properties Limited	**1,932,479**	**1,236,787**

Amounts due to and from related parties relate to payments made to third parties by one company on behalf of the other. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current period or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

	2024	2023
	K'000	**K'000**
Included in loans and advances at period end are the following related party balances:		
FDH Money Bureau Limited	3,477,091	3,810,388
Orascon Continental Security Services	18,005	-
Gala Agricultural Company	3,756,681	-
Malawi Property Company Plc	338,609	875,780
Chisapi Limited	434,923	604,799
Mbendera and nkhono associates	15,053	-
Diplomats Car hire	-	135,796
Ekhaya Foods	-	150,000
The Baker	200,000	40,000
Senior Management	666,795	747,728
Directors	32,895	204,219
	8,940,052	**6,568,710**

Included in liabilities to customers are related party deposits by Old Mutual Malawi Plc amounting to K 20.28 billion (2023: K19.7 billion). Interest payable to Old Mutual Malawi Plc amounted to K985.6 million (2023: K681 million).

The following transactions were conducted with related parties at arms length: -

There were no interest payable balances		
Interest receivable		
FDH Money Bureau Limited	2,256	97,211
Orascon Continental Security Services	357	543
Gala Agricultural Limited	282,406	133,214
Malawi Property Investment Company Plc	-	128,862
Diplomats	35,793	35,793
Chisapi Limited	214	158,394
Mbendera and Nkhono Associates	102	-
Senior Management	-	46,733
Directors	-	25,306
	321,128	**626,056**

Interest payable on lease liabilities by the Bank to FDH Properties Limited	**1,325,143**	**397,407**
Interest paid on lease liabilities by the Bank to FDH Properties Limited	**397,407**	**273,557**

T.F. Mpinganjira Trust	733,000	140,784
Compensation of key management personnel		
Current period earnings and short-term benefits	3,797,503	3,175,246
Post employment benefits	401,689	335,869
Employee Profit Share Provision	9,493,878	3,585,035

Employee Profit Share provision is a staff bonus provision that is calculated using a formula in the Profit Share Policy that is

approved by the Board. The staff qualify for a Bonus when they meet the Policy specified criteria.
The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Directors' fees, allowances and expenses paid during the year of 2024 amount to K790.286million (K706.9 million in FY2023).

Included in administrative expense for the Bank is K51.608 million (k33.165 million in 2023) paid to FDH Properties Limited as property management fees as they manage properties for the Bank.

10. OPERATING EXPENDITURE

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
10.1. Administrative costs				
Premises and equipment cost	6,953,361	4,821,743	6,294,953	4,742,601
IT and communication	6,090,838	4,560,951	6,090,838	4,522,644
Other direct trading cost	5,648,646	3,993,949	5,648,646	3,993,949
Marketing & advertising cost	3,046,961	2,662,930	3,046,961	2,662,930
Regulatory & compliance cost	677,094	669,605	677,094	658,768
Directors expenses	773,557	685,012	773,557	600,427
Other operating costs	6,016,104	4,284,390	7,479,146	5,282,356
	29,206,561	**21,678,580**	**30,011,195**	**22,463,675**
10.2. Employee benefits costs				
Salaries	13,669,523	10,672,907	13,669,523	10,672,907
Employee Profit Share provision	9,493,878	3,585,035	9,493,878	3,585,035
Training costs	943,593	863,242	943,593	863,242
Other staff costs	8,694,434	6,425,585	8,496,435	6,231,090
	32,801,428	**21,546,769**	**32,603,429**	**21,352,274**

Other staff costs relate to fringe benefits provided to the staff.

11. OTHER RECEIVABLES AND PREPAYMENTS

	Group		Bank	
	2024	2023	2024	2023
Sundry receivables	8,489,204	7,065,641	7,720,409	5,919,315
Settlements accounts	34,080,922	11,676,622	34,080,922	11,676,622
Prepayments	12,303,661	3,954,265	12,023,635	3,822,763
	54,873,787	**22,696,528**	**53,824,966**	**21,418,700**

Sundry receivables largely relate to clearing accounts and prepayments mainly relate to prepaid rentals and license fees for systems, which are short term assets. No interest is charged on prepaid rentals and license fees.

		Group		Bank	
		2024	Dec 2023	2024	Dec 2023
		K'000	K'000	K'000	K'000
12. a	**Investment in subsidiary**				
	Investment in subsidiary	**-**	**-**	**6,920,233**	**6,920,233**
b	**Other investments**				
	Other investments	**146,232**	**146,232**	**146,232**	**146,232**

The other investments balance includes K111 million in the National Switch, K34 million in SWIFT shares and the other K1 million is investment in shares on the Malawi Stock Exchange. The other investments have been initially recognised and subsequently carried at amortised cost.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Plant and equipment	Computer equipment	Capital Motor vehicles	Furniture and fittings	Work in progress	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
31 December 2024							
Cost/Valuation							
At the beginning of the year	9,018,126	1,731,088	12,838,387	4,720,713	6,173,537	2,308,670	36,790,521
Transfers from CWIP	-	-	1,060,113	1,480,495	969,008	(3,509,616)	-
Other Transfers	-	-	-	-	-	(22,748)	(22,748)
Additions	-	11,735	2,813,451	77,204	178,799	3,765,280	6,846,469
Revaluation surplus	2,191,000	-	-	-	-	-	2,191,000
Disposals	-	-	(3,038)	(723,884)	-	(893,334)	(1,620,256)
At the end of the year	**11,209,126**	**1,742,823**	**16,708,913**	**5,554,528**	**7,321,344**	**1,648,252**	**44,184,986**
Depreciation							
At the beginning of the year	123,576	1,270,236	8,727,052	2,001,049	3,259,535	-	15,381,448
Charge for the year	26,556	60,555	1,484,689	886,655	412,530	-	2,870,985
Disposals	-	-	-	(502,773)	-	-	(502,773)
At the end of the year	**150,132**	**1,330,791**	**10,211,741**	**2,384,931**	**3,672,065**	**-**	**17,749,660**
Net book value as at the end of the year	**11,058,994**	**412,032**	**6,497,172**	**3,169,597**	**3,649,279**	**1,648,252**	**26,435,326**

Group	Buildings	Plant and equipment	Computer equipment	Capital Motor vehicles	Furniture and fittings	Work in progress	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
31 December 2023							
Cost/Valuation							
At the beginning of the year	7,683,201	1,529,801	10,363,174	3,639,431	5,578,000	751,106	29,544,713
Transfers from CWIP	-	-	130,222	-	364,211	(494,433)	-
Additions	184,975	213,437	2,347,274	1,624,162	231,326	2,051,997	6,653,171
Revaluation surplus	1,149,950	-	-	-	-	-	1,149,950
Disposals	-	(12,150)	(2,283)	(542,880)	-	-	(557,313)
At the end of the year	**9,018,126**	**1,731,088**	**12,838,387**	**4,720,713**	**6,173,537**	**2,308,670**	**36,790,521**
Depreciation							
At the beginning of the year	97,021	1,219,338	7,519,234	1,764,643	2,850,764	-	13,451,000
Charge for the year	26,555	50,898	1,208,085	671,346	408,771	-	2,365,655
Disposals	-	-	(265)	(434,940)	-	-	(435,205)
At the end of the year	**123,576**	**1,270,236**	**8,727,054**	**2,001,049**	**3,259,535**	**-**	**15,381,450**
Net book value as at the end of the year	**8,894,550**	**460,852**	**4,111,333**	**2,719,664**	**2,914,002**	**2,308,670**	**21,409,071**

Bank	Fixtures*	Plant and equipment	Computer equipment	Capital Motor vehicles	Furniture and fittings	Work in progress	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
31 December 2024							
Cost/valuation							
At the beginning of the year	829,846	1,731,088	12,838,387	4,720,713	6,173,536	2,308,670	28,602,240
Transfers from CWIP	-	-	1,060,113	1,480,496	969,008	(3,509,617)	-
Other transfers	-	-	-	-	-	(22,748)	(22,748)
Additions	-	11,735	2,813,451	77,204	178,802	3,460,807	6,541,999
Disposals	-	-	(3,038)	(723,884)	-	(893,334)	(1,620,256)
At the end of the year	**829,846**	**1,742,823**	**16,708,913**	**5,554,529**	**7,321,346**	**1,343,778**	**33,501,235**
Depreciation							
At the beginning of the year	133,271	1,270,237	8,727,053	2,001,049	3,259,535	-	15,391,145
Charge for the year	26,555	60,555	1,484,690	886,655	412,530	-	2,870,985
Disposals	-	-	-	(512,469)	-	-	(512,469)
At the end of the year	**159,826**	**1,330,792**	**10,211,743**	**2,375,235**	**3,672,065**	**-**	**17,749,661**
Net book value as at the end of the year	**670,020**	**412,031**	**6,497,170**	**3,179,294**	**3,649,281**	**1,343,778**	**15,751,574**

*The fixtures under the bank's movement schedule, relates to partitioning and construction of ATM machines housings. Except for this all the other buildings are buildings belonging to FDH properties which are measured using revaluation model.

In the year the Bank had assets which were fully depreciated but are still in use. The initial cost of these assets was K9,587billion (2023: K8.511billion)

	2024	2023
Plant and machinery	1,150,955	1,116,678
Office equipment	4,154,581	3,510,926
Computer equipment	3,150,212	2,742,562
Furniture & Fittings	1,131,234	1,140,974
Total	**9,586,982**	**8,511,140**

Bank	Fixtures	Plant and equipment	Computer equipment	Capital Motor vehicles	Furniture and fittings	Work in progress	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
31 December 2023							
Cost/valuation							
At the beginning of the year	829,846	1,529,801	10,363,174	3,639,431	5,577,999	751,106	22,691,357
Transfers from CWIP	-	-	130,222	-	364,211	(494,433)	-
Additions	-	213,437	2,347,274	1,624,162	231,326	2,051,997	6,468,196
Disposals	-	(12,150)	(2,283)	(542,880)	-	-	(557,313)
At the end of the year	**829,846**	**1,731,088**	**12,838,387**	**4,720,713**	**6,173,536**	**2,308,670**	**28,602,240**
Depreciation							
At the beginning of the year	106,716	1,219,338	7,519,233	1,764,642	2,850,764	-	13,460693
Charge for the year	26,555	50,898	1,208,084	671,347	408,771	-	2,365,655
Disposals	-	-	(264)	(434,941)	-	-	(435,205)
At the end of the year	**133,271**	**1,270,236**	**8,727,053**	**2,001,048**	**3,259,535**	**-**	**15,391,143**
Net book value as at the end of the year	**696,575**	**460,852**	**4,111,334**	**2,719,665**	**2,914,001**	**2,308,670**	**13,211,097**

Land and buildings were revalued as at 31 December 2024 on a market value basis by T.G. Msonda BsC (L Admin) MRICS MSIM, Chartered Valuation Surveyor of T. G. Msonda & Associates, an independent chartered surveyor not related to the Group. Property, plant and equipment were not pledged as security for any borrowings during the year.

The fair value measurement of land and buildings of K11.058 billion (2023: K8.197 billion) has been categorised as a level three in the fair value measurement hierarchy. If the land and building were carried on cost basis then the carrying amount of the land and building would be K6.527 billion (2023: K6.677 billon).

Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair values of land and buildings, as well as the significant unobservable inputs used. The Valuation expert adopted Income valuation approach and Market approach methods as detailed below.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income valuation approach		
This approach takes cognisance of the performance of the property market and is normally applied to all properties that are income producing or capable of producing an income in form of rent and for which there is both an active tenant market and an active investment market. This method relies on sales data and all relevant factors pertaining to the property market.	The method recognises that property can be assembled, not only for occupation and use of the owner, but also to let to one or more tenants who will pay the owner rent for the right to the use and occupation of the property. In an owner - occupier situation the valuation process makes comparison between the subject property and comparable properties, which has gone through the market in order to formulate an opinion as to a fair open market value.	The estimated fair value would increase (decrease) if: expected market rental growth were higher (lower) K6,000/m^2 to K11,000/m^2
Market approach		
Market approach uses prices and other relevant information generated by market transactions involving identical or comparable (similar) properties.	The normal basis for a valuation for accounts purposes is current open market value, (OMV). It was considered appropriate by the valuers that the open market basis was appropriate. The value was restricted to existing use value for all properties, but it was otherwise assumed that there were no restrictions on the use or transfer of the property which could affect its value, and which had not been disclosed or discovered. Any outstanding charges on, or claims against the property, whether disclosed or not, were disregarded in arriving at the valuations.	Land values ranged from K800m to K2.7 Billion per hectare.

14. INTANGIBLE ASSETS

Group and Bank	Computer Software	Work in progress	Total
	K'000	**K'000**	**K'000**
31 December 2024			
Cost			
At the beginning of the year	8,062,485	4,873,547	12,936,032
Additions	1,101,728	1,184,855	2,286,583
Transfers from CWIP	918,049	(918,049)	-
At the end of the year	**10,082,262**	**5,140,353**	**15,222,615**
Amortisation			
At the beginning of the year	5,994,992	-	5,994,992
Charge for the year	549,918	-	549,918
At the end of the year	**6,544,910**	**-**	**6,544,910**
Net book value			
Net book value as at the end of the year	**3,537,352**	**5,140,353**	**8,677,705**

Group and Bank	Computer Software	Work in progress	Total
	K'000	**K'000**	**K'000**
31 December 2023			
Cost			
At the beginning of the year	8,037,402	63,471	8,100,873
Additions	26,500	4,810,077	4,836,577
Disposal	(1,418)	-	(1,418)
At the end of the year	**8,062,484**	**4,873,548**	**12,936,032**
Amortisation			
At the beginning of the year	5,425,812	-	5,425,812
Charge for the year	569,180	-	569,180
Disposal	-	-	-
At the end of the year	**5,994,992**	**-**	**5,994,992**
Net book value	**2,067,492**	**4,873,548**	**6,941,040**

The computer software is amortised over the lifetime of the software. The amortization is done over a straight-line basis. The amortized amounts for the year are included on the line item of "depreciation and amortisation" of the statements of profit or loss and other comprehensive income. Included in work in progress (WIP) are developments for various software-based products such as Mobile App Redesigning, Checkpoint Security software, Cards Personalisation and ATM Upgrade.

In the year the Bank had intangible assets which were fully amortised. The initial cost of these assets was K4.55 billion (2023: K4.22 billion)

	2024	2023
	K'000	K'000
Computer software	4,549,255	4,223,948

15. SHAREHOLDERS' LOAN

		Group		Bank
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Shareholder's loan movement				
At the beginning of the year	-	442,816	-	442,816
Interest charged	-	12,332	-	12,332
Repayments - interest	-	(12,332)	-	(12,332)
Repayments - principal	-	(442,816)	-	(442,816)
At the end of the year	-	-	-	-

Shareholder Loan:
The shareholder loan was in respect of a borrowing from FDH Financial Holdings Limited. The borrowing was fully repaid on 28 February 2023. Interest on the loan was payable based on the simple average yield for the previous six months for the 364 day Treasury bills (or its equivalent) as per Treasury bills auction results plus 2%. The loan was secured by Treasury bills.

16. LONG-TERM LOANS

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Term loans;				
Long-term portion	16,782,519	14,177,259	16,782,519	14,177,259
Current portion	27,687,210	10,732,934	27,687,210	10,732,934
Total	**44,469,729**	**24,910,193**	**44,469,729**	**24,910,193**
Long Term Loans				
At the beginning of the year	24,910,193	23,045,716	24,910,193	23,045,716
Additions	65,216,832	15,636,937	65,216,832	15,636,937
Interest charged	2,103,281	2,168,937	2,103,281	2,168,937
Effects of exchange rates movement	642,100	12,596,333	642,100	12,596,333
Repayments – interest	(1,998,149)	(2,245,164)	(1,998,149)	(2,245,164)
Repayments – principal	(46,404,528)	(26,292,566)	(46,404,528)	(26,292,566)
At the end of the year	**44,469,729**	**24,910,193**	**44,469,729**	**24,910,193**

Group
In January 2020 the Bank obtained a loan of US$ 3,899,700 from European Investment Bank (EIB). The loan is repayable in seven years' time with the last installment payable on 29 January 2027. Interest is paid quarterly on a floating rate.

The lender notifies the Bank on the interest rate applicable for each quarter. The interest rates applicable in 2024 were Q1: 8.8923%, Q2:8.9100% Q3:8.8317% Q4: 8.6310%

In October 2024, the bank secured a trade refinancing facility 10,000,000 USD from Crown Agents Bank Limited. This agreement grants FDH Bank PLC the flexibility to draw funds on a revolving basis, enabling drawdowns as needed. The maturity of the facility is determined by the underlying Letters of Credit being refinanced by the bank. The interest rate for this facility is set at 8.59% per annum.

Interest accrues on each disbursement at the interest rate agreed between the counterparties and specified in each disbursement request. Interest is set to accrue from day to day on the outstanding balance of that disbursement and calculated on the basis of the actual number of days elapsed and year of 360 days.

Included in the long-term loans is a loan obtained from a Afrexim Bank. The loan of US$ 15,000,0000 was granted in September 2024. The loan is repayable is 12 equal quarterly instalments with interest fixed at 10% per annum.

17. LIABILITIES TO CUSTOMERS

	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Current accounts	359,784,275	220,821,642	359,788,541	220,842,253
Foreign currency accounts	40,743,169	36,334,542	40,743,169	36,334,542
Deposit accounts	283,251,150	66,110,775	283,251,150	66,110,775
Savings accounts	198,739,547	120,695,729	198,739,547	120,695,729
Total liabilities to customers	**882,518,141**	**443,962,688**	**882,522,407**	**443,983,299**

The maturity profile of liabilities to customers is included in note 29(c) to the financial statements.
The average interest rate on deposits was 4.00% (2023: 3.35%).

18. LIABILITIES TO FINANCIAL INSTITUTIONS

	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Reserve Bank of Malawi (OMO)	157,297,966	-	157,297,966	-
Total money market liabilities	**157,297,966**	**-**	**157,297,966**	**-**

The maturity profile of liabilities to financial institutions is given in note 29(c) to the financial statements. Interest on interbank borrowings was 19.21% (2023: 19.5%).

19. a. PAYABLES AND ACCRUALS

	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Sundry accruals	11,674,037	13,306,287	11,471,823	12,360,118
Settlement accounts	5,742,696	8,997,273	5,742,696	8,997,273
Local payables	1,020,122	621,742	1,020,121	621,742
Bank cheques	409,306	371,254	409,306	371,254
Audit fees	226,737	176,677	226,737	176,677
Other financial liabilities	**19,072,898**	**23,473,233**	**18,870,683**	**22,527,064**
Withholding tax payable	717,204	164,945	702,847	164,945
VAT payable	520,319	44,521	263,607	44,521
Total payables and accruals	**20,310,421**	**23,682,699**	**19,837,137**	**22,736,530**

The average credit period on payables is 30 days and no interest is charged on overdue balances. The directors consider that the carrying amount of payables and accruals approximates their fair value.

b. PROVISIONS

	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Legal provisions	5,395,922	2,888,897	5,395,922	2,888,897
Staff bonus provisions	9,493,878	3,585,035	9,493,878	3,585,035
Total provisions	**14,889,800**	**6,473,932**	**14,889,800**	**6,473,932**

20. DEFERRED TAX ASSET AND (LIABILITY)

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
The movement in the year is analysed as follows;				
At the beginning of the year	4,971,948	2,317,385	2,549,170	1,108,062
Income tax credit to P/L	2,584,950	2,999,548	2,584,950	1,441,109
Current year other comprehensive income charge	(2,422,778)	(344,985)	-	-
At the end of the year asset	**5,134,120**	**4,971,948**	**5,134,120**	**2,549,171**
Deferred tax asset analysed as follows:				
Accelerated capital allowances	(1,229,131)	(601,328)	(1,229,131)	(601,328)
Expected credit losses	96,779	136,026	96,779	136,026
Bonus and gratuity provision	3,837,041	1,190,388	3,837,041	1,190,388
Legal Provision	2,158,369	210,000	2,158,369	210,000
Unutilised Capital losses carried forward	-	312,708	-	312,708
Revaluation surplus	-	344,985	-	-
Unrealised exchange losses on long term loans	-	1,211,471	-	1,211,471
Other temporary differences	271,062	2,167,698	271,062	89,906
Total deferred tax assets	**5,134,120**	**4,971,948**	**5,134,120**	**2,549,171**

Deferred tax charge to P/L relate to the following:				
Accelerated capital allowances	627,803	454,884	627,803	141,323
Expected credit losses	39,247	172,539	39,247	172,539
Bonus and gratuity provision	(2,646,653)	(751,387)	(2,646,653)	(751,387)
Legal Provision	(1,948,369)	(210,000)	(1,948,369)	(210,000)
Unutilised Capital losses carried forward	312,708	518,527	312,08	518,527
Unrealised exchange losses on long term loans	1,211,471	271,427	1,211,471	271,427
Other temporary differences	(181,157)	(3,800,523)	(181,157)	(1,583,538)
Revaluation surplus	-	344,985	-	-
Total deferred tax credit	**(2,584,950)**	**(2,999,548)**	**(2,584,950)**	**(1,441,109)**

Deferred tax charge to OCI relate to the following:				
Revaluation surplus	**2,422,778**	**344,985**	**-**	**-**

21. GUARANTEES AND LETTERS OF CREDITS

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Local guarantees and performance bonds	22,357,816	17,912,911	22,357,816	17,912,911
Letters of credit	40,826,520	33,310,997	40,826,520	33,310,997
	63,184,336	**51,223,908**	**63,184,336**	**51,223,908**

In the normal course of its business, the Bank has issued guarantees in favour of third parties on behalf of their clients. These guarantees only give rise to a liability for the Bank in the event that the clients default on payment to the third parties. As a result, and after due assessment, these guarantees have not been recognised as liabilities at the year end.

22. NET INTEREST INCOME

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Interest income				
Interest on loans and advances	34,460,522	24,023,803	34,460,522	24,023,803
Interest on money market investments	147,168,189	49,400,470	147,168,189	49,400,470
Interest earned	**181,628,711**	**73,424,273**	**181,628,711**	**73,424,273**
Interest expense				
Interest on shareholders' loan	-	(12,332)	-	(12,332)
Money market and customers	(40,285,646)	(13,562,575)	(40,285,646)	(13,562,575)
Interest expense	(40,285,646)	(13,574,907)	(40,285,646)	(13,574,907)
Net interest income	**141,343,065**	**59,849,366**	**141,343,065**	**59,849,366**

Interest income and expense are calculated using Effective Interest Rate (EIR) method.

23. COMMISSIONS AND OTHER FEE INCOME

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Commissions	3,971,179	3,251,303	3,955,878	3,251,303
Arrangement fee income	2,432,156	2,056,833	2,432,156	2,056,833
Global Markets & Trade Finance	47,452,407	37,847,624	47,036,904	37,672,684
Total commission and fee income	**53,855,742**	**43,155,760**	**53,424,938**	**42,980,820**

Included in Global Markets and Trade finance among other things is forex trading, letters of credits, guarantees, custodial services income and cards business transaction fees. These are all recognised at a point in time when the performance obligations are satisfied.

24. PROFIT BEFORE TAX

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Profit before tax is arrived at after taking into account the following:				
Auditor's remuneration	324,179	223,802	324,179	212,965
Depreciation of plant and equipment	2,870,985	2,365,655	2,870,985	2,365,655
Depreciation of right-of-use assets	919,678	574,797	2,114,634	1,575,131
Amortisation of intangible assets	549,918	569,180	549,918	569,180
(Profit)/ Loss on disposal of equipment	(123,269)	12,912	(123,269)	12,912
Director's fees and expenses	856,805	791,501	856,805	706,916
Pension contributions	1,935,756	1,532,767	1,935,756	1,532,767

25. TAXATION

25.1 Income tax expense	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Current income tax expense	50,428,682	22,808,741	50,117,451	22,581,179
Deferred income tax credit	(2,584,950)	(2,999,548)	(2,584,950)	(1,441,109)
Income tax expense	**47,843,732**	**19,809,193**	**47,532,501**	**21,140,070**
Reconciliation of rate of tax	%	%	%	%
Standard rate of tax	40	40	40	40
Fringe Benefits Tax	2.1	3.04	2.1	3.04
Legal and professional fees	-	-	-	-
Capital gain on asset disposal	0.24	0.03	0.24	-
Corporate Social Responsibility	0.05	0.13	0.05	0.13
Other permanent differences	(3.14)	(7.49)	(3.06)	(4.55)
Effective rate of tax	**39.25**	**35.72**	**39.33**	**38.65**

25.2 Income tax liability				
Tax paid				
Opening balance liability	7,511,661	4,029,313	7,278,989	3,999,223
Income tax charge	50,428,682	22,808,740	50,117,450	22,766,897
Tax payments	(36,270,912)	(19,326,393)	(36,041,249)	(19,487,131)
Closing balance	**21,669,431**	**7,511,661**	**21,355,190**	**7,278,989**

26. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Bank is based on the following data:

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Profit				
Profit for the purposes of basic/ diluted Earnings per share	**74,063,002**	**35,646,929**	**73, 336,794**	**33,550,512**
	Nos	Nos	Nos	Nos
	000	000	000	000
Number of shares				
Weighted average number of ordinary shares for the purposes of basic/diluted earnings per share	6,901,031	6,901,031	6,901,031	6,901,031
Earnings per share (tambala)	**1,073**	**517**	**1,063**	**486**

There was no potential dilutive instruments on the ordinary shares during the year.

27. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

	At fair value though OCI	At armotised cost	Carrying amount	Fair value
	K'000	K'000	K'000	K'000
Group				
At 31 December 2024				
Assets				
Cash and bank balances with Reserve Bank of Malawi	-	168,904,694	168,904,694	168,904,694
Malawi Government Treasury Bills and Reserve Bank bond	-	460,298,357	460,298,357	460,298,357
Placements with other banks	-	303,166,969	303,166,969	303,166,969
Loans and advances to customers	-	211,325,375	211,325,375	211,325,375
Investments	-	146,232	146,232	146,232
Other receivables	-	42,570,126	42,570,126	42,570,126
Total financial assets	**-**	**1,186,411,753**	**1,186,411,753**	**1,186,411,753**
Liabilities				
Long term loan	-	44,469,729	44,469,729	44,469,729
Liabilities due to customers	-	882,522,497	882,522,497	882,522,497
Liabilities to financial institutions	-	157,297,966	157,297,966	157,297,966
Payables and accruals	-	19,072,898	19,072,898	19,072,898
Total financial liabilities	**-**	**1,103,363,090**	**1,103,363,090**	**1,103,363,090**

	At fair value though OCI	At armotised cost	Carrying amount	Fair value
Bank	**K'000**	**K'000**	**K'000**	**K'000**
At 31 December 2024				
Assets				
Cash and bank balances with Reserve Bank of Malawi	-	168,904,694	168,904,694	168,904,694
Malawi Government Treasury Bills and Reserve Bank bond	-	458,821,690	458,821,690	458,821,690
Placements with other banks	-	303,166,969	303,166,969	303,166,969
Loans and advances to customers	-	211,325,375	211,325,375	211,325,375
Investments	-	146,232	146,232	146,232
Other receivables	-	41,801,331	41,801,331	41,801,331
Total financial assets	**-**	**1,184,166,291**	**1,184,166,291**	**1,184,166,291**
Liabilities				
Shareholder's loan	-	-	-	-
Long term loan	-	44,469,729	44,469,729	44,469,729
Liabilities due to customers	-	882,522,407	882,522,407	882,522,407
Liabilities to financial institutions	-	157,297,966	157,297,966	157,297,966
Payables and accruals	-	18,870,683	18,870,683	18,870,683
Total financial liabilities	**-**	**1,103,160,785**	**1,103,160,785**	**1,103,160,785**

	At fair value though OCI	At armotised cost	Carrying amount	Fair value
Group	**K'000**	**K'000**	**K'000**	**K'000**
At 31 December 2023				
Assets				
Cash and bank balances with Reserve Bank of Malawi	-	33,751,398	33,751,398	33,751,398
Malawi Government Treasury Bills and Reserve Bank bond	-	229,093,865	229,093,865	229,093,865
Placements with other banks	-	109,927,257	109,927,257	109,927,257
Loans and advances to customers	-	135,796,264	135,796,264	135,796,264
Investments	-	146,232	146,232	146,232
Other receivables	-	18,742,263	18,742,263	18,742,263
Total financial assets	**-**	**525,457,277**	**525,457,277**	**525,457,277**
Liabilities				
Shareholder's loan	-	-	-	-
Long term loan	-	24,910,193	24,910,193	24,910,193
Liabilities due to customers	-	443,962,688	443,962,688	443,962,688
Liabilities to financial institutions	-	-	-	-
Payables and accruals	-	23,473,233	23,473,233	23,473,233
Total financial liabilities	**-**	**492,346,114**	**492,346,114**	**492,346,114**

Accounting classifications and fair values
At FVTOCI

	At armotised cost	Carrying cost	Fair amount	Fair value
	K'000	K'000	K'000	K'000
Bank				
At 31 December 2023				
Assets				
Cash and bank balances with Reserve Bank of Malawi	-	33,751,398	33,751,398	33,751,398
Malawi Government Treasury	-	-	-	-
Bills and Reserve Bank bond	-	227,902,663	227,902,663	227,902,663
Placements with other banks	-	109,927,257	109,927,257	109,927,257
Loans and advances to customers	-	135,796,264	135,796,264	135,796,264
Other investments	-	146,232	146,232	146,232
Other receivables	-	17,595,937	17,595,937	17,595,937
Total financial assets	**-**	**525,119,751**	**525,119,751**	**525,119,751**
Liabilities				
Shareholder's loan	-	-	-	-
Long term loan	-	24,910,193	24,910,193	24,910,193
Liabilities due to customers	-	443,983,299	443,983,299	443,983,299
Liabilities to financial institutions	-	-	-	-
Payables and accruals	-	22,527,064	22,527,064	22,527,064
Total Financial liabilities	**-**	**491,420,556**	**491,420,556**	**491,420,556**

28. FAIR VALUE MEASUREMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

28.1. Valuation techniques and assumptons applied for the purposes of measuring fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

28.2. Fair value measurements recognised in the statement of financial position

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28.3. Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis

Apart from the other investments at FVTOCI, the Bank had no financial assets and financial liabilities that were measured at fair value at the end of each reporting period.

29. FINANCIAL RISK MANAGEMENT

(a). Introduction and overview

FDH Bank board of directors is ultimately responsible for management of risk in the Group. The board delegates certain functions and responsibilities relating to risk and capital management to the Risk and Capital Management Committee, the Board Credit Committee and the Board Finance and Audit Committee.

Day-to-day risk management responsibility is delegated to Exco and its sub-committees which comprise of Assets and Liabilities Committee (ALCO), Operational Risk and Compliance Management Committee (ORCC), Credit Risk Management Committee (CRMC) and New Products Committee (NPC). The line management functions within the Group are responsible for managing the risks that arise from the respective operations.

The role of the CRMC is to ensure compliance with the board's directives which are based on the Group's credit standard. CRMC effectively enhances the credit discipline within the Group and is responsible for controlling inter alia delegated authorities, concentration risk, non-performing debt, regulatory issues that pertain to credit, credit audits, policy and governance.

Effective risk management should provide complete, timely, accurate and relevant information to enhance senior management decision making ability to:

- Calculate risk adjusted performance measures;
- Manage volatility in earnings;
- Minimise financial distress; and
- Help appraise new business initiatives on a comparable basis.

Governance standards have been established as key components of good governance and business practice in FDH Bank Plc. The standards form an integral part of the control infrastructure and represents a high-level description of the expectations and requirements of the board in respect of risk appetite, risk reporting and key areas of control activity within FDH Bank and business units.
FDH Bank has approved policies and procedures in place which have been approved by the board and these include:

- Credit policy;
- Market and Trading book policy
- Liquidity risk policy;
- Market risk policy; and
- Operational risk policy.

Identification of material risks is a process overseen by the Chief Risk Officer, with involvement from the business units. In addition, the approach to quantifying the capital requirements for each of the risks will be discussed and noted at a quarterly review meeting, as well as at the monthly ALCO. Risk and Capital Management Committee is responsible for the analysis of capital requirements and the effective utilisation of capital. In the determination of what risks are considered material to the Group, cognizance is taken of:

- Regular risk and control self-assessments performed by management which identify risks that could threaten the achievement of business objectives;
- History of losses as well as potential future losses;
- Those risks to which significant amounts of regulatory capital is allocated; and
- The definition of materiality thresholds which are advised by the regulations.

Based on the above-mentioned criteria the following primary risk types are considered by FDH Bank Ltd to be material:

- Credit risk, including country and concentration risk;
- Market risk, including interest rate risk in the banking book;
- Operational risk;
- Capital risk;
- Liquidity risk; and
- Business risk, including strategic risk, reputational risk.

The Board of Directors (The Board)
The board takes ultimate responsibility for management of risk and is required to ensure that an effective risk management process exists and is maintained throughout the Group. The board appoints board members to four separate board sub-committees to assist in discharging its duties in relation to the management of risk. The sub-committees are chaired by a non-executive director to maintain, as best practice requires, the independence and objectivity of the function. The Chief Risk Officer, Heads of Credit, Internal Audit, IT and Compliance also have direct access to the Chairpersons of the relevant sub-committees.

Executive management committee (Exco)
The Managing Director (MD) has the authority to manage the Bank within the constraints laid down by the board of directors. Therefore, the executive management committee is constituted to assist the MD to manage the Group. Exco meets at least monthly.

The Finance and Audit Committee (F&A)
The committee meets at least four times a year. The committee is comprised of three non-executive directors. The role of the committee is to provide an independent evaluation of the adequacy and efficiency of the Bank's internal control systems, accounting practices, information systems and auditing processes. Communication between the Board, executive management, internal audit, and external audit is encouraged. The committee liaises with the external and internal auditors on accounting procedures and on the adequacy of controls and information systems, and reviews the financial statements, considers loss reports on major defalcations, and the Bank's compliance plan for effectiveness.

Board Credit Risk Committee (CRC)
This committee meets quarterly. The committee is comprised of four non-executive directors. The Board Credit Committee is tasked with the overall review of the Bank's lending policies. At each meeting, the committee directs, monitors, reviews and considers all issues that may materially impact on the present and future quality of the Bank's credit risk management. It ensures that there are effective procedures to identify irregular credit facilities, minimise credit losses and maximise recoveries. The committee analyses and authorizes any transactions above the authorised limits of the credit risk management committee.

Appointments and Remuneration Committee (ARM)
The committee meets four times a year. The committee is comprised of four non-executive directors. The committee considers all human resources issues including recruitment policy, industrial relations, succession planning, safety and health and remuneration terms and packages for management and staff.

Risk & Capital Management Committee (RCMC)
The committee meets four times a year. The committee is comprised of three non-executive directors. The committee reviews and assesses the integrity of the risk control systems and ensures that risk policies and strategies are effectively identified, managed and monitored in order to contribute to a climate of discipline and control, which will reduce the opportunity of risk, including fraud, in all areas of operation. The RCMC also reviews the capital position and approves risk appetite; reviews stress testing results and consider the adequacy of mitigating actions if required.

Management Committees

Credit Risk Management Committee (CRMC)
The Board Credit Committee recognises the expertise of appointed credit functions and expert committees of FDH Bank Ltd. Accordingly certain oversight functions and management participations are authorised and delegated to the credit risk management committee by the board credit risk committee.

The CRMC is a senior management credit decision-making function within a defined delegated authority as determined by the board from time to time. This committee effectively enhances the credit disciplines within the Bank and is responsible for controlling *inter alia* delegated authorities, concentration risk, distressed debt, regulatory issues that pertain to credit, credit audits, policy and governance. The committee meets at least once a month – on a scheduled or ad hoc basis depending on business imperatives – and is chaired by the Head of Credit.

Asset and Liability Management Committee (ALCO)
ALCO meets on a monthly basis to monitor and control and manage all trading book risk and banking book liquidity risk and interest rate risk in accordance with the Bank's risk appetite, review limit, guideline or trigger breaches and agree remedial actions in order to align exposures with agreed appetite, approve Market Risk, Liquidity Risk and Banking Book Interest Rate Risk Policies; together with key procedure documents, set market risk limits and monitors compliance thereto, but does not take decisions on trading or banking book positioning, designate certain positions which should be held as endowment hedges , approve the Bank's Liquidity Contingency Plan, review regulatory capital adequacy, review and note the impact of internal and external factors on the net interest margin for the Bank within the scope of ALCO, ensure that effective capital management governance is in place, ensure that FDH Bank is adequately capitalized given risks assumed (including stressed), minimum regulatory capital requirements and business plans, ensure that capital requirements are structured in a way that optimizes current and future returns to shareholders. ALCO members consist of senior management and the committee is chaired by the Managing Director.

New Products Committee (NPC)
The New Products Committee is a senior management committee chaired by the Head of Operations. The Committee meets as and when required to facilitate the introduction of new products, services, businesses, legal entities, systems or processes in a coordinated and effective manner that is consistent with the Bank's overall strategic, business, and risk management focus.

The Committee exercises proper oversight and ensures action has been taken to ensure that any significant risks that could arise from the introduction or amendment of businesses, products or services, systems and processes are properly identified and appropriately addressed by the relevant parties prior to implementation.

Operational Risk and Compliance Management Committee (ORCC)
The Risk Management 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 ORCC is responsible to create and maintain the risk and compliance practices across the Bank as defined by Bank risk and to ensure that controls are in place for all risk categories. The compliance and risk management teams maintain objectivity by being independent of operations and in addition they have dual direct reporting lines into the Managing Director of the Bank and Chief Executive Officer of the FDH Financial Holdings Limited.

Internal Audit
The primary purpose of Internal Audit is to prevent the demise of the Bank by highlighting potential and emerging risks to management and ensuring that the Bank is not put unduly in harm's way. This entails that Internal Audit should understand the business environment, strategy and operating models in order to determine what controls should be in place to manage the risk profile within acceptable norms and where the Bank takes on risk, it should be informed and managed. Internal Audit is directly accountable to the Board Finance and Audit Committee. Internal Audit provides a continuous assessment on the adequacy and effectiveness of the Bank's processes for controlling its activities, managing its risks and ensuring good governance. It reports and provides recommendations on significant issues related to the risk management, control and governance processes within the Bank.

(b). Credit risk
Credit risk is the probability that a financial obligation will not be honoured by a counterparty and exists in lending and other trading activities. The risk covers both statement of financial position and off statement of financial position activities. The Bank's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives that are an asset position. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

The Bank mitigates credit risk by proactively managing it. Lending and other facilities are granted only if the level of risk is acceptable. This is achieved by thoroughly evaluating customers' credit worthiness before facilities are granted. Even after the facilities are granted, the Bank continues to monitor customers' performance so that timely corrective action can be taken should circumstances demand. Various committees and structures are in place for sanctioning large facilities and monitoring customers' performances.

Management of credit risk
The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee and 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. Larger credit limits require approval by the head of credit department, the credit committee or the Board.
- **Reviewing and assessing credit risk.** The credit committee assesses all credit exposures and prepares a watch list which includes all those that have exceeded their limits and repayments are lagging behind.
- **Limiting concentrations of exposure** to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- **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 Bank in the management of credit risk.

The Bank's credit committee is responsible for managing the Bank's credit risk by:

- Ensuring that the Bank has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Bank's stated policies and procedures, IFRS and relevant supervisory guidance;
- Identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level;
- Creating credit policies to protect the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits;
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc;
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities;
- Developing and maintaining the Bank's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews;
- Developing and maintaining the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL;
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL; and
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

Internal credit risk ratings

In order to minimise credit risk, the Bank has tasked its credit management committee to develop and maintain the Bank's credit risk grading to categorise exposures according to their degree of risk of default. The Bank's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Bank's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics etc.; and

- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review, market data such as prices of credit default swaps (CDS) or quoted bonds where available, changes in the financial sector the customer operates etc.

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

The Bank's principal financial assets are cash and balances with banks, treasury bills and other loans and advances and corporate lending. The Bank's credit risk is primarily attributable to these assets. The credit risks on balances with banks and treasury bills are limited because the counterparties are institutions with high credit ratings.

The Nature & Extent of Credit Risk

The bank's exposure as of 31 December 2024 stood at K221.6 billion, with a Non-Performing Loan (NPL) ratio of 4.7% of the gross carrying amount. This reflects a significant increase compared to 2023, when the bank closed the year with a loan book worth K129.1 billion and an NPL ratio of 1.6% of the gross carrying amount. The sharp rise in the NPL ratio during 2024 was primarily attributed to the lingering economic effects of Cyclone Freddy, which severely impacted key sectors such as agriculture, retail, and SMEs.

Malawi's broader economic challenges, including a depreciating Kwacha, soaring inflation, and constrained forex reserves, further exacerbated the credit risk environment. While government initiatives aimed at post-cyclone recovery have been introduced, their limited reach and slow implementation have left many borrowers struggling to recover.

Globally, the persistent effects of the Russia-Ukraine and Palestine-Israel conflicts have compounded these challenges, indirectly impacting Malawi's economy through higher import costs and strained trade balances. These factors have contributed to an elevated credit risk outlook for 2024 and 2025, necessitating an increase in the Bank's Expected Credit Loss (ECL) provisions for the remaining loan book.

To navigate this environment, the bank has intensified its credit monitoring processes and is actively restructuring loans for impacted customers while exploring diversification into more resilient sectors.

Incorporation of Forward Looking

Apart from the macroeconomic factors above, the qualitative factors are considered when estimating the PD. These factors include general customer behaviour and changes in the customer business sector.

Payment record, including payment ratios and ageing analysis;

The loan repayment rate in 2024 improved marginally to 87.8% (2023: 81.6%), primarily driven by the bank's aggressive loan recovery efforts. This achievement came despite a challenging macroeconomic environment characterized by forex scarcity, instability of the Malawi Kwacha, persistent high inflation, and an energy crisis, all of which negatively impacted credit quality.

In 2025, the economy is expected to remain under pressure with elevated, though slightly declining, inflation and continued exchange rate instability following a minor currency devaluation in late 2024. Given these conditions, the loan repayment rate is projected to decline slightly as borrowers face sustained financial challenges.

Extent of utilization of granted limit

The bank closed December 2024 with unutilized overdrafts of K5.458 billion against limits of K22.980 billion representing 23.75% of the total limits compared to the unutilized limits of K5.840 billion against limits of K21.404 billion reported in December 2023 representing 27.28% of the total limits. The decrease in the unutilized overdrafts did not significantly affect the capital ratios in 2024. The unutilised ratio is expected to decline in 2025 due to new measures that have been put in place to ensure customers use up the commitments.

Forbearances (both requested and granted)

There are no significant forbearances in the reporting period.

Changes in business, financial and economic conditions;

The business condition was not stable in the reporting period due to instability of the economy driven by unstable exchange rates and rising inflation rate. The inflation rate is expected to still remain high-albeit declining in 2024 due to the depreciation of the Kwacha in late 2023 and increased fuel price, which are the cost drivers for many commodities. Depending on the rainfall pattern we may experience food shortage which may result in hiking of food inflation.

Credit rating information supplied by external rating agencies;
The Bank uses the credit reference Bureau and Trans Union to obtain credit history of all the loan applications it gets before approving the loans. This enhances the credit risk management in that loans are only given out to customers who have the capability to pay.

Loans and advances to customers at amortised cost categorised per industry
The below tables show gross loans and advances categorised in two main categories, Corporate and Retail, and then further categorised into the industry sectors;

	As at 31 December 2024	As at 31 December 2024-ECL
Retail:	**Group K'000**	**Group K'000**
1. Agriculture, forestry, fishing and hunting	7,024,467	754,291
2. Mining and quarrying	17,950	17,950
3. Manufacturing	7,125	7,125
4. Electricity, gas, water and energy	419,896	10,052
5. Construction	1,450,441	125,610
6. Wholesale and retail trade	9,218,541	5,632,069
7. Restaurants and hotels	113,328	13,192
8. Transport storage and communications	1,006,398	56,518
9. Financial services	1,584,306	81,148
10. Community social and personal services	46,453,958	3,470,988
Corporate:		
1. Agriculture, forestry, fishing and hunting	13,762,522	1,434
2. Mining and quarrying	1,479	1,479
3. Manufacturing	10,298,946	611
4. Electricity, gas, water and energy	38,498,171	610
5. Construction	4,670,816	3,376
6. Wholesale and retail trade	30,487,309	2,321
7. Restaurants and hotels	28,510	-
8. Transport storage and communications	1,252,543	3,915
9. Financial services	3,929,064	2,954
10. Community social and personal services	51,335,540	50,292
Total	**221,561,310**	**10,235,935**

	As at 31 December 2023	As at 31 December 2023-ECL
Retail:	Group K'000	Group K'000
1. Agriculture, forestry, fishing and hunting	6,119,830	357,037
2. Mining and quarrying	26,988	1,479
3. Manufacturing	10,201,733	17,202
4. Electricity, gas, water and energy	909,412	1,402
5. Construction	7,333,629	80,332
6. Wholesale and retail trade	21,435,917	277,373
7. Restaurants and hotels	477,417	1,566
8. Transport storage and communications	1,857,499	37,786
9. Financial services	5,046,747	14,132
10. Community social and personal services	30,477,650	1,178,856
Corporate:		
1. Agriculture, forestry, fishing and hunting	8,956,125	4,592
2. Mining and quarrying	-	-
3. Manufacturing	9,886,603	3,656
4. Electricity, gas, water and energy	1,582,908	2,414
5. Construction	7,096,637	16,984
6. Wholesale and retail trade	22,430,031	25,047
7. Restaurants and hotels	-	-
8. Transport storage and communications	719,950	3,160
9. Financial services	1,541,325	2,876
10. Community social and personal services	1,733,359	11,602
Total	**137,833,760**	**2,037,496**

Loans and advances to customers at amortised cost categorised by Stages

	As at 31 December 2024 Group	As at 31 December 2023 Group	As at 31 December 2024 Bank	As at 31 December 2023 Bank
	K'000	K'000	K'000	K'000
Stage 1	200,327,801	109,793,853	200,327,801	109,793,853
Stage 2	10,697,097	25,983,289	10,697,097	25,983,289
Stage 3	10,536,412	2,056,618	10,536,412	2,056,618
Total Gross Carrying Amount	**221,561,310**	**137,833,760**	**221,561,310**	**137,833,760**
Loss Allowance	(10,235,935)	(2,037,496)	(10,235,935)	(2,037,496)
Carrying amount	**211,325,375**	**135,796,264**	**211,325,375**	**135,796,264**

Maximum exposure to credit risk without taking into account any collateral or other credit enhancements
The table below shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include financial instruments defined and recognised under IFRS 9 *Financial Instruments: Recognition and Measurement*. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Gross Maximum exposure				
Balances with Reserve Bank of Malawi	168,904,694	33,751,398	168,904,694	33,751,398
Placements with other banks	303,166,969	109,927,257	303,166,969	109,927,257
Malawi Government Treasury Bills and Reserve Bank of Malawi bond	460,298,357	229,093,865	458,821,690	227,902,663
Other investments	146,232	146,232	146,232	146,232
Loans and advances	211,325,375	135,796,264	211,325,375	135,796,264
Other receivables (less prepayments)	42,570,125	18,741,263	41,801,331	17,595,937
Total credit risk exposure	**1,186,411,752**	**527,456,279**	**1,184,166,291**	**525,119,751**

The Group and Bank's collateral held as security and other credit enhancements in respect of the exposure through loans and advances above is as follows:

	Group and Bank	Group and Bank
	2024	2023
	K'000	K'000
Commercial property	171,931,948	146,760,636
Residential property	23,086,950	16,561,750
Cash deposits	43,356,930	600,446
Guarantees	56,767,925	23,568,264
Investments	4,913,813	6,913,813
Equipment and vehicles	18,817,400	586,066
Total	**318,874,966**	**194,990,975**

The Bank's policy is to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding loans.

Net exposure to credit risk without taking into account any collateral or other credit enhancements
In respect of certain financial assets, the Bank has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling net, or of realising the financial assets and settling the financial liabilities simultaneously. Consequently, the financial assets are not offset against the respective financial liabilities for financial reporting purposes. However, the exposure to credit risk relating to the respective financial assets is currently not mitigated by any asset offset arrangements.

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit by sector is presented below:

Overview of the Group's exposure to credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2024, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed in note 23(e)(i). The related loss allowance is disclosed in note 9.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Watchlist	The amount is past due from 1 to 90 days	Life time ECL not impaired
Substandard	The amount is over 90 days past due	Life time ECL credit impaired
Doubtful	Amount is >120 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – credit- impaired
Loss	Amount is >180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Loans and advances to customers

	Group		Bank	
	2024	2023	2024	2023
	K'000	K'000	K'000	K'000
Segmental analysis-industry				
Agriculture	27,579,299	15,075,955	27,579,299	15,075,955
Construction	12,226,425	14,430,266	12,226,425	14,430,266
Finance, real estate and other business services	6,738,542	7,092,478	6,738,542	7,092,478
Transport, storage and communications	2,258,941	2,577,448	2,258,941	2,577,448
Wholesale and retail trade	50,762,832	43,865,947	50,762,832	43,865,947
Community, Social and Personal Services	62,889,334	32,211,009	62,889,334	32,211,009
Manufacturing	17,187,870	20,088,336	17,187,870	20,088,336
Electricity, gas, steam and Water supply	41,918,067	2,492,320	41,918,067	2,492,320
Gross carrying amount	**221,561,310**	**137,833,759**	**221,561,310**	**137,833,759**

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 Bank deals with counterparties of good credit standing, and when appropriate, obtains collateral.

Internal credit ratings

In order to minimise credit risk, the Bank has tasked its Credit Management Committee to develop and maintain the Bank's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Credit Management Committee uses other publicly available financial information and the Bank's own trading records to rate its major customers and other debtors. The Bank's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Considering the post effects of High inflation and devaluation on credit risk

In 2024, Malawi's economy faces persistent high inflation, a MK1.43 trillion fiscal deficit and rising credit risk due to domestic borrowing and debt servicing pressures. The 64.1% Kwacha devaluation in 2023, coupled with natural disasters like Cyclone Chido and severe droughts, has further strained economic conditions, leading to lower disposable incomes, higher interest rates, and rising unemployment, all of which impact loan repayments. With moderate GDP growth projected at 4%, external shocks and debt sustainability concerns remain key risks. The Group and Bank anticipate an increase in Expected Credit Losses (ECLs) as inflationary pressures drive up the cost of doing business, weaken household finances, and reduce customers' ability to repay loans, ultimately amplifying credit risk across the financial sector. Overcoming these challenges will require structural reforms, including improving agricultural productivity and stabilizing foreign exchange reserves, to support long-term economic stability.

The Key macro-economic factors.
Changes in the macro-economic factors affected loans in that sector according to the co-efficient relationship established from historical data. These were mainly the GDP Growth, Policy rate, Exchange Rate and Unemployment Rate. From the Historical Data, out of the four Macro-economic factors GDP growth had a negative correlation with Probability of Default (PD) while the rest had gone a positive correlation.

The global economic crisis, rising oil prices and global inflation, the Russia/Ukraine war and resulting high inflation which is likely to worsen the impact on the Malawi economy. The Macroeconomic factors are expected to be affected as below;

Factor	Expected Performance	Impact on PDs
GDP growth	Gross Domestic Product (GDP) is projected to grow by 4% in 2025 compared to an estimated 2.3 % in 2024.	With the increasing GDP growth rate, the Probability of Default, is expected to go down or at least remain stable as most of the Business will grow at a slow pace as the economy will be recovering
Policy rate	The policy rate increased to 26% in 2025 . The expectation is that this will decrease in 2025 as the inflationary pressures begin to decrease .	Since there is a positive correlation between Policy Rate and Probability of Default, the PDs are expected to decrease with the decrease in the policy rate.
USD/Kwacha Exchange rate	The exchange rate (Kwacha to US Dollar rate) has not moved significantly over the past twelve months, closing at MWK1,749.94, up by 3.1% from MWK1,697.98 as at the end of 2023 the Bank expects a moderate change where the exchange rates will increase by 20.0% to reach MWK2,100.00 by December 2025 The increase in the exchange rate is expected to result in higher commodity prices as Malawi is a predominantly importing country which could lead to high inflation causing an increase in the PDs.	Ordinarily we expect a positive correlation between exchange rate and Probability of Default i.e. with the increase in the rate, the PDs are expected to increase.

Credit impairments impact
There was an increase in Non-performing Loans basically because of some customers who were moved to stage 3 after failing to meet their financial obligations, some customers were affected by delays in payments from their customers. The Bank has increased recovery efforts to ensure these facilities are recovered. It is worth noting that the Bank's risk appetite has been aligned to in sectors that are earmarked to grow and reduced appetite in those sectors that appear to be struggling.

The table below shows the ECL impairments by the industry/sector performance as at the end of December 2024. The key observation is that the actual ECLs is mostly in line with the projections that the Bank made at the beginning of the year. The ECLs increase in the Wholesale and Retail Trade, Construction and Engineering and Manufacturing sectors is due to scarcity of Forex and the 64.1% devaluation of the Kwacha in the year that heavily affected operations in these three crucial sectors. The increase in the ECLS in the Community, Social and Personal Services Sector is attributed to the worsening of the economy which saw annual inflation average 32.33% in 2024 compared to 28.68% in 2023.

Personal loans are expected to register an increase in ECL due to the expected high unemployment rates and the increase in the lending rates.

Loans and advances to customers at amortised cost categorised per customer type and industry:

Loan commitments	As at 31 December 2024 K'000	ECL As At 31 December 2024 K'000
Concentration by sector:		
Retail:		
1. Agriculture, forestry, fishing and hunting	7,024,467	754,291
2. Mining and quarrying	17,950	17,950
3. Manufacturing	7,125	7,125
4. Electricity, gas, water and energy	419,896	10,052
5. Construction	1,450,441	125,610
6. Wholesale and retail trade	9,218,541	5,632,069
7. Restaurants and hotels	113,328	13,192
8. Transport, storage and communications	1,006,398	56,518
9. Financial services	1,584,306	81,148
10. Community, social and personal services	46,453,958	3,470,988
Corporate		
1. Agriculture, forestry, fishing and hunting	13,762,522	1,434
2. Mining and quarrying	1,479	1,479
3. Manufacturing	10,298,946	611
4. Electricity, gas, water and energy	38,498,171	610
5. Construction	4,670,816	3,376
6. Wholesale and retail trade	30,487,309	2,321
7. Restaurants and hotels	28,510	-
8. Transport, storage and communications	1,252,543	3,915
9. Financial services	3,929,064	2,954
10. Community, social and personal services	51,335,540	50,292
Total	**221,561,310**	**10,235,935**

Loans and advances to customers at amortised cost categorised per customer type and industry.

	As at 31 December 2023	ECL As At 31 December 2023
Loan commitments	**K'000**	**K'000**
Concentration by sector:		
Retail:		
1. Agriculture, forestry, fishing and hunting	6,119,830	357,037
2. Mining and quarrying	26,988	1,479
3. Manufacturing	10,201,733	17,202
4. Electricity, gas, water and energy	909,412	1,402
5. Construction	7,333,629	80,332
6. Wholesale and retail trade	21,435,916	277,373
7. Restaurants and hotels	477,417	1,566
8. Transport, storage and communications	1,857,499	37,786
9. Financial services	5,046,747	14,132
10. Community, social and personal services	30,477,650	1,178,856
Corporate		
1. Agriculture, forestry, fishing and hunting	8,956,125	4,592
2. Mining and quarying	-	-
3. Manufacturing	9,886,603	3,656
4. Electricity, gas, water and energy	1,582,908	2,414
5. Construction	7,096,637	16,984
6. Wholesale and retail trade	22,430,031	25,047
7. Restaurants and hotels	-	-
8. Transport, storage and communications	719,950	3,160
9. Financial services	1,541,325	2,876
10. Community, social and personal services	1,733,359	11,602
Total	**137,833,759**	**2,037,496**

Loan Book Summary by Business Unit and by Industry	As at 31 December 2024	ECL as at 31 December 2024	As at 31 December 2024
	K'000	K'000	K'000
Industry	**Grand Total**	**Grand Total**	**Net**
1. Agriculture, forestry and fishing	27,559,870	755,725	26,804,145
2. Mining	19,429	19,429	0
3. Manufacturing	17,187,870	7,736	17,180,134
4. Electricity, gas, steam and air conditioning supply, Water collection, treatment and supply	41,918,067	10,662	41,907,405
5.Construction and Engineering	12,226,425	128,986	12,097,439
6.Wholesale and Retail, Accommodation and Food Services	50,620,994	5,634,390	44,986,604
7. Restaurants & Hotels	141,838	13,192	128,646
8.Transport, and Storage, Information and Communication	2,258,941	60,433	2,198,508
9. Financial and Insurance Activities, Real Estate Activities, Professional, Scientific and Technical Activities	6,738,542	84,102	6,654,440
10. Community, Social and Personal Services	62,889,335	3,521,280	59,368,055
Grand Total	**221,561,310**	**10,235,935**	**211,325,375**

Loan Book Summary by Business Unit and by Industry	As at 31 December 2023	ECL as at 31 December 2023	As at 31 December 2023
	K'000	K'000	K'000
Industry	**Grand Total**	**Grand Total**	**Net**
1. Agriculture, forestry and fishing	15,075,955	361,629	14,714,325
2. Mining	26,988	1,479	25,509
3. Manufacturing	20,088,336	20,858	20,067,479
4. Electricity, gas, steam and air conditioning supply, Water collection, treatment and supply	2,492,320	3,816	2,488,503
5.Construction and Engineering	14,430,266	97,316	14,332,950
6.Wholesale and Retail, Accommodation and Food Services	43,865,948	302,421	43,563,53016
7. Restaurants & Hotels	477,417	1,566	475,851
8.Transport, and Storage, Information and Communication	2,577,448	40,946	2,536,502
9. Financial and Insurance Activities, Real Estate Activities, Professional, Scientific and Technical Activities	6,588,072	17,007	6,571,065
10. Community, Social and Personal Services	32,211,009	1,190,458	31,020,550
Grand Total	**137,833,759**	**2,037,496**	**135,796,264**

(c). Liquidity risk

Liquidity risk arises where the operations of the Bank cannot be funded due to mismatches in the cash flows of assets and liabilities within the statement of financial position. The Asset and Liability Committee reviews the potential for these mismatches and takes measures to alter certain maturity profiles where necessary with a view to minimising the impact of such mismatches.

Management of Liquidity risk

The Bank 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 Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business objectives. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy. The table below analyses assets and liabilities into relevant maturity profiles based on the remaining period at 31 December 2024 and 31 December 2023 to the contractual maturity date.

Group	Up to 1 month	1-3 Months	3-12 months	Over 1 year	Total
At 31 December 2024	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Assets					
Cash and balances with Reserve Bank of Malawi	168,904,694	-	-	-	168,904,694
Placements with other banks	303,166,969	-	-	-	303,166,969
Malawi Government Treasury Bills and Reserve Bank of Malawi bond	-	-	16,767,744	624,350,638	641,118,382
Loans and advances to customers	14,677,633	29,712,551	41,630,092	219,225,566	305,245,842
Other receivables (less prepayments)	42,570,125	-	-	-	42,570,125
Total assets	**529,319,421**	**29,712,551**	**58,397,836**	**843,576,204**	**1,461,006,012**
Liabilities					
Shareholder's loan	-	-	-	-	-
Off balance sheet	-	63,184,336	-	-	63,184,336
Liabilities to customers	833,876,696	44,633,448	9,629,166	78,831	888,218,141
Liabilities to financial institutions	89,588,377	67,709,589	-	-	157,297,966
Long term loan	6,559,802	5,850,634	5,318,758	27,391,050	45,120,244
Lease liabilities	-	-	2,533,725	-	2,533,725
Payables and accruals	19,072,898	-	-	-	19,072,898
Total liabilities	**949,097,773**	**181,378,007**	**17,481,649**	**27,469,881**	**1,175,427,310**
Contractual liquidity mismatch	**(419,778,352)**	**(151,665,456)**	**40,916,187**	**816,106,323**	**285,578,702**
Cumulative liquidity mismatch	**(419,778,352)**	**(571,443,808)**	**(530,527,621)**	**285,578,702**	**285,578,702**

Bank At 31 December 2024	Up to 1 month K'000	1-3 months K'000	3-12 months K'000	Over 1 year K'000	Total K'000
Assets					
Cash and balances with Reserve Bank of Malawi	168,904,694	-	-	-	168,904,694
Placements with other banks	303,166,969	-	-	-	303,166,969
Malawi Government Treasury Bills and Reserve Bank of Malawi bond	-	-	16,767,744	622,873,971	639,641,715
Loans and advances to customers	14,677,633	29,712,551	43,667,092	217,188,566	305,245,842
Other receivables	41,801,331	-	-	-	41,801,331
Total assets	**528,550,627**	**29,712,551**	**60,434,836**	**840,062,537**	**1,458,760,551**
Liabilities					
Shareholder's loan	-	-	-	-	-
Off balance sheet	-	63,184,336	-	-	63,184,336
Liabilities to customers	833,876,729	44,633,448	9,629,166	83,064	888,222,407
Liabilities to financial institutions	89,588,377	67,709,589			157,297,966
Term loan	6,559,802	5,850,634	5,318,758	27,391,050	45,120,244
Lease liabilities	-	-	5,505,925		5,505,925
Payables and accruals	18,870,683	-	-	-	18,870,683
Total liabilities	**948,895,591**	**181,378,007**	**20,453,849**	**27,474,114**	**1,178,201,561**
Contractual liquidity mismatch	**(420,344,964)**	**(151,665,456)**	**39,980,987**	**812,588,423**	**280,558,990**
Cumulative liquidity mismatch	**(420,344,964)**	**(572,010,420)**	**(532,029,433)**	**280,558,990**	**280,558,990**

Group At 31 December 2023	Up to 1 month K'000	1-3 months K'000	3-12 months K'000	Over 1 year K'000	Total K'000
Assets					
Cash and balances with Reserve Bank of Malawi	33,751,398	-	-	-	33,751,398
Placements with other banks	109,927,257	-	-	-	109,927,257
Malawi Government Treasury Bills and Reserve Bank of Malawi bond	-	-	9,007,306	367,874,377	376,881,683
Loans and advances to customers	3,213,260	28,925,540	43,242,077	146,137,414	221,518,291
Other receivables	18,742,263	-	-	-	18,742,263
Total assets	**165,634,178**	**28,925,540**	**52,249,383**	**514,011,791**	**760,820,892**
Liabilities					
Shareholder's loan	-	-	-	-	-
Off balance sheet	-	51,223,908	-	-	51,223,908
Liabilities to customers	409,331,587	32,822,700	1,804,891	2,882,757	446,841,935
Liabilities to financial institutions	-	-	-	-	-
Term loan	14,257,141	10,781,080	-	-	25,038,221
Lease liabilities	-	-	1,587,462	-	1,587,462
Payables and accruals	23,473,233	-	-	-	23,473,233
Total liabilities	**447,061,961**	**94,827,688**	**3,392,353**	**2,882,757**	**548,164,759**
Contractual liquidity mismatch	**(281,427,783)**	**(65,902,148)**	**48,857,030**	**511,129,034**	**212,656,133**
Cumulative liquidity mismatch	**(281,427,783)**	**(347,329,931)**	**(298,472,901)**	**212,656,133**	**212,656,133**

Bank	Up to 1 month	1-3 months	3-12 months	Over 1 year	Total
At 31 December 2023	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Assets					
Cash and balances with Reserve Bank of Malawi	33,751,398	-	-	-	33,751,398
Placements with other banks	109,927,257	-	-	-	109,927,257
Malawi Government Treasury Bills and Reserve Bank of Malawi bond	-	-	7,816,103	367,874,377	375,690,481
Loans and advances to customers	3,213,260	28,925,540	43,242,077	146,137,414	221,518,291
Other receivables	21,418,700	-	-	-	21,418,700
Total assets	**168,310,615**	**28,925,540**	**51,058,180**	**514,011,791**	**762,306,127**
Liabilities					
Off balance sheet	-	51,223,908	-	-	51,223,908
Liabilities to customers	409,352,198	32,822,700	1,804,891	2,882,757	446,862,546
Liabilities to financial institutions	-	-	-	-	-
term loan	14,257,141	10,781,080	-	-	25,038,221
Lease liabilities	-	-	2,782,417	-	2,782,417
Payables and accruals	22,527,064	-	-	-	22,527,064
Total liabilities	**446,136,403**	**94,827,688**	**4,587,308**	**2,882,757**	**548,434,156**
Contractual liquidity mismatch	**(277,825,788)**	**(65,902,148)**	**46,470,872**	**511,129,034**	**213,871,970**
Cumulative liquidity mismatch	**(277,825,788)**	**(343,727,936)**	**(297,257,064)**	**213,871,970**	**213,871,970**

(d). Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads will affect the Bank'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.

Market risk review

The following table sets out the allocation of the carrying value of assets and liabilities subject to market risk between trading and non-trading portfolios.

Group	Carrying amount	Trading portfolio	
	K'000	K'000	K'000
31 December 2024			
Assets subject to market risk			
Cash and cash equivalents	168,904,694	168,904,694	-
Placements with other banks	303,166,969	-	303,166,969
Loan and advances to customers	211,325,375	-	211,325,375
	683,397,039	**168,904,694**	**514,492,345**
Liabilities subject to market risk			
Deposits from banks	157,297,966	-	157,297,966
Deposits from customers	882,518,141	-	882,518,141
Debt securities issued	44,469,729	-	44,469,729
	1,037,901,021	**-**	**1,037,901,021**
Bank			
31 December 2024			
Assets subject to market risk			
Cash and cash equivalents	168,904,694	168,904,694	-
Placements with other banks	303,166,969	-	303,166,969
Loan and advances to customers	211,325,375	-	211,325,375
	683,397,039	**168,904,694**	**514,492,345**
Liabilities subject to market risk			
Deposits from banks	157,297,966	-	157,297,966
Deposits from customers	882,518,141	-	882,518,141
Debt securities issued	44,469,729	-	44,469,729
	1,037,901,021	**-**	**1,037,901,021**

Market risk type

Group	Carrying amount	Trading portfolio	Non-trading portfolios
	K'000	K'000	K'000
31 December 2023			
Assets subject to market risk			
Cash and cash equivalents	33,751,398	33,751,398	-
Placements with other banks	109,927,257	-	109,927,257
Loan and advances to customers	135,796,264	-	135,796,264
	279,474,919	**33,751,398**	**245,723,521**
Liabilities subject to market risk			
Deposits from banks	-	-	-
Deposits from customers	443,962,688	-	443,962,688
Debt securities issued	24,910,193	-	24,910,193
Subordinated liabilities	-	-	-
	468,872,881	**-**	**468,872,881**

Bank	Carrying amount	Trading portfolio	Non-trading portfolios
31 December 2023			
Assets subject to market risk			
Cash and cash equivalents	33,751,398	33,751,398	-
Placements with other banks	109,927,257	-	109,927,257
Loan and advances to customers	**135,796,264**	**-**	**135,796,264**
	279,474,919	**33,751,398**	**245,723,521**
Liabilities subject to market risk			
Deposits from banks	16,392,950	-	16,392,950
Deposits from customers	328,111,963	-	328,111,963
Debt securities issued	23,045,716	-	23,045,716
Subordinated liabilities	442,816	-	442,816
	367,993,445	**-**	**367,993,445**

Overall authority for market risk management is vested in the ALCO.

Interest rate risks

Bank's interest rate risk exposure is related to money market investments, advances to customers, customer deposits and money market liabilities.

If the current year's actual loan interest rates on Loans and advances had been 5% lower, interest income on loans could have been lower by K1,723 1mn (2023 K1,198mn). If the current year's actual Government securities average yield had been 5% lower, interest income on Government securities could have been lower by K5,8411mn. (2023 K2,473.5mn).

If the current year's actual cost of funding had been 5% higher, interest expense on Deposits could have been higher by K1,993.8mn (2023: K678.8mn).

The impact on profit before tax for the year would be +/(-)K2.6bn (2023: K1.9bn) and effect on equity would be +/(-) K5.6bn (2023: K2.6bnn)

(e). Currency risk

The Group and Bank undertake certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Bank has the following currency positions:

	USD	GBP	Euro	ZAR	JYP	DDK	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Group and Bank							
At 31 December 2024							
Assets							
Cash at hand balances	644,565	7,043	12,266	(10)	-	-	663,865
Cash and bank balances with							
Reserve Bank of Malawi	-	-	-	-	-	-	-
Placement with other banks	59,854,134	575,653	27,248,056	18,225	49	-	87,696,117
Malawi Government Treasury Bills, Bonds and Promissory Notes	-	-	-	-	-	-	-
Loans and advances to customers	6,549,763	-		-	-	-	6,549,763
Other receivables	1,138,943	-	22	-	-	-	1,138,966
Total assets	**68,187,405**	**582,696**	**27,260,344**	**18,215**	**-**	**-**	**96,048,711**
Liabilities							
Liabilities to customers	25,379,020	560,584	1,405,975	9,724	-	-	27,355,303
Liabilities to financial institutions	-	-	-	-	-	-	-
Shareholders' loan	-	-	-	-	-	-	-
Long Term Loan	44,469,729						44,469,729
Payables and accruals	41,629	-		-	-	-	41,629
Total liabilities	**69,890,378**	**560,584**	**1,405,975**	**9,724**	**-**	**-**	**71,866,661**
Net balance open position	**(1,702,973)**	**22,112**	**25,854,369**	**8,491**	**49**	**-**	**24,182,050**

	USD	GBP	Euro	ZAR	JYP	DDK	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Group and Bank							
At 31 December 2023							
Assets							
Cash at hand balances	1,445,481	8,736	20,392	9	-	-	1,474,618
Cash and bank balances with Reserve Bank of Malawi	-	-	-	-	-	-	-
Placement with other banks	60,240,889	949,444	4,316,176	55,579		336	65,562,424
Malawi Government Treasury Bills, Bonds and Promissory Notes	-	-	-	-	-	-	-
Loans and advances to customers	5,020,603	-	-	-	-	-	5,020,603
Other receivables	1,200,019	-	22	-	-	-	1,200,042
Total assets	**67,906,992**	**958,180**	**4,336,590**	**55,588**	**-**	**336**	**73,257,686**
Liabilities							
Liabilities to customers	32,374,113	954,091	3,257,141	46,845	-	-	36,632,190
Liabilities to financial institutions	-	-	-	-	-	-	-
Shareholders' loan	-	-	-	-	-	-	-
Long Term Loan	24,910,193	-	-	-	-	-	24,910,193
Payables and accruals	3,548,138	804	-	3	-	-	3,548,946
Total liabilities	**60,832,445**	**954,895**	**3,257,141**	**46,848**	**-**	**-**	**65,091,328**
Net balance open position	**7,074,547**	**3,285**	**1,079,449**	**8,740**	**-**	**336**	**8,166,358**

- The impact of a 5% movement in foreign currency exchange rate in both directions is K1.209 billion as at 31 December 2024 (2023: K408 million). The impact on profit before tax for the year would be +/(-)K846mn (2023: K183mn) and effect on equity would be +/(-) K846mn (2023: K183mn).

(f). Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank'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 Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Bank has an internal audit department with the mandate of conducting audits to provide independent assurance on the adequacy and effectiveness of the management of operational risk, including, but not limited to, the processes, systems and controls.

(g). Compliance risk

This refers to the risk of non-compliance with any statutory requirements of central or local government, including regulations imposed by the Reserve Bank of Malawi and other regulatory bodies.

The management of compliance risk is a distinct discipline within the Bank'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 environment and developing compliance management plans, training staff and other stakeholders on relevant regulatory requirements, and monitoring compliance.

The Bank is subject to extensive supervisory and regulatory regimes, and the executive management remains responsible for overseeing the management of the Bank's compliance risk.

Statutory requirements
In accordance with Section 38 of the Banking Act, 2009, the Reserve Bank of Malawi has established the following requirements as at the reporting date:

<u>Liquidity reserve requirement</u>
The Bank is required to maintain a liquidity reserve with the Reserve Bank of Malawi equivalent to no less than **10%** (2023: 7.75%) of total customer deposits.

<u>Capital adequacy requirement as per Section 10 (1) of the Banking Act, 2009</u>
Capital adequacy requirements are discussed in section 'h' below.

<u>Prudential aspects of bank liquidity</u>
As a compliment to Section 38 of the Banking Act, 2009, the Reserve Bank of Malawi had issued the following guidelines on the management of liquidity as at the end of the reporting period:

- **Liquidity Ratio I** : Net liquidity (total liquid assets less suspense accounts in foreign currency) divided by total deposits must be at least 25%; and
- **Liquidity Ratio II** : Net liquidity (total liquid assets less suspense accounts in foreign currency and cheques in the course of collection) divided by total deposits must be at least 25%.

<u>Liquidity Ratios</u>
At the end of the period the Bank's liquidity ratio I was **78.12%** (2023: 69.05%) and liquidity ratio II was **78.11%** (2023: 69.05%).

(h). Capital management
Reserve Bank of Malawi sets and monitors the capital requirements for banks. In implementing current capital requirements, Reserve Bank of Malawi requires the Bank to maintain a minimum ratio of 10% core (tier 1) capital and 15% of total (tier 2) capital to risk-weighted assets. The Bank's regulatory capital is analysed as follows:-

- Tier I capital, which comprises ordinary share capital, share premium, retained profits from prior periods, and 60% of after tax profits in the current period-to-date, less any unconsolidated investment in financial companies; and
- Tier II capital, which also includes share revaluation reserves, investment revaluation reserve, property revaluation reserve and loan loss reserve.

The calculation of the above ratios is given below:-

	Bank	Bank
	2024	2023
Tier 1 capital	**K'000**	**K'000**
Share capital	6,901,031	6,901,031
Share premium	4,910,065	4,910,065
Capital reserve	2,716,230	2,716,230
Retained earnings	20,324,766	25,260,176
60% of net income for the period	38,936,753	16,050,929
Unconsolidated investment	(72,500)	(72,500)
Deferred tax asset	(5,134,120)	(4,971,948)
Total Tier 1 capital	**68,582,225**	**50,793,983**
Loan loss reserve	14,861,740	2,790,590
Revaluation Reserve	1,716,850	1,948,628
Shareholder loan	-	-
Total capital (Tier I & II)	**85,160,815**	**55,533,201**
Risk weighted assets	**260,897,907**	**213,301,832**
Capital ratio		
Total regulatory capital (Tier II) expressed as a percentage of total risk weighted assets	32.64%	26.04%
Total Tier I capital expressed as a percentage of total risk weighted assets	26.29%	23.81%

Over and above the tier 1 and tier 2 ratios, the Reserve Bank of Malawi has also set a minimum share capital, share premium and retained earnings requirements. The sum of share capital, share premium must be at least K1 640 million as from 1 January 2015 for all registered banks. FDH Bank complies with this regulatory requirement.

(i). Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled. Trading assets and liabilities including derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the Bank uses the same basis of expected repayment behaviour that was used for estimating the EIR. Issued debt reflects the contractual coupon amortisation.

As at 31 December 2024	Group			Bank		
	Within 12 months	After 12 Months	Total	within 12months	After 12 Months	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Assets						
Cash and balances with Reserve Bank of Malawi	168,904,694	-	168,904,694	168,904,694	-	168,904,694
Malawi Government Treasury bills, promissory notes and Reserve Bank of Malawi bonds	16,767,744	443,530,612	460,298,356	16,767,744	442,053,945	458,821,689
Placements with other banks	303,166,969	-	303,166,969	303,166,969	-	303,166,969
Loans and advances to customers	77,821,341	133,504,035	211,325,376	77,821,341	133,504,035	211,325,376
Investment in subsidiary	-	-	-	-	6,920,233	6,920,233
Other investments	-	146,232	146,232	-	146,232	146,232
Other receivables and prepayments	19,249,370	-	19,249,370	53,824,966	-	53,824,966
Property, plant and equipment	-	32,319,249	32,319,249	-	15,751,574	15,751,574
Intangible assets	-	8,677,705	8,677,705	-	8,677,705	8,677,705
Right of Use Asset	-	2,133,571	2,133,571	-	5,105,771	5,105,771
Deferred tax asset	-	5,134,120	5,134,120	-	5,134,120	5,134,120
Total Assets	**585,910,118**	**625,445,524**	**1,211,355,642**	**620,485,714**	**617,293,615**	**1,237,779,329**
Liabilities						
Long Term Loan	44,469,729	-	44,469,729	44,469,729	-	44,469,729
Liabilities to customers	882,439,309	78,831	882,518,140	882,439,343	83,064	882,522,407
Liabilities to financial institutions	110,913,151	-	110,913,151	157,297,966	-	157,297,966
Payables and Accruals	35,200,223	-	35,200,223	35,431,016	-	35,431,016
Right of Use Liability	2,533,725		2,533,725	5,505,925	-	5,505,925
Income tax liability	21,669,431	-	21,669,431	21,355,189	-	21,355,189
Total liabilities	**1,097,225,568**	**78,831**	**1,097,304,399**	**1,146,499,168**	**83,064**	**1,146,582,232**
Net	**(511,315,450)**	**625,366,693**	**114,051,243**	**(525,960,171)**	**617,210,551**	**91,197,097**

As at 31 December 2023	Group			Bank		
	Within 12 months	After 12 Months	Total	within 12months	After 12 Months	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Assets						
Cash and balances with Reserve Bank of Malawi	33,751,398	-	33,751,398	33,751,398	-	33,751,398
Malawi Government Treasury bills, promissory notes and Reserve Bank of Malawi bonds	9,007,306	220,086,559	229,093,865	7,816,103	220,086,559	227,902,662
Placements with other banks	109,927,257	-	109,927,257	109,927,257	-	109,927,257
Loans and advances to customers	75,380,877	60,415,387	135,796,264	75,380,877	60,415,387	135,796,264
Investment in subsidiary	-	-	-	-	6,920,233	6,920,233
Other investments	-	146,232	146,232	-	146,232	146,232
Other receivables and prepayments	22,696,528	-	22,696,528	21,418,700	-	21,418,700
Property, plant and equipment	-	21,409,071	21,409,071	-	13,211,097	13,211,097
Intangible assets	-	6,941,040	6,941,040	-	6,941,040	6,941,040
Right of Use Asset	-	1,331,058	1,331,058	-	2,526,013	2,526,013
Deferred tax asset	-	4,971,948	4,971,948	-	2,549,170	2,549,170
Total Assets	**250,763,366**	**315,301,295**	**566,064,661**	**248,294,335**	**312,795,731**	**561,090,066**
Liabilities						
Shareholders' loan	-	-	-	-	-	-
Long Term Loan	24,910,193	-	24,910,193	24,910,193	-	24,910,193
Liabilities to customers	443,959,178	3,510	443,962,688	443,979,789	3,510	443,983,299
Liabilities to financial institutions	-	-	-	-	-	-
Payables and Accruals	30,156,633	-	30,156,633	29,210,462	-	29,210,462
Right of Use Liability	821,540	-	821,540	591,728	1,424,767	2,016,495
Income tax liability	7,511,661	-	7,511,661	7,278,989	-	7,278,989
Total liabilities	**507,359,205**	**3,510**	**507,362,715**	**505,971,161**	**1,428,27**	**507,399,438**
Net	**(256,595,839)**	**315,297,785**	**58,701,946**	**(257,676,826)**	**311,367,454**	**53,690,628**

30. SEGMENT REPORTING

30.1. Business Segments

A business segment is a distinct group of assets and operations engaged in providing services that are subject to unique risks and returns, differentiating them from other segments within the Group.

The Group's segment reporting is prepared in accordance with International Financial Reporting Standard (IFRS) 8 – Operating Segments. The segment reporting is based on management and internal reporting structure which is used for executive decision making.

The Group uses internal funds transfer pricing (FTP) to allocation interest income and interest expense to and from the Central Treasury function to reflect the allocation of capital and funding costs.

The Group is structured into four main operating business segments:

(a). Personal and Business Banking (PBB)
This segment provides a wide range of financial services, provided to individuals and SMEs, the products include:

- Savings and term deposit accounts
- Investment savings products
- Consumer loans and credit facilities
- Debit cards
- Mobile and internet banking

(b). Corporate and Institutional Banking (CIB)
This segment provides financial solutions to corporate customers and other institutions to help the customers achieve their goals:

- Current accounts and overdrafts
- Corporate loans and other credit facilities
- Transaction Banking

(c). Treasury & Investment Banking (TIB)
This segment ensures the bank's capital is proportional to the risk it takes the bank's capital is allocated proportionally in accordance to the risks and returns:

- Investment Portfolio Management
- Fixed Income & Money Market Trading
- Liquidity Management
- Custodial Services
- Investment banking & Advisory services

(d). Global Markets Trade Finance (GMTF)
This segment manages foreign currency trading with all customers, facilitating trade finance and managing financial institutions through the use of the below products:

- Foreign currency trading
- Letters of credits and guarantees
- Swaps
- Foreign Financial institutions relationship management.
-

(e). Other Operations
This segment includes services that do not individually qualify as separate reportable segments, such as:

- Bancassurance
- Property management
- Legal
- Advisory services
- Other operations commissions

Inter-Segment Transactions and Segment Financials
Transactions between the Group's business segments are carried out on standard commercial terms and conditions. Funds are typically allocated between segments, which results in internal funding cost transfers being reflected in operating income. The interest charged on these funds is based on the Group's overall cost of capital. Apart from these internal funds' transfers, there are no other significant income or expenses between the segments.

Segment assets and liabilities include the operating assets and liabilities directly related to each business segment's activities, making up the majority of the Group's statement of financial position. However, they exclude items like taxation and sundry creditors, which are not specific to any single segment. Additionally, no external customer contributes 10% or more of the Group's total revenues.

30.2. Segment Income Statement

	CIB		PBB		TIB		GMTF		Other		Unallocated		Total	
	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn
Consolidated	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Revenue														
Interest earned	18,666	13,396	16,028	10,641	146,934	49,388	-	-	-	-	-	-	181,628	73,425
Interest expense	(6,449)	(5,016)	(2,729)	(2,867)	(31,107)	(5,692)	-	-	-	-	-	-	(40,285)	(13,575)
Net interest income	**12,217**	**8,380**	**13,299**	**7,774**	**115,827**	**43,696**	**-**	**-**	**-**	**-**	**-**	**-**	**141,343**	**59,850**
Net internal Funding Income/(Expense)	18,576	11,323	20,217	11,891	(58,245)	(27,877)	19,452	4,663	-	-	-	-	-	-
Commissions and other fee income	1,206	1,641	6,866	5,308	2,140	1,493	42,211	33,363	1,432	1,351	-	-	53,855	43,156
Total income	**31,999**	**21,344**	**40,382**	**24,973**	**59,722**	**17,312**	**61,663**	**38,026**	**1,432**	**1,351**	**-**	**-**	**195,198**	**103,006**
Expenditure	-		-										-	
Administrative costs	(4,589)	(3,438)	(12,010)	(9,984)	(1,865)	(1,598)	(2,408)	(1,208)	(1,543)	(1,344)	(6,791)	(4,106)	(29,206)	(21,678)
Depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	(3,421)	(2,935)	(3,421)	(2,935)
Employee benefits costs	(5,484)	(4,887)	(20,546)	(13,555)	(3,178)	(1,323)	(3,129)	(1,268)	(465)	(514)	-	-	(32,802)	(21,547)
Total expenditure	**(10,073)**	**(8,325)**	**(32,556)**	**(23,539)**	**(5,043)**	**(2,921)**	**(5,537)**	**(2,476)**	**(2,008)**	**(1,858)**	**(10,212)**	**(7,041)**	**(65,429)**	**(46,160)**
Profit before tax and net impartment losses	**21,926**	**13,019**	**7,826**	**1,434**	**54,679**	**14,391**	**56,126**	**35,550**	**(576)**	**(507)**	**(10,212)**	**(7,041)**	**129,769**	**56,846**
Impairment losses	(1,365)	(17)	(6,498)	(1,372)	-	-	-	-	-	-	-	-	(7,863)	(1,389)
Profit before Tax	**20,561**	**13,002**	**1,328**	**62**	**54,679**	**14,391**	**56,126**	**35,550**	**(576)**	**(507)**	**(10,212)**	**(7,041)**	**121,906**	**55,457**
Income tax expense	(8,069)	(4,644)	(522)	(22)	(21,459)	(5,140)	(22,027)	(12,699)	226	181	4,008	2,515	(47,843)	(19,809)
Profit for the year	**12,492**	**8,358**	**806**	**40**	**33,220**	**9,251**	**34,099**	**22,851**	**(350)**	**(326)**	**(6,204)**	**(4,526)**	**74,063**	**35,648**

	CIB		PBB		TIB		GMTF		Others		Total	
	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn	MK' mn
Consolidated	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Assets												
Cash and funds with Reserve Bank of Malawi (RBM)	66,331	18,761	40,643	9,439	20,195	0	41,736	5,551	0	0	168,905	33,751
Malawi Government Treasury bills, promissory notes and RBM	72,568	27,564	86,903	22,688	256,753	158,064	44,074	20,778	0	0	460,298	229,094
Placements with other banks	0	0	0	0	256,782	109,927	46,385	0	0	0	303,167	109,927
Loans and advances to customers	150,842	82,057	60,483	53,739	0	0	0	0	0	0	211,325	135,796
Other investments	0	0	0	0	0	0	0	0	146	146	146	146
PPE and Other receivables	0	0	0	0	0	0	0	0	97,255	57,351	97,255	57,351
Total Assets	**289,741**	**128,382**	**188,029**	**85,866**	**533,730**	**267,991**	**132,195**	**26,329**	**97,401**	**57,497**	**1,241,096**	**566,065**
Liabilities and Equity												
Liabilities												
Term Loans	0	0	0	0	0	0	44,470	24,910	0	0	44,470	24,910
Liabilities to customers	346,575	246,785	212,357	124,166	105,517	0	218,069	73,012	0	0	882,518	443,963
Liabilities to financial institutions	0	0	0	0	110,913	0	46,385	0	0	0	157,298	0
Payables and accruals	0	0	0	0	0	0	0	0	35,200	30,157	35,200	30,157
Lease Liability	0	0	0	0	0	0	0	0	2,534	822	2,534	822
Income tax liability	3,985	2,198	397	76	14,654	2,937	4,443	2,948	-1,810	-648	21,669	7,511
Total liabilities	**350,560**	**248,983**	**212,754**	**124,242**	**231,084**	**2,937**	**313,367**	**100,870**	**35,924**	**30,331**	**1,143,689**	**507,363**
Equity												
Share capital	0	0	0	0	0	0	0	0	6,901	6,901	6,901	6,901
Share premium	0	0	0	0	0	0	0	0	4,910	4,910	4,910	4,910
Capital reserve	0	0	0	0	0	0	0	0	2,716	2,716	2,716	2,716
Loan loss reserve	4,735	920	10,127	1,871	0	0	0	0	0	0	14,862	2,791
Revaluation reserves	0	0	0	0	0	0	0	0	1,717	1,949	1,717	1,949
Retained earnings	11,838	11,541	1,180	399	43,530	15,421	13,197	15,477	-3,444	-3,403	66,301	39,435
Capital allocation/ Funding	(77,392)	(133,062)	(36,032)	(40,646)	259,116	249,633	(194,369)	(90,018)	48,677	14,093	-	0
Total equity	**(60,819)**	**(120,601)**	**(24,725)**	**(38,376)**	**302,646**	**265,054**	**(181,172)**	**(74,541)**	**61,477**	**27,166**	**97,407**	**58,702**
Total Equity and Liabilities	**289,741**	**128,382**	**188,029**	**85,866**	**533,730**	**267,991**	**132,195**	**26,329**	**97,401**	**57,497**	**1,241,096**	**566,065**

31. CONTINGENT LIABILITIES

The Group in the ordinary course of business enters into transactions that expose it to legal, tax and business risks. Provisions are made for known liabilities that are expected to materialize (refer to note 3.14). Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result, are reported as contingent liabilities. This is in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

There are legal or potential claims against the FDH Bank Group but the outcomes cannot be foreseen and the significant claim is detailed below:

The Bank is a defendant to several other cases which are outstanding in the courts of Malawi. While liability is not admitted, if the defense against the actions is unsuccessful, then the Bank would pay the claims estimated at K1.853 billion (2023: K1.357 billion). The outcome of these cases are subject of the determination by the courts.

The directors are of the opinion, based on legal advice of the Group's external legal counsel, that no material financial loss will result from these claims.

32. GOING CONCERN

In accordance with their responsibilities, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements. The Group recorded a profit of K74.063 billion (2023: K35.647 billion) and the Bank recorded a profit of K73.337 billion (2023: K35.551 billion) for the year ended 31 Dec 2024. The Group had current liabilities of K1,095 billion and the Bank had current liabilities of K1.097 trillion (Dec 2023: K496.563 billion and the bank had current liabilities of K379.848 billion) against Group's current assets of K581.336 billion and Bank's current assets of K580.288 billion (Dec 2023: K257.353 billion and Bank's current assets of K254.882 billion). As at 31 Dec 2024, the Capital Ratios for Tier 1 and Tier 2 ratios were 26.29 % (Dec 2023: 23.81%) and 32.64% (2023: 26.04%) respectively.

The consolidated and separate financial statements have been prepared on a going concern basis that assumes that the Group and Bank will continue in operational existence for the foreseeable future. The validity of the going concern assumptions is dependent on the Group and Bank being able to have funds to sustain its operations.

33. EXCHANGE RATES AND INFLATION

The average of the period-end buying and selling rates of the foreign currencies most affecting the performance of the Bank are stated below, together with the increase in the National Consumer Price Index, which represents an official measure of inflation.

	2024	2023
	K	K
Kwacha/GBP	2,243	2,217.22
Kwacha/Rand	95.06	93.62
Kwacha U.S. Dollar	1,734	1,683.50
Kwacha/Euro	1,859.60	1,922.67
Inflation rate	28.1%	34.5%

As at the date of approval of financial statements, the above noted rates had moved as follows:

Kwacha/GBP	2,212.21
Kwacha/Rand	92.66
Kwacha U.S. Dollar	1,700.00
Kwacha/Euro	1,886.18
Inflation rate (January 2024)	35%

34. SUBSEQUENT EVENTS

A proposed final dividend of K4.555 billion for the year ended 31 December 2024 was recommended by the Board on 24th February 2025 and this is awaiting approval at the Banks 18th Annual General Meeting which will be held at a date yet to be announced.

The Monetary Policy Committee (MPC) held its first meeting of 2025 on 29th and 30th January 2025 to review recent financial and economic developments and decide on the monetary policy stance. The MPC resolved to maintain the Policy rate at 26.0 percent and the Lombard rate at 20 basis points above the policy rate. The Committee also retained the Liquidity Reserve Requirement (LRR) ratio at 10.0 percent for local currency deposits and 3.75 percent for foreign currency deposits. The MPC noted that inflation slowed down in the fourth quarter of 2024 and is projected to further decline in 2025. This is expected to create policy space for possible reduction in interest rates. Inflation for February 2025 increased to 30.7% from 28.1% in December 2024.

These events have no impact on the results and financial position for the year ended 31 December 2024.

07

Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This annual Environmental Social Governance (ESG)/Non-Financial Report for the year 2024, covers the reporting period from January 1, 2024, to December 31, 2024, and communicates FDH Bank's group-wide management approaches for a set of non-financial objectives, major activities, and the related progress made in 2024. It also describes FDH Bank's governance, policies, and set-up for these topics.

The ESG Report 2024 is subject to a limited assurance engagement as seen in the Reports of the Independent Auditor.

ABOUT FDH BANK

FDH Bank Plc was incorporated and registered in Blantyre, Malawi on 16 May 2007, with registration number 8328 under the Companies Act, 1984, as repealed by the Companies Act, 2013 (the 'Act'), as a private limited liability company.

The Company was re-registered as a public limited liability company under the Companies Act, 2013 on 3 June 2020. The Bank is also registered with the Reserve Bank of Malawi ('RBM') as a commercial bank and authorized dealer for exchange control purposes. The Bank's registered office is situated at Umoyo House, Victoria Avenue, P.O. Box 512, Blantyre, Malawi.

OUR PURPOSE

We provide easy access to financial solutions that enable our communities to grow with us.

OUR STRATEGY

To provide accessible financial solutions by focusing on our customers, continuously innovating, operating efficiently, and developing our people.

OUR VISION

To be the leading provider of first class financial solutions in Malawi and the Southern African Region.

CORE VALUES: FASTTER

- Fun
- Adaptability
- Sustainability
- Transparency and accountability
- Team work
- Excellence
- Respect

FOOTPRINT

- 48 Service Centres
- 95 ATMs
- > 800 Employees

OUR STRATEGY PILLARS

- Customer Focus
- Operating Efficiency
- People Development
- Continuous Innovation

WHAT WE DO

CORPORATE AND INSTITUTIONAL BANKING

We offer competitive Corporate and Institutional Banking Service, customised to provide the relevant solutions to clients' needs. All corporate clients are assigned a dedicated Relationship Manager and product specialists to cater to all their needs, transactional banking, investment banking, lending products, Digital Banking Channels, Deposit accounts and Foreign Currency Denominated Accounts (FCDAs), cash management services through to corporate advisory services.

PERSONAL AND BUSINESS BANKING

Personal and Business Banking (PBB) services provides banking solutions that offer convenience and simplicity to all our customers. For this customer segment, the primary focus is on financial inclusion to cater to the non-banked by operating closer to where the customers reside. We execute this, through the most expansive branch network in Malawi comprising 48 branches, 10,000 plus agents, and 95 auto teller machines (ATMs). PBB has effectively leveraged on digital banking capabilities expand its reach and cater to unique needs across various customer to achieve outreach to the various customer segments (local and international) and overcome traditional barriers to access to finance.

In addition, the Bank provides a range of agribusiness solutions to promote exports and medium, to large-scale commercial farming in Malawi. In its commitment to improving customer experience, the Bank also offers financial solutions tailored for individuals with high net worth. These distinguished customers receive personalised service in our elegant Eagle banking suits.

GLOBAL MARKETS AND TRADE FINANCE

Our Global Markets and Trade Finance solutions aim at facilitating trade through foreign currency trading and trade finance products; FDH Bank's Global Markets solutions are ideal for individuals, corporates, and Development Financial Institutions doing business which involves trading in foreign currency across Africa and beyond. At competitive rates, we assist our customers to buy and sell foreign currency with the bank, thereby providing access to liquidity in the currency of their choice. Through these foreign exchange solutions provided by FDH Bank Plc, customers ably manage their exposure to risks associated with currency exchange.

Our Trade Finance solutions assist customers in mitigating performance and payment risks, as well as providing non-funded financing solutions through various types of guarantees that serve both the local and foreign customers. For the importers or exporters seeking solutions to grow their international trading business, our Trade Finance solutions provide a range of risk mitigation, financing and money transmission options.

TREASURY AND INVESTMENT BANKING

Our treasury and investment banking (TIB) solutions provide customers with project and corporate finance transaction related support. These solutions being offered under TIB include the following: Transaction Advisory, capital raising, company valuations, underwriting, fixed income trading, custodial services and others which are structured to meet the customer's objectives.

SMALL AND MEDIUM ENTERPRISES (SME) BANKING

Designed to improve SME'S access to finance and providing innovative solutions including trade finance to enable the SMEs to grow their businesses.

ISLAMIC BANKING

The Bank is also providing Sharia compliant financial solutions to all customers in the categories mentioned above. These products are designed to meet the needs of all our customers looking to comply with Sharia Financing. These products are governed by a Sharia committee which includes Sharia Scholars.

DIGITAL BANKING

FDH Bank Plc champions innovation and offers various digital solutions and products that speak to the customers' daily needs which are supported by advanced banking software platforms.

FDH Bank Plc offers FDH Mobile (Mobile Banking for all types of gadgets), FDH Wallet, Lifestyle Card offering, OneClick (Internet banking and bulk payment solution), Banki Pakhomo (Agency Banking) which are available to all categories of our customers. FDH Bank Plc also facilitates social cash transfers for government and various NGOs through the digital platforms.

BANCASSURANCE

The Bank provides Bancassurance products to all its' customers and insurance distribution model where insurance products are sold through banking channels. FDH Bank offers solutions ranging from Credit Life to Funeral cover.

BANK STAKEHOLDERS

Our stakeholders are the individuals and institutions that materially affect or could be materially affected by our business activities, products, services, and performance. Meeting the needs of all relevant stakeholders is imperative to a successful strategy development and implementation as well as the Bank's long-term success.

The Bank focuses on regular stakeholder engagement that seeks to understand and meet their needs and interests by aligning them to the Bank's overall Strategy.

WHO ARE THE KEY STAKEHOLDERS?

- Customers
- Communities
- Shareholders
- Employees
- Regulators including Reserve Bank of Malawi (RBM), The Malawi Stock Exchange (MSE), Financial Intelligence Authority (FIU).
- The Government
- Malawi Revenue Authority
- Suppliers

STAKEHOLDER ENGAGEMENT

Customers

The Bank focuses on understanding the needs of customers and providing an excellent experience for the customer. The Bank does this through the various customer touch points mainly through the branches and account relationship management, the customer call center and other customer engagement activities. The Bank also provides innovative customer centric financial solutions and products to improve customer experience.

Shareholders

The Bank interacts with its shareholders through its annual investor forums as well as the Annual General Meetings.

The goal of the Bank is to build shareholder confidence and achieve sustainable returns for all shareholders. The Bank targets to give a good Return on investment through sustainable growth and dividend payouts.

Employees

The Bank is committed to creating a thriving and empowering work environment for its 800+ employees. The bank strives to effectively identify and meet the needs of its employees, to create a good working environment and to develop their capabilities. The Bank effectively communicates its strategy to all employees and has adopted several initiatives which include team engagement reviews and discussions, team building exercises, internal communication to ensure all employees understand the overall strategy. The Bank supports wellness activities and provides access to medical services to all employees and their immediate families to ensure they remain in good health. The Bank provides competitive remuneration packages and runs a performance-based reward and recognition system.

Communities

The Bank recognizes its role in driving economic growth through connecting people to accessible banking solutions. The Bank also acknowledges the social and environmental impact of its business activities and drives activities that help in caring and sustaining the environment. The Bank engages with communities through health and education and other corporate social investment programs.

Regulators

Throughout the year under review, the Bank interacted with the regulators through correspondence regarding regulatory compliance, participation in trainings and consultative processes for review of new regulations and through participation and attendance of meetings and seminars.

Overall, the Bank is focused on being compliant with all directives, rules and regulatory requirements set by the regulatory bodies to eliminate and minimize regulatory and compliance risk as well as facilitate responsible banking. FDH Bank cooperates with the Financial Intelligence Unit (FIU) to ensure compliance with Anti-Money Laundering (AML) laws and regulations, which include the detection and reporting of suspicious transactions and those deemed to be associated with terrorist financing.

Government

The Bank interacted with the Government through providing banking services to the various Government Agencies and departments, providing funding to government through investment in government securities, participation in social economic activities and products that support government efforts in improving the livelihoods of the communities. The Bank also supports the government initiatives of financial inclusion by ensuring its presence in each district including Likoma Island where the first ever bank branch was recently opened by the Bank.

The Bank takes effort to understand the government development plans and priorities to provide reliable solutions that address the financial needs of the economy and aligns its activities to the Malawi Vision 2063.

Suppliers

To provide efficient and sustainable goods and services for our business, the Bank recognizes the need to maintain an open, transparent, and consistent relationship with its suppliers through an honest tendering process and accurate and on-time payment. The Bank has a policy of promoting local suppliers and small businesses by providing them with advance payments when the need arises to support their growth.

Outcomes from stakeholder expectations

- Affordable, reliable and convenient banking services
- Excellence in client service
- Financial inclusion
- Compliance with all legal and regulatory requirements
- Active participation and contribution to industry and overall economic development
- Being a good corporate citizen and a responsible taxpayer
- Good return on shareholder investment
- Sound Environmental, Social and Governance (ESG) practices.
- Employee wellness and health.
-

GOVERNANCE

FDH Bank Plc has its strategic objectives which the Board of Directors closely monitors through the governance structure to ensure they are achieved and the Bank remains sustainable into the future. The Bank's robust and comprehensive risk management is an integral part of our business, encompassing more than credit, market, and other financial risks to ensure sustainability of the organisation in the long run. This has helped the Bank to manage the risks and achieve the key set objectives for the year 2024. The adverse weather conditions, acute foreign exchange shortages and a rapid rise in inflation dominated the year in 2024, resulting in an economic slowdown, however, the Bank was able to strategise and manage the economic shocks to report the good results.

Non-financial risks have become a fundamental part of our risk management framework, the Bank, therefore, systematically address these risks. It is equally essential that the Bank engages with the communities in which it operates and promotes diversity, equity, and inclusion in the Bank's strategies.
Technologically, the operating environment for the Bank has evolved rapidly in the recent years. The most notable evolution being the digitization of banking products. Digitization has introduced complex innovations, digital products, increased banking transactions and automation, all of which heighten the complexity of a bank's operational environment. The improvement in technology also introduces Cyber Security Risk and FDH Bank Plc continues to take a strategic stance to business by providing robust, unique and tailor-made technological solutions to customers through its Digital banking platforms that are secure. The Bank also considers the social and environmental risks while remaining one of the leading digital banks in the land.

We are striving to be a bank that contributes to a greener (E), more socially responsible (S) and better managed (G) economy, and that is more committed to the Seventeen Principles of the UN Sustainable Development Goals. In the year 2024, the Bank has made great progress in in promoting ESG principles.

Corporate Governance Good Practices

The Bank is required to comply with principles of corporate governance as embedded in the Malawi Code II and Companies Act 2013.

We strive to be an efficient and financially sustainable institution whose vision is to be the leading provider of first-class financial solutions in Malawi and the Southern African Region.

To achieve this vision, we have adopted good corporate governance practices embodying a robust risk management framework, independent auditors, transparency, fairness, responsibility, accountability, good financial performance, and stakeholder satisfaction.

Separation of Powers and Responsibilities

Our governance structure ensures a separation of power for the Shareholders, the Board of Directors, the Chairman, and that of the Managing Director (MD). Our shareholders exercise their oversight role and control of the Bank through the Board of Directors, who have the powers to oversee Management's implementation of the Bank's strategic objectives. The shareholders approve key resolutions at AGMs and that the voting is as per the MEMARTS of the company which have been aligned to the MSE requirements for listed companies

The Board appoints board members to separate board technical sub-committees to assist in discharging its duties in relation to the management of risk. The sub-committees are chaired by a non-executive director to maintain, as best practice requires, the independence and objectivity of the function. The Head of Internal Audit, has direct access to the Chairperson of the Finance and Audit Committee.

Board Committees

Executive Management Committee (Exco)	**The Finance and Audit Committee (F&A)**	**Board Credit Risk Committee (CRC)**
The Managing Director and the deputy Managing Director have the authority to manage the Bank within the constraints laid down by the board of directors. Therefore, the executive management committee is constituted to assist the MD to manage the Bank.	The role of the Committee is to provide an independent evaluation of the adequacy and efficiency of the bank's internal control systems, accounting practices, information systems and auditing processes. Communication between the Board, executive management, internal audit, and external audit is encouraged. The Committee liaises with the external and internal auditors on accounting procedures and on the adequacy of controls and information systems, and reviews the financial statements, considers loss reports on major defalcations, and the Bank's compliance plan for effectiveness	The Board Credit Committee is tasked with the overall review of the bank's lending policies. At each meeting, the Committee directs, monitors, reviews, and considers all issues that may materially impact on the present and future quality of the Bank's credit risk management. It ensures that there are effective procedures to identify irregular credit facilities, minimize credit losses and maximize recoveries. The Committee analyses and authorizes any transactions above the authorized limits of the credit risk management committee.
Appointments and Remuneration Committee (ARM)	**Risk & Capital Management Committee (RCMC)**	**IT Committee**
The Committee considers all human resources matters including recruitment policy, industrial relations, succession planning, safety and health and remuneration terms and packages for management and staff.	The Committee reviews and assesses the integrity of the risk control systems and ensures that risk policies and strategies are effectively identified, managed, and monitored to contribute to a climate of discipline and control, which will reduce the opportunity of risk, including fraud, in all areas of operation. The RCMC also reviews the capital position and approves risk appetite; reviews stress testing results and consider the adequacy of mitigating actions if required.	The IT Committee Supports the Board in fulfilling Its oversight responsibilities relating to the bank's technology, data and innovation environment and continually advises and monitors the Management Board regarding the adequate technical and organizational resources in line with the Bank's strategies. This Committee is also responsible for definition of an adequate contingency plan for IT systems.

RISK MANAGEMENT

Risk management is an integral part of the Bank's culture and is embedded within its business, operations, and decision-making processes. Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate level of risk taken to the desired level of returns. As risk management is a core discipline of the Bank, it is underpinned by a set of building blocks which serves as the foundation in driving strong risk management culture, practices, and processes:

Building Blocks	Description
Risk Culture	Risk culture is a vital component in strengthening risk governance and forms a fundamental principle of strong risk management and it is embedded in the organisation culture.
Risk Coverage	The Bank determines its business strategy; its goals and objectives, and assesses the risk implied in the strategy before it can articulate its risk appetite.
Risk Appetite	The risk appetite defines the level of risk that the Bank is willing to assume within its risk capacity.
Risk Response	Selection of the appropriate risk response is imperative to align the risks with Bank's risk tolerance and risk appetite
Governance & Risk Oversight	There is a clear, effective, and robust governance structure with well-defined, transparent, and consistent lines of responsibility
Risk Management Practices & Processes	Robust risk management processes are in place to actively identify, measure, mitigate, monitor, and report risks inherent in all products and processes undertaken by the Bank.
Stress Testing	Stress testing is used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavorable effects on the Bank's risk exposure and pro-actively come up with solutions to mitigate the impact if the risk arise.
Resources & System Infrastructure	Ensure sufficient resources, infrastructure and technology that enable effective risk management.

Risk Appetite

The Bank's risk appetite is an integral component of the Bank's robust risk management framework and is driven by both top-down Board leadership and bottom-up involvement of staff at all levels. Our risk appetite enables the Board and Senior Management to communicate, understand and assess the types and levels of risk that the Bank is willing to accept, with appropriate mitigations, in pursuit of its business and strategic goals while taking into consideration the constraints under a stressed environment.

The risk appetite is integrated into the strategic planning process and remains dynamic and responsive to the changing internal and external drivers such as market conditions, stakeholders' expectations and internal capabilities. In addition, the budgeting process is aligned to the risk appetite in ensuring that projected revenues arising from business transactions are consistent with the risk profile established. Our risk appetite also provides a consistent structure in understanding risk and is embedded in day-to-day business activities and decisions throughout the Bank.

Risk Governance and Oversight

The governance model adopted in the Bank provides a formalized, transparent and effective governance structure that promotes active involvement from the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Bank. The Management Risk Committee, Asset and Liability Committee ("ALCO") and Credit Management Committee are among the bodies at management level which develop, recommend for Board approval, and monitor these policies.

Overall, our governance model places accountability and ownership in ensuring an appropriate level of independence and segregation of duties. The management of risk broadly takes place at different hierarchical levels and is emphasized through various levels of committees, business lines, control and reporting functions.

Stress Testing

FDH Bank developed a stress and scenario testing framework as an aid in managing the capital risk of the Bank. The stress and scenario tests are used to stress the balance sheet and income statements from time to time with the objective to identify gaps in the Bank's capital and sustainability planning. The tests provide an indication of the number of financial resources, the key one being capital, that will be necessary to absorb any significant losses or to withstand severe stressed market conditions. Stress testing also allows management to consider implementing mitigating actions and to evaluate the impact of these, should the stresses forecast, materialize.

Stress test reports are produced quarterly and shared with Management, with an aim of keeping the Board informed of any perceived capital requirements of the Bank in line with the results of the stress tests.

The Bank has identified several methodologies to conduct the stress testing.

- **Sensitivity Analysis** - Under this methodology, the Bank conducts stress testing of various risk drivers (i.e interest rates, inflation, exchange rates, default in significant loans, deposit flight and other market events) to ascertain the sensitivity of the bank to exposures on the various risks.
- **Scenario Analysis** - The Bank shall undertake scenario analysis as part of its stress testing framework that shall be dynamic and forward looking and shall incorporate the simultaneous occurrence of events across the Bank i.e Shocks applied to see how the Tier 1 capital ratio would be affected by reduction in interest income as well as reduction in Interest income or FX trading income)
- **Reverse Stress Testing** - Under this methodology, the Bank shall undertake an analysis of significant negative outcomes and identify the causes and consequences that could lead to such an outcome.

The methodologies outlined above are designed to carry out stress tests in the following areas:

1. Credit risk
2. Liquidity risk
3. Operational risk
4. Interest rate risk
5. Foreign Currency Risk
6. Reduction in NII and non-interest income

Independence of the Risk Function

The Head of Internal Audit, and the Head of Risk provides independent assurance that risk is being measured and managed in accordance with the Bank's standards and policies.

Through its risk management structure, the Bank efficiently manages its core risks: which included credit, liquidity, market, and operational risk. The business, regulatory, operational, and reputational risks are strategically managed as they are normal consequences of any business undertaking. The key element of risk management philosophy is for the risk functions to operate as an independent control working in partnership with the business units to manage the risk at the transaction level.

FINANCIAL RESOURCES MANAGEMENT

Financial resource management forms a basis for capital and funding plans for the Bank. The capital position provides a buffer over and above the minimum regulatory limit against adverse business performance under extremely severe economic conditions.

Capital Planning

Effective capital management is fundamental to the sustainability of the Bank. The Bank proactively manages its capital to meet expectations of key stakeholders such as regulators, shareholders, investors, rating agencies and analysists whilst ensuring that the returns on capital are in line with the risks undertaken by business units. The objectives are to

- Maintain capital ratios at levels sufficiently above the regulatory minimum, the Bank has an internal target buffer of 3.5% above the regulatory minimum.
- Allocate capital efficiently to achieve a better risk adjusted returns on capital.
- Remain flexible to capitalise on future opportunities; and
- Grow and invest, even in a stressed environment.

Whilst adhering to efforts of effective capital management, the Bank recognizes the need to maintain a balance between higher shareholder returns and the security afforded by a sound capital position.

Basel II

The Bank is compliant with the international Banking regulatory provisions of Basel II, which is based on minimal capital requirements, regulatory supervision, and market discipline as the three pillars of the accord.

The Bank's lead Regulator, the Reserve Bank of Malawi (RBM) sets and monitors capital requirements for the Bank as a whole. The regulatory minimum Tier 1 and Tier 2 ratios are set at 10% and 15%, respectively. The Bank is currently following all external and internal capital requirements. Management uses regulatory capital ratios to monitor the capital base.

From 1st January 2025 RBM implemented Basel III and FDH Bank Plc is fully compliant with all the Basel III requirements and still has healthy capital ratios with adequate buffer above the minimum regulatory capital ratios. Basel III mainly focuses on strengthening the global financial systems and has stricter requirements for the quality and quantity of regulatory capital, requires banks to maintain sufficient liquid assets to meet their obligations during times of financial strain, it is also designed to improve banks' risk management practices, making them more resilient to financial shocks and economic downturns and promotes greater transparency and disclosure by banks, allowing regulators and the public to better assess their financial health and risk profile.

CAPITAL CONTINGENCY PLAN

The Internal Capital Adequacy Assessment Process (ICAAP) involves planning for future capital needs in relation to the business environment, growth, and strategic plans in the years to come. Potential major changes to the risk profile, and thereby the future change in capital requirements, are estimated. These could be changes in the business strategy or competitive landscape, fundamental changes in the market conditions, changes in the internal organization, material changes in regulatory requirements or introductions of new products. This input is used in the strategic decision-making process by the Board of Directors. Furthermore, the result of the ICAAP is used as input to the capital plan and the capital contingency plan.

OPERATING ENVIRONMENT REVIEW

The banking industry continues to operate under stressed conditions with persistent inflationary pressure, high credit risk, climate change threats, foreign exchange shortages and decreasing money supply.

The Country has struggled to accumulate foreign exchange reserves, despite imposing surrender requirements on exporters, in part reflecting pressure to provide foreign exchange to meet demand from importers particularly for fuel and other strategic imports. Reserve accumulation also remains limited due to the country's sizeable external debt service.

Overall, FDH Bank has shown resilience to these pressures. Over the past five years, the Bank has achieved remarkable profit growth. The profit after tax has steadily been growing from K14.956 billion in December 2020 to K74.0639 billion in December 2024, reflecting an impressive average annual growth rate of 49% during this period. The Bank is also currently well capitalized, with Tier 1 and Tier 2 ratios closing at 26.29.% and 32.64%, respectively. This is above the regulatory minimum of 10% and 15%, respectively.

FDH Bank Plc remains vigilant in managing these risks by performing thorough stress tests to identify vulnerabilities and take preventive measures or contingency plans to mitigate potential risks.

SUSTAINABILITY

Economies and societies worldwide are striving to become sustainable and socially inclusive. A vital aspect of this is tackling climate and environmental change which is one of humanity's biggest challenge. Environmental change caused or influenced by people, directly or indirectly, has caused immense damage to the natural resources and ecosystems of the planet, and Malawi is no exception having experienced food supply insecurity and devastation to infrastructure because of the floods, Cyclone Ana and Cyclone Freddy to name a few, that have happened in the country over two consecutive years.

Sustainability underpins the Bank's vision to be the leading provider of first-class financial solutions in Malawi and the Southern African Region. Consequently sustainability, which encompasses environmental, social and governance (ESG) aspects, is a vital component of the "FDH Bank" strategy. The Bank persists to include sustainability in its products, policies, and processes as well as stakeholder engagement.

As a Bank we have a responsibility to ensure our operations safeguard the interests and rights of the people we serve, the environment and natural resources we impact, as well as ensure good governance is adhered to. More importantly our strategy looks to drive positive impacts in our economy and society and at the same time, actively manage environmental impacts and priorities.

Our environmental impact performance is measured at three levels:

(a). Climate change and managing our own carbon footprint and resilience to physical risks.

(b). Adopting responsible lending and investment practices including the identification of high-risk sectors and adopting appropriate environmental and social due diligence procedures and policies.

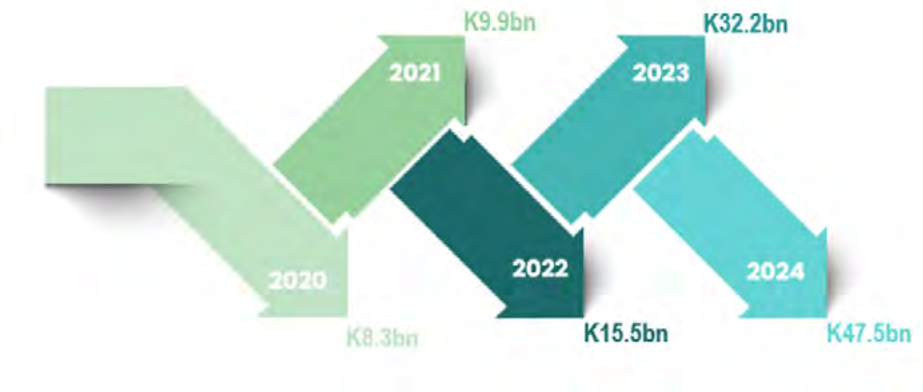
(c). Participating in campaigns and projects to contribute to climate action and environmental preservation

Sustainability and Climate

We have set out key Environmental, Social and Governance topics below:

Social	Matter	Strategy	Performance
Labor Standards	Talent	Learning and growth	The Bank has a focus on gender parity and aims to achieve 40% females at Board level, Senior management and at organizational level. This initiative is being supported by the Bank's executive leadership program at senior management level
Community development	ESG and Climate	Infrastructural Development	The Bank built 22 Climate resilient houses for Phalombe and Chiradzulu Districts to as part of good infrastructure development and moving people from flood prone areas to highlands. The Bank invested K220 million in this initiative.
Environmental Climate change	ESG and Climate	Positive sustainability impact	The Bank had an initiative to plant one million-tree by 2024 and so far 1,100,000 had been planted.
Going Paperless	ESG and Climate	Positive sustainability impact	FDH is striving to build a green organization that will be 50% paperless/stationery by 2026. The Bank is implementing several measures to ensure that we are printing less. The Bank is promoting the use of digital products and digitalization of the Bank's internal processes
Governance, Compliance, and risk management	Legal & regulatory	Compliance	Throughout the year under review, the bank interacted with the regulators through correspondence regarding regulatory compliance, consultative meetings, participation, and attendance of workshops. The objective of the engagement is to ensure compliance with all legal and regulatory requirements to eliminate and minimize statutory penalties and to provide feedback on any regulatory development
Ethical behavior	Conduct and Talent	Learning and growth	Employing the best talent and building the Bank’s learning culture a critical pillar of the Bank’s ongoing HR strategy. The Bank offers learning opportunities suited to different career stages. Training, mentorship, and leadership programs form the backbone for promoting learning and growth across the Bank. The Bank also has policies and procedures that centre on integrity & ethical behaviour and has disciplinary procedures that are strictly applied to correct any deviation
Tax	Regulatory	Compliance	The Bank not only upholds its financial responsibilities but also actively engages in fostering economic development as a corporate citizen. Through steadfast adherence to tax obligations and regular tax payments, the Bank plays a pivotal role in supporting the nation's economic growth and sustainability. During the past five years, FDH has contributed around MK123.2 billion in taxes over the past five years and total taxes paid in 2024 were MK57.3. billion 78% up from K32.2bn paid in 2023. This is both direct and indirect taxation

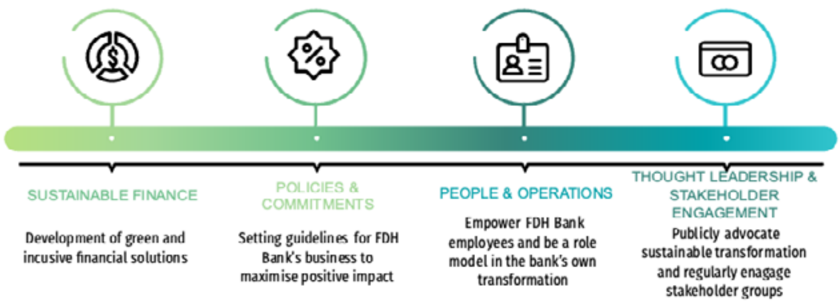
TAX CONTRIBUTIONS:



Sustainability strategy

To establish positive sustainability impact in the Bank, we have adopted 4 pillar sustainability strategy. The strategy sets out the Bank's commitment to ensuring that sound sustainability guidelines are integrated into all operations of the bank. Sustainability is one of the core values of FDH Bank Plc.

FDH Bank is committed to sustainable development and will aim to protect and contribute positively to the environment. We continue to operate in a way that meets the needs of the present without diminishing the opportunities of those in the future. The Bank considers future generations, future communities, future employers and the country as a whole and consider its actions now that will impact their ability to manage, live and thrive in the future.

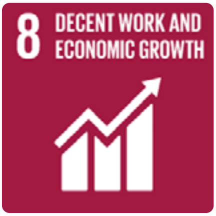


The UNGC Sustainable Development Goals alignment

SDG	Business
	Being a home grown bank, FDH is always concerned and ready to help in any crisis affecting the country. The Bank responded to the national food insecurity occasioned by El Nino weather, by partnering with the National Food Reserve Agency(NFRA) and contributed 100 metric tonnes of maize valued at K95.5 million for food insecure households and with Mary's Meals for its children school feeding program that helps children to stay in school.

	FDH has proved to be a true partner for sports. The Bank is the official sponsor for the senior national football team, through Football Association of Malawi (FAM). The Bank has renewed its commitment to support football with K1 Billion for the next four years and contributed MK250 million in 2024. The Bank also supports local football through FDH Bank Cup with an investment of K150 million annually. The Bank invests K100 million annually into youth sports development through Mayor's Trophies in Lilongwe, Mzuzu and Zomba and the InterCity Mayor's Trophy. In efforts to support the employees' health, the Bank has a wellness program aimed at improving employee wellness. The program encourages employees to partake in wellness activities such as social football, netball, basketball, volleyball, weekly aerobics, the banker's sports day and other social sporting tournaments. Under this initiative the Bank introduced an Eagle Wellness Challenge, which motivates employees to share their monthly fitness goals and milestones reached. Employees who have shown exceptional commitment to staying fit are rewarded at the end of every month.
	The Bank is committed to enhancing access to quality, equitable and inclusive education. The Bank contributed K10 million towards the 2024 Presidential Charity Golf Tournament which raised funds to for needy University students and has partnered with Malawi University of Science and Technology(MUST) and contributed K100 million to its Students Tuition Fees Endowment Fund. The FDH Mentor a Child Program, created to motivate and inspire students in different schools on their growth and career development, has reached over 20,000 students in secondary schools. FDH employees including management go round the secondary schools to inspire and motivate the youth and nurture their career goals, including entrepreneurship and how to become ambassadors for environmental protection. Under this program, the Bank has also made several donations to address challenges faced by students. In 2024, the Bank reinforced its commitment to fostering growth of the youth through the launch of an intervention with Technical Entrepreneurial and Vocational Training Authority (TEVETA), offering the FDH TEVET Loan to graduates who have business ideas. Further to this, the Bank cemented its arrangement with Malawi University of Business and Applied Sciences (MUBAS) for the Graduate Start Ups Program that provides capital and mentorship for fresh graduates looking to venture into entrepreneurship.
	In 2021, the Bank introduced a product called "Amayi Atakate ". This revolving fund allows women to access loans of up to five million kwacha without collateral. The Fund is targeting to grow to K1 Billion in 2025. As at 31 December 2024 the bank had disbursed K678.1million under this initiative. FDH Bank is an equal opportunity employer. The Bank seeks to achieve 40% of women in management and 40% of women in the Bank's total workforce. The Bank currently has 27% of women in Management and 47% of women in the Bank's total workforce. Both initiatives provide opportunities for women through quality employment, and access to finance and products and services that meaningfully impact women

The Bank has provided several clean facilities to the water utility companies, In support of provision of clean water to all communities. The facilities are in excess of MK3 billion.



The Bank is committed to enhancing economic growth in Malawi. One of the ways the Bank has doing this is by ensuring that more people have access to banking facilities and by promoting financial inclusion initiatives. FDH Bank has a wide footprint comprising of 48 branches, 95 ATMs and over 10,000 "Banki pakhomo" agents across Malawi. Through the Agents, we are able to bank the unbanked and provide them with banking solutions.

The Bank has further contributed to economic growth by offering employment to over 800 members of staff.

In its strategic plan, the bank has a pillar of innovation and entrepreneurship which encourages students to not only consider employment but rather create their own jobs through innovative sustainable entrepreneurship. Through the FDH Graduate start-up program, the Bank challenges students who were studying at the Malawi University of Business and Applies Sciences – MUBAS to generate bankable business ideas. The Bank provides mentorship support and financing for all satisfactory and innovative proposals. In 2024, five business ideas were chosen for support from the students' presentation.

Investment in infrastructure and innovation are crucial drivers of economic growth and development. The Bank champions innovation and offers various digital solutions and products that speak to the direct needs of its customers supported by advanced banking software platforms. FDH Bank Plc offers FDH Mobile (Mobile Banking), Ufulu Digital Wallet, FDH Wallet, Banki Pakhomo (Agency Banking) for the mass market as well as OneClick (bulk payment solution) offering for the high-net-worth individuals, Small and Medium Enterprises (SMEs) and corporate clients. FDH Bank Plc also facilitates social cash transfers for government and various NGOs.

To boost Economic growth, FDH Bank Plc signed an agreement with AFREXIM Bank worth $15 million aimed at fostering the growth of SMEs to secure export markets and increase trade through the African Trade Exchange Gateway (ATEX), complimenting the Bank's initiatives to grow entrepreneurship in the country.

The Bank has increased the access of small-scale industrial and other enterprises to financial services, including affordable credit, and their integration into value chains and markets. The Bank offers credit facilities to both wholesale and retail customers thereby contributing to sustainable industrialization. We have funded projects that will contribute to expansion of local production capacity, including funding for setting up a fertilizer manufacturing factory.

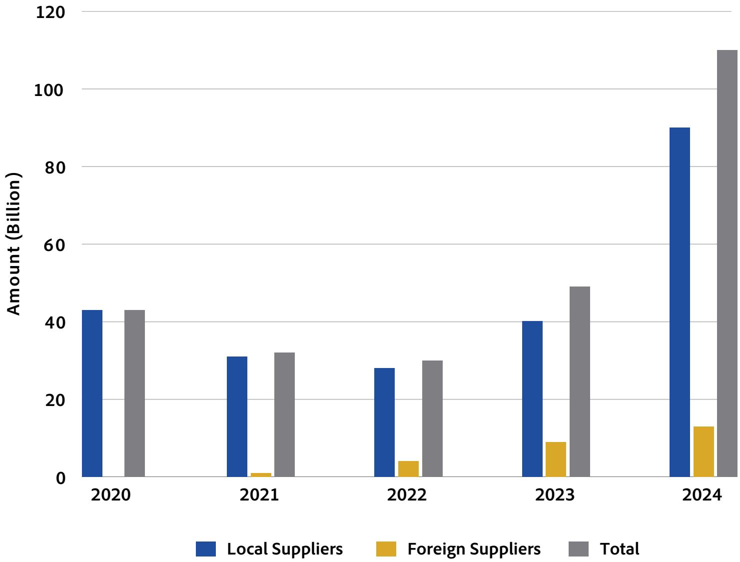
	The Bank continued to support the Cyclone Freddy victims by constructing 22 disaster resistant houses whose construction started in 2023, were completed in 2024 and occupied by the intended families in Chiradzulu and Phalombe districts. These were constructed at the cost of K220 million.
	The Bank is taking proactive steps to minimize its carbon footprint by transitioning away from diesel generator backup power and adopting solar backup power solutions. Currently, approximately 20 branches have successfully transitioned to solar energy.
	FDH is cognizant of the fact that there is no country that is not experiencing the drastic effects of climate change. To fight against the effects of climate change, the Bank set a goal to plant one million trees by 2024. The bank and its employees partnered with several communities and organizations in tree planting activities. As at 31 December 2024, the Bank had planted over 1,100,000 trees. The Bank is also engaged in conservation of forest to protect the natural eco-systems and is supporting Chingale Forest Reserve in Zomba. The Bank is implementing several measures to ensure reduced use of paper. The Bank is promoting the use of digital products and digitalization of the Bank's internal processes.

Creation of Secondary Employment

FDH Bank plays a pivotal role in fostering secondary employment through its support of local businesses. We provide loans, lines of credit, and financial services to suppliers (especially entrepreneurs and small enterprises), and enable them to expand, innovate, and create jobs within their respective industries. Additionally, the bank collaborates with various service providers such as Information Technology support services, cleaning services, marketing agencies, consulting agencies, audit firms, legal counsel, among others, indirectly contributing to job creation in these sectors.

Presented below is an overview of the payments disbursed by the Bank to its suppliers over the past five years. These payments serve as a testament to the Bank's role in bolstering the economy by extending support to other businesses

Payments made to suppliers



Conclusion

The Bank is dedicated to fostering sustainability initiatives, prioritizing environmental responsibility in its operations and committed to reducing its carbon footprint. The Bank is actively exploring financial solutions to support investments in green energy. By supporting initiatives in renewable energy and sustainable practices, the Bank aims to contribute to a cleaner, greener future.

FDH Bank Plc

Our Bank, Our Future, Grow With Us

www.fdh.co.mw