NBS Bank
Your Caring Bank
A member of the NICO Group

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GROWING HIGHER

2024 ANNUAL REPORT

ABOUT THIS ANNUAL REPORT

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

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

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

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

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GROWING HIGHER

2024 ANNUAL REPORT

CORPORATE INFORMATION

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

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

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

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

MISSION STATEMENT

VISION
To be a world class retail bank.

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

VALUES
Excellence | Innovation
Transparency | Teamwork
Integrity | Accountability
Professionalism

PURPOSE
We exist to make banking eazy.

GROWING HIGHER
2024 ANNUAL REPORT

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ABOUT NBS BANK PLC

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SUSTAINABILITY

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CORPORATE PROFILE

OUR PURPOSE

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

CHAMPIONING CUSTOMER

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

CHAMPIONING DIVERSITY & PEOPLE:

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

CHAMPIONING SUSTAINABILITY:

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

CHAMPIONING INNOVATION:

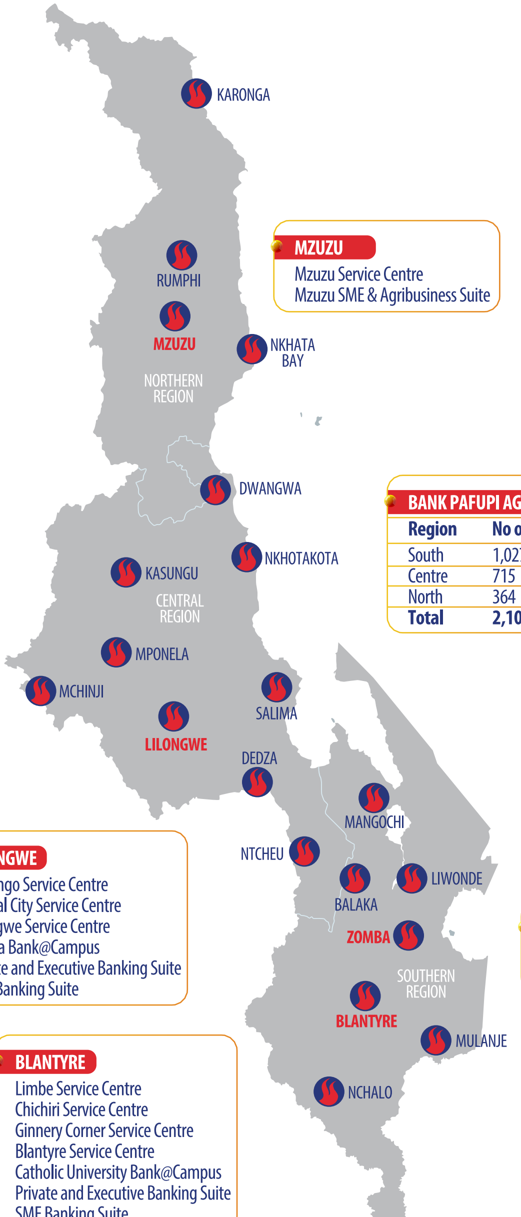
The Bank has a deliberate focus to deliver services through a digital-first approach, evolving to become a truly digitised bank with a modern technology architecture.

CHAMPIONING SYNERGY:

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

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

OUR FOOTPRINT



MZUZU
Mzuzu Service Centre
Mzuzu SME & Agribusiness Suite

BANK PAFUPI AGENTS

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

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

ZOMBA
Zomba Service Centre
Chancellor College Bank@Campus

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

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2024

PAT
MK72.99 BN
UP BY 148%

TOTAL ASSETS
MK1.19 TN
UP BY 81%

CUSTOMER DEPOSITS
MK726.73 BN
UP BY 35%

NET LOANS
MK234.94 BN
UP BY 20%

TOTAL INCOME
MK205.51 BN
UP BY 100%

TOTAL OPERATING COSTS
MK75.84 BN
UP BY 57%

COST TO INCOME RATIO
37%
DOWN FROM 47%

NPL RATIO
4.7%
DOWN FROM 4.9%

TOTAL CAPITAL
28.35%
UP FROM 18.10%

RETURN ON EQUITY
65%
UP FROM 59%

CHAIRMAN'S REPORT

DEAR SHAREHOLDERS,

I am pleased to write to you after another year of exceptional performance by your Bank, NBS Bank Plc. The Bank's total assets registered a remarkable growth of 81% resulting in an increase of business transactions across all segments. While all segments made strides, I am particularly proud of Food and Agriculture under Wholesale Banking, a new segment, which recorded an increase of assets from K2 billion to K20 billion and is still growing. Food and Agriculture focused on raising US$ impact funding for the Agriculture sector to enable the opening of new plantations and support smallholder farmers in selected value chains. I am also proud of the Retail segment which doubled its total deposits. Revenues grew exponentially, proving that the Bank effectively executed its strategy in a complex and fluid business environment.

The Bank changed its core banking system to Oracle Flextube, one of the best systems on the global market. The Board is proud of management and our partners for a job well done.

In celebrating the achievements of 2024, your Board is mindful that success comes with great responsibilities. NBS Bank Plc is now firmly among the largest banks in Malawi. With that comes the responsibility to support the growth of the nation. To that end, shareholders will see a significant tilt towards supporting projects of national importance in both the private and public sectors. The Bank will partner businesses and international organizations that align to Malawi 2063 (MW 2063), a long-term national development blueprint for the country.

ECONOMIC OVERVIEW

The wars in Ukraine and Gaza had a negative impact on international trade. The effects ranged from interruptions to trade routes, shortages of key inputs, high inflation, and interest rates in several parts of the world.

The Malawi economy faced several challenges including El Nino weather which reduced crop yields. High inflation and interest rates persisted throughout 2024. Of concern to the banking industry was the increase of the Liquidity Reserve Ratio from 7.75% to 8.75% effective 3 May 2024, and to 10% with effect from 4 November 2024. The increase meant that a higher proportion of depositors funds was not available for investment in earning assets. Further, an acute shortage of forex made it difficult to satisfy demand, leading to rationing of available forex. High inflation resulted in an increase in operating expenses. Overall, Malawi Gross Domestic Product (GDP) was estimated by Reserve Bank of Malawi to have grown by 1.8% in 2024 compared to 1.9% in 2023.

SHARE PRICE AND DIVIDENDS

Your bank's share price rose from MK 114.90 per share as at 31st December 2023 to MK174.07 per share as at 31st December 2024 representing an increase of 51.5%. The remarkable performance of the Bank in 2024 translated into the payment of significantly improved dividends as indicated in the table below.

	Year to December 2024	
	Kwacha Per Share	Total MK' Billion
First interim dividend	1.60	4.66
Second interim dividend	2.80	8.15
Third interim dividend	5.00	14.55
Final dividend - proposed	1.50	4.37
Total	**10.90**	**31.73**

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

Total dividends payable to shareholders out of 2024 profit amounted to MK10.90 per share inclusive of the proposed final dividend of MK1.50 per share to be tabled at the Annual General Meeting. Year-on-year dividend grew by 140.1 %. The Board aims to pay a growing dividend to more than compensate shareholders for any erosion that arises due to inflation, while keeping sufficient capital for growth and absorption of unexpected losses.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

There have been several changes to the Board of Directors of the Bank. Firstly, Director Dr. Mathiews Mtumbuka left the Board with effect from 8 September 2024 to pursue other interests. The Board is indebted to him for his invaluable contributions to the turnaround strategy of the Bank. His deep knowledge of ICT and project management are appreciated. Secondly, Mr. Paul Guta joined the Board on 6 June 2024. Mr. Guta is a seasoned banker who operated at the highest levels of management in the industry and brings valuable experience.

Director Kudakwashe Mukushi resigned from the Board with effect from 20 March 2025. Mr. Mukushi was a non-executive director. The Board appreciates his immense contribution to the Bank and wishes him well in his future endeavours.

Lastly, Mr. Nkondola Uka joined the Board with effect from 22 January 2025. Mr. Uka is an economist and chartered accountant with over 40 years of experience in external audit. He is the immediate past Managing Director of Deloitte Malawi. He brings extensive experience acquired through auditing and advising clients in several industries in Malawi.
The Board attended training on risk, compliance, and governance to ensure they remain up to date with the changes in the business environment.

STRATEGY AND OTHER SIGNIFICANT DEVELOPMENTS

The Bank's current five-year strategy ends in 2026. The Bank is in the process of producing a new strategy which will be approved by the Board in Q4 of 2025. The Bank's strategy will align to Malawi 2063 and will aim to position your Bank as a significant enabler of the country's vision.

NBS Bank will fund projects in Agriculture, Tourism and Mining subject to availability of bankable projects. Further, water and energy sectors are expected to receive increased attention. We will rely on synergies within the NICO Group to deliver unique value propositions to clients.

In the Food and Agriculture segment, the Bank will apply the lessons learnt in the tea and macadamia sectors to new value chains. The Bank believes that with the right partners and access to impact finance, new value chains can be scaled up and contribute meaningfully to wealth creation and export diversification. The Bank seeks to remain the pioneer in that area.

There has been a change of leadership at the Bank. Dr. Kwanele Ngwenya completed his tour of duty at NBS Bank Plc on 31 March 2025 having served as Chief Executive Officer for eight years. His work speaks for itself. He leaves the Bank in great shape on all fronts: from leadership, risk management and compliance, innovation to customer service. The Board would like to express its gratitude to him for serving with excellence and distinction. Dr. Ngwenya has been appointed as Group Chief Operating Officer of NICO Holdings Plc with effect from 1 April 2025.

Mrs. Temwani Simwaka took over as Chief Executive Officer of the Bank effective 1 April 2025. She brings experience in leadership, strategy formulation and implementation having previously worked as Deputy CEO of NBS Bank Plc, Acting CEO of Standard Bank Malawi Plc and Chief Financial Officer of Standard Bank Malawi Plc. The Board wishes her well as she takes the Bank into the next phase of growth.

CORPORATE SOCIAL RESPONSIBILITY

The Bank's Corporate Social Responsibility activities focused on sports, health, and support for small and medium-sized enterprises. The Bank spent a total of MK225 million on the presidential golf initiative, MK 30 million on Malawi Defense Force Veterans Support and MK40 million on the Football Association of Malawi Charity Shield. Further, two more significant commitments were made to the sports community in 2024. First, NBS Bank will sponsor the NBS National Division League to the tune of MK1 billion over a three-year period beginning the 2025 season.

Secondly, the Bank will contribute MK300 million to the MK1 billion ONE NICO Malawi Netball Sponsorship also to run over three years. The Bank and the NICO Group realise the importance of sport in national development and commit to play its rightful role in advancing the cause of sports development.

Other notable sponsorships and activities included the MK60 million SME clinics held to develop the capacity of SMEs, MK26 million for budget breakfast meeting in which experts offered their view on the 2023-2024 draft budget presented in Parliament for discussion, and MK15 million for feed a school program.

OUTLOOK

The Reserve Bank of Malawi forecasts Gross Domestic Product to grow by 4% in 2025 from 1.8% in 2024. The growth is expected from the agriculture, mining and tourism sectors. Risks to the economic outlook include the withdrawal of United States of America development aid estimated at US$350 million by US Department of State, erratic rains in some parts of the country, wars in parts of Europe, currency risk and associated new regulations. NBS Bank Plc will adapt to the changing environment and believes it has sufficient capabilities to deal with the complexities of the changing economic environment.

APPRECIATION

The Board and I would like to thank our valued customers for supporting the Bank, being patient as we changed systems and above everything else, believing in the Bank and its journey. I would also want to thank the Regulator, the Stock Exchange, and other stakeholders for their support. To Dr. Ngwenya, thank you very much for leading by example and leading the Bank to success. The Board wishes you immense success in your new role. To the rest of the management team and staff, the Board has learnt through experience that you can be counted on to service the customer with commitment and dedication. Thank you for achieving excellent results, and I encourage you to continue aiming high.

Vizenge Kumwenda
Board Chairman
7 April 2025

BOARD OF DIRECTORS

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

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

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

He brings to the NBS Bank Board a breath of experience and expertise in Finance and Insurance.

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

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

Mr. Kalua has extensive agribusiness experience. Further, he has strong governance and strategic advisory skills, regulatory and public policy experience, stakeholder management experience and considerable customer engagement experience.

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

BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

LLM (Commercial Law), LLB (Hons)

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

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

BBA, FCCA, CFA

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

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

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

BOARD OF DIRECTORS

MS. ROSELYN MKWEZA – 57
DIRECTOR

ACIB, MBA, BCom, Dip. Business Studies

Ms. Roselyn Mkweza is a member of the Credit Committee and has been on the Board of NBS Bank since 2020. She brings more than 20 years' experience in the Banking sector. Until her retirement in August 2018, she had worked for Standard Bank for 26 years. Currently she provides life, executive and organizational coaching, and consultancy services under the style Roselyn Coaching & Consulting.

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

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

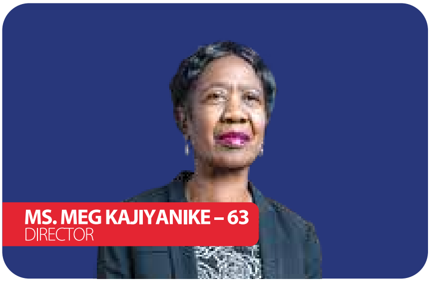
Ms. Mkweza is a Chartered Banker and a member of the Chartered Institute of Bankers (ACIB) UK. She holds a Master of Business Administration degree from the University of Exeter, UK, as well as a Diploma in Business Studies and Bachelor of Commerce (Accountancy) degree from the University of Malawi, The Pol

PAUL GUTA – 53
DIRECTOR

Msc in Strategic Management, BSc (Hons), Certificate Marketing

Mr. Paul Guta is an accomplished ex-bank CEO and entrepreneur with over 17 years of experience in the banking sector and another 7yrs in the Oil Industry. He has held various executive management positions at Nedbank Malawi Limited and Standard Bank Malawi plc. He has also served on various boards, including Illovo Sugar Mw Plc, PressCane Limited -where he is currently the Chairman of the Board, The Roads Fund Administration, SADC Banking Association, and Amref Health Africa. Mr. Guta is the Group CEO of Pure Joy Holdings (2020) Ltd, an Agri-tourism business that he founded.

Born on 27 September 1971, Mr. Guta holds a Master of Science Degree in Strategic Management (Cum Laude) from the University of Derby (UK). He also holds a Bachelor of Science (Honours) Degree from the University of Malawi and a certificate in Marketing from the Chartered Institute of Marketing (CIM-UK). In addition, he holds various certificates in Business Leadership, Risk Management, and Corporate Governance.



MDE, BA (Public Administration)

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

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

Ms. Kajiyanike holds a Master of Development Economics (MDE) Degree from Dalhousie University, Halifax, Nova Scotia, Canada. Further, she holds a Bachelor of Arts Degree (Public Administration) from the University of Malawi, Chancellor College. She has been on the Board of NBS Bank since 2020.

LL.B (Hons), CPG Cert in Laws (Banking and Finance Laws) LLM in Commercial Laws

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

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

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


NBS Bank
Your Caring Bank
A member of the NICO Group
THE CHOICE IS EAZY
NEED COVER THAT GOES THE EXTRA MILE FOR YOUR CAR?
Get Comprehensive Cover for your car with NBS Bank Bancassurance
AVAILABLE AT
Chichiri
Zomba
Mchinji
Dwangwa
Karonga
Salima
Rumphi
Deposit protected by Deposit Insurance Corporation
NBS Bank is regulated by the Reserve Bank of Malawi which can be contacted on 01 770 600. The Bank principal office is at Ginnery Corner Blantyre.
Call Centre: 322 | WhatsApp: 0888 322 322 | www.nbs.mw

CHIEF EXECUTIVE OFFICER'S REPORT

TEMWANI SIMWAKA
Chief Executive Officer

DEAR SHAREHOLDERS,

As reported by the Board Chairman, the Bank bade farewell to Dr. Kwanele Ngwenya on 31 March 2025, and I was appointed as the Chief Executive Officer effective 1 April 2025. I have taken over a Bank on the right track, and I am indebted to Dr. Ngwenya for laying solid foundations on which we plan to build the bank of the future. The financial services industry is changing fast as technologies changes how banks serve customers and create value. Artificial intelligence, blockchain, robotics are some of the new technologies reshaping our world. NBS Bank sees many opportunities for enhanced customer service and value creation in all these changes. The political and economic landscapes are changing too. However, I am confident that the Bank is agile and ready to achieve remarkable success in this new world and leave its mark on our nation.

In 2024, the Bank focused on growth and the implementation of a new core banking system. I am glad to report that the fruits of our work can be seen in the doubling of the retail business, the strengthening of strategic partnerships, the raising of affordable funding for food and agriculture, and the investment in our people and technology. More importantly, the impressive financial performance which speaks for itself.

Every year your Bank continues to increase in terms of statement of financial position size and significance in the domestic economy. With this increased in size comes the need to prioritise what matters for the country in the sense that we will seek to drive growth in areas that help solve some of the biggest challenges the country faces. Investments in forex generating activities and projects that create jobs and opportunities for the youth, women and the nation at large will matter more than before. The NBS Bank growth story inspires us that we can achieve Malawi 2063 with disciplined execution of our strategies.

I now turn to the strategic focus areas for 2024, and what the Bank achieved.

CHIEF EXECUTIVE OFFICER'S REPORT

2024 STRATEGIC FOCUS AREAS

The Bank focused on the following six key strategic areas:

i. People development and staff welfare
ii. Building a more efficient statement of financial position
iii. Growing the Food and Agriculture (F & A) business
iv. Building a future bank backed by technology, digitization and improved operational efficiencies.
v. Group synergies
vi. Implementation of a new Core Banking System project

PEOPLE DEVELOPMENT AND STAFF WELFARE

Human capital development is the cornerstone of the Bank's strategy, and by extension the sustainability of the exceptional performance recorded in recent years. In 2024, the Bank identified the future skills required, assessed key personnel at various levels to identify talent and came up with development plans. The Board approved succession plans to ensure continuity and effective implementation of strategy. Several members of staff attended leadership and management programs locally and internationally. Further, several employees in non-managerial roles attended technical trainings and earned certifications. The investments in human capital will continue in 2025 in preparation for the new strategy of the Bank expected to be approved in Q4 2025.

While the Bank made every effort to look for talent internally, there were senior roles where talent had to be imported from outside the Bank. I am pleased to report that the Bank hired substantive Heads of Marketing and Finance, the Head of Customer Experience, managers for Trade Finance and Environmental, Social and Governance (ESG).

BUILDING A MORE EFFICIENT BALANCE SHEET

The Bank planned to improve the efficiency of the balance sheet. Among the notable goals was the need to ensure the retail business funded itself with current and savings account balances. That goal was achieved in 2024 with retail loans fully funded by its own deposits, a feat achieved largely by the exponential growth of savings balances. Our customer value proposition for the retail business continues to be refined to respond to client needs. Moreover, the retail segment has been a beneficiary on several digitalisation initiatives leading to improved customer service. For customers that value an in-branch experience, the Bank continued to refurbish branches to improve the look-and-feel of the branches. Mzuzu, Karonga, Kanengo and Old Town branches were refurbished. Beyond that, the Bank plans to build entirely new branches in Liwonde, Ntcheu and Chitipa in 2025. I believe these improvements will lead to a better experience for our customers.

The Bank registered notable improvements in the deposit mix, with current and savings balances rising from 47% of total deposits in 2023 to 56% in 2024. The loan-to-deposit ratio also improved from 30% in 2023 to 34% in 2024. The Bank will continue to improve both metrices to improve interest margins.

FOOD AND AGRICULTURE (F & A) BUSINESS

Agriculture is one of the priority sectors for Malawi and NBS Bank plc. For that reason, special attention continues to be given to initiatives that ensure the growth of the sector. As reported by the Chairman, the Bank through strategic partnership with local and international organization managed to grow its loan book significantly in the year with the focus being plantation crops such as tea and macadamia. However, the Bank with the support of its partners will seek to apply the lessons leant to new value chains.

BUILDING A FUTURE BANK BACKED BY TECHNOLOGY, DIGITIZATION AND IMPROVED OPERATIONAL EFFICIENCIES

Implementation of the core banking system was the highlight the year 2024. Product enhancements were made especially to the digital channels. These included a new mobile app, and the recently introduced Pay by Link which allows businesses to receive payment online via a link. I encourage small and large businesses to try the product and receive payments from anywhere in the world.

GROUP SYNERGIES

NBS Bank plc is a proud and significant member of the NICO Group, which has interests ranging from general and life insurance, asset management, property, and others. Further, the Bank is owned indirectly by the Sanlam-Allianz Group of South Africa, Botswana Insurance Holdings Limited Group and Africap LLP of the USA. Through the ONE NICO concept, NBS Bank is a one-stop shop for services and solutions for our clients. The services range from infrastructure projects, insurance to banking, among others. Landmark projects included the Salima-Lilongwe Water project, for which NBS Bank was appointed the lead arranger.

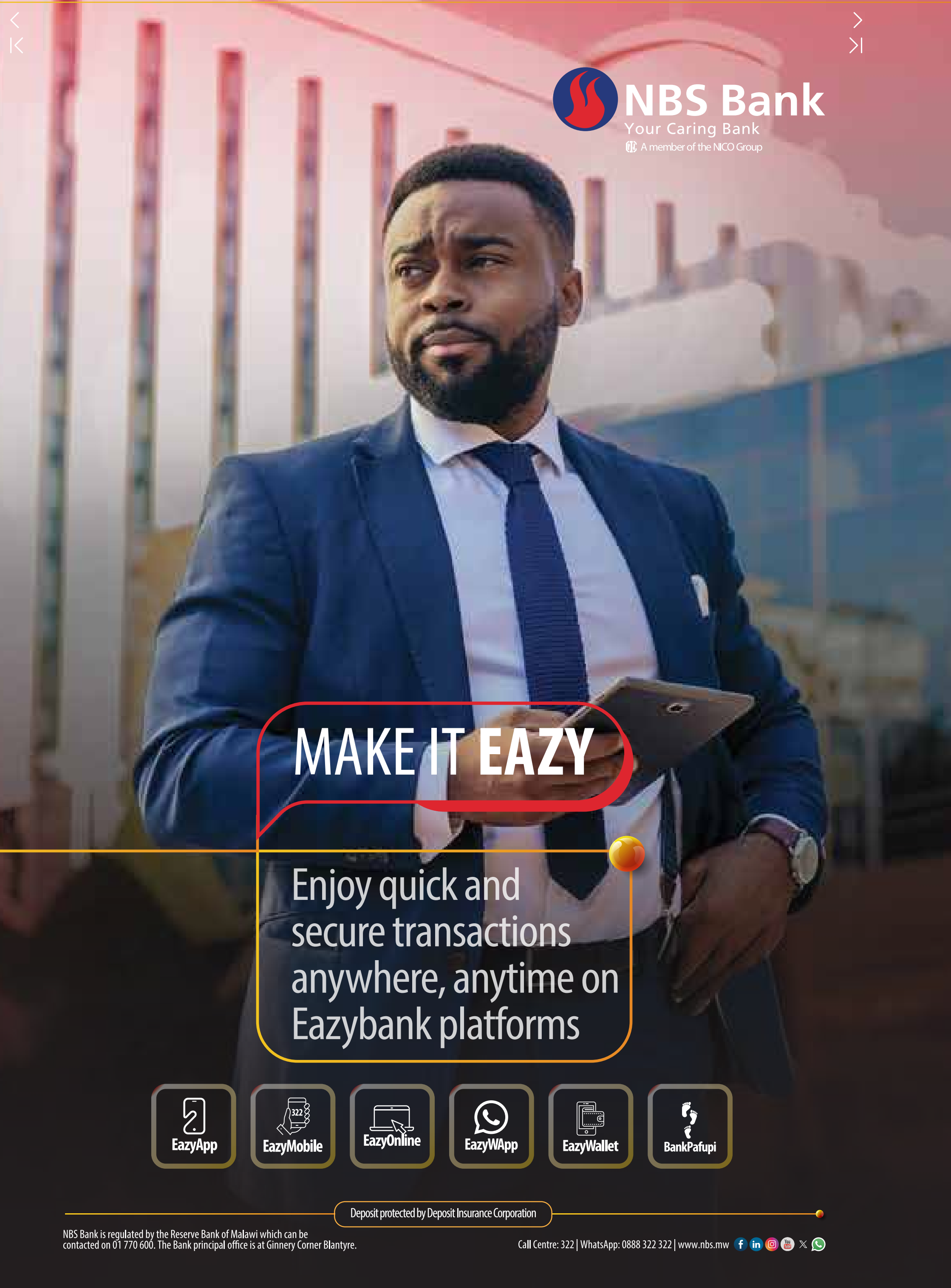
LOOKING AHEAD

The Bank will continue with its growth strategy, and focus will be on group synergies, investment in people and technology to enable the growth of the retail and corporate segments.

APPRECIATION

I wish to conclude by thanking our stakeholders for supporting the Bank. Our clients, regulators, the Malawi Stock Exchange and many others who gave us the chance to serve and shine. I want to appreciate the dedication of our staff to achieving our goals. I want to extend my gratitude to the Board of directors for the support and guidance given to my team during the year. Special appreciation to the core banking project staff who worked day and night to deliver on time and with excellence. My commitment to you remains that we want to make NBS Bank the best place to work, and I ask you all to continue giving your very best in 2025.

Temwani Simwaka
Chief Executive Officer
7 April 2025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Call Centre: 322 | WhatsApp: 0888 322 322 | www.nbs.mw

EXECUTIVE MANAGEMENT

DR. KWANELE NGWENYA – 56
OUTGOING CHIEF EXECUTIVE OFFICER
01 APRIL 2017 - 31 MARCH 2025

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

Dr. Kwanele Ngwenya is a career banker who has spent most of his life in banking. He has over 27 years of banking experience, 19 of which have been in leadership positions. He started his banking career with Nedbank South Africa before moving to FNB, where he spent 11 years. Dr. Ngwenya has vast international banking experience, having worked in South Africa, Botswana, Zimbabwe, and now Malawi.

Since joining NBS Bank in 2017, Dr. Ngwenya has been instrumental in driving the Bank's remarkable transformation. His visionary leadership and strategic acumen have propelled the Bank from strength to strength, solidifying its position in Malawi's financial services sector. In recognition of his outstanding efforts and the Bank's trajectory under his stewardship, Dr. Ngwenya was awarded the prestigious Best Banking CEO of the Year in 2023. This accolade reflects his commitment to excellence and his unwavering focus on delivering sustainable growth and innovation.

Dr. Kwanele Ngwenya holds a Doctorate of Philosophy focusing on Strategy Implementation, obtained from Da Vinci Institute in 2023. He also holds a Master's degree in Business Administration from Oxford Brookes University (UK), a Master of Science Degree in Strategic Management from the University of Derby (UK), and a Master's Degree in Business Administration in Banking and Finance from Bangor University in Wales. He is a Chartered Banker with the Institute of Bankers in Scotland.

Additionally, Dr. Ngwenya has completed several advanced professional development certifications from reputable institutions, including Wits Business School and GIBS Business School.

TEMWANI SIMWAKA - 54
CHIEF EXECUTIVE OFFICER
FROM 01 APRIL 2025

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

Mrs. Temwani Simwaka has over 25 years' experience at a senior management level in the financial services industry. Prior to her appointment, she was the Chief Financial and Value Management Officer of Standard Bank plc, a position she held since July 2010. Previously, she held the position of Head of Finance in Standard Bank from 2006 to 2010. During her tenure at Standard Bank, Temwani represented the Bank in many forums at both local and international levels. Further, she also served on the Bank's various governance committees at both management and board levels.

At NBS Bank, Mrs. Simwaka has demonstrated exceptional leadership, serving as the project sponsor for the implementation of the Bank's new Core Banking system. Under her guidance, this complex and transformative project was delivered on schedule, equipping the Bank with enhanced technological capabilities to support its strategic objectives and deliver superior customer experiences.

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

Previously, she served as Board Chair of the Small and Medium Enterprise Development Institute of Malawi and was on the board of the University of Livingstonia. She has also served as a council member of ICAM and a board member of the National AIDS Commission, the National Council for Higher Education, and the Girls Education Trust.

EXECUTIVE MANAGEMENT

BACC, ACMA, CGMA, CBCIB, MBA, RIMB

Mr. Shadrick Chikusilo is the Chief Operating Officer for NBS Bank plc since 2018. Before this, he had served NBS Bank Plc for 20 years in capacities of Head of Operations, Project Director – Core Banking Transformation project, Project Director – Restructuring and Rationalization project, Senior Service Centre Manager and Deputy Head of Audit.

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

FRM Holder, FCCA, CA(M), B.Acc.

Mr. Ernest Tembo is a chartered certified accountant and a financial risk management expert with over 12 years' experience in the financial services sector in Malawi. He has been Chief Finance Officer of NBS Bank plc since 1st February 2023. He previously held the position of Group Head of Risk of NICO Holdings plc responsible for NICO companies in Malawi and Zambia for 3 years. He has extensive experience in finance, financial risk management, strategy development and internal audit.

He previously worked for FDH Bank Limited for 5 years where he held various roles in internal audit and finance including acting as Head of Finance from July 2015 to June 2016 before joining NBS Bank plc as Head of Finance. He worked for Deloitte and KPMG where his work focused on external audits of clients in several sectors in Malawi.

Mr. Tembo is a Certified Accountant with the Institute of Chartered Accountants in Malawi (ICAM), a Fellow of the Association of Chartered Accountants (ACCA), UK. He is also a Financial Risk Manager-Certified by the Global Association of Risk Professionals. He holds a Bachelor of Accountancy Degree with Credit from the Malawi University of Business and Applied Sciences.

MA. Econ, BSoc.Sc Econ (UNIMA); Harvard Business School, AMP206; Stellenbosch Business School, EDP.

Mr. Alfred M. Nhlema was appointed Chief Wholesale Banking Officer effective 4th September 2023. Prior to his appointment Alfred served as Head of Corporate and Investment Banking, a position he held since 16th March 2020. He also served as Senior Treasury Manager in the Bank's Treasury Department, a position he assumed on 1 August 2019. He comes from a distinguished career at FDH Bank plc, where for more than a 9-year tenure, he held positions of increasing responsibility and complexity as Head of Government and International Organizations and as Head of Treasury and Trade Finance respectively.

Alfred holds a Master of Arts degree in Economics and Bachelor of Social Science (Economics) degree obtained from University of Malawi (UNIMA) in 2016 and 2002 respectively. He is also an alumnus of the Harvard Business School having qualified for the highly distinguished Post-graduate Advanced Management.

Program (AMP) in May 2024. He further holds and a Postgraduate qualification in Executive Development obtained in 2016 from Stellenbosch Business School. Additionally, Alfred has a Diploma in Banking specializing in Treasury and International Trade awarded by the University of Malawi through the collaboration of the Malawi Polytechnic and the Institute of Bankers in Malawi.

ACIB,MBA, BBA

Mrs. Victoria Chanza is a Chartered Banker with more than 24 years of experience in the Banking Industry. Prior to joining NBS Bank Plc as the Chief Retail Banking Officer in October 2023 , she worked at Ecobank Limited as the Head of Commercial Banking and Head of Domestic Banking between 2014 and 2023.

Between 2010 and 2014 , she worked as the Banking Centre Manager and Business Development Manager for CDH Investment Banking prior to working at Standard Bank between 2000 and 2010 in several areas of leadership, business development and operations. She holds a Masters Degree in Business Administration and a Bachelors Degree in Business Administration from the University of Malawi, The Polytechnic and an Advanced Diploma and Diploma in Banking (Credit) from the Institute of Bankers in South Africa.

EXECUTIVE MANAGEMENT

DAVIE MWENECHANYA - 47
HEAD OF TREASURY

BCOM, ACI.

Davie Mwenechanya is a seasoned banking professional with 23 years of experience in Malawi's financial services sector, marked by a strong leadership track record across treasury management, financial markets, and institutional banking. He is currently the Head of Treasury for the Bank, having joined in September 2024 from First Capital Bank where he served in the same capacity. Throughout his career, Davie has demonstrated exceptional technical acumen, navigating volatile financial markets to deliver strong results and spearheading key strategic initiatives that have shaped market leadership positions for the institutions he has served.

Davie began his career at National Bank of Malawi in 2001 and rose through various supervisory and treasury roles to become a Senior Dealer. He has held senior treasury positions at Indebank Limited and CDH Investment Bank Limited before assuming Treasury leadership at First Capital Bank Limited in 2018. A certified financial markets dealer by ACI, he also holds a degree in Business Studies from the Malawi University of Business and Applied Sciences, previously known as the University of Malawi (The Polytechnic) and is finalizing his MBA with ESAMI. He previously served as Vice President of the Financial Markets Dealers Association of Malawi (FIMDA), actively contributing to market development and governance.

SENIOR MANAGEMENT TEAM

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

Mr. Richard Dimba is a seasoned credit risk professional with over 15 years hands-on experience in credit risk management at middle and senior management levels. He previously worked for OIBM and Nedbank Malawi Limited as a Credit Manager. He also worked as Manager responsible for Investment and trade promotion at Malawi Investment and Trade Centre at senior management level.

Richard holds a Master of Business Administration Degree and A Bachelor of Business Administration Degree obtained from University of Malawi. In addition, Richard is an Associate Member of the Institute of Bankers in Malawi and he holds an Advanced Diploma in Treasury and International Banking (Institute of Bankers in Malawi). He is also a Certified International Retail Banker (CIRB) and a Certified Trade Finance Professional (CTFP). Nonetheless, Richard holds a certificate in Commercial Credit (Moody's Analytics) and recently obtained a certificate in Global Executive Leadership Programme at Gordon Institute of Business Science. He has also attended numerous courses in several disciplines.

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

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

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

SENIOR MANAGEMENT TEAM

MBA, LLB (Hons)

Ms. Felister Dossi is a seasoned legal practitioner with 18 years of experience. She currently practices as a corporate lawyer and works for NBS Bank Plc as the Head of Legal Services & Recoveries. She previously worked as Acting Director of Administration and Corporate Services and Legal Services Manager at Malawi Housing Corporation. Before joining Malawi Housing Corporation, she worked at Savjani & Company.

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

BAcc, ACCA, MBA, PECB Certified ISO 31000 Lead Risk Manager, BSP, FIOBM, Post Grad – EDP Stellenbosch Business School

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

Mr. Harold Sillion Phiri is a chartered accountant (ACCA), holds a master's degree in business administration (MBA) obtained from the Heriot-Watt University, UK, holds a Degree in Accountancy from the University of Malawi (now MUBAS), is a Certified Risk Manager (ISO 31000), is a Balanced Scorecard Professional (BSP), and a Fellow of the Institute of Bankers (FIOBM). He is also a graduate of the Executive Development Program (EDP) from Stellenbosch Business School.

BA (Public Administration), Certified Balanced scorecard Professional

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

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

Mr. Moses Suweta was appointed as Head of Internal Audit on 1st November 2024. Prior to his appointment, he served as acting Head of Internal Audit from 2023. He began his internal Audit career as an Internal Audit officer of the bank in 2010. He also worked as a Forensics Audit Manager between 2012 to 2013, before being appointed as Internal Audit Manager in 2013.

Mr. Moses Suweta holds a Bachelor's Degree in Applied Accounting with specialization in Auditing and Information systems. He is a qualified Chartered Accountant (ACCA), a Certified Internal Auditor (CIA) and a Certified Fraud Examiner (CFE). Mr. Moses Suweta is a member of the Institute of Internal Auditors Malawi (IIA) and the Institute of Chartered Accountants in Malawi(ICAM).

SENIOR MANAGEMENT TEAM

ACG,LLM, LL.B (Hons), CAMS

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

Vitumbiko holds a Bachelor of Laws (Hon) Degree and Master's Degree in Commercial Law from the University of Malawi and is a Chartered Company Secretary/Governance Professional having graduated from The Chartered Governance Institute UK & Ireland (CGIUK). She has a certificate in Compliance Management from University of Cape Town and is a certified anti-money laundering specialist with the Association of Certified Anti-Money Laundering Specialists (ACAMS). She had previously served on the Board of Greenbelt Authority.

Vitumbiko is the President of Netball Association of Malawi (NAM) and a co-founder of Governance and Compliance Consultancy Limited (GCE Consultants Ltd) a consultancy firm in Governance and Compliance.

MA Econs, BSoc, ACI

Florence Kampani has over 16 years of experience in the financial services sector where she has built expertise in pricing, model building, treasury management, balance sheet management, operational resilience and recovery planning, ALCO effectiveness.

Prior to joining NBS Bank Plc in March 2023, she held the role of Head of Treasury and Capital Management at Standard Bank plc (Malawi) between 2015 and 2023. Prior to that she held roles as ALM Manager, Corporate Dealer, Treasury Dealer and Economist.

She holds a Master of Arts in Economics specialising in Econometrics and Bachelor of Social Sciences with a major in Economics, both obtained from the University of Malawi. She also holds an ACI Dealing Certificate from ACI Financial Markets Association.

Florence Kampani is serving as an Executive member of the Economics Association of Malawi Executive Committee. She served as a Trustee for Standard Bank plc (Malawi) Pension Fund Board from 2015 to 2023, and is currently serving as a Trustee for NICO Pension (Timasuke) Fund.

BBA

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

He started his career with Continental Discount House Limited in 2006 and transitioned to Standard Bank later that year. In 2009, having concluded a 9-month attachment to Standard Bank South Africa, he was tasked to set up the first Investment Banking Unit in Malawi.

Across his career Zizwani has developed, driven and executed key international award winning and transactions for leading listed and unlisted corporates in the telecoms, infrastructure, energy, consumer, mining and agriculture sector including the TNM Limited Syndicated Facility, the TNM Dual Currency Revolving Credit Facility, The Malawi Power Conference and the Roads Fund Agency Syndicated Facility. Previous roles Zizwani has occupied include of Coverage Manager for the Power and Infrastructure Sector, Manager Corporate Finance Services and Investment Banking International Assignee responsible for overseeing the Standard Bank Investment Banking business in Mauritius. He holds a Bachelor of Business Administration degree from University of Malawi.

BSC, TED, Global MBA

Mr. Dzoole-Mwale has a diverse background spanning from telecommunications at both TNM PLC and Airtel Malawi where he worked in Sales before joining the energy sector with Total Energy and later started his Banking Career with Standard Bank Malawi as Manager, Digital Banking.

He joined NBS Bank Plc in 2017, where he currently serves as Head of Strategy, Innovation and FinTech. Having also served as Head Of Marketing, Head Of Customer Experience and Head Of products in acting capacity.

His core responsibilities include steering digital transformation and leading data-driven strategic initiatives.

He is a certified Digital Finance practitioner and is currently pursuing a Global MBA from Queen Mary University of London.

SENIOR MANAGEMENT TEAM

MARSHA MACHIKA – 38
COMPANY SECRETARY

LL.B (Hons), CPG Cert in Laws (Banking and Finance Laws) LLM in Commercial Laws

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

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

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

NBS Bank
Your Caring Bank
A member of the NICO Group

ARE YOU RED-Y?

Mark your calendars to the transformation! We are counting down to the 9th September 2024.

Tili Limodzi?

Deposit protected by Deposit Insurance Corporation

KEY ACTIVITIES

NBS Bank Charity Shield Match

NBS Bank sponsored The Football Association of Malawi with MK 40 million for the NBS Bank Charity Shield Match. The proceeds from the match were channeled towards rehabilitation of two VIP latrines at Kanjuwi and one at Kampheza Primary School in Salima District.

NBS Bank Sponsors Presidential Charity Golf Initiative with MK 155 million.

In line with our mission to make a positive impact on the communities we serve, NBS Bank proudly sponsored the Presidential Charity Golf Tournament with a contribution of K155 million.

The funds raised from the tournament would be utilized to support needy students in public universities, providing them with access to quality education and empowering them to achieve their full potential. Furthermore, a portion of the contribution would also go towards assisting communities still recovering from the devastating impact of Cyclone Freddy. This support would help alleviate the suffering of those affected and contribute to the rebuilding efforts.

KEY ACTIVITIES

MDF Thanksgiving golf tournament

NBS Bank sponsored Malawi Defence Force for the Annual Military Thanksgiving Veterans Golf Tournament for the sixth year, at Country Club Limbe on 2nd November 2024. The tournament is a yearly event held to raise funds to maintain houses that accommodate veterans and cater to their basic needs. In 2024, the Bank sponsored this event with K 30 million going directly to VELOM for the welfare of the veterans.

1 billion NBS National Division League

As part of our 60th-anniversary celebrations, NBS Bank unveiled a K1 billion three-year sponsorship for the National Division League (NDL), commencing in 2025. This significant investment demonstrates our dedication to promoting football development in Malawi. The sponsorship will provide essential support to teams, enhance the overall football experience, and contribute to the growth of the sport in the country.

1 billion ONE NICO sponsorship

ONE NICO has sponsored Malawi National Netball Team and NICO Top 12 Cup with a 1 billion three years. This sponsorship would go directly towards the team, ensuring that it has access to the resources, training and facilities it needs to compete at the highest level.

KEY ACTIVITIES

NBS Bank Budget Business Breakfast

NBS Bank hosted a Budget Business Breakfast aimed at breaking down and analyzing the national budget and its implications. The event was themed "Navigating Prosperity: Unpacking the National Budget for Business Growth" conveyed the idea that the national budget is a roadmap for economic development and prosperity. This encourages individuals to proactively understand, and apply the insights from the national budget to guide their businesses towards a path of prosperity and sustainable growth.

Launch of Zomba Private Banking Suite

As part of our ongoing efforts to deliver exceptional banking services, NBS Bank officially launched its newest facility in Zomba. This state-of-the-art branch is the third of its kind in our network and underscores our commitment to providing tailor-made banking solutions to our customers. We are geared to bringing tailor-made banking solutions to all our customers

KEY ACTIVITIES

SME Clinics – Lilongwe and Mzuzu

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

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

The Bank interacted with some of its customers through a clinic and tradeshow conducted in Blantyre. The objective of the clinic was to engage with customers and teach them ways in which they can improve their financial accounting and improve their chances to get loans for the benefit of their businesses. The clinic was held in Lilongwe and Mzuzu.


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DIRECTORS' REPORT

For the year ended 31 December 2024

The Directors of NBS Bank Plc continued to be diligent in fulfilling their responsibilities throughout 2024. The Board have adhered to the Malawi Companies Act, 2013, specifically with sections 176 to 182, ensuring that their actions promote the success of the Company for the benefit of all shareholders. Further, in their decision-making process, the Board has taken into account the long-term consequences, the interests of employees, and the importance of maintaining strong relationships with suppliers, customers, and other stakeholders. Furthermore, the Board considered the impact of the Company's operations on the community and the environment, striving to uphold high standards of business conduct. Therefore, this report highlights how the Board has performed its duties to promote the success of NBS Bank Plc for the benefit of all stakeholders in 2024.

NATURE OF BUSINESS

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

CAPITAL

NBS Bank Plc has a single class of ordinary shares. The authorized share capital of the Bank is MK2,000,000,000, which is divided into 4,000,000,000 ordinary shares of 50 tambala each. As of 31 December 2024, the issued shares totaled 2,910,574,000. The rights and obligations associated with each class of ordinary shares are detailed in the Bank's Articles of Association. Additionally, there are no voting restrictions on the issued ordinary shares, and all of them are fully paid

The summarized shareholding of NBS Bank Plc is as below:

	Shareholding (%)	
	2024	2023
Shareholder Name		
NICO Holdings Plc	**50.10**	50.10
Public Service Pension Trust Fund	**8.40**	12.06
NBS Bank ESOP *	**0.10**	0.10
Related parties (directors and senior management) *	**1.60**	1.21
General public	**39.80**	36.53
Total	**100.00**	100.00

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

FINANCIAL PERFORMANCE

The Group recorded consolidated Profit After Tax (PAT) of K72.99 billion for the year ended 31st December 2024 compared to MK29.38 billion reported in a similar period in 2023 representing an increase of 148% year-on-year.

Net interest income amounted to K160 billion, representing a 139% increase from the K67 billion reported in 2023. The strong performance was driven by a significant growth of money market investments which increased by K366 billion and the loan book which increased by K86 billion.

Non-interest income went up from K34.95 billion in 2023 to K45.19 billion in 2024, driven by higher trade finance volumes, increased adoption of digital platforms which drove transaction volumes, and growth in foreign exchange trading income.

DIRECTORS' REPORT (Continued)

Total operating expenses amounted to K75.84 billion, representing a 57% year-on-year increase. The increase in operating expenses was driven by inflation, new business activity, project expenses and a slight depreciation of the Kwacha. However, the growth of income was significantly higher than the increase of operating expenses resulting in a decrease in the cost-to-income ratio from 47% to 37%.

Credit impairments amounted to K4.72 billion, representing a 3% increase from the K4.56 billion recorded in 2023. The modest growth was driven by rising interest rates, while the Group actively monitored the loan book to manage impairment levels. The provisions were made in line with the expansion of the loan book to ensure compliance with International Financial Reporting Standard 9 (IFRS 9) and with RBM Requirements.

The Group's total assets closed at K1.19 trillion, representing an 81% increase from K657.72 billion reported as at 31 December 2023. The growth was driven by an K189 billion increase in customer deposits and borrowing from financial institutions. Current and savings account balances accounted for 56% of total customer deposits as at 31 December 2024, up from 52% as at 31 December 2023. The improved deposit mix is expected to contribute to a better net interest margin in 2025. The Bank's loan book expanded to K248 billion as at 31 December 2024, compared to K162 billion in the prior year. The growth of the loan book followed sustained demand for loans in the retail segment, FCY loans to the agriculture sector and project finance.

The Bank remains well-capitalised, with Tier 1 and Tier 2 capital ratios at 22.97% and 28.35%, respectively as at 31 December 2024, compared to 16.35% and 18.10% as at 31 December 2023. Both ratios remain well above the regulatory requirements of 14% and 15% for Tier 1 and Tier 2 capital ratios, respectively. The improvement in capital ratios was a result of profits earned in 2024 and subordinated debt of MK26 billion raised in Q4 2024. The Group maintains a prudent capital management policy, ensuring sufficient capital buffers to absorb unexpected losses and support sustainable growth.

STRATEGY

The Bank continued to execute its growth strategy with a strong focus on the Retail, SME, and Food & Agriculture sectors. The overarching strategic objective remains to establish the Bank as a digitally driven transactional partner for both retail and corporate clients, underpinned by a deep understanding of customer needs. This strategic distinction is reinforced by an intrapreneurial culture, a robust risk management framework, a client-centric approach, and the ability to remain agile, flexible, and innovative. During the year, the Bank made further progress in consolidating gains from its repositioned product offering and customer-centric business model, with a continued emphasis on driving financial inclusion.

Beyond technology, the Bank remains committed to investing in its people, recognizing this as a key driver of growth and long-term business sustainability.

Risk management and regulatory compliance remain strategic priorities, with ongoing measures in place to mitigate cybercrime risks and ensure full adherence to KYC requirements. The Bank continues to strengthen its internal control environment, which has contributed to a sustained reduction in operational losses over the years.

DETAILED FINANCIAL RESULTS

The Group's financial performance and position are presented in the accompanying consolidated and separate statements of financial position, statements of comprehensive income, statements of changes in equity, and statements of cash flows, along with the relevant accounting policies and accompanying notes.

DIVIDEND

The Board of Directors at its meeting of 20 March 2025 approved the payment of a 3rd interim dividend of K14.55 billion representing a dividend of K5.00 per share (2023 3rd interim dividend of K4.37 billion representing a dividend of K1.50 per share) and has recommended the payment of a final dividend for the year ended 31 December 2024 of K4.37 billion representing K1.50 per share (2023 final dividend: K1.88 billion representing K0.64 per share).The first Interim and second interim dividends paid amounted to K4.66 billion and K8.15 billion, respectively representing a dividend per share of K1.60 and K2.80 per share respectively. Total dividend for the year ended 31 December 2024 including the proposed final dividend amounted to K31.73 billion representing a total dividend of K10.90 per share (2023 total dividend: K13.21 billion representing a total dividend of K4.54 per share).

DIRECTORS' REPORT (Continued)

CORPORATE GOVERNANCE

The business and affairs of NBS Bank Plc are managed by the Board under its directive and supervision. The Board is responsible for setting the strategic direction of the Bank and ensuring that it adheres to high standards of corporate governance. Embracing good corporate governance practices, the Bank delegates the day-to-day management of the business and the implementation of strategy to the Chief Executive Officer. The Chief Executive Officer is tasked with executing the Board's strategic vision and managing the overall operations of the Bank. To effectively discharge these responsibilities, the Chief Executive Officer is supported by the Executive Committee, which comprises senior management members. This committee includes the Deputy Chief Executive Officer, the Chief Finance Officer, the Chief Operating Officer, the Chief Retail Banking Officer and the Chief Wholesale Banking Officer. Together, the Executive Committee works collaboratively to ensure that the Bank's strategic objectives are met, and that it operates efficiently and effectively, maintaining a strong focus on governance, compliance, and stakeholder engagement.

DIRECTORATE AND SECRETARY

Board composition

The Board is led by the Chairman, who oversees its activities and ensures effective governance. The Board comprises a majority of independent members. As of 31 December 2024, the Board comprised three non-executive directors and six independent directors, with one vacancy that is expected to be filled soon. The non-executive directors are not involved in the day-to-day management of the Bank but provide valuable insights and oversight based on their experience and expertise. The independent directors are free from any business or other relationships that could materially interfere with their ability to act in the best interests of the Bank and its shareholders. Detailed information about each Board member, including their career backgrounds, skills, and experience, can be found in the Directors' biographies section of the annual report.

The Board also includes a Company Secretary, who plays a crucial role in ensuring that the Bank adheres to prescribed procedures and maintains high standards of corporate governance and ethical principles. The Company Secretary is accountable to the Board and provides support to ensure that the Board's decisions are implemented effectively. All Directors have unlimited access to the advice and services of the Company Secretary to help them fulfil their responsibilities effectively. Additionally, any director is entitled to seek independent professional advice at the Bank's expense if they believe it is necessary for the discharge of their duties.

The following Directors and Secretary served during the year:

Name	Position	Period
Mr. V. Kumwenda	Chairman	All year
Mr. K. Mukushi	Director	All year
Mr. P. Guta	Director	From 6th June 2024
Mr. C. Chiundira	Director	All year
Mr. H. B. Kalua	Director	All year
Dr M. Mtumbuka	Director	Up to 8th September 2024
Mr. J. Masumbu	Director	All year
Mr. E.M. Banda	Director	All year
Ms. R. Mkweza	Director	All year
Ms. M. Kajiyanike	Director	All year
Mr. M. Machika	Company Secretary	Al l year

Director Paul Guta joined the Board on 06th June 2024, bringing with him a wealth of experience and expertise that is essential for promoting the success of NBS Bank Plc. His addition to the Board is expected to contribute significantly to the Bank's strategic goals and overall performance.

On the other hand, Director Dr. Matthews Mtumbuka resigned from the Board on 08th September 2024 to pursue other interests in his career. During his tenure, Dr. Mtumbuka made significant and important contributions, particularly in developing and implementing the Bank's ICT strategy, leading initiatives to modernize the Bank's digital platforms, including the implementation of advanced banking software and systems, strengthening the Bank's cybersecurity and ensuring that that the Bank's ICT and financial reporting practices adhered to regulatory requirements. His efforts have had a lasting impact on the Bank's operations and governance framework. The Board extends its best wishes to Dr. Mtumbuka in his future endeavours.

DIRECTORS' REPORT (Continued)

Board meetings and attendance

The Board is scheduled to meet at least four times a year. In 2024, the Board met five times, including a session to review the Bank's strategy to align it with the changing economic environment.

The Board also actively participated in stakeholder engagement events to understand the challenges faced by the Bank's stakeholders and how these could be factored into decision-making. One of these engagements included a session held on 10th April 2024 at Mount Soche Hotel in Blantyre. The details of attendance of the board meetings and strategy session registered in the attendance register are provided below:

Name of Director	Number of Meetings Eligible to attend during the year	Number of Meetings Attended
	(Scheduled/Ad hoc)	(Scheduled/Ad hoc)
Mr. V. Kumwenda	4/1	4/1
Dr. M. Mtumbuka	4/1	3/1*
Mr. H.B. Kalua	4/1	4/1
Mr. C. Chiundira	4/1	4/1
Mr. J. Masumbu	4/1	4/1
Mr. E. Banda	4/1	4/1
Ms. R. Mkweza	4/1	4/1
Ms. M. Kajiyanike	4/1	4/1
Mr. K. Mukushi	4/1	4/1
Mr. P. Guta	2/-	2/-**

* The other meeting was held after the resignation of Director Dr. Matthews Mtumbuka on 08th September 2024.
** The other meetings were held before the appointment of Director Paul Guta on 06th June 2024.

Additionally, there were board trainings throughout the year as follows:

TRAINING DESCRIPTION	ORGANISER	DATE	ATTENDANCE
Environmental and Social Safeguards Training	RBM	11-12 March 2024	Director V. Kumwenda Director M. Kajiyanike Director C. Chiundira
Moral Audit Survey and Ethical Culture - Share Dealing by Directors and Senior Management	NICO Group	22 April 2024	All
Group-wide Training on ESG	NICO Group	28 June 2024	All
NICO Group Board Training on AML & Outsourcing Guidelines for Financial Institutions	NICO Group	10 September 2024	All
Share dealing by directors, senior managers and related parties.	NBS Bank PLC	22 April 2024	All
41st African Corporate Governance Conference	Advantage Training	5-8 November 2024	Director J. Masumbu Director R. Mkweza Director P. Guta

Furthermore, in addition to the scheduled and ad hoc meetings, all directors attended the Annual General Meeting (AGM) held on 26 July 2024 at Ryalls Hotel in Blantyre. Beyond the formal scheduled meetings, the Board has established comprehensive procedures that encourage directors to maintain regular contact with members of the senior management team and to access pertinent information affecting the business.

The Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief Operating Officer, Chief Wholesale Banking Officer, and Chief Retail Banking Officer, are regular attendees at Board meetings. Additionally, senior managers are invited to attend the meetings for specific agenda items as required. This practice ensures that the Board remains well-informed and that decisions are made with comprehensive insights from various facets of the organization. The Board's engagement with senior management fosters a collaborative environment, promoting transparency and effective governance.

DIRECTORS' REPORT (Continued)

Responsibilities of the Board

The detailed responsibilities of the Board are outlined in its Board charter, which is periodically reviewed to ensure alignment with the evolving business and regulatory environment. The Board is deeply aware that its primary responsibility is to develop and oversee the Bank's strategy, with the ultimate aim of achieving long-term success. Consequently, the progress of the Bank's strategy is a standing agenda item at every scheduled Board meeting. All critical decisions made by the Board are aligned with the Bank's strategy, ensuring coherence and focus.

The Board achieves this alignment by ensuring that all papers presented by Management for deliberation contain comprehensive and relevant information, enabling directors to make well-informed decisions. Additionally, the Board ensures that its deliberations are balanced, considering performance, emerging risks, and duties to shareholders, while also maintaining a focus on the Bank's responsibilities to its customers and other stakeholders.

The Company Secretary plays a crucial role in supporting the Board by ensuring that Management provides the necessary information and by offering guidance and direction on key areas for consideration, as required by the Companies Act. This support is vital in enabling the Board to discharge its duties effectively and responsibly.

Environmental, Social and Governance (ESG) Reporting

The Bank continues to position itself to comply with the Malawi Stock Exchange issued revised Listing Requirements (MSE LR) which came into force in June 2023. The new MSE LR requires the Bank to disclose the relevance of sustainability in the context of environmental, social and governance standards to the Bank and the Bank's strategy for addressing sustainability issues. The MSE LR recommends that companies adopt Global Reporting Initiatives (GRI), Sustainability Reporting Guidelines or standards in disclosing the company's sustainability performance.

Therefore, in a bid to comply with the MSE LR, the Bank under the NICO Group engaged Deloitte Touche Tohmatsu Limited to support it to integrate ESG at governance, management, and operational levels and understand its current sustainability maturity and what sustainability issues matter to NBS Bank to inform its ESG framework. The scope of the engagement includes planning, data collection, materiality assessment, ESG Framework advisory and ESG reporting disclosure advisory. As of the date of this report, the status of the Bank's ESG compliance was at an advanced stage and a separate report on the same would be published by the Board.

Shares held directly or indirectly by directors.

The following directors held shares in the Bank as of 31 December 2024.

Name of NBS Bank Plc Director	Total interests as of 1 Jan 2024 or date of appointment, if later	Shares purchased/(sold) during the year				Total interests as of 31 Dec 2024 or date of cessation, if earlier
		Beneficial owner	Child under 18 or spouse	Jointly with another person	Trustee	
Mr. V Kumwenda*	10,000,023	NIL	NIL	NIL	11,219,041	21,219,064
Mr. P. Guta	NIL	NIL	NIL	NIL	NIL	NIL
Mr. Chiundira**	262,130	NIL	NIL	NIL	NIL	262,130
Mr. E.M. Banda	NIL	NIL	NIL	NIL	NIL	NIL
Mr. J. Masumbu	NIL	NIL	NIL	NIL	NIL	NIL
Ms. R. Mkweza	NIL	NIL	NIL	NIL	NIL	NIL
Mr. K. Mukushi	NIL	NIL	NIL	NIL	NIL	NIL
Mr. H.B. Kalua	NIL	NIL	NIL	NIL	NIL	NIL
Ms. M. Kajiyanike	NIL	NIL	NIL	NIL	NIL	NIL

* The shares are held by WOP V J Trust which is owned by the family of Mr. Vizenge Kumwenda. In 2024, WOP V J traded NBS shares as follows:

DIRECTORS' REPORT (Continued)

<table>
<tr><th>NARATIVE</th><th>BUY</th><th>SELL</th></tr>
<tr><td>The name of the director</td><td>Mr. Vizenge Kumwenda</td><td>NIL</td></tr>
<tr><td>The name of the company of which the person is a director;</td><td>NBS Bank plc</td><td>-</td></tr>
<tr><td>The date on which the transaction occurred, the price, number and value of shares.</td><td><table>
<tr><td>Transaction Date</td><td>Number of shares</td><td>Price (MK)</td></tr>
<tr><td>07/07/2024</td><td>682,828</td><td>152</td></tr>
<tr><td>07/11/2024</td><td>4,955,300</td><td>149.61</td></tr>
<tr><td>11/10/2024</td><td>3,462,000</td><td>149.59</td></tr>
<tr><td>18/10/2024</td><td>1,083,771</td><td>149.58</td></tr>
<tr><td>25/11/2024</td><td>210,377</td><td>151.99</td></tr>
<tr><td>25/11/2024</td><td>570,007</td><td>152</td></tr>
<tr><td>29/11/2024</td><td>254,758</td><td>151.98</td></tr>
</table></td><td>-</td></tr>
<tr><td>The nature and extent of the director's interest in the transaction.</td><td>Self</td><td>-</td></tr>
</table>

** The shares are held by Tedaa Trust which is owned by the family of Mr. Chifundo Chiundira. In 2024, there was no trading that occurred.

Conflicts of interest

The Board has a robust conflict-of-interest policy in place which helps maintain the integrity, transparency, and accountability of the company's governance. In turn this is essential for building and maintaining stakeholder trust and confidence. The policy is periodically reviewed to ensure effective management of directors' conflicts of interest. This policy is guided by Division IV and Division V of the Malawi Companies Act, 2013, particularly Section 186, which outlines various scenarios where a director may be considered interested in a transaction or arrangement with the company.

Section 186 specifies that a director is interested if they:

- Are a party to or may derive a material financial benefit from the transaction or arrangement.
- Have a material financial interest in another party involved in the transaction.
- Hold a position such as director, officer, or trustee in another party that may benefit from the transaction, with certain exceptions for wholly owned subsidiaries.
- Are related to another party involved in the transaction, such as a parent, child, or spouse.
- Are otherwise directly or indirectly materially interested in the transaction or arrangement.

In 2024, all directors who became aware of their interest in any transaction or arrangement with the Bank ensured their interests were recorded in the Board's register of interests or disclosed to the Board. The Bank did not enter into any transactions where a director had an interest without the director first declaring it and the Board noting it. Additionally, directors with an interest in a transaction did not participate in the deliberations or approval of such transactions.

On the other hand, the Board continues to take notice of the following standing interests in the register of interests:

- Standing Notice of Disclosure for Mr. Vizenge Kumwenda for executive position in NICO Holdings plc, the majority shareholder of the Group.
- Standing Notice of Disclosure for Mr. Chifundo Chiundira for executive position in NICO Holdings plc, the majority shareholder of the Group.
- Standing Notice of Disclosure for Mr. Kudakwashe Mukushi for executive position in Botswana Insurance Holdings Limited (BIHL). BIHL has 25.10% shareholding in NICO Holdings plc.

The register of interests is periodically reviewed and updated to ensure that all disclosed interests are current and accurately recorded. This is done to maintain an up-to-date record of all potential conflicts of interest.

Board evaluation and effectiveness

The Bank has implemented a comprehensive range of policies and procedures to ensure Board effectiveness. Each director is required to comply with all prescribed codes for corporate governance, including directives set by the Reserve Bank of Malawi. The Board conducts an annual evaluation of its performance, its committees, and individual directors. This evaluation is led by the Appointments and Remuneration Committee and coordinated by the Company Secretary.

DIRECTORS' REPORT (Continued)

The findings from the evaluation are discussed by the Board, and action points from these discussions are monitored and addressed on an ongoing basis. The 2024 evaluation yielded several outcomes all of which aimed at enhancing the effectiveness and governance of the Board. Among the actionable recommendations were to enhance compliance monitoring, training and development, and to focusing more on stakeholder engagement. However, overall, the evaluation concluded that the Board possesses a diverse mix of skills and experience, which is essential for effectively fulfilling its responsibilities and contributing to the success of the Bank. This diversity is reflected in several key areas, including the extensive experience in strategic management among board members, their significant expertise in corporate governance and risk management, their strong financial and legal backgrounds, and the valuable industry-specific knowledge they bring to the table.

Board subcommittees

To best support the oversight and delivery of the Bank's strategy, the Board has established several subcommittees, including the Credit Committee, Risk Committee, and Finance and Audit Committee. These subcommittees play a crucial role in ensuring that the Board can effectively manage various aspects of the Bank's operations and governance.

The Board also set up an ad hoc subcommittee specifically for the Core Banking System Project. This committee comprises representatives from the Board's existing subcommittees and is focused on overseeing the implementation of the core banking system project. It is expected that this committee will be dissolved once the post implementation phase of the core banking system is completed.

At all Board subcommittee meetings, key representatives from various functions attend to provide insights on the business and the implementation of the Bank's strategy. This approach allows subcommittees to gain in-depth knowledge of the business and make informed recommendations to the Board on issues affecting the Bank. This structure helps the Board maintain a comprehensive understanding of the Bank's operations and ensures that strategic decisions are made based on accurate and up-to-date information.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee had a productive year in 2024, focusing on key appointments and ensuring the effective functioning of the Board. The committee concluded the year with three directors: Director Emmanuel Banda, Director Paul Guta, and Director Chifundo Chiundira. On June 6, 2024, Director Paul Guta joined the committee, replacing Dr. Anurag Saxena, who had retired from the Board in 2023.

Throughout the year, the committee successfully addressed several important vacancies that were reported in the previous year. Notably, the committee filled the positions of Head of Treasury and Head of Internal Audit. These appointments were made in collaboration with the Finance and Audit Committee, ensuring that the selected candidates met the necessary qualifications and experience required for these critical roles. In addition to these achievements, the committee is actively working to fill the vacancy for the position of Head of Finance. The committee is confident that this position will be filled soon, further strengthening the Bank's leadership team and enhancing its ability to achieve strategic objectives.

The committee's efforts in 2024 demonstrate its commitment to maintaining a strong and effective leadership team, which is essential for the Bank's continued success. By ensuring that key positions are filled with qualified and experienced individuals, the committee contributes to the overall governance and strategic direction of the Bank.

Responsibilities of the committee

The Appointments and Remuneration Committee is responsible for the following:

- Board Appointments: The committee is responsible for identifying and recommending candidates for appointment to the Board. This includes evaluating the skills, experience, and qualifications of potential candidates to ensure they meet the criteria for Board membership.
- Executive Appointments: The committee oversees the appointment of senior executives, including the Chief Executive Officer, Chief Financial Officer, and other key management positions. This involves conducting thorough assessments and interviews to select the most suitable candidates.
- Remuneration Policies: The committee is tasked with developing and reviewing the Bank's remuneration policies. This includes setting the remuneration packages for Board members and senior executives, ensuring they are competitive and aligned with the Bank's strategic objectives.
- Performance Evaluation: The committee conducts annual evaluations of the performance of the Board, its committees, and individual directors. This helps in identifying areas for improvement and ensuring that the Board operates effectively.

DIRECTORS' REPORT (Continued)

- Succession Planning: The committee is responsible for developing and implementing succession plans for key management positions. This ensures continuity and stability in the Bank's leadership.
- Compliance with Governance Codes: The committee ensures that the Bank complies with all prescribed codes for corporate governance, including directives set by the Reserve Bank of Malawi. This helps in maintaining high standards of governance and accountability.
- Monitoring and Reporting: The committee monitors the implementation of its recommendations and reports on its activities to the Board. This includes providing updates on the progress of key initiatives and addressing any issues that arise.

Committee meetings and attendance
The Committee is scheduled to meet at least 4 times a year. In 2024 the Committee met 6 times. The details on attendance of the board meetings and strategy session are provided below.

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

* The first two meeting were held before the appointment of Director Guta on 06th June 2024.

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

Highlight of deliberations of the committee
Throughout the year, the Appointment and Remuneration Committee played a pivotal role in ensuring effective governance and strategic direction for the Bank. The Committee was actively involved in various activities, such as reviewing and approving appointments to the Board and senior management positions. Additionally, the Committee determined salary structures, bonuses, and other benefits to ensure competitive and fair compensation. They also reviewed and updated the Bank's succession plan to ensure a smooth transition in leadership roles, which included developing the skills and experiences of potential candidates for key positions. Furthermore, the Committee conducted a performance evaluation for the Board to assess its effectiveness and identify areas for improvement.

Further, the Committee played a significant role in ensuring that the Board members are well trained and equipped to fulfil their responsibilities effectively. During the year, the Board attended several training courses arranged by the Committee. Notably, three members of the Board attended the 41st African Corporate Governance Conference in the Republic of South Africa, organized by Advantage Training. The training focused on enhancing the Board's strategic capabilities and aligning with the best practices in governance. Additionally, the Committee arranged other training courses tailored to address the evolving needs of the Bank and the regulatory environment.

Furthermore, the Committee ensured that new members of the Board underwent a suitable induction process to understand the Bank's operations, governance structure, and their roles and responsibilities. This induction process proved crucial for helping new directors acclimate to their roles and contribute effectively to the Board's activities

Finance and Audit Committee
The Finance and Audit Committee operates under the Financial Services (Annual Audits of Banks) Directive, 2018. Initially, the Committee comprised three directors: Dr Matthews Mtumbuka, Kudakwashe Mukushi, and Harrison Kalua. However, Dr. Mtumbuka resigned from the Board on 8th September 2024, resulting in the Committee ending the year with two members. This change did not affect the Committee's ability to discharge its duties. As of December 2024, the Board was at an advanced stage in filling the vacancy on the Committee.

DIRECTORS' REPORT (Continued)

All directors on the Finance and Audit Committee are either independent or non-executive, possessing expertise in accounting, audit, finance, ICT, economics, and risk management. Additionally, none of the members serve on any other permanent committee of the Board, ensuring their focus and dedication to the Finance and Audit Committee.

Responsibilities of the committee

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

- Financial Oversight: The Committee examines and reviews the annual financial statements, interim reports, and any other financial information to be made public.
- Risk Management: The Committee is responsible for examining and reviewing all systems and methods of control, both financial and otherwise, including risk analysis and risk management.
- Compliance: The Committee ensures that the bank complies with all legal and regulatory requirements.
- Internal and External Audits: The Committee oversees the internal and external audit processes.
- Financial Performance Monitoring: The Committee reviews financial performance reports presented by the Chief Finance Officer and other relevant departments.
- Reporting and Communication: The Committee ensures that there is a framework for accountability within the organization

Committee meetings and attendance

The Committee is scheduled to meet at least 4 times a year. In 2024 the Committee met 5 times. The details on attendance of the board meetings and strategy session are provided below.

Name of Director	Number of Meetings Eligible to attend during the year (Scheduled/Ad hoc)	Number of Meetings Attended (Scheduled/Ad hoc)
Dr. M. Mtumbuka*	3/-	3/-
Mr. H.B. Kalua	4/1	4/1
Mr. K. Mukushi	4/1	4/1

*The other meetings were held after Dr. Mtumbuka 's resignation.

The Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief Operating Officer, Chief Retail Banking Officer, Chief Wholesale Banking Officer, Head of ICT, and Head of Internal Audit attend all meetings. Other senior management members, such as the Head of Marketing, also routinely attend Committee meetings. The external auditors are present at all required meetings and hold separate sessions with the Committee to discuss audit issues affecting the Bank. Additionally, the Chairperson regularly meets with the Head of Internal Audit, Company Secretary, Chief Finance Officer, and Head of ICT to discuss agendas and specific issues that arise during the year in their respective functions.

Highlight of deliberations of the committee

During the year, the Finance and Audit Committee oversaw the financial performance of the Bank through several key activities and responsibilities. The Committee examined and reviewed the quarterly financial performance reports presented by the Chief Finance Officer. The reports highlighted key financial metrics such as profit after tax (PAT), cost-to-income ratio, customer deposits, and deposit mix improvement. Further, the Committee also monitored the bank's compliance with liquidity reserve requirements as defined by the Reserve Bank of Malawi. This involves ensuring that the bank maintains a liquidity reserve of not less than the regulatory prescribed threshold and the Bank's appetite.

The Committee ensured that the Bank complied with the prescribed minimum capital ratios set by the Reserve Bank of Malawi. This includes maintaining the prescribed core capital (Tier 1) and supplementary capital (Tier 2) ratio. Further, the Committee reviewed regular reports on the Bank's capital adequacy, including any breaches of capital ratios and the mitigating actions taken. Furthermore, the Committee worked closely with internal audit to enhance the Capital Adequacy Risk Management policy and procedures.

DIRECTORS' REPORT (Continued)

The Committee also recommended to the Board for recommendation to the shareholders at the July 2024 Annual General Meeting the appointment of Grant Thornton Malawi as the external, auditors of the Bank in accordance with the requirements of the Financial Services Act and the Annual Audit directive. Further, the Committee identified and approved the appointment of Mr. Moses Suweta as the Head of Internal Audit. The Committee is satisfied with the work conducted by the external and internal auditors and will continue to put in place measures to enhance independence of the functions. Further, the Committee will continue to ensure that Management dealt with the recommendations in a timely manner and the corrective actions were taken on deficiencies that were noted in the report.

Risk Committee

This is the report of the Risk Committee. In 2024, Director Paul Guta joined the Committee as a member, bringing the total membership to three. Director Guta added significant value to the Committee with his extensive experience and strategic insights. His background as an accomplished ex-bank CEO and entrepreneur, along with his executive management experience in banking and corporate business management, provided him with the necessary knowledge to effectively contribute to the Committee. Overall, the Committee is confident in its composition, skills, and experience, which are instrumental in enhancing its effectiveness in identifying and managing risks as the Bank continues to grow its business.

Responsibilities of the committee

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

- Identifying, assessing, and managing risks: The Committee is responsible for recognizing, evaluating, and handling various risks that the Bank might face.
- Reviewing strategies and policies: The Committee examines the strategies, policies, frameworks, models, and procedures that help in identifying, measuring, reporting, and reducing significant risks.
- Monitoring and reporting on risk profile: The Committee keeps an eye on the overall risk profile of the Bank, including any major changes or new risks, and reports these to the Bank's board of directors and senior management.
- Approving major transactions and initiatives: The Committee reviews and approves significant transactions, investments, and business initiatives to ensure they align with the Bank's risk appetite and overall risk management strategy.
- Monitoring capital and liquidity: The Committee reviews and monitors the Bank's capital and liquidity position, considering both current and future risk profiles and the potential impact of stress.
- Reviewing the Enterprise Risk Management Framework: The Committee reviews the Bank's Enterprise Risk Management Framework and recommend underlying frameworks and policies for approval by the Board.
- Overseeing risk and compliance functions: The Committee ensures that the Bank's risk and compliance functions are well-resourced and operating effectively.

Committee meetings and attendance

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

Name of Director	Number of Meetings Eligible to attend during the year (Scheduled/Ad hoc)	Number of Meetings Attended (Scheduled/Ad hoc)
Ms. M. Kajiyanike	4/1	4/1
Mr. E.M. Banda	4/1	4/1
Mr. P. Guta*	2/1	2/1

* The other meetings were held before Director Guta became a member of the Committee.

The Committee meetings are attended by the Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief Operating Officer, Chief Retail Banking Officer, Chief Wholesale Banking Officer, Head of Risk, and Head of Compliance. Additionally, the Committee collaborates closely with the Head of Risk and Head of Compliance to enhance the Bank's risk and compliance framework. The Committee also confirms that the Bank's risk and compliance management functions are independent and possess sufficient authority, independence, resources, and direct access to the Committee.

DIRECTORS' REPORT (Continued)

Highlight of deliberations of the committee

In 2024, the Committee played a crucial role in overseeing and managing the bank's risk profile. It reviewed and provided input on the Risk Appetite Statement (RAS), ensuring it reflects the Bank's current risk appetite and profitability goals. This involved setting the extent and categories of risk that the Board regards as acceptable for the bank to bear. Additionally, the Committee discussed the Bank's fraud risk management framework, including risk transfer, risk acceptance, and monitoring of fraud incidents. The Committee also reviewed and recommended the bank's risk management framework to the Board, which included policies and other governance instruments. Further, the Committee received reports from the Head of Risk and Head of Compliance regarding the Bank's risk profile and compliance with all applicable legal and regulatory requirements. Further, the Committee will continue to monitor the bank's overall risk profile and report any significant changes or emerging risks to the Board. Furthermore, for each identified risk, the Committee developed action plans to mitigate the impact.

Credit Committee

This is the report of the Credit Committee. The composition of the Committee remained unchanged in 2024. The Committee was chaired by Director Chifundo Chiundira, with Director Roselyn Mkweza and Director James Masumbu as members. The Board considers the composition of the Committee to be effective, and it successfully discharged its duties in 2024.The composition of the Committee did not change in the year 2024. The Board considers the composition of the Committee effective, and it successfully discharged its duties in 2024.

Responsibilities of the committee

The Credit Committee is responsible for the following:

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

Committee meetings and attendance

The Committee is scheduled to meet at least 4 times a year. In 2024 the Committee met 5 times. The details on attendance of the board meetings and strategy session are provided below.

Name of Director	Number of Meetings Eligible to attend during the year	Number of Meetings Attended
	(Scheduled/Ad hoc)	(Scheduled/Ad hoc)
Mr. C. Chiundira	4/1	4/1
Ms. R. Mkweza	4/1	4/1
Mr. J. Masumbu	4/1	4/1

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

DIRECTORS' REPORT (Continued)

Highlight of deliberations of the committee

During the year, the committee convened regularly to review new financing applications and determine whether to amend existing finance arrangements. Additionally, the committee provided oversight and direction to ensure compliance with credit risk policies, procedures, processes, and practices related to credit sanctioning. Moreover, the committee was responsible for overseeing and approving the bank's credit-related strategies and policies.

For and on behalf of the board

Vizenge Kumwenda
(Chairman)

Harrison B. Kalua
(Director)

Date: 31 March 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2024

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of NBS Bank Plc, comprising the consolidated and separate statements of financial position as at 31 December 2024, the statement of comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act, 2013. In addition, the directors are responsible for preparing the Directors' Report.

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

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

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

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

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

The external auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with International Financial Reporting Standards and in a manner required by the Malawi Companies Act, 2013.

Approval of the consolidated and separate financial statements

The consolidated and separate financial statements of NBS Bank Plc as identified in the first paragraph, were approved by the Board of Directors on 31 March 2025 and are signed on its behalf by:

Vizenge Kumwenda	**Harrison Kalua**
(Chairman)	(Director)

GrantThornton

105259

Grant Thornton
Malawi
Accountants and
Busisness Advisors
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NBS BANK PLC

Opinion

We have audited the consolidated and separate financial statements of NBS Bank plc and its subsidiary ("the Group"), set out on pages 59 to 139 ('the financial statements'), which comprise the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank as at 31 December 2024, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), IAS 29 Financial Reporting in Hyperinflationary Economies Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and in the manner required by the Malawi Companies Act, 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standard Board for Accountants Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We have fulfilled our ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2024

Key Audit Matter	How the matter was addressed in the audit
Impairment of Loans and Advances (Staging of Loans and Advances) (Bank)	
Staging of loans and advances is a significant component in determining the Expected Credit Losses (ECL) as such inaccurate staging would have a significant impact on ECL output. The Bank is exposed to a loans and advances book of **K248 billion** as at 31 December 2024 (2023: K162 billion) as disclosed under note 9 to the financial statements, which is subjected to Expected Credit Loss model to determine estimated provisions. The following categories of loans and advances were determined to be significant in the Bank's staging of loans and advances: **a) The Bank's large exposure loans and advances** The Bank's top 5 large exposure loans and advances contribute **33.9%** (2023: 27.5%) of the Bank's loans and advances included in note 9 to the financial statements. **b) Stage 1 loans** The Bank's loans are concentrated under stage 1 which contribute 94% (2023: 93%) of the gross loan amount. The migration of loans and advances from stage 1 to stage 2 or 3 depends on both qualitative and quantitative factors. **c) Stage 2 and 3 loans** Stage 2 and 3 loans contribute 6% (2023: 7%) of the gross loan amount. The rate of provision in these stages is higher than in Stage 1 and in particular Stage 3 loan provision is mostly at more than 90% of the facility balances. We focused on staging of loans and advances due to the fact that ECL is a significant management estimate based on subjective assumptions and inputs into the Expected Credit Loss model used to determine the estimated provisions. We also considered possibilities of contagion risk, which is also referred to as systemic risk whereby the financial difficulties in one or more facilities would spill over to a large number of other facilities in the same group. This would have an effect in the determination of the ECL. The Bank has recorded a total Expected Credit Loss of **K13.2 billion** as at 31 December 2024 (2023: K8.49 billion). We therefore consider this as a key audit matter.	• We checked the design and implementation of controls on staging; • We obtained an understanding of the Bank's criteria for Significant Increase in Credit Risk (SICR) from the Bank's accounting policy and IFRS 9, *Financial Instruments* Model Methodology documentation; • We assessed management's staging of loans and advances criteria for appropriateness and completeness against t*he requirements of IFRS 9,* Financial Instruments; • We checked accuracy and completeness of data used in staging through analysis of data and reconciliations; • We checked the collateral values to ensure it is fairly valued and that the Bank has enforceable rights to dispose the property should need arise; and • Considered the risk of contagion and ensured related facilities were classified in the same stages, especially for Stage 3. **Large exposures** We selected all large exposure loans and advances as per Financial Services (Large Exposures and Credit Concentration Limits for Banks) Directive 2015 and checked if they had been correctly staged based on the Bank's accounting policy, RBM directives and IFRS 9, *Financial Instruments* requirements. **Stage 1, 2 and 3 loans** • We sampled through the stages of loans and advances; and • Checked whether an exposure currently classified in a particular stage was appropriately classified so and did not meet any SICR criteria to transfer to a different stage. Our work on staging for large exposure loans and other loans did not identify any significant issues. We found that the staging carried out by the Bank which was used in determining Expected Credit Losses against loans and advances was appropriate. We also noted that the Bank had appropriately considered the risk of contagion in determining the ECL. Therefore, the impairment loss recognised in the financial statements was reasonable and complied with IFRS 9 *Financial Instruments* requirements.

INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2024

Key audit matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Impairment of Loans and Advances (Staging of Loans and Advances) (Bank)	

Money Market Investments and Placements with other institutions is the most significant amount on the consolidated and separate statement of financial position of the Group with balances of **K592 billion** (2023: K282 billion) and **K142 billion** (2022 K85 billion) respectively as disclosed under note 8 to the financial statements.
 	
Determining of fair values of trading assets and financial investments is an audit focus area due to the unavailability of active markets, the complexity in determining the fair values as well as the level of estimate and judgment applied by management.
 	
We focused on valuation and existence of Money Market Investments and Placements with other institutions because there is a risk that the investments may not be in existence and that they may be wrongly valued. This may have a significant impact of the Group financial statements.
 	
We consider this as a key audit matter.
	• We tested the fair value of the medium and short-term notes (particularly on Treasury Bills and Notes) by considering whether the assumptions and calculation methods used are appropriate and consistent with market conditions.
	• We recalculated the fair values of medium and short-term notes and other assets, which included performing the following procedures:
	  • we obtained confirmations from counterparties and matched the maturity dates, the original yield rates and nominal values of the notes to those confirmations.
	  • we challenged management's assumptions used in determining the valuation of these notes by comparing the yield rates used by management in their fair value calculation to the latest Reserve Bank of Malawi auction results for similar Treasury Bills and Notes.
	
	Our work on valuation and existence of Money Market Investments and Placements with other institutions identified some issues. We found that there were some differences in balances arising from delays in performing reconciliations of Money Market Investment schedules with the general ledger and some errors in interest computations. These issues were all resolved by management in arriving at the balances as disclosed in these financial statements.

Other information

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

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2024

Directors' responsibilities for the consolidated and separate financial statements
The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, IAS 29 Financial Reporting in Hyperinflationary Economies Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Malawi Companies Act, 2013 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements
Our objectives are to obtain reasonable assurance about whether the 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2024

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

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

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

GRANT THORNTON MALAWI
Chartered Accountants and Business Advisors

Gordon Tembo
Chartered Accountant (Malawi)
Partner
Blantyre, Malawi

Date: 07 April 2025

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2024

In thousands of Malawi Kwacha

	Notes	Consolidated 2024	2023	Separate 2024	2023
ASSETS					
Cash and cash equivalents	7	**161 395 240**	104 500 423	**161 349 290**	104 439 790
Money market investments	8(a)	**592 118 951**	282 314 925	**592 118 951**	282 314 925
Placements with other institutions	8(b)	**141 645 485**	85 328 881	**141 645 485**	85 328 881
Loans and advances to customers	9	**234 941 972**	153 816 439	**234 941 972**	153 816 439
Equity investments	11	**130 700**	130 700	**430 700**	430 700
Other assets	15	**20 267 693**	6 870 882	**20 264 872**	7 123 018
Intangible assets	14	**15 258 007**	7 933,276	**15 229 095**	7 927 513
Right-of-use assets	33	**2 901 490**	2 580 530	**2 872 479**	2 580 530
Property and equipment	13	**24 184 748**	14 240 350	**24 024 790**	14 162 671
Total assets		**1 192 844 286**	657 716 406	**1 192 877 634**	658 124 467
LIABILITIES AND EQUITY					
Liabilities					
Amount due to subsidiary	10	**-**	-	**1 208 675**	384,171
Customer deposits	16	**421 856 335**	290 089 476	**421 856 335**	290 089 476
Term deposit accounts	16	**232 096 874**	177 592 302	**232 096 873**	177 592 302
Foreign currency denominated accounts	16	**72 780 872**	70 845 647	**72 780 872**	70 845 647
Long-term loans	17	**43 012 450**	8 492 574	**43 012 450**	8 492 574
Lease liabilities	34	**6 314 275**	4 810 591	**6 278 948**	4 810 591
Other liabilities	19	**30 355 442**	19 863 392	**29 864 484**	19 834 392
Tax payable	36	**16 505 930**	8 982 162	**16 314 986**	9 012 080
Liabilities to financial institutions	20	**251 219 591**	26 569 638	**251 219 591**	26 569 638
Deferred tax liability	18	**6 607 655**	447 383	**6 633 994**	440 111
Total liabilities		**1 080 749 424**	607 693 165	**1 081 267 208**	608 027 521
Equity					
Share capital	21	**1 455 291**	1 455 291	**1 455 291**	1 455 291
Share premium	22	**12 104 183**	12 104 183	**12 104 183**	12 104 183
Retained earnings		**98 947 288**	36 343 086	**98 462 852**	36 416 791
Loan loss reserve	23(b)	**-**	498 796	**-**	498 796
Fair value reserve	23(a)	**(411 900)**	(378 115)	**(411 900)**	(378 115)
Total equity		**112 094 862**	50 023 241	**111 610 426**	50 096 946
Total liabilities and equity		**1 192 844 286**	657 716 406	**1 192 877 634**	658 124 467

The consolidated and separate annual financial statements were approved and authorised for issue by the Board of Directors on **31 March 2025** and were signed on its behalf by:

....

Vizenge Kumwenda
(Chairman)

....

Harrison Kalua
(Director)

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

In thousands of Malawi Kwacha

	Notes	Consolidated 2024	Consolidated 2023	Separate 2024	Separate 2023
INCOME					
Interest income	24	**239 794 407**	111 896 109	**239 794 720**	111 897 623
Interest expense	25	**(79 481 893)**	(44 202 272)	**(79 483 137)**	(44 202 368)
Net interest income		**160 312 514**	67 693 837	**160 311 583**	67 695 255
Net fees commission and other charges	26	**8 917 133**	7 350 679	**8 913 939**	7 350 679
Profit on foreign exchange transactions		**36 277 293**	27 599 740	**34 941 963**	27 468 235
Total operating income		**205 506 940**	102 644 256	**204 167 485**	102 514 169
Expenditure					
Personnel expenses	27	**(32 093 979)**	(23 695 064)	**(31 670 516)**	(23 574 036)
Recurrent expenditure on premises and Equipment	28(b)	**(10 398 898)**	(6 027 124)	**(10 391 228)**	(6 015 625)
Depreciation and amortisation	13,14,33	**(6 136 791)**	(3 184 872)	**(6 100 567)**	(3 180 574)
Other operating expenses	28(a)	**(25 489 327)**	(14 428 356)	**(25 343 885)**	(14 368 204)
Finance costs	33	**(1 724 121)**	(1 027 041)	**(1 713 511)**	(1 027 041)
Operating expenditure		**(75 843 116)**	(48 362 457)	**(75 219 707)**	(48 165 480)
Profit before loan impairment		**129 663 824**	54 281 799	**128 947 778**	54 348 689
Net impairment losses on financial assets	9	**(4 723 925)**	(4 561 096)	**(4 723 925)**	(4 561 096)
Profit before income tax expense		**124 939 899**	49 720 703	**124 223 853**	49 787 593
Income tax expense	29	**(51 948 949)**	(20 342 566)	**(51 761 583)**	(20 365 212)
Profit for the year		**72 990 950**	29 378 137	**72 462 270**	29 422 381
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Fair value adjustments on Malawi Government treasury notes		**(48 265)**	205 956	**(48 265)**	205 956
Deferred tax on fair value adjustments on Malawi Government treasury notes	23	**14 480**	(246 178)	**14 480**	(246 178)
Total other comprehensive income		**(33 785)**	(40 222)	**(33 785)**	(40 222)
Total comprehensive income for the year		**72 957 165**	29 337 915	**72 428 485**	29 382 159
Basic and diluted earnings per share (MK)	30	**25.08**	10.09	**-**	-

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2024
In thousands of Malawi Kwacha

Consolidated	Share Capital	Share Premium	Fair value reserve	Loan loss reserve	Retained earnings	Total
2024						
Balance at 1 January	1 455 291	12 104 183	(378 115)	498 796	36 343 086	50 023 241
Prior for the year	-	-	-	-	72 990 950	72 990 950
Other comprehensive income						
Fair value adjustment for the year, net of tax	-	-	(33 785)	-	-	(33 785)
Total comprehensive income for the year	-	-	(33 785)	-	72 990 950	72 957 165
Transaction with owners of the company						
Loan loss reserve transfer	-	-	-	(498 796)	498 796	-
Dividend paid	-	-	-	-	(10 885 544)	(10 885 544)
Balance at 31 December	**1 455 291**	**12 104 183**	**(411 900)**	**-**	**98 947 288**	**112 094 862**
2023						
Balance at 1 January as previously stated	1 455 291	12 104 183	(337 894)	540 820	23 359 640	37 122 040
Prior year adjustment (Note 19)	-	-	-	-	(2 320 365)	(2 320 365)
Balance at 1 January as restated	1 455 291	12 104 183	(337 894)	540 820	21 039 275	34 801 675
Profit for the year	-	-	-	-	29 378 138	29 378 138
Other comprehensive income						
Fair value adjustment for the year, net of tax	-	-	(40 221)	-	-	(40 221)
Total comprehensive income for the year	**-**	**-**	**(40 221)**	**-**	**29 378 138**	**29 337 917**
Transactions with owners of the company						
Loan loss reserve transfer	-	-	-	(42 024)	42 024	-
Dividend paid	-	-	-	-	(14 116 351)	(14 116 351)
Balance at 31 December	**1 455 291**	**12 104 183**	**(378 115)**	**498 796**	**36 343 086**	**50 023 241**

STATEMENTS OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2024

In thousands of Malawi Kwacha

	Share capital	Share premium	Fair value reserve	Loan loss reserve	Retained earnings	Total
Separate						
2024						
Balance at 1 January	1 455 291	12 104 183	(378 115)	498 796	36 387 330	50 067 485
Profit for the year	-	-	-	-	72 462 270	72 462 270
Other comprehensive income						
Fair value adjustment, net of tax	-	-	(33 785)	-	-	(33 785)
Total comprehensive income for the year	**-**	**-**	**(33 785)**	**-**	**72 462 270**	**72 428 485**
Transactions with owners of the company						
Loan loss reserve transfer	-	-	-	(498 796)	498 796	-
Dividend paid	-	-	-	-	(10 885 544)	(10 885 544)
Balance at 31 December	**1 455 291**	**12 104 183**	**(411 900)**	**-**	**98 462 852**	**111 610 426**
2023						
Balance at 1 January as previously stated	1 455 291	12 104 183	(337 894)	540 820	23 389 031	37 151 431
Prior year adjustment (Note 19)	-	-	-	-	(2 320 365)	(2 320 365)
Balance at 1 January as restated	**1 455 291**	**12 104 183**	**(337 894)**	**540 820**	**21 068 666**	**34 831 066**
Profit for the year	**-**	**-**	**-**	**-**	**29 422 382**	**29 422 382**
Other comprehensive income						
Other comprehensive loss for the year, net of tax	-	-	(40 221)	-	-	(40 221)
Total comprehensive income for the year	**-**	**-**	**(40 221)**	**-**	**29 422 382**	**29 382 161**
Loan loss reserve transfer	-	-	-	(42 024)	42 024	-
Transactions with owners of the company						
Dividend paid	-	-	-	-	(14 116 281)	(14 116 281)
Balance at 31 December	**1 455 291**	**12 104 183**	**(378 115)**	**498 796**	**36 416 791**	**50 096 946**

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2024

In thousands of Malawi Kwacha

	Notes	Consolidated 2024	Consolidated 2023	Separate 2024	Separate 2023
Cash flows from operating activities					
Profit before income tax expense		**124 939 899**	49 720 703	**124 223 853**	49 787 593
Adjustments for:					
Interest income	24	**(239 794 407)**	(111 896 109)	**(239 794 720)**	(111 897 623)
Interest expense	25	**79 481 893**	44 202 272	**79 483 137**	44 202 368
Depreciation of property and equipment	13	**3 131 243**	1 573 433	**3 117 104**	1 565 391
Depreciation of right - of - use	33	**1 346 271**	1 081 318	**1 331 765**	1 081 318
Interest on lease liability	33	**1 724 121**	1 027 041	**1 713 511**	1 027 041
Unrealised foreign exchange difference		**(64 640)**	(45 924)	**59 248**	(45 924)
Impairment losses on financial assets		**4 723 925**	4 561 096	**4 723 925**	4 561 096
Amortisation of intangible assets	14	**1 655 296**	530 121	**1 651 157**	530 121
Write off of intangible assets	14	**-**	4 750	**-**	4 750
Loss on disposal of property and equipment		**-**	25 562	**-**	25 562
Operating cash flows before movement in working capital		**(22 856 399)**	(9 215 737)	**(23 491 020)**	(9 158 307)
Changes in loans and advances		**(81 125 533)**	(16 157 286)	**(81 125 533)**	(16 157 286)
Changes in equity instruments		**-**	(42 024)	**-**	(42 024)
Changes in placements with other institutions		**(56 316 604)**	(26 520 008)	**(56 316 604)**	(26 520 008)
Changes in other assets		**(13 396 811)**	(2 359 541)	**(13 141 854)**	(2 642 418)
Changes in customer deposits		**188 206 656**	153 079 656	**189 031 159**	153 408 247
Changes in liabilities to financial institutions		**224 649 953**	1 017 596	**224 649 953**	1 017 596
Changes in money market investments		**(309 804 026)**	(63 182 646)	**(309 804 026)**	(63 182 646)
Changes in other liabilities		**10 492 050**	9,781 070	**10 030 092**	9 855 673
Cash (used in)/ generated from operations		**(60 150 714)**	46 401 082	**(60 167 833)**	46 578 829
Net finance income		**154 739 272**	65 920 698	**155 032 040**	65 592 726
Income taxes paid	36	**(38 250 429)**	(15 502 473)	**(38 250 314)**	(15 502 473)
Net cash generated from operating activities		**56 338 129**	96 819 307	**56 613 893**	96 669 082
Cash flows from investing activities					
Acquisition of property and equipment	13	**(13 238 342)**	(8 059 862)	**(13 141 928)**	(7 973 602)
Acquisition of intangible assets	14	**(8 980 027)**	(5 759 941)	**(8 952 739)**	(5 754 178)
Proceeds from sale of property and equipment		**139 551**	21 864	**(162 704)**	19 434
Net cash used in investing activities		**(22 078 818)**	(13 797 939)	**(22 257 371)**	(13 708 346)
Cash flows from financing activities					
Proceeds from loans and borrowings		**34 519 876**	1 052 632	**34 519 876**	1 052 632
Dividends paid		**(10 885 544)**	(14 116 351)	**(10 885 544)**	(14 116 351)
Interest on lease liabilities	33	**(1 724 121)**	(1 027 041)	**(1 713 511)**	(1 027 041)
Principal lease repayment	34	**(163 547)**	(353 931)	**(155 357)**	(353 931)
Net cash used in financing activities		**21 746 664**	(14 444 691)	**21 765 464**	(14 444 691)
Net increase in cash and cash equivalents		**56 005 975**	68 576 677	**56 121 986**	68 516 045
Cash and cash equivalents at the beginning of the year		**104 500 423**	32 811 987	**104 439 790**	32 811 987
Effect of exchange rate fluctuations on cash and cash equivalents held		**888 842**	3 111 759	**787 514**	3 111 758
Cash and cash equivalents at end of the year	7	**161 395 240**	104 500 423	**161 349 290**	104 439 790

NOTES TO THE FINANCIALSTATEMENTS

For the year ended 31 December 2024

1.1 Reporting entity

NBS Bank Plc, a limited liability company incorporated in Malawi under the Malawi Companies Act, 2013 and operates as a licensed financial institution in accordance with the Banking Act, 2009. The Bank is listed on the Malawi Stock Exchange (MSE). The address of the Bank's registered office is P.O. Box 32251, Chichiri, Blantyre 3. The Bank's core operations include commercial banking services, encompassing corporate and retail banking as well as treasury management. The consolidated financial statements represent the financial performance and position of the Bank and its subsidiary, NBS Forex Bureau Limited (together referred to as the Group).

1.2 General information

The Bank provides retail and corporate banking services through its 26 service centers across Malawi (2023: 26). The Bank is listed on the Malawi Stock Exchange. Its ultimate parent company is NICO Holdings Plc, a financial service company incorporated in Malawi, which is also listed on the Malawi Stock Exchange.

2. Basis of accounting

Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), IAS 29 Financial Reporting in Hyperinflationary Economies Directive issued by the Institute of Chartered Accountants in Malawi (ICAM) and the Malawi Companies Act, 2013.

(a) Basis of measurement

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

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

(b) Functional and presentation currency

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

(c) Use of estimate and judgements

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes.
Note 6(a) : Determination of fair value of financial instruments with significant unobservable inputs;
Note 4 (h) (vi): Identification and measurement of impairment of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

(d) Going concern basis of accounting

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

(e) Comparatives

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

3. Adoption of new and revised International Financial Reporting Standards

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

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

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2024	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.
Annual reporting periods beginning on or after 1 January 2024	Classification of Liabilities as Current or Non-current (IAS 1) The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services
Annual reporting periods beginning on or after 1 January 2024	Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
Annual reporting periods beginning on or after 1 January 2024	Limited Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements The group has adopted the amendments to IAS 7 and IFRS 7 titled Supplier Finance Arrangements for the first time in the current year. The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

3.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are in issue but not effective for the year ended 31 December 2024 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
For annual reporting periods beginning on or after 1 January 2025	The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability (IAS 21 The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not. The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The standard is not expected to have a material impact as the applicable currency to the operations of the Group is Malawi Kwacha which is traded in formal markets in Malawi.
For annual reporting periods beginning on or after 1 January 2027	IFRS 18 Presentation and Disclosures in Financial Statements FRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. IFRS 18 introduces new requirements to: • present specified categories and defined subtotals in the statement of profit or loss • provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements • improve aggregation and disaggregation. IFRS 18 requires retrospective application with specific transition provisions
For annual reporting periods beginning on or after 1 January 2027	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it. The Group's subsidiary, NBS Forex Limited is an entity of public interest, hence it is will not qualify for reduced disclosures when the standard becomes effective.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

4. Significant accounting policies

(a) Basis of consolidation

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

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

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee if it is exposed to, or, has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Uniform accounting policies have been applied throughout the Group.

(ii) Loss of control

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

(iii) Transactions eliminated on consolidation.

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

(b) Foreign currency transactions

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

(c) Interest income and expense

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

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

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

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

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

Fair value changes on other financial assets and financial liabilities carried at fair value through profit or loss, are presented in the statement of comprehensive income and form part of the profit or loss for the year.

(d) Fees and commission

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

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

(e) Net trading income

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

(f) Leases

(i) The Group as lessee

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

- 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 of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

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

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

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

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

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

(g) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income in which case it is recognised in equity or in other comprehensive income as the case may be.

Current income tax

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

Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

Deferred income tax

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

Deferred tax is not recognised for:

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

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

(h) Financial instruments

(i) Recognition and initial measurement

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

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

Classification

Financial assets

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

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

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

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

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

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

(ii) Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

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

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

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

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

(iii) Offsetting

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

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

(iv) Amortised cost measurement

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

(v) Fair value measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

(vi) Identification and measurement of impairment

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

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

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

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

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

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

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- for undrawn loan commitments, the Expected Credit Loss is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the Expected Credit Loss is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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

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

Credit-impaired financial assets
A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

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

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

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

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

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

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

The Group considers the following as constituting an event of default:
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

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

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

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

More details are provided in note 6a.

Significant increase in credit risk
The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information. See note 6a for more details about forward-looking information.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

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

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

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

Modification and derecognition of financial assets

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

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

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

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

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

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

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For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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.

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

Write-off.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

Presentation of allowance for ECL in the statement of financial position

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

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

(vii) Designation at fair value through profit or loss

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

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

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

(viii) Cash and cash equivalents

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

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

(ix) Loans and advances to customers

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

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

(x) Money market investments

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

(xi) Derivative assets and liabilities

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

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

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

(xii) Trading assets and trading liabilities

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

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

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

(xiii) Financial guarantees

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

(i) Other assets

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

(j) Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

(k) Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

In the year 2024, the estimated useful lives for items of property plant and equipment were changed to align the actual asset usage to useful lives in the fixed asset register. The current and comparative periods useful lives are as follows:

Asset Name	2024	2023
Freehold buildings	**40 Years**	40 Years
Leasehold property (over 40 years to run)	**40 Years**	40 years
Leasehold property (under 40 years to run)	**Over period of lease**	Over period of lease
Leasehold improvement	**10 Years**	10 years
Computer Hardware- Laptops, phones, tablets	**3 Years**	3 years
Computer Hardware- Desktops	**6 Years**	6 years
Computer Hardware- Servers	**8 Years**	8 years
Computer Hardware- Teller Printers (TPG)	**3 Years**	3 years
Computer Hardware-other printers	**6 Years**	6 years
Computer software- core banking	**8 Years**	8 years
Network/Comms Hardware- Routers, Switches, Firewalls	**8 Years**	8 years
Computer Other software	**8 Years**	8 years
Computer other	**5 Years**	5 years
KYC-KIT	**2 Years**	2 years
POS	**4 Years**	4 years
Other office equipment -Chairs	**5 Years**	5 years
Office Furniture	**10 Years**	10 years
Fixture and fittings	**15 Years**	15 years
Auto Teller Machines	**10 Years**	10 years
Motor vehicles-private passenger vehicles	**5 Years**	5 years
Operational vehicles	**4 Years**	4 years

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

(iv) Capital work in progress

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

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

(l) Other investments

(i) Investment in subsidiary

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

(ii) Equity investment

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

(m) Intangible assets

Software

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date it is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives as at 31 December 2024 were as follows:

Asset Class	2024	2023
Software - purchased	**5 years**	5 years
Software - internally developed	**5 years**	5 years
Core Banking Software	**8 years**	8 years
Trademarks and copyrights	**15 years**	15 years

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

(n) Customer deposit accounts

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

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

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

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

(o) Employee benefits

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

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

Defined contribution pension plans

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

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

Short-term employee benefits

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

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

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For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

(p) Share capital and reserves

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

Share issue costs.

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

(q) Dividends

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

(r) Earnings per share

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

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

(s) Segment reporting

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

(t) Grants received

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

(u) Other liabilities

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

5. Financial risk management

(a) Introduction and overview

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

- Credit risk;
- Interest rate risk;
- Liquidity risk: and
- Currency risk.

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group through its risk management framework, standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

- Market risk;
- Business, strategic, reputational risks and
- Operational risk.

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

Risk management framework

Management has put in place policies and procedures, for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Risk Committee is assisted in these functions by the Risk Management and Internal Audit Departments. The Head of the Risk Departments submits reports regularly to the Executive Committee of the Bank , and quarterly reports to the Board Risk Committee. Further, the Head of Risk submits ad hoc reports occasionally when major incidents occur to update the Board in between quarterly meetings of the Board Risk Committee through Board approved escalation processes. The Head of Risk measures the risk maturity level of the Group and recommends actions to move the risk management level to the desired level of maturity. The Internal Audit Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Finance and Audit Committee.

(b) Credit risk

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

Management of credit risk

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

- Formulating credit policies in consultation with the business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers. Larger facilities require approval by the Management Credit Committee, Head of Credit, the Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the same review process;
- Limiting concentrations of exposure to counterparties, geographical location and industries (for loans and advances), and by issuer and market liquidity;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the Credit Committee on the credit quality of portfolios and appropriate corrective action is taken; and
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

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

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

NOTES TO THE FINANCIAL STATEMENTS
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Internal credit risk ratings

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

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

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

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

Incorporation of forward-looking information

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

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group's ALCO is supplied with external information on critical macroeconomic variables that may have a material impact on the performance of various credit portfolios. The typical sources include the European Investment Unit (EIU), the World Bank and International Monetary Fund country reports, National Statistical Office and Reserve Bank of Malawi reports. The Group's approach to forward-looking information is to develop scenarios for the next 12 months. ALCO then approves one scenario that best captures likely movements in key variables that may have an impact on the performance of various credit portfolios. The scenarios are feed into IFRS 9 models.

The table below summarises the principal macro-economic indicators included in the economic scenarios used at December 31, 2023, for the year ended 31 December 2024 for Malawi which is the country where the Group operates in and therefore is the country that has a material impact on ECLs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

List of macro-economic variables used	Definition	Scenario	2024	2023
Nominal GDP	(US$ at PPP)	Base	**40.07**	26.00
		Favourable	**40.47**	25.75
		Worst	**39.28**	25.49
		Weighted	**39.94**	25.93
Real GDP	(US$)	Base	**11 942 491.09**	1 607 528.00
		Favourable	**12 897 890.38**	1 591 611.80
		Worst	**11 708 234.53**	1 575 538.00
		Weighted	**12 182 872.00**	1 602 705.40
Real private consumption	(US$)	Base	**1 591 159.00**	1 519 732.00
		Favourable	**1 718 451.72**	1 504 685.10
		Worst	**1 559 947.80**	1 489 489.30
		Weighted	**1 623 186.17**	1 515 172.80
Exchange rate	Malawi kwacha per USD (average)	Base	**1 751.00**	1 683.33
		Favourable	**3 000.00**	2 020.00
		Worst	**3 500.00**	2 104.20
		Weighted	**3 250.00**	2 205.20
Lending interest rate	Average borrowing rate on loans	Base	**26.00**	26.00
		Favourable	**24.90**	26.31
		Worst	**36.00**	26.50
		Weighted	**30.50**	26.10
Public debt	USD value of sovereign debt	Base	**8 750 000.00**	9 400 000.00
		Favourable	**8 925 000.00**	9 591 836.80
		Worst	**9 187 500.00**	9 588 939.40
		Weighted	**8 975 000.00**	9 409 400.00

List of macro-economic variables used	Definition	Scenario	2024	2023
Deposit interest rate	Average interest rate on deposits	Base	**4.27**	6.50
		Favourable	**12.00**	8.20
		Worst	**4.27**	7.80
		Weighted	**6.85**	8.00
GDP per head	($ at PPP)	Base	**1 700.00**	1 876.60
		Favourable	**1 566.68**	1 244.70
		Worst	**850.49**	1 273.80
		Weighted	**1 372.39**	1 876.60
Goods: exports	USD value of good exported	Base	**0.94**	1.05
		Favourable	**0.98**	0.93
		Worst	**0.75**	0.95
		Weighted	**0.89**	1.05
Goods: imports	USD value of good imported	Base	**(3.19)**	(2.28)
		Favourable	**(3.51)**	(2.75)
		Worst	**(2.59)**	(2.82)
		Weighted	**(3.10)**	(2.28)
Effective interest rate	Percentage	Base	**0.75**	0.75
		Favourable	**0.75**	0.75
		Worst	**0.75**	0.75
		Weighted	**0.75**	0.75

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

Probabilities of the three scenarios occurring in 2024 and beyond have been attached to the three forecast scenarios based on management view of the future economic outlook. A weighted average ECL for the three scenarios has been derived as follows; **Base case 30%; Worse case 50% and Favourable case 20%**; (2023: Base case 30%; Worse case 50% and Favourable case 20%).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

(b) Credit risk (Continued)

Measurement of ECL

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

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

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

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments, the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

Groupings based on shared risks characteristics.

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- collateral type;
- number of instruments;
- income bracket of the borrower; and
- the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value (LTV) ratios).

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

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

Credit Quality

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

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

Exposure to credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

As at 31 December 2024

Stage1: 12 Month ECL	Gross amount	Impairment	Net amount
Balance with Central Bank	125 622 213	111 804	125 510 409
Short term deposits	20 884 650	18 587	20 866 063
Placements with other Banks	141 645 485	126 064	141 519 421
Treasury notes	500 830 821	611 888	500 218 933
Promissory notes	1 295	1	1 294
Treasury Bills	10 000 000	8 900	9 991 100
Trading book assets	81 286 835	72 345	81 214 490
Loans and advances to customers- loans & overdrafts	223 697 825	1 208 666	222 489 159
Loans and advances to customers- finance lease	1 924 109	30 930	1 893 179
Loans and advances to customers- mortgage advances	6 616 886	-	6 616 886
Sundry debtors	7 778 492	311 140	7 467 252
Total	1 120 288 611	2 500 325	1 117 788 286
Loan commitments	2 195 975	1 954	2 194 021
Letters of credit and guarantee	98 361 926	87 542	98 274 384
Total	100 557 901	89 496	100 468 405
Total recognized	1 220 846 512	2 589 821	1 218 256 689
Stage 2: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	2 994 081	185 048	2 809 033
Loans and advances to customers- finance lease	5 645	235	5 410
Loans and advances to customers- mortgage advances	309 304	-	309 304
Total recognized	3 309 030	185 283	3 123 747
Stage 3: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	11 577 055	11 617 456	(40 401)
Loans and advances to customers- finance lease	83 402	66 118	17 284
Loans and advances to customers- mortgage advances	909 909	67 792	842 117
Total recognized	12 570 366	11 751 366	819 000

All expected credit losses for low-risk assets have been netted off against treasury notes in the statement of financial position because the numbers are not significant. Low risk assets on which credit impairments have been raised comprise government securities and loans.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

As at 31 December 2023

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

(i) Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/ securities agreement.

Collateral held.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

	Collateral held for loans and advances to customers consolidated and separate	
	2024	2023
Against non-performing loans		
Property	**11 625 345**	11 526 134
Plant and equipment	**318 699**	35 000
Against performing loans		
Property	**16 371 584**	28 276 654
Plant and equipment	**1 717 678**	89 000
Stock and cash	**1 476 836**	506 197
Total collateral held	**31 510 142**	**40 432 985**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

(ii) Allowances for impairment

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

STAGE 1: 12 MONTH ECL

	Balance with Central Bank	Short term deposits	Placements with other Banks	Treasury Notes and trading book assets	Promissory notes	Treasury Bills	Repo	Loan commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2024	43 344	38 831	75 943	682 613	182	1 311	-	-	-
Net movement during the year	68 460	(20 244)	50 121	1 620	(181)	7 589	-	-	-
Loss allowance as at 31 December 2024	111 804	18 587	126 064	684 233	1	8 900	-	-	-

12 MONTH ECL

	Loans and advances to customers-loans & overdrafts	Loans and advances to customers-finance lease	Loans and advances to customers-mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2024	3 787 828	14 629	-	-	-	-	274 835	3 379	22 647
Net movement during the year	(2 579 162)	16 301	-	-	-	-	36305	(1 425)	64 895
Loss allowance as at 31 December 2024	1 208 666	30 930	-	-	-	-	311 140	1 954	87 542

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

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

STAGE 2 LIFETIME ECL

	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and advances to customers- mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2024	591 540	2 576	-	-	-	-	-	-	-
Net movement during the year	(406 492)	(2 341)	67 792	-	-	-	-	-	-
Loss allowance as at 31 December 2024	185 048	235	67 792	-	-	-	-	-	-

STAGE 3 LIFETIME ECL

	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and advances to customers- mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2024	4 026 481	67 708	376 382	-	-	-	-	-	-
Net movement during the year	7 590 975	(1 590)	(308 590)	-	-	-	-	-	-
Loss allowance as at 31 December 2024	11 617 456	66 118	67 792	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

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

STAGE 1: 12 MONTH ECL

	Balance with Central Bank	Short term deposits	Placements with other Banks	Treasury Note and trading book assets	Promissory notes	Treasury Bills	Repo	Loan Commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2023	1 525	1 018	5 432	472 944	710	2 476	-	-	-
Net movement during the year	41 819	37 813	70 511	(70937)	(528)	(1 165)	-	-	-
Loss allowance as at 31 December 2024	43 344	38 831	75 943	402 007	182	1 311	-	-	-

12 MONTH ECL

	Loans and advances to customers-loans & overdrafts	Loans and advances to customers-finance lease	Loans and advances to customers-mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
Loss allowance as at 31 December 2024	1 196 985	5 312	-	-	-	-	180 450	4 447	17 625
Loss allowance as at 1 January 2023	1 196 985	5 312	-	-	-	-	180 450	4 447	17 625
Net movement during the year	2 590 841	9 317	-	-	-	-	94 385	(1 068)	5 022
Loss allowance as at 31 December 2024	3 787 826	14 629	-	-	-		274 835	3 379	22 647

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

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

STAGE 2 LIFETIME ECL

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

STAGE 3 LIFETIME ECL

	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and advances to customers- mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
Loss allowance as at 1 January 2023	1 511 014	38 565	376 382	-	-	-	-	-	-
Net movement during the year	2 515 467	31 143	-	-	-	-	-	-	-
Loss allowance as at 31 December 2024	4 026 481	69 708	376 382	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

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

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

As at 31 December 2024

Gross carrying amounts	Balance with central Bank	Short term deposits	Placements with other Banks	Treasury notes and Trading book	Promissory notes	Treasury bills	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and other advances to customers mortgage advances	Sundry debtors	Loan commitments	Letters of credit and guarantee
0-29 days	125 622 213	20 884 650	141 645 485	582 117 656	1 295	10 000 000	223 697 825	1 924 109	6 616 886	20 267 696	2 195 975	98 361 926
30-59 days	-	-	-	-	-	-	-	-	-	-	-	-
60-89 days	-	-	-	-	-	-	2 994 081	5 645	309 304	-	-	-
90-180 days	-	-	-	-	-	-	-	-	-	-	-	-
More than 181 days	-	-	-	-	-	-	11 577 055	83 402	909 909	-	-	-
Loss allowance	111 804	18 587	126 064	684 233	1	8 900	13 011 170	97 283	67 792	810 708	1 954	87 542
Total	125 510 409	20 866 063	141 519 421	581 433 423	1 294	9 991 100	225 257 791	1 915 873	7 768 307	19 456 988	2 194 021	98 274 384

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

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

As at 31 December 2023

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

(i) Modified financial assets

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

Financial assets (with loss allowance based on lifetime ECL) modified during the period	Year ended 2024	Year ended 2023
Gross carrying amount before modification	**7 875 738**	3 263 503
New restructures	**2 129 086**	2 463 907
Loss allowance before modification	**(197 752)**	(20 199)
Net amortised cost before modification	**9 807 072**	5 707 211
Repayment post modification	**(509 046)**	(275 181)
Net amortised cost after modification	**9 298 026**	5 432 030

(ii) Impairment policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when the Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, and the proceeds from collateral will not be sufficient to pay back the entire exposure.

Distribution of credit exposure by sector

The Group monitors concentrations of credit risk by sector. Economic sector risk concentrations within the customer loan and finance lease portfolio at 31 December 2024 were as follows:

Consolidated	Notes	Loans and advances to customers 2024	2023
Carrying amount	8 & 9	**234 941 972**	153 816 439
Concentration by sector			
Agriculture, forestry, fishing and hunting		**17 115 216**	2 025 781
Mining and quarrying		**3 271**	-
Manufacturing		**14 838 593**	8 088 019
Electricity, gas, water and energy		**35 795 676**	8 076 315
Construction		**5 193 335**	2 407 806
Wholesale and retail trade		**15 600 273**	18 711 794
Restaurants and hotels		**9 678 654**	566 278
Transport, storage and communication		**1 968 096**	1 675 810
Financial services		**3 831 233**	7 105 651
Community, social and personal services		**130 254 219**	105 134 978
Real Estate		**663 406**	24 007
		234 941 972	153 816 439
Placements with other Banks			
Financial services		**141 645 485**	85 328 881
Carrying amount		**376 587 457**	239 145 320

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

Credit Risk Concentration
Concentration by geographic location of loans and advances is measured based on the geographic location of the branch where the loans and advances are held. The Bank ensures that loans and advances are spread over the entire branch network especially retail loans to individuals to reduce the risk of one event or set of factors significantly leading to the deterioration of several loans and advances.

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

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

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

	Consolidated	
	2024	2023
Gross maximum exposure		
Balances with Reserve Bank of Malawi	**125 622 213**	48 701 272
Balances due from other banks	**20 884 650**	43 630 468
Money market investments	**592 118 951**	282 314 925
Loans and advances	**234 941 972**	154 024 091
Placements with other banks	**141 645 485**	85 328 881
Total recognised financial assets	**1 115 213 271**	613 999 637
Letters of credit and guarantees	**100 557 901**	29 243 135
Total credit risk exposure	**1 215 771 172**	643 242 772

(c) Liquidity risk

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

Management of liquidity risk
The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

The daily liquidity position is monitored and liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of operating units. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

(c) Liquidity risk

Consolidated	Up to 1 month	1 – 3 month	3 – 12 Months	Over 12 Months	Total	Carrying Amount
At 31 December 2024						
Financial assets						
Cash and cash equivalents	161 395 240	-	-	-	161 395 240	161 395 240
Money market investments	-	3 119 671	182 654 948	1 118 142 195	1 303 916 814	592 118 951
Loans and advances	6 075 226	4 119 144	28 999 198	357 223 953	396 417 521	234 941 972
Placements	-	-	159 496 697	-	159 496 697	141 645 485
Other Assets	20 267 693				20 267 693	20 267 693
Equity investments	-	-	-	130 700	130 700	130 700
Total assets	187 738 159	7 238 815	371 150 843	1 475 496 848	2 041 624 665	1 150 500 041
At 31 December 2024						
Financial Liabilities						
Current and Savings accounts	423 014 179	-	-	-	423 014 179	421 856 335
Term deposit accounts	154 325 701	76 098 727	1 368 888	2 459 299	234 252 615	232 096 874
Foreign currency denominated deposits	60 331 780	4 375 538	3 314 429	5 368 068	73 389 815	72 780 872
Long term loans	-	-	3 732 978	63 129 267	66 862 245	43 012 450
Other borrowings	255 349 228	-	-	-	255 349 228	251 219 591
Other liabilities	30 655 442	-	22 784 878	-	53 440 320	53 175 647
Total financial liabilities	923 676 330	80 474 265	31 201 173	70 956 634	1 106 308 402	1 057 635 840
Net liquidity gap	(735 938 171)	(73 235 450)	339 949 670	1 404 540 214	935 316 263	
Cumulative liquidity gap	(735 938 171)	(809 173 621)	(469 223 951)	935 316 263	935 316 263	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

5. Financial risk management (Continued)

(c) Liquidity risk

	Up to 1 month	1 – 3 month	3 – 12 months	Over 12 months	Total	Carrying Amount
Separate						
At 31 December 2024						
Financial assets						
Cash and Bank balances	161 349 290	-	-	-	161 349 290	161 349 290
Money market investments	-	3 119 671	182 654 948	1 118 142 195	1 303 916 814	592 118 951
Loans and advances	6 075 226	4 119 144	28 999 198	357 223 953	396 417 521	234 941 972
Equity investments	-	-	-	430 700	430 700	430 700
Other Assets	20 264 872				20 264 872	20 264 872
Placements	-	-	159 496 697	-	159 496 697	141 645 485
Total assets	**187 689 388**	**7 238 815**	**371 150 843**	**1 475 796 848**	**2 041 875 894**	**1150 751 270**
At 31 December 2024						
Financial Liabilities						
Current and savings accounts	423 014 179	-	-	-	423 014 179	421 856 335
Term deposit accounts	154 325 700	76 098 727	1 368 888	2 459 299	234 252 614	232 096 873
Foreign currency denominated deposits	60 331 780	4 375 538	3 314 429	5 368 068	73 389 815	72 780 872
Long term loans	-	-	3 732 978	63 129 267	66 862 245	43 012 450
Other Borrowings	255 349 228	-	-	-	255 349 228	251 219 591
Other liabilities	30 655 442	-	22 593 934	-	53 249 376	52 458 418
Total financial liabilities	**923 676 329**	**80 474 265**	**31 010 229**	**70 956 634**	**1 106 117 457**	**1 063 424 539**
Net liquidity gap	**(735 986 941)**	**(73 235 450)**	**340 140 614**	**1 404 840 214**	**935 758 437**	
Cumulative liquidity gap	**(735 986 941)**	**(809 222 391)**	**(469 081 777)**	**935 758 437**	**935 758 437**	

The contractual liquidity mismatch shows the mismatch before any adjustments are made for product and customer behavioural assumptions. The Group's Asset and Liability Committee manages this mismatch by setting guidelines and limits for anticipated liquidity gaps and monitors these gaps daily. The committee reviews the product and customer behavioural assumptions when there is indication that there is a shift in one or more variables.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

5. Financial risk management (Continued)

(c) Liquidity risk (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

5. Financial risk management (Continued)

(c) Liquidity risk (Continued)

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

The contractual liquidity mismatch shows the mismatch before any adjustments are made for product and customer behavioural assumptions. The Group's Asset and Liability Committee manages this mismatch by setting guidelines and limits for anticipated liquidity gaps and monitors these gaps daily. The committee reviews the product and customer behavioural assumptions when there is indication that there is a shift in one or more variables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

5. Financial risk management (Continued)

(c) Liquidity risk (Continued)

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and Money market investments for which there is an active and liquid market less any deposits from company's other borrowings and commitments maturing within the next month. A similar but not identical calculation is used to measure the Group's compliance with the liquidity limit established by the Reserve Bank of Malawi. Details of the reported Company's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as per note number 5 (k).

(d) Market risks

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

Management of market risks

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury Department and include positions arising from market making and proprietary position taking together with financial assets and liabilities that are managed on a fair value basis.

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

Foreign Exchange Risk

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

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

Equity Risk

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

Exposure to interest rate risk – non trading portfolios

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

Exposure to other market risks – non trading portfolios

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

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

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

Consolidated and Separate
At 31 December 2024

Assets subject to interest rate adjustment			**Fixed Rate Instruments**				
	Zero rate	**Floating rate**	**0-3 months**	**3-6 months**	**6-12 months**	**Over 12 months**	**Total**
Money at call and short notice	-	20 999 937	-	-	-	-	20 999 937
Loans and Advances	-	234 941 972	-	-	-	-	234 941 972
Money markets and equity investments	130 700	-	31 222 091	54 389 071	50 711 680	455 502 515	591 956 057
Placements	-	-	141 645 485	-	-	-	141 645 485
Total rate sensitive assets (RSA)	130 700	255 941 909	172 867 576	54 389 071	50 711 680	455 502 515	989 543 451
Liabilities subject to interest rate adjustment							
Demand accounts	-	396 485 851	-	-	-	-	396 485 851
Savings deposits	-	86 833 815	-	-	-	-	86 833 815
Term deposits	-	-	233 039 624	4 484 475	3 594 793	3 504 198	244 623 090
Other and long-term borrowings	-	-	251 219 591	-	6 314 275	43 012 450	300 300 546
Total rate sensitive liabilities (RSL)	-	483 319 666	484 259 215	4 484 475	9 909 068	46 516 648	1 028 489 072
Asset/(liability) gap	130 700	(227 377 757)	(311 391 639)	49 904 596	40 802 612	408 985 867	(38 945 621)
Cumulative gap	130 700	(227 247 057)	(538 638 696)	(488 734 100)	(447 931 488)	(38 945 621)	
Net position as a	100%	(89%)	(312%)	(899%)	(883%)	0%	(4%)
Percent of total assets (RSA)							
RSA as a percent of RSL	0%	53%	36%	1213%	512%	979%	96%
Sensitivity to projected net interest income							
Percentage change as % of RSL		4.6%	9.1%	(45.4%)	(91%)		
Change in interest rate				(300 bp)	(600 bp)	300bp	600bp
Sensitivity to projected net interest income				0.28%	0.55%	(2.77%)	(5.53%)

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

5. Financial risk management (Continued)
(e) Interest rate gap analysis (Continued)

Consolidated and Separate
At 31 December 2023

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

5. Financial risk management (Continued)

(f) Currency risk

The Group had the following significant foreign currency positions.

Consolidated and separate At 31 December 2024	USD	GBP	Euro	ZAR	Total
Assets					
Balances with correspondent banks	**10 623 489**	**4 021 088**	**2 433 147**	**246 712**	**17 342 436**
Cash balances	**2 016 212**	**7 268**	**27 458**	**3 867**	**2 054 805**
Loans and advances to customers	**25 956 557**	**61**	**64**	**-**	**25 956 682**
Bank placements	**62 647 476**	**-**	**5 222 872**	**-**	**67 870 348**
Other assets	**61 965**	**-**	**171**	**-**	**62 136**
Total assets	**101 305 699**	**4 028 417**	**7 683 712**	**250 579**	**113 268 407**
Liabilities					
Customer deposits	**65 730 913**	**2 746 030**	**4 260 535**	**12 124**	**72 749 602**
Bank takings	**8 677 458**	**-**	**-**	**-**	**8 677 458**
Other liabilities	**29 356 564**	**15 179**	**-**	**192 543**	**29 564 286**
Total liabilities	**103 764 935**	**2 761 209**	**4 269 535**	**204 667**	**110 991 346**
Net position	**(2 459 236)**	**1 267 208**	**3 423 177**	**45 912**	**2 277 061**

Sensitivity to projected profit on foreign exchange.
Transactions

Movement in foreign currency rates	**(1000bp)**	**(2000bp)**	**1000bp**	**2000bp**
Change in net income (K'000)	**(24 592)**	**25 344**	**34 232**	**918**
Change in equity (MK'000)	**(17 215)**	**17 741**	**23 962**	**643**

Currency risk

The Group had the following significant foreign currency positions.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

5. Financial risk management (Continued)

(f) Currency risk (Continued)

Sensitivity to projected profit on foreign exchange.
Transactions

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

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

(g) Equity price risk

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

(g) Commodity risk

The Bank is not exposed to any commodity price risk as it does not hold any commodities such as oil and gas, metals or grains whose prices vary from time to time. However, the Bank does from time to time accept commodities such as corn as collateral for seasonal commodity financing loans. The impact of changes in oil prices is reflected in operating expenses such fuel costs and the general impact on inflation in the economy.

(h) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes personnel technology and infrastructure and from external factors other than credit market and liquidity risks such as those arising from legal, systems, models and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group's standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties including independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation including insurance where this is effective.

(i) Capital Management

Regulatory capital

The minimum regulatory capital requirements for Banks in Malawi is K10 billion effective 1 January 2020. NBS Bank plc is in full compliance with the revised minimum capital requirement. The Reserve Bank of Malawi sets and monitors capital requirements for the Group as a whole.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

5. Financial risk management (Continued)

In implementing current capital requirements Reserve Bank of Malawi requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets as below:
The Bank's regulatory capital is analysed into two tiers:

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

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statement of financial position.

The Bank has an Internal Capital Adequacy Assessment Process (ICAAP) through which risks and opportunities are identified and analysed to determine the appropriate level of capital for the Bank to hold to mitigate the impact of unexpected losses. The Board approves the ICCAP document annually and the same is shared with the Regulator. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is considered, and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

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

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

The Bank's regulatory capital position as at 31 December 2024 was as follows: -

	Consolidated and Separate	
	2024	**2023**
Tier 1 capital		
Share capital and share premium	**13 559 474**	13 559 474
Retained earnings and other reserves less 50% unconsolidated subsidiaries	**97 835 602**	35 793 864
Total tier 1 capital	**111 395 076**	49 353 338
Tier 2 capital		
Revaluation reserve on property, loan loss reserve less 50% of investment in a subsidiary	**26 100 760**	5 293 268
Total tier 2 capital	**26 100 760**	5 293 268
Total regulatory capital	**137 495 836**	54 646 606
Risk weighted assets	**484 940 604**	301 892 754
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**28.35%**	18.10 %
Total Tier 1 capital expressed as a percentage of total risk weighted assets	**22.97%**	16.35%

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

5. Financial risk management (Continued)

(j) Prudential Aspects of Bank's Liquidity

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

- Liquidity Ratio 1: Net liquidity (total liquid assets less suspense account in foreign currency) divided by total deposits must be at least 30%.

As at 31 December 2024 the Bank's liquidity Ratio 1 was 40 49% (2023: 33.06%)

- Liquidity Ratio 2 : Net liquidity (total liquid assets less suspense account in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20%.

As at 31 December 2024, the Bank's Liquidity Ratio 2 was 40.50% (2023: 33.06%)

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

The Bank will be required to implement Basel 3 effective 1 January 2025. Basel 3 introduces two new significant liquidity ratios, namely : Liquidity Coverage Ratio and Net Stable funding ratio. The Bank participated in a pilot run from 1 June 2024 to 31 December 2024. The results of the pilot indicated that the Bank would be in a position to comply with the new requirements.

(k) Liquidity Reserve Requirement

The Bank is required to maintain a liquidity reserve amount with Reserve Bank of Malawi for both local currency deposits and foreign currency deposits calculated on a weekly basis of not less than 10% of local and 3.75% of foreign currency for 2024 and (2023: 7.75% and 3.75%) of the preceding month's average total deposit liabilities. The Bank complied with this directive throughout the year.

6. Accounting classifications and fair values of financial instruments

Use of estimates and judgements

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

These disclosures supplement the commentary on financial risk management.

(a) Key sources of estimation

Allowances for credit losses

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

- Business model assessment: Classification and measurement of financial assets depends on the results of the Solely Payments of Principal and Interest (SPPI) and the business model test (please see note 4h (vi). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

- Significant increase of credit risk: As explained in 4 h(vi) ECL are measured as an allowance equal to 12-month ECL for stage 1 assets or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to note 5b for more details.

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

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

Key sources of estimation uncertainty

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

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and determining the forward-looking information relevant to each scenario: When measuring ECL, the Group uses reasonable and supportable forward-looking information which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to note 5 (b) for more details including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon the calculation of which includes historical data assumptions and expectations of future conditions. See note 5 (b) for more details including analysis of the sensitivity of the reported ECL to changes in PD resulting from changes in economic drivers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

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

- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive taking into account cash flows from collateral and integral credit enhancements. See note 5 (b) for more details including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

- Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Group uses valuation models to determine the fair value of its financial instruments. Refer to note 4 h(v) for more details on fair value measurement.

Determining fair values

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

Leases

Determination of lease term

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

Determination of Discount Factor for determining lease liability

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

Financial asset and financial liability classification

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

Financial instruments measured at fair-value hierarchy.

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

	Level 2	Level 3	Total
Consolidated			
31 December 2024			
Financial assets			
Equity investment	-	130 700	130 700
	-	130 700	130 700
31 December 2023			
Financial assets			
Equity investment	-	130 700	130 700
	-	130 700	130 700
Separate			
31 December 2024			
Financial assets			
Equity investment	-	130 700	130 700
	-	130 700	130 700
31 December 2023			
Financial assets			
Equity investment	-	130 700	130 700
	-	130 700	130 700

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

Financial instruments measured at fair-value hierarchy (Continued)

	Fair value through other comprehensive income	Amortised Cost	Total carrying amount
Consolidated			
31 December 2024			
Financial assets			
Cash and cash equivalents	-	161 395 240	161 395 240
Money market investments	81 286 835	510 832 116	592 118 951
Loans and advances to customers	-	234 941 972	234 941 972
Other Assets	-	7 778 492	7 778 492
Placements with other institutions	-	141 645 485	141 645 485
Total	81 286 835	1 137 880 140	1 137 880 140
Financial liabilities			
Customer deposits	-	421 856 336	521 856 336
Term deposit accounts	-	232 096 873	232 096 873
FCDA accounts	-	72 780 872	72 780 872
Long-term loans	-	43 012 450	43 012 450
Liabilities to financial institutions	-	251 219 591	251 219 591
Total	-	1 020 966 122	1 020 966 122
Separate			
31 December 2024			
Financial assets			
Cash and cash equivalents	-	161 349 290	161 349 290
Money market investments	81 286 835	510 832 116	592 118 951
Loans and advances to customers	-	234 941 972	234 941 972
Other Assets	-	7 778 492	7 778 492
Placements with other institutions	-	141 645 485	141 645 485
Total	81 286 835	1 137 834 190	1 137 834 190
Financial liabilities			
Current and savings accounts	-	421 856 336	421 856 336
Term deposit accounts	-	232 096 873	232 096 873
FCDA accounts	-	72 780 872	72 780 872
Long term loans	-	43 012 450	43 012 450
Interbank borrowings	-	251 219 591	251 219 591
Total	-	1 020 966 122	1 020 966 122

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

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

	Fair value through other comprehensive income	Amortised Cost	Total carrying amount
Consolidated			
31 December 2023			
Financial assets			
Cash and cash equivalents	-	104 500 423	104 500 423
Money market investments	39 212 542	243 102 383	282 314 925
Loans and advances to customers	-	153 816 439	153 816 439
Placements with other institutions	-	85 328 881	85 328 881
Total	39 212 542	586 748 126	625 960 668
Financial liabilities			
Customer deposits	-	281 732 517	281 732 517
Term deposit accounts	-	186 290 432	186 290 432
FCDA accounts	-	70 845 647	70 845 647
Long-term loans	-	8 492 574	8 492 574
Liabilities to financial institutions	-	26 569 638	26 569 638
Total	-	573 930 808	573 930 808
Separate			
31 December 2023			
Financial assets			
Cash and cash equivalents	-	104 439 790	104 439 790
Money market investments	39 212 542	242 102 383	281 314 925
Loans and advances to customers	-	153 816 439	153 816 439
Placements with other institutions	-	85 328 881	82 328 881
Total	39 212 542	586 687 493	625 900 035
Financial liabilities			
Current and savings accounts	-	281 732 517	281 732 517
Term deposit accounts	-	186 290 432	186 290 432
FCDA accounts	-	70 845 647	70 845 647
Long term loans	-	8 492 574	8 492 574
Interbank borrowings	-	26 569 638	26 569 638
Total	-	573 930 808	573 930 808

Estimation of fair values

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

7. Cash and cash equivalents

	Consolidated		Separate	
	2024	2023	**2024**	2023
Coins and bank notes	**16 097 052**	12 168 682	**15 286 407**	12 168 682
Money at call and short notice	**20 999 937**	43 654 964	**20 555 957**	43 594 330
Balance in the course of cheque clearance	**(115 287)**	(24 494)	**(115 287)**	(24 494)
Balance with the Reserve Bank of Malawi excluding mandatory reserve balance	**56 120 935**	9 971 733	**56 120 935**	9 971 734
Cash and cash equivalents excluding mandatory reserve deposits with the Reserve Bank of Malawi	**91 893 962**	65 770 885	**91 848 012**	65 710 252
Mandatory reserve deposits with the Reserve Bank of Malawi	**69 501 278**	38 729 538	**69 501 278**	38 729 538
Total cash and cash equivalents	**161 395 240**	104 500 423	**161 349 290**	104 439 790

Balances with the Reserve Bank of Malawi are held at a zero-interest rate (2023: nil). Balances due from other banks relate to bank balances with correspondent banks on which interest at a rate of **0.5%** (2023: 0.5%) per annum is earned. The related expected credit loss has been disclosed on note 5b credit risk. The currency for these balances has been disclosed under note 5f. Included in balance due from other banks is K455 million (2023: K612 million) as cash collateral with VISA. The major counterparty is Citibank London and New York.

8a. Money market investments

	Consolidated and separate	
	2024	2023
Government of Malawi and Reserve Bank of Malawi bills	**10 000 000**	1 473 031
Government of Malawi Promissory Notes	**1 295**	204 818
Government of Malawi Local Registered Stocks	**501 869 906**	242 012 177
Government of Malawi Treasury Note (Trading Book)	**81 286 835**	39 212 543
Total impairment for money market investments	**(1 039 085)**	(587 644)
Total investments	**592 118 951**	282 314 925
The investments are due to mature as follows:		
• Within three months	**83 696 491**	8 018 942
• Between three months and one year	**508 422 460**	274 295 983
	592 118 951	282 314 925

Money market investments with maturity of less than or up to three months are classified as cash and cash equivalents if at the time of investment had tenor of equal to or less than three months. The yield on money market investments ranged from 13.5% to 35 % per annum in 2024 (2023: 13% to 33% per annum). The related expected credit loss has been disclosed on note 5b credit risk.

8b. Placements with other institutions

NICO Asset Managers	**21 670 147**	10 275 271
First Capital Bank	**-**	7 313 800
Ecobank Malawi Limited	**20 843 014**	8 428 357
First Discount House	**-**	5 009 452
Centenary Bank	**-**	3 005 671
Reserve Bank of Malawi	**99 132 334**	51 296 330
Total placements with other institutions	**141 645 485**	85 328 881

Placements earned average interest rate of 17.07% (2023: 22%). Most of the placements for 2024 were in foreign currency hence a lower yield rate. Refer to note 5f for currency risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

9. Loans and advances to customers

		Consolidated and separate	
		2024	2023
i.)	Loans and overdrafts	**239 088 090**	152 874 238
	Lease contracts (See note 9(iv))	**2 013 156**	2 433 769
	Mortgage advances	**7 016 970**	6 999 193
	Total gross loans and advances	**248 118 216**	162 307 200
	Allowance for impairment	**(13 176 245)**	(8 490 761)
	Net loans and advances	**234 941 972**	153 816 439
	Net loans and advances are due to mature as follows		
ii)	Within one year	**9 824 819**	43 326 037
	After one year	**238 293 397**	118 981 163
		248 118 216	162 307 200
iii)	**Allowance for impairment:**		
	At beginning of the year	**8 490 761**	3 398 534
	Amounts written-off	**-**	-
	Increase in impairment	**5 076 862**	5 718 988
	Recoveries from written-off loans	**(391 378)**	(626 761)
	Balance at end of the year	**13 176 245**	8 490 761

The Bank applies risk-based pricing on its products. The price is linked to the reference rate with an interest spread of 0 to plus 13.5%. The applicable reference rate averaged 25.07% (2023:20.7%).

iv) Finance lease receivables:

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

	2024	2023
Less than one year	**222 243**	127 482
More than one year	**2 299 897**	2 880 995
Total	**2 522 140**	3 008 477
Unearned finance income	**(508 984)**	(574 708)
Net investment in finance leases	**2 013 156**	2 433 769

Net investment in finance lease receivables mature as follows:

	2024	2023
Less than one year	**177 369**	103 141
More than one year	**1 835 788**	2 330 628
	2 013 157	2 433 769

v) General terms

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

9. Loans and advances to customers (continued)

	Consolidated and separate	
	2024	2023
IFRS 9 loan impairments	**4 688 876**	5 082 689
Staff impairment	**(25 014)**	1 629
Bad debts write-offs	**(391 378)**	(626 761)
ECL Low Risks provisions	**451 441**	103 539
	4 723 925	4 561 096

10. Amount due to subsidiary

	Separate	
	2024	2023
Amount due to subsidiary. Balance at 1 January and 31 December	**1 208 675**	384 171

The amount due to subsidiary comprises FCDA and local currency current deposits of the Bureau and FCDA earns interest at 0.25% per annum (2023:0.25%) while the local currency current account earns Interest at 0.1% (20230.1%.).

11. Equity investments

	Consolidated		Separate	
	2024	2023	**2024**	2023
NBS Forex Bureau Limited	**-**	-	**300 000**	300 000
Natswitch Limited	**111 000**	111 000	**111 000**	111 000
Swift	**19 700**	19 700	**19 700**	19 700
	130 700	130 700	**430 700**	430 700

- NBS Bank Plc holds 9% in Natswitch Limited.
- The shares in Swift were purchased by the Bank upon meeting the minimum card transactions volume required to be a member.
- The investment in the NBS Forex Bureau Limited is carried at cost.

12. Investment in subsidiary

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

13. Property and equipment

	Property	Motor vehicles fixtures and fittings	Capital work in Progress Equipment	Total
Consolidated				
2024				
Cost				
Balance at 1 January	**174 462**	**20 817 213**	**3 753 175**	**24 744 850**
Additions during the year	**-**	**8 576 770**	**4 661 572**	**13 238 342**
Disposals during the year	**-**	**(453 866)**	**-**	**(453 866)**
Transfers within class	**-**	**6 994 960**	**(6 994 960)**	**-**
Balance at 31 December	**174 462**	**35 935 077**	**1 419 787**	**37 529 326**
Accumulated depreciation				
Balance at 1 January	**28 959**	**10 475 541**	**-**	**10 504 500**
Charge for the year	**4 360**	**3 126 883**	**-**	**3 131 243**
Disposals during the year	**-**	**(291 165)**	**-**	**(291 165)**
Balance at 31 December	**33 319**	**13 311 259**	**-**	**13 344 578**
Carrying amount				
At 31 December	**141 143**	**22 623 818**	**1 419 787**	**24 184 748**
2023				
Cost				
Balance at 1 January	216 481	16 255 422	296 233	16 768 136
Additions during the year	-	4 602 921	3 456 942	8 059 863
Disposals during the year	-	(83 149)	-	(83 149)
Transfers within class	(42 019)	42 019	-	-
Balance at 31 December	174 462	20 817 213	3 753 175	24 744 850
Accumulated depreciation				
Balance at 1 January	38 044	8 923 993	-	8 962 037
Charge for the year	4 360	1 569 074	-	1 573 434
Transfers within class	(13 445)	13 445	-	
Disposals during the year	-	(30 971)	-	(30 971)
Balance at 31 December	28 959	10 475 541	-	10 504 500
Carrying amount				
At 31 December	145 503	10 341 672	3 753 175	14 240 350

Transfer within classes relates to capitalisation of servers that were purchased for core banking system and were brought into use after finalisation of core banking system. The register of property and equipment is maintained by the Company and is available for inspection at any time at the Company's Ginnery Corner Office.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

13. Property and equipment (Continued)

	Property	vehicles fixtures and fittings	Motor work in progress equipment	Capital Total
Separate				
2024				
Cost				
Balance at 1 January	**174 462**	**20 731 855**	**3 753 174**	**24 659 491**
Additions during the year	**-**	**8 480 356**	**4 661 572**	**13 141 928**
Disposals during the year	**-**	**(453 866)**	**-**	**(453 866)**
Transfers within class	**-**	**6 994 960**	**(6 994 960)**	**-**
Balance at 31 December	**174 462**	**35 753 305**	**1 419 786**	**37 347 550**
Accumulated depreciation and impairment losses				
Balance at 1 January	**28 960**	**10 467 860**	**-**	**10 496 820**
Charge for the year	**4 359**	**3 112 746**	**-**	**3 117 105**
Disposals during the year	**-**	**(291 165)**	**-**	**(291 165)**
Balance at 31 December	**33 319**	**13 289 441**	**-**	**13 322 760**
Carrying amount				
At 31 December	**141 143**	**22 463 864**	**1 419 786**	**24 024 790**
2023				
Cost				
Balance at 1 January	216 481	16 187 126	296 233	16 699 840
Additions during the year	-	4 516 661	3 456 941	7 973 602
Disposals during the year	-	(13 951)	-	(13 951)
Transfers within class	(42 019)	42 019	-	-
Balance at 31 December	174 462	20 731 855	3 753 174	24 659 491
Accumulated depreciation and impairment losses				
Balance at 1 January	38 045	8 901 205	-	8 939 250
Charge for the year	4 360	1 561 032	-	1 565 392
Transfers within class	(13 445)	13 445	-	-
Disposals during the year	-	(7 822)	-	(7 822)
Balance at 31 December	28 960	10 467 860	-	10 496 820
Carrying amount				
At 31 December	145 502	10 263 995	3 753 174	14 162 671

Capital work in progress represents payments for Renovations of Mzuzu Service Centre which were still in progress and part payment for cash dispenser .

Categories:

Owned property includes freehold and leasehold properties. Motor vehicles, fixtures and fittings include computer hardware, other office equipment, motor vehicles, furniture and other equipment and auto teller machines.

These items have been combined for presentation purposes; however, they are accounted for using the policy under 4(k).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

14. Intangible assets

	Consolidated					
	2024			2023		
	Software	**Software work in progress**	**Total**	Software	Software work in progress	Total
Balance at 1 January	**8 794 009**	**5 567 622**	**14 361 631**	8 486 862	119 578	8 606 440
Additions	**201 240**	**8 778 787**	**8 980 027**	307 147	5 452 794	5 759 941
Write-off of asset wrongly capitalised	**-**	**-**	**-**	-	(4 750)	(4 750)
Transfers within classes*	**14 224 866**	**(14 224 866)**	**-**	-	-	-
Balance at 31 December	**23 220 115**	**121 543**	**23 341 658**	8 794 009	5 567 622	14 361 631
Accumulated amortisation and impairment						
Balance at 1 January	**6 428 355**	**-**	**6 428 355**	5 898 234	-	5 898 234
Amortisation for the year	**1 655 296**	**-**	**1 655 296**	530 121	-	530 121
At 31 December	**8 083 652**	**-**	**8 083 651**	6 428 355	-	6 428 355
Carrying amount 31 December	**15 136 463**	**121 543**	**15 258 007**	2 365 654	5 567 622	7 933 276

*Transfer within assets of capital expenditure relates to capitalisation of the core banking system Flexcube from work-in-progress to intangibles.

	Separate					
	2024			2023		
	Software	**Software work in progress**	**Total**	Software	Software work in progress	Total
Balance at 1 January	**8 788 184**	**5 567 622**	**14 355 806**	8 486 862	119 578	8 606 440
Additions	**173 952**	**8 778 787**	**8 952 739**	301 322	5 452 794	5 754 116
Write-off of asset wrongly capitalised	**-**	**-**	**-**	-	(4 750)	(4 750)
Transfers within classes*	**14 224 866**	**(14 224 866)**	**-**	-	-	-
Balance at 31 December	**23 187 002**	**121 543**	**23 308 545**	8 788 184	5 567 622	14 355 806
Accumulated amortisation and impairment						
Balance at 1 January	**6 428 293**	**-**	**6 428 293**	5 898 234	-	5 898 234
Amortisation for the year	**1 651 157**	**-**	**1 651 157**	530 059	-	530 059
At 31 December	**8 079 450**	**-**	**8 079 450**	6 428 293	-	6 428 293
Carrying amount 31 December	**15 107 551**	**121 543**	**15 229 095**	2 359 891	5 567 622	7 927 513

*Transfer within assets of capital expenditure relates to capitalisation of the core banking system from work-in-progress to intangibles.

The balance still in work in progress relates to Mobile banking software 60% payment that is still work in progress

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

15. Other assets

	Consolidated 2024	Consolidated 2023	Separate 2024	Separate 2023
Consumable stationery	**547 469**	277 506	**547 469**	277 506
Prepayments	**5 224 708**	2 421 375	**5 219 399**	2 418 712
Sundry debtors	**1 958 467**	1 406 686	**1 958 467**	1 406 686
Other receivables	**12 537 049**	2 765 315	**12 539 537**	3 020 114
Total	**20 267 693**	6 870 882	**20 264 872**	7 123 018

Included in other assets, are prepayments for license fees for various Bank ICT systems and other services. Sundry debtors include receivable proceeds from sale of land to ICON Properties plc of K297 million (2023: K297 million).

16. Deposits

	Consolidated and separate 2024	Consolidated and separate 2023
Customer deposits		
Savings accounts	**322 456 303**	44 130 908
Currents accounts	**86 833 815**	237 260 438
Investment accounts	**12 526 217**	8 698 130
	421 856 335	290 089 476
Term deposit accounts		
Maturing within 3 months	**219 795 316**	171 115 970
Maturing between 3 and 12 months	**12 301 558**	6 476 332
	232 096 874	177 592 302
Total local currency deposits	**653 953 209**	467 681 778

Foreign currency denominated accounts

	2024 Amount	**2024 MK Equivalent**	2023 Amount	2023 MK Equivalent
Currency				
US Dollar	**38 360**	**65 685 476**	38 781	65 269 254
British Pound	**1 220**	**2 763 300**	858	1 903 258
Euro Dollar	**2 304**	**4 320 000**	1 898	3 651 834
South African Rand	**126**	**12 096**	227	21 301
Total	**42 010**	**72 780 872**	41 764	70 845 647

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

Deposits from customers, on savings investment and term deposit accounts carried an interest rate ranging from 2% to 26% (2023: 2% to 23.5%) per annum. Current accounts earned interest of 0.1% per annum on balances above K5 000 000 for the year ended 31 December 2024 (2023.0.1%.). The foreign currency denominated accounts attract an average interest rate of 0.5% (2023: 0.5%) per annum.

16. Deposits (Continued)

Distribution of Customer deposits by Sector

Customer deposits per sector at 31 December 2024 were as follows:

		Consolidated and Separate					
	Notes	**2024 Local Currency**	**2024 Foreign currency**	**2024 Total**	2023 Local Currency	2023 Foreign currency	2023 Total
Carrying amount	16	**653 953 209**	**72 780 872**	**726 734 081**	467 681 778	70 845 647	538 527 425
Concentration by sector							
Agriculture, forestry, fishing, and hunting		**64 981 897**	**6 578 486**	**71 560 383**	68 822 007	4 050 094	72 872 101
Mining and quarrying		**463 966**	**36 449**	**500 415**	3 956 451	46 450	4 002 901
Manufacturing		**41 067 659**	**1 107 025**	**42 174 684**	57 808 473	2 465 855	60 274 328
Electricity, gas, water and energy		**50 146 142**	**26 838**	**50 172 980**	58 729 960	317 959	59 047 919
Construction		**22 886 615**	**10 440 892**	**33 327 507**	14 727 419	14 006 385	28 733 804
Wholesale and retail trade		**42 376 424**	**1 609 822**	**43 986 246**	26 954 407	1 160 061	28 114 468
Restaurants and hotels		**42 759 809**	**130 512**	**42 890 321**	1 147 699	879 495	2 027 194
Transport, storage and communications		**40 240 566**	**2 114 872**	**42 355 438**	29 736 544	3 561 503	33 298 047
Financial services		**121 608 305**	**7 028 354**	**128 636 659**	111 886 173	4 509 034	116 395 207
Community, social and personal services		**186 222 545**	**43 116 205**	**229 338 750**	82 415 808	38 366 037	120 781 845
Real estate		**14 081 774**	**145 840**	**14 227 614**	2 619 349	9 089	2 628 438
Other sectors		**27 117 507**	**445 577**	**27 563 084**	8 877 488	1 473 685	10 351 173
Total		**653 953 209**	**72 780 872**	**726 734 081**	467 681 778	70 845 647	538 527 425

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

17. Long -term loans

	Consolidated and Separate	
	2024	2023
NICO Life Assurance Limited	**20 147 946**	-
National Bank of Malawi Capital Markets Limited	**6 168 164**	5 009 822
FINESS RBM Loans	**3 624 250**	2 858 320
IFAD	**8 694 459**	-
OIKO Credit	**4 377 631**	-
NICO Asset Managers	**-**	624 432
Total	**43 012 450**	**8 492 574**

Movement in borrowings in 2024

	01/01/2024	Additions in the year	Interest charged	Repayments	31/12/2024
NICO Life Assurance Limited	-	20 000 000	147 946	-	20 147 946
NBM Capital Markets Limited	5 009 822	6 000 000	889 774	(5 731 432)	6 168 164
FINESS RBM Loan	2 858 320	1 500 000	341 340	(1 075 410)	3 624 250
IFAD	-	8 675 000	19 459	-	8 694 459
OIKO	-	4 337 500	40 131	-	4 377 631
NICO Asset Managers Limited	624 432	-	61 019	(685 451)	-
Total	**8 492 574**	**40 512 500**	**1 499 669**	**(7 492 293)**	**43 012 450**

Movement in borrowings in 2023

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

The NICO Life Insurance Limited 5-year loan of MK20 billion was raised in December 2024 as part of the new subordinated debt raised to increase Tier 2 capital of the Bank. The loan reprices semi-annually at 364 T-bill rates plus 400 basis points. NICO Life Insurance Limited is a related party, and the Bank sought approval of the Registrar of Financial Institution and complied with arm's length requirements of the relevant directives and laws.

The NBM Capital Markets Limited loan is a 5 year-floating rate note raised in November 2024 to increase the Bank's total capital to enable it to execute its lending strategy. The note is repriced semi-annually at 364 T-bill of the last public auction before the start of the day count plus 500 basis points. The balance as at 31 December 2023 matured in 2024 and was fully repaid.

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

The NICO Asset Managers Limited loan is a 5-year floating rate loan raised to fund a large ticket transaction entered into in June 2019. It was not raised to form part of the total capital of the Bank. The loan is priced at the higher of floating 91 days T-bill plus 6% or headline inflation plus 4%. The balance as at 31 December 2023 matured in 2024 and was fully repaid.

The IFAD US Dollar loan of 10 years was raised in April ($2 million) I and $3 million in November 2024 to support the Bank's plans to grow the agribusiness portfolio. The loan is priced at 4.28%. The capital element of the loans is payable at the end of the tenor of the loan on 6 January 2034 while interest is payable quarterly. The amount had been disbursed as at 31 December 2024 and all the loan to the borrower was in US dollars and it is also repayable in US dollars.

The OIKO US Dollar loan of 5 years was raised in December 2024 to support the Bank's plans to grow the agribusiness portfolio. The loan is priced at 5 Year USD SOFR plus 300 basis points. The capital element of the loans is payable at the end of the tenor of the loan on 6th June 2029 while interest is payable quarterly. The amount had been disbursed as at 31 December 2024 and all the loan to the borrower was in US dollars , repayable in US dollars.

All the five loan facilities are not secured.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued)

18. Deferred tax assets and liabilities

	2024			2023		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Consolidated						
Excess capital allowance on property and equipment	723 841	(5 124 737)	(4 400 896)	267 627	(969 968)	(702 341)
Provisions	7 529 203	-	7 529 203	4 101 466	-	4 101 466
Accrued interest	-	(8 488 930)	(8 488 930)	-	(4 581 785)	(4 581 785)
Deferred arrangement fees	-	(1 160 144)	(1 160 144)	836 645	-	836 645
Fair value adjustment on Malawi Government T/notes	-	(86 888)	(86 888)	-	(101 368)	(101 368)
Balance at 31 December	**8 253 044**	**(14 860 699)**	**(6 607 655)**	**5 205 738**	**(5 653 121)**	**(447 383)**
Separate						
Excess capital allowance on property and equipment	**723 841**	**(5 108 391)**	**(4 384 550)**	267 627	(962 696)	(695 069)
Provisions-	**7 486 518**	**-**	**7 486 518**	4 101 466	-	4 101 466
Accrued Interest	**-**	**(8 488 930)**	**(8 488 930)**	-	(4 581 785)	(4 581 785)
Deferred arrangement fees	**-**	**(1 160 144)**	**(1 160 144)**	836 645	-	836 645
Unrealised gains on FX positions	**-**	**-**	**-**	-	-	-
Fair value adjustment on Malawi Government T/notes	**-**	**(86 888)**	**(86 888)**	-	(101 368)	(101 368)
Balance at 31 December	**8 210 359**	**(14 844 353)**	**(6 633 994)**	5 205 738	(5 645 849)	(440 111)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

18. Deferred tax assets and liabilities (Continued)

Deferred tax is calculated in full on all temporary differences under the liability method using the enacted tax rate of 30% (2023: 30%). The movement on the deferred tax account is as follows:

	As at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	As at 31 December
2024				
Consolidated				
Property and equipment	**(702 341)**	**(3 698 555)**	**-**	**(4 400 896)**
Provisions and accruals	**4 101 466**	**3 427 737**	**-**	**7 529 203**
Accrued interest	**(4 581 785)**	**(3 907 145)**	**-**	**(8 488 930)**
Deferred arrangement fees	**836 645**	**(1 996 789)**	**-**	**(1 160 144)**
Unrealised gains on FX positions	**-**	**-**	**-**	**-**
FVOCI reserve	**(101 368)**	**-**	**14 480**	**(86 888)**
	(447 383)	**(6,174 752)**	**14 480**	**(6 607 655)**
Separate				
Property and equipment	**(695 069)**	**(3 689 481)**	**-**	**(4 384 550)**
Provisions and accruals	**4 101 466**	**3 385 052**	**-**	**7 486 518**
Accrued interest	**(4 581 785)**	**(3 907 145)**	**-**	**(8 488 930)**
Deferred arrangement fees	**836 645**	**(1 996 789)**	**-**	**(1 160 144)**
Unrealised gains on FX positions	**-**	**-**	**-**	**-**
FVOCI reserve	**(101 368)**	**-**	**14 480**	**(86 888)**
	(440 111)	**(6 208 363)**	**14 480**	**(6 633 994)**
2023				
Consolidated				
Property and equipment	(486 907)	(215 434)	-	(702 341)
Provisions and accruals	1 602 637	2 498 829	-	4 101 466
Accrued interest	(2 707 708)	(1 874 077)	-	(4 581 785)
Deferred arrangement fees	643 610	193 035	-	836 645
Unrealised gains on FX positions	25 455	(25 455)	-	-
FVOCI reserve	144 811	-	(246 179)	(101 368)
	(778 102)	576 898	(246 179)	(447 383)
Separate				
Property and equipment	(486 908)	(208 161)	-	(695 069)
Provisions and accruals	1 632 973	2 468 493	-	4 101 466
Accrued interest	(2 707 708)	(1 874 077)	-	(4 581 785)
Deferred arrangement fees	643 610	193 035	-	836 645
Unrealised gains on FX positions	25 455	(25 455)	-	-
FVOCI reserve	144 811	-	(246 179)	(101 368)
	(747 767)	553 835	(246 179)	(440 111)

19. Other liabilities

	Consolidated		Separate	
	2024	2023	**2024**	2023
Accruals	**29 811 560**	19 065 273	**29 320 602**	19 036 273
PAYE and other taxes	**543 882**	798 119	**543 882**	798 119
	30 355 442	19 863 392	**29 864 484**	19 834 392

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

Accruals represent Group obligations with known amounts and settlement timelines as of the reporting date. Included in the liabilities is a K1.8 billion accrual related to the Limbe Fraud case. Previously, the court ruled in favor of the Bank, awarding the bank K1.8 billion, which was recognized as income. However, following an appeal by the insurance company, the ruling was overturned, and the Bank has been required to refund the amount. Accordingly, a liability has been recognized to reflect this obligation.

The accruals also include K2.2 billion liabilities for a tax audit by Malawi Revenue Authority covering the period from January 2018 to December 2022 where the Authority was claiming VAT on other banking services. The Bank did an IFRIC 23 assessment and determined that an accrual needed to be made for the taxes and penalties as at 31 December 2024.

20. Liabilities to financial institutions

	Consolidated and separate	
	2024	2023
Interbank borrowings and swaps	**107 943 975**	26 569 638
Open Market operations (OMOs)	**143 275 616**	-
	251 219 591	26 569 638

Liabilities to financial institutions constitute reverse repos with Reserve Bank of Malawi (RBM) which are instruments used by RBM to inject liquidity back into the market. The Bank invested the funds in government securities. The instruments are priced within the range of 18% to 24% per annum (2023: 13% to 33%) and have a tenor of 1 to 3 months.

Interbank borrowings are short term funding available from the local banks who have excess liquidity to place onto the market. This is used to cover any short-term liquidity needs of the banks. The average rate was 24.5% per annum (2023: 19.51%). Included in the MK107.9 million were currency swaps amounting to K42.59billion. The Bank entered into two currency swap contracts with Reserve Bank of Malawi. The amounts were MK25.25 billion and MK17.34 billion with interest rates on the local currency of 16% and 12.5% respectively. The interest rates on the US Dollar was 9.5% and 10% respectively. The maturity dates of the swaps were 28th January 2025 and 4th April 2025 respectively.

21. Share capital

	2024	**2023**
Authorised share capital.		
4 000 000 000 (2023: 4 000 000 000) Ordinary Shares of K0.50 each (K'000)	**2 000 000**	2 000 000
The holders of ordinary shares are entitled to receive dividends as declared from time to time.		
Issued and fully paid (thousands of shares)	**2 910 574**	2 910 574
Weighted average number of shares as at 31 December	**2 910 574**	2 910 574
The movement in share capital during the year was as follows (in thousands of Malawi Kwacha):		
At 1 January issued and fully paid shares of 50t each (K'000)	**1 455 291**	1 455 291
Total share capital issued at end of the year (K'000)	**1 455 291**	1 455 291

22. Share premium

	Consolidated and separate	
	2024	**2023**
Share premium	**12 104 183**	12 104 183

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

	Consolidated and separate	
	2024	**2023**
Balance pre-listing	**164 637**	164 637
Share issue on listing	**150 311**	150 311
Share issue	**11 501 427**	11 501 427
Bonus issue	**287 808**	287 808
Total	**12 104 183**	12 104 183

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

	2024	2023
At the beginning of the year	**(378 115)**	(337 894)
Fair value adjustment on Malawi Government Treasury notes	**(48 265)**	205 957
Deferred tax on fair value adjustment on Malawi Government Treasury notes	**14 480**	(246 178)
At end of the year	**(411 900)**	(378 115)

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

23 (b) Loan Loss Reserve

	2024	2023
As at 1 January	**498 796**	498 796
Transfer from retained earnings	**(498 796)**	-
As at 31 December	**-**	498 796

Loan loss reserve relates to additional credit impairments for exposures that have remained in non-performing status for at least 18 months as per requirements of the Financial Services (Financial Asset Classification for banks) Directive, 2018. The bank has fully provided for non-performing loans hence the reversal of the loan loss provisions.

24. Interest income

	Consolidated		Separate	
	2024	**2023**	**2024**	**2023**
Corporate loans	**17 014 867**	8 128 703	**17 014 867**	8 128 703
Overdrafts	**3 050 607**	2 505 720	**3 050 920**	2 507 235
Personal loans	**40 274 244**	27 244 996	**40 274 244**	27 244 996
Short-term loans	**123 229**	34 021	**123 229**	34 021
SME loans	**1 768 294**	1 648 887	**1 768 294**	1 648 887
Agri-business loans	**92 167**	136 739	**92 167**	136 739
Mortgage loans	**1 826 858**	1 314 882	**1 826 858**	1 314 882
Total Interest on loans and advances	**64 150 266**	41 013 948	**64 150 579**	41 015 463
Interest on lease financing	**605 261**	465 276	**605 261**	465 276
Interest on placements with other banks	**17 862 894**	6 932 620	**17 862 894**	6 932 620
Interest from money markets investments	**157 175 986**	63 484 264	**157 175 986**	63 484 264
	239 794 407	**111 896 109**	**239 794 720**	**111 897 623**

25. Interest expense

	Consolidated 2024	Consolidated 2023	Separate 2024	Separate 2023
Current accounts	**3 291 284**	3 191 882	**3 292 528**	3 191 978
Foreign currency denominated accounts	**781 974**	620 719	**781 974**	620 719
Fixed deposits	**44 231 635**	28 513 643	**44 231 635**	28 513 643
Inter-bank borrowing	**11 939 741**	7 095 214	**11 939 741**	7 095 214
Interest on borrowings	**17 090 160**	3 700 855	**17 090 160**	3 700 855
Investment deposits	**882 691**	391 309	**882 691**	391 309
Savings deposits	**1 264 409**	688 650	**1 264 409**	688 650
Total interest expense	**79 481 893**	44 202 272	**79 483 137**	44 202 368

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

26. Net fees commission and other charges

	Consolidated		Separate	
	2024	**2023**	**2024**	**2023**
Bank charges and commission	**14 074 612**	9 982 839	**14 071 418**	9 982 839
Income from ATM transactions	**619 487**	360 987	**619 487**	360 987
Card expenses	**(5 776 966)**	(2 993 147)	**(5 776 966)**	(2 993 147)
Net fees commission and other charges	**8 917 133**	**7 350 679**	**8 913 939**	**7 350 679**

27. Personnel expenses

Salaries and wages	**16 422 089**	11 736 745	**16 212 528**	11 648 270
Leave pay provision	**103 173**	104 223	**102 868**	104 223
Pension contribution	**1 809 044**	1 250 314	**1 784 338**	1 240 719
Life insurance	**613 995**	430 105	**607 377**	427 396
MASM contribution	**492 874**	423 433	**487 725**	421 915
Meal allowances	**400 768**	274 648	**400 666**	274 099
Christmas party expenses	**249 335**	182 522	**249 335**	182 522
Training expenses	**1 286 090**	842 085	**1 286 090**	839 544
Management car scheme	**1 546 081**	1 113 588	**1 516 096**	1 105 316
Acting allowance	**204 733**	129 607	**200 545**	129 607
Staff fuel benefits	**1 046 214**	729 355	**1 036 167**	722 881
Contract expenses 1	**162 371**	14 910	**162 371**	14 910
Recruitment expenses	**52 994**	26 628	**52 994**	26 628
Fringe Benefit Tax and Tevet Levy	**572 904**	333 384	**570 180**	333 298
Telephone staff expenses	**346 947**	261 190	**344 059**	260 381
Staff benefits expenses 2	**668 398**	310 372	**668 398**	310 372
Profit share	**6 115 969**	5 531 955	**5 988 779**	5 531 955
	32 093 979	**23 695 064**	**31 670 516**	**23 574 036**

1. The Bank's retirement age is 55. In the majority of cases, staff do retire in line with policy. However, where suitable replacements cannot be found at a reasonable cost, the Company offers the option for the member of staff to move to a contract arrangement upon reaching the retirement age. In 2024, 4 employees migrated to a contract arrangement, hence the increase in the expense from MK14.9 million to MK162 million.

2. Staff benefits expenses include a settlement of MK171 million to former messengers who had been laid off as part of the review of costs involved in the turnaround strategy implementation in prior years. The amount was awarded by the courts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

28(a). Other operating expenses

	Consolidated		Separate	
	2024	**2023**	**2024**	**2023**
Travel and entertainment expenses 1	**2 802 624**	1 591 309	**2 769 749**	1 494 953
Premises expenses	**1 292 009**	889 820	**1 283 734**	889 820
Marketing and advertising	**2 352 564**	1 766 586	**2 345 140**	1 765 283
Stationery and consumables	**938 123**	540 966	**932 582**	540 548
Motoring expenses	**1 889 915**	1 184 186	**1 884 160**	1 181 259
Communication expenses	**1 378 354**	1 053 911	**1 378 245**	1 053 355
Consultancy and professional fees 2	**2 138 917**	1 079 249	**2 141 728**	1 073 553
Audit fees	**324 755**	207 455	**312 755**	207 455
Other fees	**11 500**	-	**11 500**	-
Directors' fees	**66 240**	38 300	**66 240**	38 200
Director's travel	**188 770**	128 902	**188 770**	128 902
Bank charges	**727 958**	340 593	**659 019**	314 570
Penalties	**-**	272 126	**-**	272 126
Insurance costs	**919 815**	608 417	**744 504**	608 417
Deposit Insurance 3	**744 504**	168 757	**919 815**	168 757
Security expenses	**1 022 157**	698 139	**1 022 117**	698 059
Donations	**961 032**	347 459	**961 032**	347 459
General sundry expenses 4	**1 153 222**	618 743	**1 148 879**	610 589
Accrual for VAT and other taxes	**1 998 373**	1 360 630	**1 998 373**	1 360 630
Office expenses subscription	**394 943**	249 164	**392 120**	247 890
MSE expenses and listing expenses	**35 483**	30 022	**35 483**	30 022
Non capitalized items	**188 341**	108 692	**188 340**	107 521
Transfer secretarial expenses	**41 124**	24 977	**41 124**	24 977
Outsourcing services cost	**459 421**	295 538	**459 293**	295 538
Core Banking project operating expenses 5	**2 219 220**	336 367	**2 219 220**	336 367
Operational losses 5	**405 699**	42 508	**405 699**	42 508
NICO corporate expenses	**-**	158 860	**-**	158 860
NICO shared expenses	**834 264**	370 487	**834 264**	370 586
	25 489 327	14 428 356	**25 343 885**	14 368 204

1. Travel and entertainment expenses includes the cost of new cash collection services amounting to MK408 million provided to clients who require the Bank to collect cash from their business premises. Other than normal local business travel, the Bank incurred travel costs for overseas trips to negotiate lines of credit to support importation of strategic commodities and explore other opportunities.
2. Consultancy and professional fees include costs incurred to fulfil the aims of the NBS Bank- RaboBank partnership. The total cost amounted to MK968 million which include the cost of a resident representative. The partnership has focused on agribusiness including the raising of US$ funding for agriculture, capacity building, exchange programs and innovation. The Dutch government used to cover 60% of the costs of the partnership until 31 December 2023. 2024 represents the first year in which the bank incurred the full cost. Additionally, part of the increase was due to the movement in the exchange rate.
3. The 2024 deposit insurance cost reflects the premium for a full year whereas the 2023 premium was for the fourth quarter of 2023. The relevant directive became effective in the fourth quarter of 2023.
4. General sundry expenses comprise the cost of groceries, general repairs, and other similar expenses incurred to run the branches. The cost of groceries and general repairs amounted to MK460 million and MK356 million, respectively. The remainder was for other sundry supplies required on a day- to-day basis.
5. The Bank changed the core banking system from T24 to Oracle Flexcube in 2024. The project costs were those that could not qualify for capitalisation under financial reporting standards. Operational losses rose mainly due to the challenges faced immediately after going-live on the new system. The Bank recovered part of the losses, and the amount included in the financial statements was a provision for amounts that had not yet been recovered at the reporting date. The bank resolved the system issues within Q4 of 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

28(b). Recurrent expenditure on premises and equipment

	Consolidated		Separate	
	2024	2023	**2024**	2023
Maintenance -Computer and Equipment	**2 030 456**	1 317 632	**2 023 462**	1 306 302
Computer System Expenses	**88 583**	53 390	**88 583**	53 391
Computer Licences	**8 279 859**	4 656 102	**8 279 183**	4 655 932
	10 398 898	6 027 124	**10 391 228**	6 015 625

29. Income tax expense

Current tax expense	**45 774 197**	20 889 131	**45 553 220**	20 919 049
Deferred tax(credit)/charge (note 18)	**6 174 752**	(546 565)	**6 208 363**	(553 837)
Total income tax charge	**51 948 949**	20 342 566	**51 761 583**	20 365 212
Reconciliation of tax charge				
Profit before tax	**126 938 275**	49 787 594	**124 222 226**	49 787 594
Income tax using corporate tax rate @ 30%	**(37 267 156)**	(14 936 278)	**(37 266 668)**	(14 936 278)
Non-deductible expenses	**49 660 524**	15 195 923	**49 470 283**	15 188 650
Temporary differences	**39 555 582**	20 082 921	**39 557 968**	20 112 840
	51 948 949	20 342 566	**51 761 583**	20 365 212

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

30. Basic and diluted earnings per share

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

	Consolidated	
	2024	2023
Net profit attributable to ordinary shareholders (Thousands)	**72 990 950**	29 378 137
Weighted average number of ordinary shares (Thousands) (note 21)	**2 910 574**	2 910 574
Basic earnings per share (MK)	**25.08**	10.09
Diluted earnings per share (MK)	**25.08**	10.09

	Separate	
	2024	2023
Net profit attributable to ordinary shareholders (Thousands)	**72 462 270**	29 422 381
Weighted average number of ordinary shares (Thousands) (note 21)	**2 910 574**	2 910 574
Basic earnings per share (MK)	**24.90**	10.11
Diluted earnings per share (MK)	**24.90**	10.11

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

31. Unrecognized financial instruments contingent liabilities and commitments

a) Contingent liabilities

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

b) Capital commitments and contingent liabilities.

In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities.

The authorized but not yet contracted for capital commitments as at 31 December 2024 were K32.1 billion (2023: K17.2 billion). The Bank's policy is that such authorized capital commitments fall off and a new capital expenditure budget is approved for the subsequent year. The 2024 commitments are to be funded from internal resources.

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

	Consolidation and Separate	
Contingent liabilities	**2024**	**2023**
Acceptances and letters of credit	**37 867 899**	7 813 086
Currency swaps	**-**	-
Guarantees and performance bonds	**58 298 052**	14 073 418
Undrawn formal stand-by facilities credit lines and other commitments to lend	**2 195 975**	3 560 018
Total unrecognized financial assets	**98 361 926**	25 446 522
Other Commitments		
Authorized but not yet contracted capital commitments on property and equipment	**32 139 605**	17 237 137
Total other commitments	**32 139 605**	17 237 137

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

32. Related party transactions

Identity of related parties

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

Related Party	Relationship	Type of Transaction	Value of Transaction 31 December 2024	Balance of Transaction 31 December 2024	Value of Transaction 31 December 2023	Balance of Transaction 31 December 2023
NICO Holdings Plc	Parent company	Company account interest	(13,858)	-	(8 190)	-
		FCDA	-	(127,442	-	(93 622)
		Bank Account	-	(3,276,541)	(182)	(697 082)
		Fixed deposit	-	(228,814)	-	(5 533 962)
		Fixed deposit interest	(849,247)	-	(565 191)	-
		Directors' fees	(15,351)	-	((10 967)	-
		Shared services fees	(677,982)	-	(451 914)	-
NICO Life Insurance Company Limited	Fellow subsidiary	Call Bank account	-	(1,368,516)	(3 218 781)	(1 921 074)
		Bank account Interest	(8,207)	-	(6 880)	-
		Fixed Deposit	-	(42,282,693)	(3 218 781)	(28 348 271)
		Pension Contribution	-	-	87 270	-
		Insurance Premiums	(489,209)	-	(1 240 719)	-
NICO General Insurance Company Limited	Fellow subsidiary	FCDA	(1,327,486)			
		Bank account interest	(20,455)	-	-	-
		Fixed deposits	-	-	(299 761)	(2 609 750)
		General insurance premiums	(1,214,400)	(2,298,277)	-	(2 878)
		Bank account	-	-	-	(1 327 014)
		Overdraft facility	-	(2,059,197)	21 489	101 165
NICO Technologies Limited	Fellow subsidiary	Technical support	(156,320)	-	(161 329)	-
		Hardware purchase	(1,234,304)	-	(841 224)	-
		Software purchase	(1,181,302)	-	(384 882)	(5 046)
		Fixed deposit	-	(5,816)	(296)	(68 802)
		Bank account	-	(844,844)	-	-
		Total deposits	-	-	(141)	-
		Directors' fees	(1,916)	-	-	-
NICO Asset Management Limited	Fellow subsidiary	Bank account	-	(559,738)	-	(175 555)
		Bank account interest Expense	(481)	-	(1 529 057)	-
		Fixed deposit interest	-	(34,608,42)	(4 603 710)	(15 937 429
		Management and transfer	(579,300)	-	(111 312)	(1 934)
		Secretarial fees	(50,799)	-	-	-
		Transaction fees and commissions	(5,211)	-	-	(524)
		Rental income	-	-	(40 365)	-
Directors and Executive Officers	Directors/ Managers	Directors Remunerations	(65,983)	-	(38 300)	-
		Interest on Directors and Executive Managers Loans- Directors	-	132,063	-	-
		Loans- Executive management	-	1,311,653	-	2 220 986

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

32. Related party transactions (Continued)

Transactions with key management personnel

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

	Directors and their related parties 2024	Employees 2024	Directors and their related parties 2023	Employees 2023
Advances	**181 777**	**8 665 907**	222 101	8 026 788
Deposits	**(9 916)**	**(1 806 425)**	(13 392)	(822 917)
Net balances	**171 861**	**6 859 479**	208 709	7 203 871

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

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

Advances to staff comprise K375 million (2023: K396 million) interest free loans and K 8,291million (2023: K6,807 million) loans at an interest rate of 9% and reference rate (which averaged 20.7%) for management personnel.

Advances to related parties at concessionary rates of interest are valued at the present value of expected future repayments of the advances discounted at a pre-tax discount rate that equates to the interest rate charged by the Bank on similar loans to non-related parties. The discounted future cost to the bank amounted to K 1,588million (2023: K913 million).

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

	Consolidated and Separate	
Short term benefits	**2024**	2023
Executive Managers' short-term benefits	**1 876 805**	1 098 938
Directors' remuneration	**66 240**	29 707

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

33. Right-of-use assets

Cost		
As at 1 January	**7 360 381**	6 028 613
Additions	**1 667 231**	1 331 768
At 31 December	**9 027 612**	7 360 381
Accumulated depreciation		
As at 1 January	**4 779 851**	3 698 532
Charge for the year	**1 346 271**	1 081 319
At 31 December	**6 126 122**	4 779 851
Carrying amount	**2 901 490**	2 580 530

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

33. Right-of-use assets (Continued)

	Consolidated		Separate	
	2024	2023	**2024**	2023
Finance Charges	**1 724 121**	1 027 041	**1 713 511**	1 027 041
Depreciation	**1 346 271**	1 081 319	**1 331 765**	1 081 319

The Group leases buildings, and the average lease term is 5 years (2023: 5 years).

Some expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of use assets of K1 667 million in 2023 (2022: K1 331 million.

34. Lease liabilities

Cost		
At 1 January	**4 810 591**	3 832 757
Finance charges	**1 724 121**	1 026 875
Interest paid	**(1 724 121)**	(1 026 875)
Additions	**1 667 231**	1 331 768
Repayments	**(163 547)**	(353 934)
At 31 December	**6 314 275**	4 810 591

Maturity analysis		
Year 1	**1 687 945**	1 285 977
Year 2	**1 484 211**	1 130 760
Year 3	**1 322 171**	1 007 309
Onwards	**1 819 948**	1 386 545
	6 314 275	4 810 591

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

All lease obligations are denominated in Malawi Kwacha.

35. Segment reporting

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

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

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

Geographical segment

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

35. Segment reporting (Continued)

Geographical segment (Continued)

	Note	Central Region	Northern Region	Southern Region	Total
2024					
Interest income	24	**21 285 659**	**6 311 390**	**212 197 671**	**239 794 720**
Interest expense	25	**(1 583 561)**	**(279 280)**	**(77 620 296)**	**(79 483 137)**
Net interest income		**19 702 098**	**6 032 110**	**134 577 375**	**160 311 583**
Other operating income		**4 789 271**	**1 030 063**	**38 036 569**	**43 855 903**
Operating expenses		**(4 801 799)**	**(1 912 433)**	**(68 505 476)**	**(75 219 708)**
Profit before loan impairment		**19 689 570**	**5 149 740**	**104 108 468**	**128 947 778**
Impairment losses on financial assets	9	**(2 132 250)**	**(377 726)**	**(2 213 949)**	**(4 723 925)**
Reported profit for the year before income tax		**17 557 320**	**4 772 014**	**101 894 519**	**124 223 853**
Reportable Segments					
Total assets		**132 509 865**	**25 932 173**	**1 034 402 251**	**1 192 844 289**
Total liabilities		**(102 738 806)**	**(55 686 093)**	**1 239 147 322**	**1 080 722 423**
Depreciation and Amortization	13,14,33	**726 711**	**233 021**	**5 173 078**	**6 132 810**
Capital expenditure		**2 089 691**	**904 960**	**19 223 718**	**29 874 671**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

36. Tax payable

Consolidated

	2024	2023
Balance at 1 January	**8 982 162**	3 595 505
Current tax	**45 774 197**	20 889 130 130
Tax paid	**(38 250 429)**	(15 502 473)
Balance at 31 December	**16 505 930**	8 982 162

Separate

	2024	2023
Balance at 1 January	**9 012 080**	3 595 505
Current tax	**45 553 220**	20 919 048
Tax paid	**(38 250 314)**	(15 502 473)
Balance at 31 December	**16 314 986**	9 012 080

37. Environment Social Governance (ESG)

Supporting our communities

The Bank remains committed to broadening financial inclusion by ensuring that as many individuals as possible have access to formal financial services. Recognizing the increasing demand for digital banking solutions, the Bank continues to invest in technology to enhance accessibility and convenience. As a result, more customers are leveraging mobile banking platforms to benefit from user-friendly digital tools. In alignment with its financial inclusion agenda, the Bank—through its Agency Banking arm, Bank Pafupi, and in collaboration with Financial Access for Rural Markets, Smallholders, and Enterprises (FARMSE)—has prioritized expanding the availability and visibility of its agency banking network. This initiative includes targeted community engagement programs to promote awareness of formal banking benefits. As part of its strategic expansion, the Bank closed 2024 with a total of 2,489 agents and continues to strengthen its footprint in underserved areas. Enhancing accessibility to financial services remains a core operational objective, with a focus on fostering a savings culture to improve livelihoods within local communities. The Bank remains committed to leveraging innovation and strategic partnerships to drive sustainable financial empowerment in 2025 and beyond.

Climate Change and impact on the country and the Bank

In 2024, Malawi continued to experience significant challenges due to climate change, with severe droughts and record-breaking temperatures adversely affecting the nation's agriculture and food security. The 2024 El Niño season, starting in November 2023, caused dry conditions and below average rainfall across much of southern Africa, including Malawi. From November 2023 until March 2024, Malawi experienced a delay in the onset of its customary rainy season, typically spanning from mid-October to April, bringing about prolonged dry spells. According to El Niño trends established by the International Food Policy Research Institute (IFPRI), El Niño reduced farm production, disrupted food value chains and affected Gross Domestic Product. The Malawi Vulnerability Assessment Committee (MVAC) determined that 4.4 million people constituting 22% of the nation's population, faced high acute food insecurity (IPC Phase 3 or above) between June 2023 and March 2024 requiring urgent interventions. El Niño disproportionately impacts the southern region of Malawi most, where maize yield losses during past El Niño years exceeded 30% on average.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024 (continued) *In thousands of Malawi Kwacha*

38. Inflation and exchange rates

	2024	2023
United States Dollar (USD)	**1 735.00**	1 683.33
British Pound (GBP)	**2 244.67**	2 215.69
South African Rand (ZAR)	**95.16**	93.89
Euro	**1 851.29**	1 924.18
Inflation rate (%)	**28.10**	34.50

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

United States Dollar (USD)	**1 735.00**
British Pound (GBP	**2 221.79**
South African Rand (ZAR	**96.40**
Euro	**1 859.15**
Inflation rate (%)	**28.50**

39. Events after reporting date

The Monetary Policy Committee maintained the policy rate at 26% in a meeting held in January 2025 citing the need to observe fully the impact of policy decision taken in prior meetings.

Basel III become effective on 1 January 2025 for all banks in Malawi. Tier 1 and Tier 2 capital ratio requirements for NBS Bank plc remained at 14% and 15%, respectively. The Bank was compliant with both ratios. Basel III introduced new liquidity ratios namely Liquidity Coverage Ratio and Net Stable Funding Ratio.

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