NBS Bank
Your Caring Bank
A member of the NICO Group

SEEDING THE HARVEST

2022 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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2022 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
Deloitte Chartered Accountants
PCL House, Top Mandala
Kaohsiung Road
P.O. Box 187 | Blantyre

MISSION STATEMENT

VISION
To be a world class retail bank

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

VALUES
Excellence | Innovation
Transparency | Teamwork
Integrity | Accountability
Professionalism

PURPOSE
We exist to make banking eazy.

NBS Bank
Your Caring Bank
A member of the NICO Group

NRB PAYMENTS MADE EAZY!

NATIONAL DOCUMENT PAYMENTS

Pay for your National ID with NBS Bank.

EazyMobile

Dial *322#

EazyApp

#YourCaringBank #MakingBankingEazy #ItsClear

NBS Bank is regulated by the Reserve Bank of Malawi which can be contacted on 01 770 600. The Bank's principal office is at Ginnery Corner Blantyre.

Call Centre: 322 | WhatsApp: 0888 322 322 | www.nbs.mw |

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OUR PURPOSE

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

CHAMPIONING CUSTOMER:

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

CHAMPIONING DIVERSITY & PEOPLE:

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

CHAMPIONING SUSTAINABILITY:

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

CHAMPIONING INNOVATION:

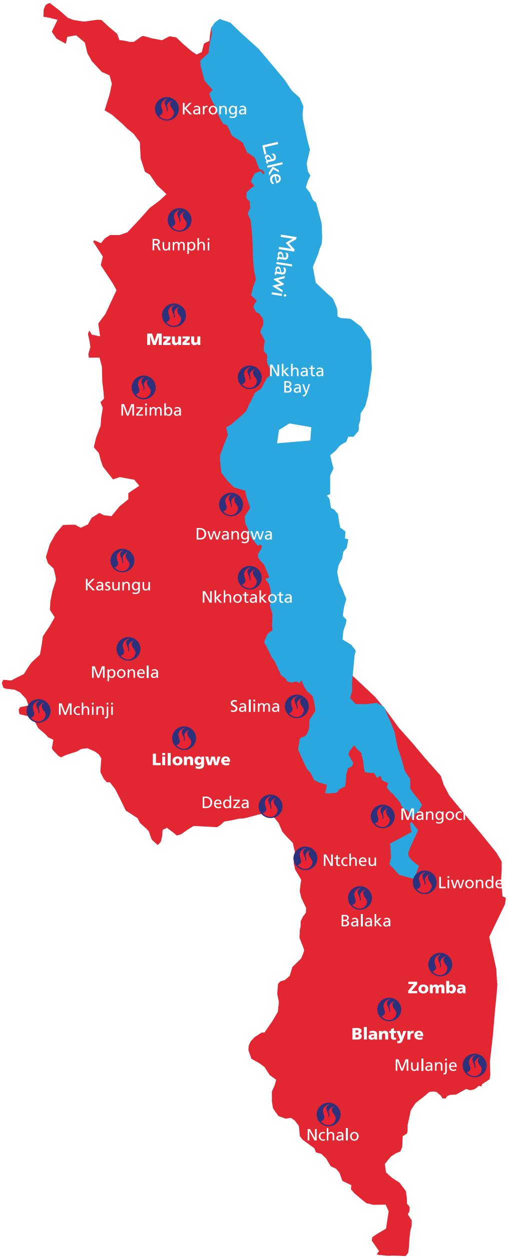
The Bank has a deliberate focus to deliver services through a digital-first approach, evolving to become a truly digitised bank with a modern technology architecture.

CHAMPIONING SYNERGY:

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

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

OUR FOOTPRINT



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

ZOMBA
- Zomba Service Centre
- Chancellor College Bank@Campus

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

MZUZU
- Mzuzu Service Centre
- Mzuzu SME & Agribusiness Suite

BANK PAFUPI AGENTS

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

KEY MILESTONES

WHAT WE ACCOMPLISHED

2017 **2021**

- Recapitalization Rights Issue
- Positive Profit From Loss
- Launched Private Banking Suites
- Launched SME Division
- Launched Onboarding App
- Implemented IFRS9
- Won Best Bank in Malawi (Euromoney Awards)
- Implemented Paperless Banking
- Introduced Cardless Withdrawals
- Market Share Increase from 7% to 10%
- Awarded Bank of the Year (The Banker)
- Deposit taking ATMs
- Road Traffic Payments on EazyMobile
- NPL Ratio below 5%

2022 January

- Digitizing the loan process
  - Kachangu Payday loan

2022 July

- Kachangu Insta Loan

2022 September

- Instant Kenanso

2022 December

- Successful integration with other banks and MNO to Nat switch
- Dividends both interim and annual
- 146% PAT growth

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2022

PAT
MK18.9BN
UP BY 146%

CUSTOMER DEPOSITS
MK376BN
UP BY 67%

NET LOANS & ADVANCES
MK138BN
UP BY 68%

NET INTEREST INCOME
UP BY 67%

TOTAL BALANCE SHEET
MK462BN
UP BY 27%

TOTAL CAPITAL RATIO
AT 21.23%

ANNUALISED RETURN ON EQUITY
51% UP FROM 33%

NPL RATIO
2% DOWN FROM 3%

COST TO INCOME RATIO
54% DOWN FROM 65%

TOTAL OPERATING COSTS
UP BY 30%

CHAIRMAN'S REPORT

VIZENGE KUMWENDA

DEAR SHAREHOLDERS,

The Bank registered impressive growth of Profit after tax from MK7.7 billion to MK18.9 billion representing an increase of 146% year-on-year. The Bank invested in technology to support digital transactions; focused on development programs for its staff and customer service over the past five years. The investments allowed the Bank to offer convenience and significantly improved customer service to its customers which in turn contributed to growing transaction volumes and related income. Further, customers entrusted the Bank with more deposits in 2022 as manifested in the growth of customer deposits by 67% year-on-year. It is pleasing to report that the results of a customer survey for the year 2022 demonstrated that the Bank's customers were satisfied and loyal to the brand. This is a reflection of the effort the Bank has been making in addressing customer pain points and positioning the Bank in the digital era. Moreover, a staff satisfaction survey for 2022 indicates that the Bank's staff are engaged and consider NBS Bank plc a great place to work.

ECONOMIC OVERVIEW

The Bank's exceptional growth reflects the resilience of the Company in a challenging economic environment. The Malawi economy was badly affected by Cyclone Ana which damaged some power plants and other critical infrastructure such as roads. Further, the Kwacha was devalued by 25% in May 2022 which gave rise to overall inflation of 25.4%. Consequently, the policy rate was raised from 14% to 18% in 2022. Furthermore, the market experienced an acute shortage of forex which negatively impacted import of raw materials and finished goods. Russian's war in Ukraine affected international trade and caused supply chain bottlenecks for major imports and exports. These developments contributed to a slowing down of real output to an estimated growth of 1.7% in 2022 compared to 3.9% in 2021.

SHARE PRICE AND DIVIDENDS

The Bank's strategy aims at giving value to shareholders and this has been achieved through capital gains and growing of dividends payable to shareholders. NBS Bank's Share price rose from MK20 per share as at 31st December 2021 to MK34 per share as at 31st December 2022 representing a 70% capital gain. The share price had since risen to MK90 per share as of 1st May 2023 on the back of the 2022 results.

Dividends payable to shareholders out of 2022 profits, including proposed dividends to be approved at the Annual General Meeting (AGM), amounted to MK3.3 per share, up from MK1.35 per share representing a year-on-year increase of 144%

The table below contains dividends payable out of 2022 profits compared to dividends paid out of 2021 profits.

	Year to Dec 2022	
	Kwacha per share	**Total K' Million**
1st interim dividend	0.85	2.47
2nd interim dividend	1.55	4.51
Final dividend	0.90	2.62
Total	**3.30**	**9.60**

	Year to Dec 2021	
	Kwacha per share	**Total K' Million**
1st interim dividend	0.60	1.75
2nd interim dividend	0.00	0.00
Final dividend	0.75	2.18
Total	**1.35**	**2.93**

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Board of Directors received training on Credit Risk Management, Competition and Fair Trading Act, Foreign Account Tax Compliance Act (FATCA) and other relevant trainings to keep them up-to-date with the changing regulatory and business environments. There was no change in the composition of the Board of Directors of the Bank in 2022.

CORPORATE SOCIAL RESPONSIBILITY

The Bank supported underprivileged communities in the areas of education, health and sports. The Bank contributed MK50 million for renovation of student's hostels at Lilongwe University of Agriculture and Natural Resourses (LUANAR). Another MK50 million for the same cause was made available by the rest of the NICO Group bringing the total amount to MK100 million. In sports, the Bank donated MK60 million for the SADC Regional Games to enable Malawi to host the games. Further, MK15 million was donated to the Football Association of Malawi Charity Shield. The proceeds of the Charity Shield supported victims of Cyclone Ana.

NOTIFICATION OF TRANSACTION BETWEEN SANLAM AND ALLIANZ

Shareholders are hereby notified that Sanlam who is a substantial shareholder of Botswana Insurance Holdings Limited (BIHL) who in turn hold 25.10% of NICO Holdings plc, the majority shareholder in NBS Bank plc, shares and Allianz one of the world's leading insurers and asset managers have agreed to combine their current and future operations across Africa through the creation of a Joint venture.

The Joint venture that will be created will then take over Sanlam's shareholding in NICO Life, NICO General, NICO Pension and NICO Zambia which are subsidiary companies of NICO Holdings plc. The Shareholding of NICO Holdings plc in these businesses will remain unchanged.

The joint venture will house the business units of both Sanlam and Allianz in the African countries where one or both companies have a presence. South Africa is excluded from the agreement. The combination of Sanlam's expertise in Africa with Allianz's global capabilities and insurance solutions aims to increase Life and General Insurance penetration, accelerate product innovation and drive financial inclusion in high growth African markets.

The agreement is subject to certain conditions precedent including but not limited to the receipt of required approvals from competition authorities, financial/ insurance regulatory authorities and any customary conditions that Sanlam and or Allianz would be required to fulfill for each jurisdiction.

OUTLOOK

The business environment is likely to be more challenging in the year ahead than in 2022. The Malawi economy was projected to register gross domestic product (GDP) growth of 2.7% in 2023 prior to the occurrence of the Cyclone Freddy. Achieving that growth rate will be difficult due to the social and economic impact of the Cyclone. Average annual inflation for 2023 is estimated at 24% by Reserve Bank Malawi. The Monetary Policy Committee raised the policy rate from 18% to 22% in April 2023 which will contribute to a high interest rate environment. Interest rate, exchange rate and credit risks are expected to remain elevated in the period to 31st December 2023.

The Bank has a strategy and risk management processes to mitigate the heightened risks in the environment and continue its growth path.

APPRECIATION

I wish to thank our customers for their unwavering support to the Bank, members of the Board for their commitment and guidance, staff and many other stakeholders for contributing to the outstanding performance of the Bank in one way or another in 2022.

Vizenge Kumwenda
Chairman

BOARD OF **DIRECTORS**

VIZENGE KUMWENDA - 62

BOARD CHAIRMAN

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

Mr. Vizenge Kumwenda is Group Managing Director of NICO Holdings Plc; a position he has held since January 2016. He has worked for the NICO Group in various senior management positions for over twenty-five years. He Chairs the Boards of some of NICO Holding's subsidiary companies.

Before NICO, Mr. Kumwenda worked for Deloitte, Malawi College of Accountancy (as a member of faculty), Malawi Institute of Management, Continental Discount House Limited and Continental Asset Management Limited.

Mr. Kumwenda is a proponent of Servant Leadership. He likes stretching boundaries, challenging status quo, and going into unchartered 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 University of Strathclyde, Glasgow Scotland. He is a Fellow of the Association of Chartered Certified Accountants (UK). He is a Chartered Insurance Practitioner and an Associate Member of the Chartered Insurance Institute of UK.

He brings to the NBS Bank Board a breadth of experience and expertise in finance and insurance.

HARRISON KALUA – 66

DIRECTOR

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

Mr Harrison B Kalua is a Managing Partner and Lead Consultant of Rose - Harris Investments and Consulting. Previously, he was the founding 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. He is a member of the Finance and Audit Committee.

Mr Kalua is the current chairperson of Mzuzu International Academy and Express Credit/LOLC company. 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 has been on the Board of NBS Bank since 2016.

ANURAG SAXENA – 56

DIRECTOR

BE, MBA, FCIM, ICMQ, IIAC

Anurag Saxena is a highly regarded retail and commercial banker with global international experience. He has extensive executive experience of international financial institutions. Anurag has worked in financial services for over 30 years and previously held several senior roles Citibank, Mashreq Bank, Standard Chartered, Barclays, First City Monument Bank, LaCasera, and Purplesource Healthcare.

Anurag is passionate about turning around businesses, sound governance, mentoring startups, identifying the right talent, and making them succeed. He has vast expertise in SME lending, Payments, Remittances, Trade Finance, Process reengineering, Direct sales, and Agency banking. Further, he has significant audit and risk experience in financial leadership. Anurag chairs the Risk Committee and is a member of the Appointments and Remuneration Committee. He also holds an honorary doctorate degree in business administration awarded by Myles Leadership University – Ghana. Anurag has been on the Board of NBS Bank since 2012.

CHIFUNDO CHIUNDIRA - 60

DIRECTOR

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

A Chartered Accountant, Chifundo 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, Chifundo 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.

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

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

BOARD OF **DIRECTORS**

MS MEG KAJIYANIKE – 64

DIRECTOR

MDE, BA (Public Administration)

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

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

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

JAMES MASUMBU – 53

DIRECTOR

LLM (Commercial Law), LLB (Hons)

Mr. James Masumbu is a Legal Practitioner in private practice. He got admitted to the Malawi Bar in 1994 and has continuously practiced in the High Court of Malawi and the Supreme Court of Appeal since then. Mr. Masumbu is also a lecturer in the University of Malawi since 2004 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 2019.

MRS ROSELYN KANDIERO – 56

DIRECTOR

ACIB, MBA, BCom, Dip. Business Studies

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

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

Mrs. Kandiero 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. Mrs Kandiero is a member of the Credit Committee.

Mrs. Kandiero is a Chartered Banker and a member of the Chartered Institute of Bankers (ACIB) UK. She holds a Master of Business Administration degree from the University of Exeter, UK. Further, she holds a Diploma in Business Studies and Bachelor of Commerce (Accountancy) degree from the University of Malawi, The Polytechnic. She has been on the Board of NBS Bank since 2020.

MATTHEWS MTUMBUKA - 45

DIRECTOR

B.Sc., PhD, R.Eng, MMIE, MIET

Eng. Dr. Matthews Mtumbuka is an engineer specialized in ICT, with extensive experience leading digital innovation and complex transformation. He has both local and international executive experience in multinational companies. He has a deep knowledge in IT operations and governance. He also has extensive board governance experience including understanding of financial reporting matters. Eng. Dr. Matthews Mtumbuka is the chairperson of the Finance and Audit Committee.

His executive experience includes working as Chief Executive Officer for Helios Towers Malawi, the premier independent operator of passive telecom infrastructure in Malawi, Chief Executive for UbuntuNet Alliance – a network of providers of technology services to education and research institutions in Eastern and Southern Africa. Further, he has worked in several senior executive management roles for Airtel for 8 years. He was IT Director for Airtel Malawi, Airtel Rwanda and later took on a regional IT Operations and Governance role covering all the 14 countries where Airtel operates in Africa.

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

BOARD OF DIRECTORS

KUDAKWASHE MUKUSHI – 47

DIRECTOR

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 Zimbabwe. He has also worked as a Management Accountant for Zimbabwe Allied Banking Group.

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

Mr. Mukushi 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.

EMMANUEL M. BANDA – 50

DIRECTOR

CMI, 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. Emmanuel has strong focus on culture and corporate governance. He has deep knowledge of complex remuneration matters, and strategic planning and implementation. Further, Emmanuel has strong transformation programme experience. He is the chairperson of the Appointments and Remuneration Committee and a member of the Risk Committee.

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

MARSHA MACHIKA - 36

COMPANY SECRETARY

LLB (Hons), PG Cert in Laws (Banking and Finance Laws) University of London

Marsha Ovi Machika is a Legal Practitioner admitted to the Malawi bar to practice law in both the High Court and Supreme Court of Malawi in 2011. He became Company Secretary in July 2016. He joined NBS Bank as Legal Services Manager in July 2013.

Marsha has strong governance and strategic advisory skills. He also has regulatory and stakeholder management experience. He has a strong understanding of the business and risks affecting the Board's discharge of duties. He holds a Bachelor of Laws (Honours) degree from the University of Malawi. He also holds a postgraduate certificate in Laws (Banking and Finance Laws) from the University of London. Before joining the Bank, he worked for Nicholls & Brookes and Mvalo & Company (law firms).

CHIEF EXECUTIVE OFFICER'S REPORT

KWANELE NGWENYA

INTRODUCTION

The year 2022 marked the beginning of a new 5-year strategy for NBS Bank plc. The new strategy builds on the investment in people and technology, improved customer service, strengthening of the capital position, enhanced risk management and compliance over the period from 2017 to 2021 .At the core of the new strategy is the pursuit of growth in the Bank's chosen segments .The focus will remain on building a retail bank while continuing to improve capabilities of the Bank to sustain delivery of excellent customer service and acceptable returns to shareholders. It is pleasing therefore that the results of 2022 bear testimony to effective strategy implementation and the resilience of the Bank in the face of a challenging business environment in 2022.

The Environment We Operated In

The International Monetary Fund (IMF) downgraded the country economic prospects and projected a decrease in the GDP growth for 2022 from 3.0 percent to 0.9 percent. This was due to the impact of Cyclone Ana which ravaged crops and damaged infrastructure including electricity generation infrastructure. Malawi like other countries in the Sub-Saharan Africa region faced supply chain challenges arising from the Russia- Ukraine war. The result of these developments were among others an energy crisis caused by damage to power stations and fuel shortages arising from shortage of forex to facilitate imports and increasing global oil prices due to the conflict in Ukraine. Ultimately, the business environment was characterised by rising inflation rates, interest rates, low foreign exchange supply and the devaluation of the Malawi Kwacha which in turn had an impact on key aspects of the Bank's operations and performance.

Strategic Focus Areas

The Bank delivered on key strategic goals through effective execution and monitoring, backed by a positive culture, engaged staff members and the support of various stakeholders.
The focus areas of strategy in 2022 were:

- Growing profit, strengthening the balance sheet and ensuring a healthy capital position
- Giving value To shareholders,
- Making banking easy for the Bank's customers by improving on customer service and products,
- Building a future bank backed by technology, digitization and improved operational efficiencies,
- Managing risk and keeping a strong internal control environment,
- Finally, a focus on developing and empowering staff.

PAT	TOTAL BALANCE SHEET	TOTAL CAPITAL RATIO	SHARE PRICE	DIVIDENDS PER SHARE
MK18.9BN UP BY 146%	MK462BN UP BY 27%	AT 21.23%	AT MK34 PER SHARE UP BY 70%	AT MK3.30 UP BY 144%

Growing profit, Strengthening the balance sheet and effective capital management.

The Bank registered a profit after tax growth of 146% year -on-year. Profit after tax closed at MK18.9 billion in 2022, up from MK 7.7 billion in the prior year. The drivers of improved performance were an increase of investment in money market instruments, the growth in the loan book leading to higher interest income, trading of government securities and better credit processes leading to lower credit impairments.

The Balance sheet grew year on year by 27% closing at MK462 billion and our capital adequacy ratios were materially above the regulatory requirement closing 2022 at 18.74 % for Tier 1 and 21.23% for Tier II respectively.

Making banking easy for our customers by improving on customer services and products.

The Bank's customers are at the heart of the strategy. To that end, the Bank continued to invest in technologies to cut turnaround times. In 2022, Kachangu payday loan or Kachangu Instant Loan which was digitized and the Bank's customers can apply online and have the money in their accounts in under 10 minutes. Further, the Bank introduced Executive funeral plan, Kenanso loan top-up, eazy civil loan tailored to civil servants' needs.

The Bank refurbished branches such Karonga, Haile Selassie and Nchalo in 2022 and continues to improve the ambience of branches across the country.

CHIEF EXECUTIVE OFFICER'S REPORT

It is also pleasing to note that despite persistent power shortages, system uptime of at least 98% on all delivery channels such as ATM's, Branches, Point of Sale devices and on mobile banking was achieved in 2022. This followed significant investment in monitoring systems and quick resolution of system issues to enhance customer experience.

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

Over the last few years, significant investments have been made in building digital and technology capabilities. In 2022 the focus was on various integrations with other systems such as the Natswitch Interbank transfer integration with other banks in the market to enable instant interbank transfers. An integration with Malawi National Examination Board (MANEB) was done to enable examination fees to be paid across the country with ease. The Bank has embarked on a journey to implement a new core banking system by December 2024 to improve service delivery and achieve operational efficiency.

Managing Risk and keeping a strong internal control environment.

One of the strategic objectives was to move the overall risk rating from amber to green. This was achieved by December 2022 and the level of risk management maturity was rated high. The improvement of risk management manifested in operational losses of under 1% of total income, reduced ICT risk exposures and reduced cybersecurity incidents. In addition, Credit Risk remained low with a non-performing loan ratio of 2.08% as at 31st December 2022 despite a growing loan book.

Developing and empowering our people.

Staff are recognized as the greatest asset and they remain key to achieving strategic goals of the Bank. A staff satisfaction survey was done in 2022 and the result was an improved score of 70% compared to a score of 68% in 2021. Trainings for employees in the year at different levels were done. Two executives attended an executive management program with Stellenbosch University in South Africa. The goal of the Bank is to ensure growth continues to be supported by adequate and relevant capabilities, and assessments of skills and knowledge will be done from time to time.

Appreciation

I would like to thank the Bank's various stakeholders for their continued support and willingness to partner with NBS Bank in its long-term growth journey. I wish to express my gratitude to the Board for its support and our staff for giving their best in 2022. With each year, the Bank's aspirations are getting bigger which calls for continued commitment and excellence. I therefore ask all staff to show more of the attitude and effort shown in the year just ended and stakeholders to give their continued support.

Kwanele Ngwenya
Chief Executive Officer

EXECUTIVE **MANAGEMENT**

KWANELE NGWENYA - 55

CHIEF EXECUTIVE OFFICER

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

Mr Kwanele Ngwenya is a career banker, having spent most of his life in banking. He has over 25 years of banking experience, 14 of which have been in leadership positions. He started his banking career with Nedbank South Africa before moving to FNB where he spent 11 years. Mr. Ngwenya has vast international experience having worked in South Africa, Botswana, Zimbabwe and now Malawi.

Mr Kwanele Ngwenya holds a Masters Degree in Business Administration from Oxford Brookes University (UK), Master of Science Degree in Strategic Management from University of Derby (UK) and Masters Degree in Business Administration (Banking and Finance) from Bangor University in Wales. He is also a Chartered Banker with Institute of Bankers in Scotland. Additionally, he also holds advanced professional development certifications from several reputable institutions like Wits and GIBS Business School.

TEMWANI SIMWAKA - 52

DEPUTY CHIEF EXECUTIVE OFFICER

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

Temwani Simwaka has over 23 years' experience at a senior management level in the financial services industry. Prior to her appointment, she was the Chief Financial and Value Management Officer of Standard Bank plc a position she held since July 2010. Previously she held the position of Head of Finance in Standard Bank from 2006 to 2010. During her tenure at Standard Bank, Temwani represented the Bank in many forums at both local and international level. Further, she also served on the Bank's various governance committees at both management and board level.

Temwani is a Certified Public Accountant with the Institute of Chartered Accountants in Malawi (ICAM), she is also a member (Fellow) of Association of Chartered Certified Accountants (ACCA) UK. Temwani holds a Bachelor of Commerce (Accountancy with Distinction) Degree obtained in 1993 and Diploma in Business Studies obtained in 1990 all from the University of Malawi, The Polytechnic (now Malawi University of Business and Applied Sciences MUBAS).

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

SHADRICK CHIKUSILO - 53

CHIEF OPERATING OFFICER

BACC, ACMA, CGMA, CBCIB, MBA, RIMB

Mr. Shadrick Chikusilo is the Chief of Operations for NBS Bank since 2018. Before this, he had served NBS Bank 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, Deputy Head of Audit, Senior Auditor and Internal Auditor. Before joining NBS, Mr. Chikusilo worked for Agricultural Development and Marketing Corporation (ADMARC) in the Internal Audit Division.

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.

MR ERNEST ELI TEMBO - 39

CHIEF FINANCE OFFICER

FCCA, CA (M), B.Acc.

Mr Tembo is a qualified and seasoned accountant with 14 years of experience, 8 years of which have been in the banking industry. Mr Tembo was appointed as Chief Finance Officer effective 1st February 2023. Prior to joining NBS Bank Plc, Mr Tembo was with NICO Holdings Plc as Group Head of Risk. He was previously with NBS Bank as Head of Finance and was part of the team that turned around the Bank. He also worked for FDH Bank Limited as Finance Manager.

Ernest is a Chartered Accountant (ACCA) and a member of the Institute of Chartered Accountants in Malawi and of the Global Association of Risk Professionals (GARP). He holds a Bachelor of Accountancy degree with credit from the University of Malawi, The Polytechnic (now Malawi University of Business and Applied Sciences MUBAS).

Mr Tembo brings to NBS Bank valuable experience and expertise in finance, risk management, strategy development and internal audit, which the Bank believes will be key to its continued transformation.

EXECUTIVE **MANAGEMENT**

ALFRED M. NHLEMA - 45

HEAD OF CORPORATE & INVESTMENT BANKING

MA. Econ, BSoc. Econ, Post Cert. (ExecutiveDevelopment)

Mr. Alfred Nhlema was appointed Head of Corporate and Investment Banking of NBS Bank in March 2020. Prior to his appointment, Alfred was working as Senior Treasury Manager in the Bank's Treasury Department, a position he held since August 2019. He comes from a distinguished career at FDH Bank plc, where for more than a 9-year tenure, he held positions of increasing responsibility and complexity as Head of Government, International Organizations and Parastatals (GIO) and as Head of Treasury and Trade Finance respectively.

Alfred holds a Master of Arts degree in Economics and Bachelor of Social Science majoring in Economics obtained from University of Malawi, Chancellor College in 2016 and 2002 respectively. In addition, he has a Diploma in Banking specializing in Treasury and International Trade obtained from University of Malawi through the collaboration of The Malawi Polytechnic and Institute of Bankers in Malawi. He also has a Postgraduate Certificate in Executive Development obtained in 2016 from the University of Stellenbosch Business School (USB).

SENIOR MANAGEMENT TEAM

FLORENCE PASIYA - 39

HEAD OF ALM AND CAPITAL MANAGEMENT

MA Econs, BSoc, ACI

Ms. Pasiya is a qualified and seasoned economist with 16 years of experience, 14 years of which have been in the banking industry. Ms. Pasiya was appointed as Head of ALM and Capita Management effective 1st March 2023. Prior to joining NBS Bank Plc, Ms. Pasiya was with Standard Bank where she was working as Treasurer, a position she held from 2015. She previously worked as Asset and Liability Manager with Standard Bank from 2012 to 2015 and as Corporate Dealer from 2009 to 2012.

Florence holds a Master of Arts in Economics and Bachelor of Social Sciences from University of Malawi. She also has ACI Dealing Certificate.

Ms. Florence Pasiya brings to NBS Bank extensive experience in shaping financial strategy and providing subject-matter expertise on treasury management, balance sheet optimization and economics.

CHINGA CHAGULUKA - 42

HEAD OF ICT

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

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

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

TIWONGE M. KHONJE - 51

HEAD OF CREDIT

MA.Econ, BSC. Finance (Honours), Dip. BUS, ACIB (UK)

Tiwonge Khonje is a Chartered Banker (ACIB-UK) with extensive experience in the banking industry. Before joining NBS Bank plc, Tiwonge worked with FDH Bank Limited as Head of Credit and Standard Bank Malawi as Head of CIB Credit and several other positions within Standard Bank Malawi.

Tiwonge Khonje holds a Master of Arts (Economics) from the University of Malawi, Chancellor College and a Bachelor of Science degree (Honors) in Financial Services from the University of Manchester (UMIST) UK, specializing in Banking and Finance. Tiwonge is also an associate member of the Chartered Institute of Bankers (ACIB) UK.

VITUMBIKO MWANDEMANGE GUBUDUZA – 40

HEAD OF COMPLIANCE

LLM, ACG, LLB (HONS), CAMS

Vitumbiko Gubuduza is a compliance specialist with over 14 years wealth of professional experience. She was appointed as the Head of Compliance for the Bank in December 2018. Before joining the NBS Bank plc, she was Head of Money Laundering Control at Nedbank Ltd. In the earlier part of her career, Vitumbiko Gubuduza worked for Malawi Judiciary as Senior Resident Magistrate, and later joined Standard Bank Plc and served in different capacities as Credit Legal Risk Officer, Money Laundering Control Officer, Acting Compliance Manager, and later as Legal Manager. Apart from being the Head of Compliance for NBS Bank Plc, she also serves as the Legal, Compliance and Company Secretary for Eris Properties Malawi Limited, a sister company of NBS Bank Plc under the NICO Group.

Vitumbiko Gubuduza is a lawyer by profession and holds a Bachelor of Laws (Hon) Degree from the University of Malawi. She holds a Masters in Commercial Law from the University of Malawi and is an Associate Chartered Company Secretary/Governance Professional having studied with The Chartered Governance Institute of UK and Ireland (CGIUKI). She is also a certified Anti-Money Laundering Specialist with the Association of Certified Anti-Money Laundering Specialists (ACAMS). She is a Board Director for Greenbelt Authority and a Committee Member of Malawi Law Society. She also sits on Disciplinary Committees for the Football Association of Malawi and Malawi Institute of Procurement and Supply.

SENIOR MANAGEMENT TEAM

FELISTER DOSSI - 41

HEAD OF LEGAL SERVICES & RECOVERIES

LLB (Hons), MBA

Felister Dossi is a seasoned legal practitioner with 15 years of experience. She currently practices as a corporate lawyer and works for NBS Bank plc as the Head of Legal Services & Loan Recoveries. She previously worked as Legal Services Manager and Acting Director of Administration and Corporate Services at Malawi Housing Corporation. Before joining Malawi Housing Corporation, she worked as a Legal Practitioner 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 member of the Women Lawyers Association of Malawi (WLAM) and provides legal assistance pro bono through WLAM. Felister is a Board Member of SOS Children's Villages Malawi, and she is currently enrolled with The Governance Institute (ICSA) towards becoming a Chartered Governance Professional.

HAROLD PHIRI - 41

HEAD OF RISK

BAcc, ACCA, BSCP, MBA, FIOBM, PECB Certified ISO 31000 Lead Risk Manager

Mr Harold Phiri has been the Head of Risk for NBS Bank plc since August 2017. He also leads the Strategy team in the Bank aside leading the Risk management function of the Bank. Before this, he worked for the Bank as Audit Manager and the Head of Internal Audit until 2017. He also worked with CUMO Microfinance Limited as Internal Audit Manager for three years; Internal Auditor for NBS Bank plc for a year, 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 Phiri is a chartered accountant (ACCA), holds a bachelor's degree in Accountancy from the University of Malawi (now MUBAS) and is a Fellow Institute of Bankers Member (FIOBM). He also holds a Master of Business Administration (MBA) Degree from Heriot-Watt University, UK and recently was certified as a Balanced Scorecard Professional (BSCP) and is a Certified PECB ISO 31000 Lead Risk Manager.

AUSTIN THUNDE - 54

HEAD OF HUMAN RESOURCES

BA (Public Administration)

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

TAMANDA NG'OMBE LONGWE - 40

HEAD OF MARKETING AND CUSTOMER EXPERIENCE

Mphil Corporate Strategy (GIBS), Professional Dip. Marketing (CIM UK), BBA (MUBAS)

Tamanda Ng'ombe Longwe is an accomplished professional with 16 years corporate experience in Marketing, Customer Experience, Sales, and Public Relations. She has experience in the development of marketing strategies, improving market reach and penetration, brand management, call centre management, setting up of service delivery standards and customer engagement models.

She joined NBS Bank plc in 2010 and has held middle and senior management roles in the Bank since then. Before joining the Bank, she worked for Gestetner, FedEx, and Blantyre Water Board, serving in various capacities.

Tamanda holds a Master of Philosophy in Corporate Strategy from Gordon Institute of Business Science (GIBS) under the University of Pretoria, a bachelor's degree in Business Administration from the University of Malawi (now MUBAS) and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, UK.

SENIOR MANAGEMENT TEAM

HAROLD NGOMA - 47

HEAD OF FINANCE

BAcc, MBA, FCCA, CPA

Mr Harold Ngoma has been NBS Bank's Head of Finance from August 2020. He has over 18 years of experience in the accounting field. Before joining NBS Bank plc, Mr Ngoma worked as Finance Manager-Management Reporting for Standard Bank for nine years. Mr Ngoma also previously served as Group Finance Manager for Sunbird Tourism Limited, Management Accountant for G4S Security, and Management Accounts/Marketing Finance Executive for BAT.

Mr Ngoma is a qualified Accountant with vast experience in Financial Management ranging from Financial Planning, Reporting and Analysis. He holds a Master's degree in Business Administration (University of Derby-UK) and a Bachelor of Accountancy degree obtained from the University of Malawi. Mr Ngoma is a Fellow of the Chartered Certified Accountants (FCCA)-United Kingdom and a Certified Public Accountant (ICAM).

THOKOZILE KUWALI - 47

HEAD OF INTERNAL AUDIT

MBF, BAcc, FCCA, CIA, CFSA, CRMA

Thokozile Kuwali is an Internal Audit specialist with over 15 years' wealth of professional experience. She has worked for Opportunity Bank of Malawi, the Reserve Bank of Malawi, and as an external auditor with KPMG in the early years of her career. She holds a Masters in Banking & Finance from Moi University (Kenya) and a Bachelor of Accountancy Degree (BAcc) from the University of Malawi. In addition, Thokozile is a Certified Internal Auditor (CIA), a Certified Financial Services Auditor (CFSA), has a Certification in Risk Management Assurance (CRMA) and a Fellow with the Association of Chartered Certified Accountants (FCCA).

Thokozile Kuwali is the Vice President of the African Federation of Internal Auditors (AFIIA), Past President of the Institute of Internal Auditors Malawi (IIA). She is a Member of the Board of Trustees for the Visual Hearing Impairments Membership Association in Malawi (VIHEMA), Blantyre Baptist Holdings and was a Member of the Malawi Electoral Commission Audit Committee.

MARSHA MACHIKA - 36

COMPANY SECRETARY

LLB (Hons), PG Cert in Laws (Banking and Finance Laws) University of London

Marsha Ovi Machika is a Legal Practitioner admitted to the Malawi bar to practice law in both the High Court and Supreme Court of Malawi in 2011. He became Company Secretary in July 2016. He joined NBS Bank as Legal Services Manager in July 2013.

Marsha has strong governance and strategic advisory skills. He also has regulatory and stakeholder management experience. He has a strong understanding of the business and risks affecting the Board's discharge of duties. He holds a Bachelor of Laws (Honours) degree from the University of Malawi. He also holds a postgraduate certificate in Laws (Banking and Finance Laws) from the University of London. Before joining the Bank, he worked for Nicholls & Brookes and Mvalo & Company (law firms).

KEY ACTIVITIES

MDF Annual Thanksgiving Veterans Golf Tournament

For the fourth year running, NBS Bank has continued to partner with the Malawi Defence Force (MDF) and the Veterans League of Malawi (VELOM) to sponsor the annual military veterans golf tournament – a worthy and commendable charity fundraiser which pays tribute to our veterans through thanksgiving contributions towards their welfare. In 2022, the Bank increased its sponsorship and contributed K30 million towards this event with K10 million going directly to the welfare of the veterans.

Golf mugs at Country Club Limbe and Lilongwe Golf Club

Region 5 Youth Games held in December 2022

For the first time since its inception, Malawi hosted the 10th edition of the African Union Sports Council (AUSC) Region 5 Youth Games in December 2022. The Bank sponsored K60 million towards the Regional 5 Youth Games which took place in Lilongwe from 2nd - 11th December 2022. The Bank felt obliged to partner with the Ministry of Youth and Sports and the Region 5 Youth Games because of its passion towards youth development, and acknowledgement of the need to nurture young talent as the youth are the future of the nation; further evident through the different initiatives the Bank has undertaken.

In the same regard, the Bank has been running a mentorship program for young girls in various secondary schools across the country in partnership with Shaping Our Future Foundation. Through this program, the Bank provides tuition fees to the pupils who are also paired with Executive and Senior female managers to mentor these girls. Additionally, the Bank is also sponsoring underprivileged university students at LUANAR and MUBAS, in the hopes to inspire brilliant young minds to achieve their goals.

NBS Bank hosted year ten students from Hilltop Academy on an educational visit at the Bank's head office.

As a Bank, we believe in empowerment of the youth through education, and we are firmly convinced that today's young minds need to be positively influenced to continue aiming high.

Central High visit.

NBS Bank sponsored a Junior Golf Tournament at Blantyre Sports Club.

The Kachangu Kenaso, Payday Loan, and Personal Loans

The Bank introduced digitized, advance loans for salaried employees called Kachangu Loans, accessed through the bank's website and the bank's digital application. The global trends are moving towards a digital world where systems, processes and general operations are becoming more digital in nature and in the quest to keep up, NBS Bank has opted to move with the changing times by offering a quicker and convenient way of applying for and accessing loans through our digital banking platforms.

Customers can apply for a Kachangu Personal loan, a Kachangu Payday loan or even a Kachangu Kenanso (loan top-up) through the digital offering. These loans aim to create easy and convenient ways for our customers to access loans by eliminating the process of queueing in banking halls and the paperwork involved to access loans. The loans are accessible within 10 minutes as they are approved instantly.

Currently, the personal loan, has a cash limit of K15 million, subject to the customer's existing facilities.

The Win a Car promotion prize presentation winner

The Bank ran a Win A Car Promotion from February to June 2022, and the grand prize of a Toyota Vits was officially handed over to a Balaka-based teacher and customer, Mr Humphrey Sandram.

The Bank Hosted SME Clinics across the country, Blantyre, Lilongwe and Mzuzu.

NBS Bank realizes the importance of Micro, Small and Medium Enterprises (MSMEs) in driving economic growth and wealth creation, as well as the significant role they play in achieving the Malawi 2063 vision. This is why the Bank reaffirmed its commitment to MSMEs by revamping its SME Banking offering.

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

To take it a step further, the Bank also interacted with some of its SME customers through clinics that were conducted in Blantyre, Lilongwe and Mzuzu. The objective of the clinics was to engage with customers and teach them the ways they can improve their financial accounting in order to also improve their chances to get loans for the benefit of their businesses.

NBS Bank joined Christian Aid in the launch of their Women's Energy Fund.

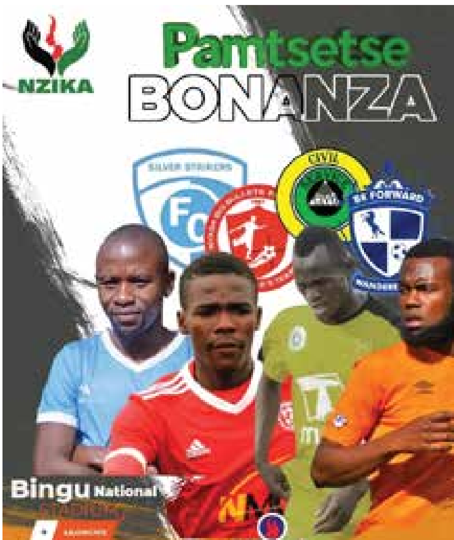
NBS Bank joined Christian Aid in the launch of their Women's Energy Fund on 25th May 2022 in Lilongwe. The Bank contributed K5 million towards the fund which will aide women-led enterprises to access financing. The fund will promote the participation of women entrepreneurs in the energy sector.

The Bank partnered with Khala Pansi, a Lilongwe-based SME customer, to improve customer engagement through patrionization and sales activations during Sunday Jazz at the Four Seasons.

Partnership with Khala Pansi, Sunday Jazz

The Bank sponsored K15 million towards the Football Association of Malawi NBS Bank Charity Shield.

The proceeds from the match were donated to the Cyclone Ana flood victims in Chikwawa in partnership with the Football Association of Malawi and Red Cross Society.



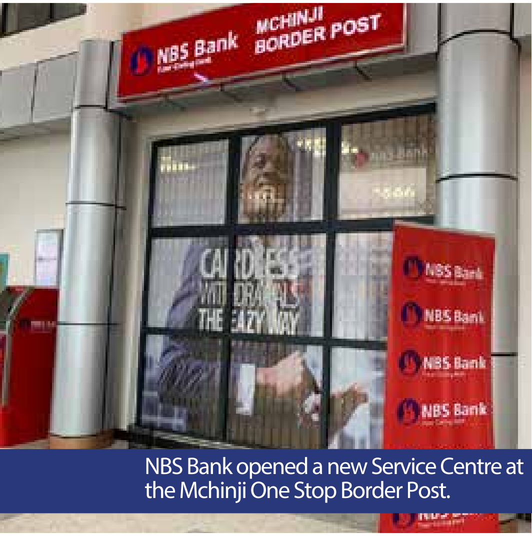
The Bank sponsored K500,000 towards the Pamtsetse Bonanza at the Bingu International Stadium. Officials donated proceeding from the games to the Cyclone Ana flood victims.

Scholarships to MUBAS and LUANAR.

The Bank sponsored K5.9 million in scholarships to MUBAS for 5 students and K5 million in scholarships to LUANAR for 6 students. The Bank took a deliberate stance to support the education sector and youth development as part of its CSR.

Private and Executive Banking Suites.

NBS Bank Private and Executive Banking Suites relocated from Victoria Avenue to NICO House in Blantyre



NBS Bank opened a new Service Centre at the Mchinji One Stop Border Post.

Mr Paul Chidale sponsorship.

The Bank sponsored Mr Paul Chidale, a local professional golf player in a number of international golf tournaments. Paul Chidale finished in the 3rd position in the Safari Tours Championship in Kenya.

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2022

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DIRECTORS' REPORT

For the year ended 31 December 2022

This report details the required governance and regulatory assurances and disclosures. Further, it provides to the Bank's members and stakeholders an overview of corporate governance framework in NBS Bank Plc ("the Bank"). The Directors have pleasure in submitting the consolidated and separate annual financial statements of the Bank and its subsidiary for the year ended 31 December 2022.

NATURE OF BUSINESS

NBS Bank Plc was registered as a financial institution under the Banking Act on 1 March 2004 and commenced banking operations on 1 July 2004. The Bank was listed on the Malawi Stock Exchange in June 2007. The Bank's subsidiary, NBS Forex Bureau Limited was dormant throughout 2022.

CAPITAL

The authorised share capital of the Bank is K2,000,000,000 divided into 4,000,000,000 ordinary shares of 50 tambala each. Issued ordinary shares as at 31st December 2022 was 2,910,574,000

The shareholders (holding at least 1% or more and employee share ownership scheme) and their respective shareholdings
are:

	2022 %	2021 %
NICO Holdings Plc	50.10	50.10
Public Service Pension Fund	12.06	12.06
The National Investment Trust plc	2.00	2.00
Reserve Bank of Malawi Pension Fund	1.99	1.99
Madzi Pension Fund	1.76	1.66
Old Mutual Life Assurance Company (Malawi) Limited	1.63	1.60
Sucoma Group Pension Fund	-	1.48
Continental Asset Management Nominees Limited	1.85	1.47
Standard Bank Pension Fund	1.41	1.42
Continental Holdings Limited	1.19	1.19
Associated Pension Trust	1.12	-
Public	24.89	25.03
	100.00	**100.00**

FINANCIAL PERFORMANCE

The Group registered a record profit after tax of K18.905 billion in the 12-month period ended 31 December 2022 compared to the profit after tax of K7.692 billion reported in a similar period of 2021 representing an increase of 146%. The return on equity was 51% in 2022, up from 33% in 2021. The Group has continued on a strong growth trajectory, with disciplined implementation of strategy helping to navigate an increasingly challenging local economic environment, marked by inflationary pressures and rising interest rates which has been triggered by the lagged effects of Covid-19 pandemic compounded by on-going Russia-Ukraine conflict.

The results are a clear indication that several key themes and objectives of the Bank are being met. These include strengthening and diversification of revenue streams, with double-digit growth in both net interest income and non-interest income achieved in the year. The Group's balance sheet remains strong, with total assets of K462 billion as at 31 December 2022, up 27% from prior year. The Group also recorded a year-on-year loan book growth of 66%, as lending to diverse sectors of the economy increased. Meanwhile, the Group's strong franchise has continued to attract significant customer deposits, which exceeded the K300 billion mark for the first time in the year. The strong franchise is also evident in our ability to attract current and savings account (CASA) deposits, which increased by K74 billion during 2022. The Growth of CASA is expected to drive down the cost of funding going forward.

Net interest income grew by 67% because of the growth of the loan book and increased investment in money market investments. Non-interest income which is made up of transaction fees and forex trading income increased by 27% from prior year. The Group believes digitalisation of lending and other offerings will be key to sustaining growth of non-interest income. The Group is pursuing an accelerated programme of digitisation to ensure our customers receive the best service. This is translating into growth in our customer base and significantly enhanced engagement. The Bank also upgraded its internet banking platform and Mobile app offering to ensure improved service offering. Impairment charges were MK2.98 billion in the year, an improvement of 7% year on year. The Non-Performing Ratio (NPL) improved to 2.04% as at 31 December 2022 from 2.92% at 31 December 2021 amid a change in asset mix towards a lower-risk credit portfolio.

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2022

FINANCIAL PERFORMANCE (Continued)
Cost to income ratio was 54% in 2022, compared to 65% in the previous year. In the context of growing inflationary pressures, operating expenses in the year were up 30% year on year mainly on account of the 25% devaluation of the local currency which triggered cost increases for all group supplies including staff costs. This is besides the broad-based investment in the growth of the business, including digital technology and staff development.

The Bank remains well capitalised, with capital adequacy (tier 1 and tier 2) at 18.74% and 21.23%, respectively as at 31 December 2022, versus 15.61% and 18.97% as at 31 December 2021. The regulatory requirement for the same are 10% and 15%, respectively. The Group has a policy of maintaining sufficient capital buffers to be able absorb expected and unexpected losses.

STRATEGY
The year 2022 has been a growth year in terms of deposits and loans in the market, as well as profits. The Bank has focused on growing its share of wallet, as well as acquiring new customers especially in the retail space.

The Bank's overarching strategic goal is to be a digitally driven transactional Bank for both retail and corporate customers through a deeper understanding of their needs. This distinction will be embodied in the Bank's intrapreneurial culture, balanced by a strong risk management culture, client-centric approach and ability to be nimble, flexible and innovative. In 2022, the Bank continued to consolidate gains made in repositioning the product base and customer centric approach to its business and will continue increasing its drive towards financial inclusion.

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

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

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

DIVIDEND
The Board of Directors at its meeting of 20 March 2023 approved the payment of a 2nd interim dividend of K 4.51 billion representing a dividend of 155 tambala per share (2021 2nd interim dividend: 0 tambala) and has recommended the payment of a final dividend for the year ended 31 December 2022 of K2.62 billion representing 90 tambala per share (2021 final dividend: K2.18 billion representing 75 tambala per share).The first Interim dividend paid for 2022 was K2.473 billion representing 85 tambala per share (2021 1st Interim dividend: K1.746 billion representing 60 tambala). Total dividend for the year ended 31 December 2022 has been proposed to be K 9.60 billion representing 330 tambala per share (2021 total dividend: K3.93 billion representing 135 tambala per share).

CORPORATE GOVERNANCE
The Board is responsible for managing, and for directing and supervising the management of the business and affairs of the Bank. The Board does this through delegation of its powers to a committee of directors, a director or the executive officers of the Bank. Further, the Board has put in place a framework for governing the Bank. The aim of the governance framework is to promote the long-term sustainable success of the Bank and generate value for shareholders and all stakeholder groups.

In terms of section 184 of the Companies Act, 2013 (CA 2013) the Board is fully compliant with all prescribed codes for corporate governance. Further, the Board is fully compliant with all financial services sector codes and instruments. These codes and instruments include the Malawi Code II, Malawi Stock Exchange Listing Requirements, and the Reserve Bank of Malawi Corporate Governance Directives. Furthermore, the Board fully complies with all the financial services laws when governing the Bank.

During the reporting period, all the Directors of the Board dully discharged their general duties as directors as prescribed under sections 176 to 184 of the CA2013. The said duties include the duty to act within their powers in accordance with the

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2022

company's constitution (and to use those powers for proper purposes) (s. 176); to promote the success of the company (s. 177); to exercise independent judgement (s. 178); to exercise reasonable care, skill and diligence (s. 179); to avoid conflicts of interest (s. 180); not to accept benefits from third parties (s. 181); and to declare any interest in proposed transactions or arrangements (s. 182). In terms of s.185 of the CA 2013. There was no breach of the above duties as such no civil consequences were imposed on the Directors of the Board.

As earlier stated, one of the ways in which the Board discharges its powers is through delegation to a committee of directors on such terms and conditions as the constitution provides. Therefore, the Board has four subcommittees namely, credit committee, risk committee, finance and audit committee, and appointments and remunerations committee. The committees act as preparatory committees for the Board of Directors. On the other hand, the responsibility for day-to-day management is delegated to the executive officers. Nevertheless, the Board still retains control over key management functions, such as setting the Bank's culture, strategy, purpose and objectives and monitoring performance against those objectives.

The tasks of the committees together with the Board are laid out in the charters of each committee. The charters are reviewed whenever significant changes occur that affect the governance structure and organization of the Bank. Further, the charters are reviewed at least once a year to keep them up to date, relevant and understandable to all its members. All the subcommittees are chaired by a non-executive director. The Company Secretary provides the committees and the Board as a whole detailed guidance as to how their responsibilities are properly discharged in the best interest of the Bank and in compliance with laws, regulations, internal rules and corporate governance guidelines.

DIRECTORATE AND SECRETARY

Board composition

In terms of the applicable governing instruments, the Board through the Appointments and Remuneration Committee periodically considers and evaluates its composition to ensure that the skills, expertise, and experience of the individual Board members complement the Bank's vision and strategic objectives. At the end of the 2022 financial year, the Board comprised 10 members and the majority were independent directors (six). Director Anurag Saxena who has now stayed on the Board for more than 10 years is excluded from the list of independent directors as required under the Financial Services (Risk and Governance Requirements for Banks and Bank Holding Companies) Directive 2018. Director Saxena is a valuable member of the Board and due to his wealth of knowledge and expertise, the Board agreed to retain him until further assessment is made. On the other hand, the Board is satisfied that each of the independent directors met the requisite fit-and-proper requirements, including the criteria for independence. Further, the Board is satisfied that its composition at the end of the reporting period reflects an appropriate mix of knowledge, skills, experience, and diversity.

The Board also has a Company Secretary who is accountable to the Board for ensuring that prescribed procedures are complied with and that sound corporate governance and ethical principles are adhered to. All directors have unlimited access to the advice and services of the company secretary. However, any director is also entitled to seek independent professional advice concerning the discharge of his or her responsibilities at the Group's expense. The following directors and secretary served during the year:

Mr. V. Kumwenda	- Chairman	All year
Mr. H. B. Kalua	- Director	All year
Mr A. Saxena	- Director	All year
Mr. C. Chiundira	- Director	All year
Dr. M. Mtumbuka	- Director	All year
Mr. E. M. Banda	- Director	All year
Mr. K. Mukushi	- Director	All year
Mr. J. Masumbu	- Director	All year
Mrs R. Kandiero	- Director	All year
Ms M. Kajiyanike	- Director	All year
Mr. M. Machika	- Company Secretary	All year

There were no changes in the composition of the Board of Directors of the Bank during the year.

CORPORATE SOCIAL RESPONSIBILITY

The Group thrives to enhance the long-term value of the business to its owners, the stakeholders, and the society. Therefore, the Board has put in place a corporate social responsibility policy to manage the affairs of the Group in this area. In the reporting period, the Group made donations amounting to K128.7 million (2021: K84.9 million) to various causes in the 12 months ended 31 December 2022.

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2022

CONFLICT OF INTEREST
The law requires that a director should at all times ensure that his/her (and his/her related parties') private or professional interests, directly or indirectly are not in conflict with the interests of the Bank. Further, it requires that directors should declare interest in a proposed transaction or arrangement and should not participate in the preparation, discussions or decision-making process concerning an agreement, an account or a facility between the Bank and the member in question. The Board has put in place policies and procedures to evaluate and manage potential conflicts of interest that might arise in dealings between interested and related parties within the Bank. Further, each director (including executive officers) makes mandatory quarterly written declarations of interests. These are maintained by the company secretary in a conflict of interest register which is regularly updated when a director declares any such interests. Furthermore, minutes of the meetings of the Board keep information on whether any director excused himself from any agenda item due to a conflict of interest.

Shares Held Directly or Indirectly by Directors

The following directors held shares in the Bank as of 31 December 2022 (31 December 2021):

NAME	SHAREHOLDING	
	2022	2021
WOP V J Trust*	9 404 425	5 000 003

* Mr Vizenge Kumwenda (Board Chairman) has an interest in WOP V J Trust which is owned by his family.

There were neither contracts between the Bank and its directors nor any arrangements to enable the directors of the Bank acquire shares in the Bank.

Further, no transactions involving directors' self-interest and requiring the disclosure and approval of shareholders subsisted at the end of the year or at any time during the year.

Register of Interest

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

BOARD EVALUATION
The Board reviews its effectiveness and that of subcommittees on an annual basis by directors. The Company Secretary assists the Board in performing this exercise including the peer-to-peer review. The Appointments and Remuneration Committee oversees the evaluation and submits the outcome of the exercise to the Board of Directors for deliberation. For this year's review, a comparison of the results with those of the previous assessments showed a constant improvement in the processes of the Board. Further, there was closure on concerns raised in previous assessments.

NUMBER OF BOARD MEETINGS HELD
The Board holds at least eight meetings and one strategy meeting in a year. The meetings are held quarterly, and this also applies to the subcommittee meetings. The Board has an annual meeting calendar which is determined in advance of each calendar year.

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2022

The Board held five meetings during the year ended 31 December 2022. Four scheduled quarterly meetings and one ad hoc strategic meeting held in December. A summary of meetings held and attendance is presented below.

Name of Director	Number of Meetings Eligible to attend during the year (Scheduled/ Ad hoc)	Number of Meetings Attended (Scheduled/ Ad hoc)
Mr. V. Kumwenda	4/1	4/1
Dr. M. Mtumbuka	4/1	4/1
Mr. H.B. Kalua	4/1	4/1
Mr. A. Saxena	4/1	4/1
Mr. C. Chiundira	4/1	4/1
Mr. E.M. Banda *	4/1	4/0
Mr. K. Mukushi*	4/1	3/1
Mr. J. Masumbu	4/1	4/1
Mrs. R. Kandiero	4/1	4/1
Ms. M. Kajiyanike*	4/1	3/1

* Mr. E. Banda did not attend one ad hoc meeting due to prior engagements.
* Mr K. Mukushi did not attend one scheduled meeting due to prior engagements.
* Ms M. Kajiyanike did not attend one scheduled meeting due to prior engagements.

Further, besides the attendance of board of directors, Management comprising the Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, and Chief Operating Officer attended all the meetings of the Board.

BOARD COMMITTEES

FINANCE AND AUDIT COMMITTE

The core priorities of the Finance and Audit Committee are to ensure the quality and integrity of the Bank's financial reporting; adhere to the highest standards of compliance; and ensure that the Bank's internal control framework remains strong and effective. Membership to the committee is restricted to independent/non-executive directors. Members of the committee do not serve as members of any other committees of the Board.

The chairperson of the Committee is Dr. Matthews Mtumbuka. The other two members of the Committee are Mr. Kudakwashe Mukushi and Mr. Harrison Kalua. All the members have the appropriate balance of skills, experience, independence, and necessary knowledge required of a member of the Audit Committee.

The Finance and Audit Committee is responsible for the following:

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

The Committee meets four (4) times a year. Further, additional ad hoc meetings are arranged to consider specific issues and, in the year, ended 2022 the committee held two ad hoc meetings. Furthermore, besides the scheduled meetings, members of the Committee held separate private sessions with the Head of Internal Audit and the External Auditors. Management comprising the Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief Operating Officer, Head of IT, and Head of Internal Audit attended all the meetings of the Committee. Further, the Group's external auditors, Deloitte attended the meetings as appropriate. The

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2022

members' attendance is summarised as below:

Name of Director	Number of Meetings Eligible to attend (Scheduled/ Ad hoc)	Number of Meetings Attended (Scheduled/ Ad hoc)
Dr. M. Mtumbuka	4/2	4/2
Mr. H.B. Kalua	4/2	4/2
Mr. K. Mukushi	4/2	4/2

APPOINTMENTS AND REMUNERATION COMMITTEE

The core priorities of the Appointment and Remuneration Committee is to set over-arching principles and parameters of the remuneration policy across the Bank. Further, the Committee is responsible for considering matters related to the composition of the Board and its Committees including recommending the appointment of new directors, executive officers, and senior managers of the Bank. The majority membership of the Committee is independent. Further, members of the committee may serve as members of the Risk or Credit Committees of the Board.

The chairperson of the Committee is Mr. Emmanuel Melvin Banda. The other two members of the Committee are Mr. Anurag Saxena and Mr. Chifundo Chiundira. All the members have the appropriate balance of skills, experience, independence, and necessary knowledge required of a member of the Appointment and Remuneration Committee.

The Appointments and Remuneration Committee is responsible for the following:

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

The Committee meets four (4) times a year. Further, additional ad hoc meetings are arranged to consider specific issues and, in the year, ended 2022 the committee held one ad hoc meeting. Furthermore, besides the scheduled meetings, members of the Committee held separate private sessions with the Head of Human Resources and the Company Secretary. Management comprising the Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief Operating Officer and Head of Human Resources attended all the meetings of the Committee. The members' attendance is summarised as below:

Name of Director	Number of Meetings Eligible to Attend (Scheduled)	Number of Meetings Attended (Scheduled)
Mr. E. Banda	4/1	4/1
Mr. C. Chiundira	4/1	4/1
Mr. A. Saxena	4/1	4/1

CREDIT COMMITTEE

The core priorities of the Credit Committee are to oversee that the Bank is operating sound credit approval processes and that credit decision standards are consistently applied in line with the Bank's credit management policy. The Committee approves all credit facilities which are above the mandate of Management Credit Committee including related party facilities. Further, the Committee monitors performance of the loan book and approves the

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2022

Bank's credit assessment criteria. The majority membership of the Committee is independent. Further, members of the committee may serve as members of the Appointments and Remuneration Committees of the Board.

The chairperson of the Committee is Mr. Chifundo Chiundira. The other two members of the Committee are Mr. James Masumbu and Mrs. Roselyn Kandiero. All the members have the appropriate balance of skills, experience, independence, and necessary knowledge required of a member of the Credit Committee.

The Credit Committee is responsible for the following:

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

The Committee meets four (4) times a year. Further, additional ad hoc meetings are arranged to consider specific issues and, in the year, ended 2022 the committee held two ad-hoc meetings. Management comprising the Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief operating Officer, Head of Legal Services and Head of Credit attended all the meetings of the Committee. The members' attendance is summarised as below:

Name of Director	Number of Meetings Eligible to Attend (Scheduled/ Ad hoc)	Number of Meetings Attended (Scheduled/ Ad hoc)
Mr C. Chiundira	4/2	4/2
Mr. J. Masumbu	4/2	4/2
Mrs. R. Kandiero	4/2	4/2

RISK COMMITTEE

The core priority of the Risk Committee is to define key principal risks in recognition of their significance to the Bank's strategic ambitions. Therefore, the Committee provides oversight and advice on all current and future risks affecting the Bank. Further, the Committee considers the overall risk appetite of the Bank and recommends to the Board the limits for the individual types of risks taking into account the current and prospective macroeconomic and financial environment.

The chairperson of the Committee is Mr. Anurag Saxena. The other two members of the Committee are Mr. Emmanuel Melvin Banda and Ms. Meg Kajiyanike. All the members have the appropriate balance of skills, experience, independence, and necessary knowledge required of a member of the Risk Committee.

The Risk Committee is responsible for the following.

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

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2022

- Overseeing the Bank's risk and compliance functions, ensuring they are appropriately resourced and operating effectively.

The Committee meets four (4) times a year. Further, additional ad hoc meetings are arranged to consider specific issues and, in the year, ended 2022 the committee held one ad hoc meeting. Management comprising the Chief Executive Officer, Deputy Chief Executive Officer, Chief Finance Officer, Chief operating Officer, Head of Internal Audit and Head of Risk attended all the meetings of the Committee. The members' attendance is summarised as below:

Name of Director	Number of Meetings Eligible to Attend (Scheduled/ Ad hoc)	Number of Meetings Attended (Scheduled/ Ad hoc)
Mr. A. Saxena	4/1	4/1
Mr. E. Banda	4/1	3/1
Ms. Kajiyanike	4/1	4/1

* Mr E. Banda did not attend one quarterly meeting due to a prior engagement.

SUBSEQUENT EVENT

There were no significant events worthy disclosing in the financial statements.

ACKNOWLEDGEMENT

The Board is extremely grateful for the support by all shareholders, who participate in all business of the Bank at annual general meetings and other forums. Going forward, the Board is committed to continued engagement with all shareholders. Further, the Board extends its deepest gratitude to the management and employees of the Bank who put strong foundations over the past few years and delivered on the Bank's growth objectives. Most importantly the Board acknowledges the unwavering support and confidence of its customers, business associates and regulators. Going forward, the Board has confidence in the Bank's strategy and sustained value creation for all our stakeholders.

For and on behalf of the Board of Directors

Vizenge Kumwenda
(Chairman)

Matthews Mtumbuka
(Director)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2022

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 2022, the statement of comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act. In addition, the directors are responsible for preparing the Directors' Report.

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

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

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

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

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

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

Approval of financial statements

The consolidated and separate financial statements of NBS Bank plc as identified in the first paragraph, were approved by the Board of Directors on 30 March 2023 and are signed on its behalf by:

Vizenge Kumwenda
(Chairman)

Matthews Mtumbuka
(Director)

Deloitte.

PO Box 187
Blantyre
Malawi

Deloitte Chartered Accountants
Registered Auditors
First Floor
PCL House, Top Mandala
Kaohsiung Road
Blantyre
Malawi

Tel :+265 (0) 1 822 277
:+265 (0) 1 820 506
Cell :+265 (0) 887 828 002
:+265 (0) 997 515 647
Fax :+265 (0) 1 821 229
Email :btdeloitte@deloitte.co.mw
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NBS BANK PLC

Opinion

We have audited the consolidated and separate financial statements of NBS Bank plc and its subsidiary ("the Group"), set out on pages 56 to 145 ('the financial statements'), which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statement of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank as at 31 December 2022, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2013.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. 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.

MAKING AN IMPACT THAT MATTERS

Key audit matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Staging of Loans and Advances (Consolidated and separate)	
Staging of loans and advances is a significant component in determining the Expected Credit Losses (ECL) as such inaccurate staging would have a significant impact on ECL output. The Bank is exposed to loans and advances book of K141 billion as at 31 December 2022 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 large exposure loans and advances contribute 41% of the Bank's loans and advances included in note 9 to the financial statements. **b) Stage 1 loans** The Bank's loans are concentrated under stage 1. Stage 1 loans contribute 95% of the gross loan amount. The migration of loans and advances from stage 1 to stage 2 depends on both qualitative and quantitative factors. 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. The Bank has recorded a total Expected Credit Loss of K3.4 billion as at 31 December 2022. We therefore consider this as a key audit matter.	• We checked the design and implementation of control 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 Model Methodology documentation; • We assessed management's staging of loans and advances criteria for appropriateness and completeness against the requirements of IFRS 9; and • We checked accuracy and completeness of data used in staging through the use of Data Analytics. **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 and IFRS 9 requirements. **Stage 1 loans** • We sampled through the stage 1 loans and advances; and • Checked whether an exposure currently classified in Stage 1 was appropriately in Stage 1 and did not meet any SICR criteria to transfer to Stage 2. Our work on staging for large exposure loans and stage 1 loans did not identify any significant issues. We found that the staging done by the Bank which was used in determining Expected Credit Losses against loans and advances was appropriate and that the impairment loss recognised in the financial statements was reasonable and complied with IFRS 9 *Financial Instruments* requirements

Other Information

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

Other Information (Continued)

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.

Directors' responsibilities for the Consolidated and Separate Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current 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.

Deloitte

Chartered Accountants
Nkondola Uka
Partner

30 March 2023

STATEMENTS OF FINANCIAL POSITION

31 December 2022

		Consolidated		Separate	
	Notes	**2022 K'000**	**2021 K'000**	**2022 K'000**	**2021 K'000**
ASSETS					
Cash and cash equivalents	7	32 811 987	34 955 484	32 811 987	34 955 484
Money market investments	8 (a)	219 802 091	193 131 047	219 802 091	193 131 047
Placements with other institutions	8 (b)	54 316 201	28 454 738	54 316 201	28 454 738
Loans and advances to customers	9	137 796 120	82 182 625	137 796 120	82 182 625
Equity investments	11	130 700	49 700	130 700	49 700
Property and equipment	13	7 806 099	6 183 951	7 760 588	6 138 440
Intangible assets	14	2 708 206	4 010 413	2 708 206	4 010 413
Other assets	15	4 511 255	11 434 186	4 480 514	11 403 445
Right – of – use assets	33	2 330 081	2 929 788	2 330 081	2 929 788
Total assets		**462 212 740**	**363 331 932**	**462 136 488**	**363 255 680**
LIABILITIES AND EQUITY					
Liabilities					
Amount due to subsidiary	10	-	-	12 580	12 580
Customer deposits	16	189 953 385	112 578 672	189 953 385	112 578 672
Term deposit accounts	16	158 595 318	96 689 065	158 595 318	96 689 065
Foreign currency denominated accounts	16	27 934 977	15 589 982	27 934 977	15 589 982
Long-term loans	17	6 790 507	7 743 933	6 790 507	7 743 933
Lease liabilities	34	3 832 757	4 252 465	3 832 757	4 252 465
Deferred tax liability	18	778 102	1 092 470	747 767	1 062 135
Tax payable	36	3 543 865	526 928	3 543 865	526 928
Liabilities to financial institutions	20	25 552 042	96 652 013	25 552 042	96 652 013
Other liabilities	19	8 109 747	5 054 434	8 021 859	4 966 546
Total liabilities		**425 090 700**	**340 179 962**	**424 985 057**	**340 074 319**
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		23 359 640	9 652 147	23 389 031	9 681 538
Loan loss reserve	23(b)	540 820	-	540 820	-
Fair value through other comprehensive income reserve	23 (a)	(337 894)	(59 651)	(337 894)	(59 651)
Total equity		**37 122 040**	**23 151 970**	**37 151 431**	**23 181 361**
Total liabilities and equity		**462 212 740**	**363 331 932**	**462 136 488**	**363 255 680**

The consolidated and separate annual financial statements were approved and authorised for issue by the Board of Directors on 30 March 2023 and were signed on its behalf by:

Vizenge Kumwenda
(Chairman)

Matthews Mtumbuka
(Director)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Consolidated and Separate 2022 K'000	2021 K'000
INCOME			
Interest income	24	77 227 439	49 512 300
Interest expense	25	(25 803 857)	(18 717 974)
Net interest income		**51 423 582**	**30 794 326**
Fee and commission income	26	10 007 954	9 246 062
Fee and commission expense	26	(1 899 512)	(2 464 700)
Net fees commission and other charges	26	8 108 442	6 781 362
Profit on foreign exchange transactions		6 043 633	4 437 545
Total operating income		**65 575 657**	**42 013 233**
Expenditure			
Personnel expenses	27	(16 712 230)	(11 861 379)
Recurrent expenditure on premises and equipment		(5 286 574)	(3 492 988)
Depreciation and amortisation	13,14&33	(3 275 302)	(3 796 425)
Other operating expenses	28	(9 654 757)	(7 444 819)
Finance costs	34	(709 836)	(734 832)
Operating expenditure		**(35 638 699)**	**(27 330 443)**
Profit before loan impairment		29 936 959	14 682 790
Net impairment losses on financial assets	9	(2 976 470)	(3 193 103)
Profit before income tax expense		26 960 489	11 489 687
Income tax expense	29	(8 055 260)	(3 797 314)
Profit for the year		**18 905 229**	**7 692 373**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value adjustments on Malawi Government treasury notes	23	(397 490)	109 880
Deferred tax on fair value adjustments on Malawi Government treasury notes	23	119 247	(32 964)
Total other comprehensive (loss)/income		**(278 243)**	**76 916**
Total comprehensive income for the year		**18 626 986**	**7 769 289**
Basic and diluted earnings per share (MK)	**30**	**6.50**	**2.64**

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital K'000	Share premium K'000	Revaluation reserve K'000	Fair Value Through Other Comprehensive Income K'000	Loan loss reserve K'000	Retained earnings K'000	Total K'000
CONSOLIDATED							
2022							
Balance at 1 January	1 455 291	12 104 183	-	(59 651)	-	9 652 147	23 151 970
Profit for the year	-	-	-	-	-	18 905 229	18 905 229
Other comprehensive loss	-	-	-	(278 243)	-	-	(278 243)
Loan loss reserve transfer	-	-	-	-	540 820	(540 820)	-
Dividend paid	-	-	-	-	-	(4 656 916)	(4 656 916)
Balance at 31 December	**1 455 291**	**12 104 183**	**-**	**(337 894)**	**540 820**	**23 359 640**	**37 122 040**
2021							
Balance at 1 January	1 455 291	12 104 183	400 036	(136 567)	-	5 343 482	19 166 425
Profit for the year	-	-	-	-	-	7 692 373	7 692 373
Transfer of fair value revaluation upon derecognition of the related financial asset	-	-	(400 036)	-	-	(400 036)	-
Other comprehensive gain	-	-	-	76 916	-	-	76 916
Dividend paid	-	-	-	-	-	3 783 744)	3 783 744)
Balance at 31 December	**1 455 291**	**12 104 183**	**-**	**(59 651)**	**-**	**9 652 147**	**23 151 970**
SEPARATE							
2022							
Balance at 1 January	1 455 291	12 104 183	-	(59 651)	-	9 681 538	23 181 361
Profit for the year	-	-	-	-	-	18 905 229	18 905 229
Other comprehensive loss	-	-	-	(278 243)	-	-	(278 243)
Loan loss reserve transfer	-	-	-	-	540 820	(540 820)	-
Dividend paid	-	-	-	-	-	(4 656 916)	(4 656 916)
Balance at 31 December	**1 455 291**	**12 104 183**	**-**	**(337 894)**	**540 820**	**23 389 031**	**37 151 431**
2021							
Balance at 1 January	1 455 291	12 104 183	400 036	(136 567)	-	5 372 873	19 195 816
Profit for the year	-	-	-	-	-	7 692 373	7 692 373
Transfer of fair value revaluation upon derecognition of the related financial asset	-	-	(400 036)	-	-	(400 036)	-
Other comprehensive gain	-	-	-	76 916	-	-	76 916
Dividend paid	-	-	-	-	-	(3 783 744)	(3 783 744)
Balance at 31 December	**1 455 291**	**12 104 183**	**-**	**(59 651)**	**-**	**9 681 538**	**23 181 361**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	Consolidated and Separate 2022 K'000	2021 K'000
Cash flows from operating activities			
Profit before income tax expense		26 960 489	11 489 687
Adjustments for:			
Interest income	24	(77 227 439)	(49 512 300)
Interest expense	25	25 803 857	18 717 974
Depreciation of property and equipment	13	1 557 127	1 761 405
Depreciation of right - of - use	33	705 942	842 256
Interest on lease liability	33	709 836	734 832
Unrealised foreign exchange difference		(84 849)	-
Impairment losses on financial assets		3 465 678	3 577 958
Amortisation of intangible assets	14	1 012 233	1 192 764
Write off on intangible assets	14	91 620	14 238
Loss/ (gain) on disposal of property and equipment		10 554	(106 014)
Operating cash flows before movement in working capital		**(16 994 952)**	**(11 287 200)**
Increase in loans and advances		(48 530 142)	(23 592 988)
Increase in equity instruments		(81 000)	-
Increase in placements with other institutions		(21 699 528)	(16 636 408)
Decrease/(increase) in other assets		6 922 999	(6 031 562)
Increase in customer deposits		146 060 291	70 442 937
(Decrease)/increase in liabilities to financial institutions		(72 424 575)	66 910 368
Increase in money market investments		(27 068 538)	(88 326 348)
Increase in other liabilities		2 891 176	711 624
Cash used in operations		**(30 924 269)**	**(7 809 577)**
Net finance income		41 914 777	27 775 331
Income taxes paid	36	(5 233 441)	(3 144 218)
Net cash used in operating activities		**(5 757 067)**	**(16 821 536)**
Cash flows from investing activities			
Acquisition of property and equipment	13	(2 819 029)	(1 753 186)
Acquisition of intangible assets	14	(199 535)	(1 203 613)
Proceeds from sale of property and equipment		27 091	509 959
Net cash used in investing activities		**(2 991 473)**	**(2 446 840)**
Cash flows from financing activities			
Proceeds from loans and borrowings	17	-	2 000 000
Repayment of loans and borrowings		(953 426)	(1 064 088)
Dividends paid		(4 656 916)	(3 783 744)
Interest on lease liabilities	33	(709 836)	(734 832)
Principal lease repayment	34	(525 943)	(352 055)
Net cash used in financing activities		**(6 846 121)**	**(3 934 719)**
Net (decrease)/ increase in cash and cash equivalents		**(4 080 527)**	**10 439 977**
Cash and cash equivalents at the beginning of the year		34 955 484	24 091 941
Effect of exchange rate fluctuations on cash and cash equivalents held		1 937 030	423 566
Cash and cash equivalents at end of the year	**7**	**32 811 987**	**34 955 484**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

1.1 Reporting entity

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

1.2 General information

The Bank provides retail and corporate Banking services through its 26 service centers across Malawi (2021: 26). The Bank is listed on the Malawi Stock Exchange. Its ultimate parent company is NICO Holdings Plc, a financial service company incorporated in Malawi, which is also listed on the Malawi Stock Exchange. NBS Forex Bureau Limited started operations in January 2010 and has been dormant since 2012.

2. Basis of accounting

Statement of compliance

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

(a) Basis of measurement

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

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

(b) Functional and presentation currency

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

(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 (Continued)

For the year ended 31 December 2022

(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 2022.

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2022	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual reporting periods beginning on or after 1 January 2022	Makes amendments to the following standards: • IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. • IFRS 16 – The amendment to IFRS 16 removes the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise.
Annual reporting periods beginning on or after 1 January 2022	Reference to the Conceptual Framework (Amendments to IFRS 3) The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2022	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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

3.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are in issue but not effective for the year ended 31 December 2022 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	IFRS 17 Insurance Contracts IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.
Annual reporting periods beginning on or after 1 January 2024	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	Amendments to IFRS 17 Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are: • Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023 • Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk • Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination • Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level • Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements • Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives • Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held • Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts • Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach
Annual reporting periods beginning on or after 1 January 2023	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	Definition of Accounting Estimates (Amendments to IAS 8) The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Annual reporting periods beginning on or after 1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
Annual reporting periods beginning on or after 1 January 2024	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.
Annual reporting periods beginning on or after 1 January 2024	Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

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.

4. Significant accounting policies

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 (Continued)
For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(c) Interest income and expense

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

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

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

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

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

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

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

(d) Fees and commission

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(f) Leases

(i) The Group as lessee

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(f) Leases (Continued)

(i) The Group as lessee (Continued)

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 contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(ii) The Group as lessor

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(f) Leases (Continued)

(ii) The Group as lessor (Continued)

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.

Current income tax

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

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

Deferred income tax

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

Deferred tax is not recognised for:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(g) Income tax expense (Continued)

Deferred income tax (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

(ii) Derecognition

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

(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.

(iv) Fair value measurement (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

(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.

More details on the determination of a significant increase in credit risk are provided in note 4h(vi).

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

(vi) Identification and measurement of impairment (Continued)

Credit-impaired financial assets

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

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

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

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

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

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

Definition of default

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

(vi) Identification and measurement of impairment (Continued)

Definition of default (Continued)

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 counter party 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

(vi) Identification and measurement of impairment (Continued)

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).

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 back-stop 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

(vi) Identification and measurement of impairment (Continued)

Modification and derecognition of financial assets (Continued)

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.

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).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

(vi) Identification and measurement of impairment (Continued)

Modification and derecognition of financial assets (Continued)

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 (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

(vi) Identification and measurement of impairment (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

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

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

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

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

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

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

- 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(h) Financial instruments (Continued)

(xiii) Financial guarantees

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

(i) Other assets

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

(j) Impairment of non-financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(k) Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

In the year 2022, 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(iii) Depreciation (Continued)

Asset Name	2022	2021 and prior periods
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	4 years
Computer Hardware- Servers	8 years	3 years
Computer Hardware- Teller Printers (TPG)	3 years	3 years
Computer Hardware-other printers	6 years	3 years
Computer software- core banking	8 years	8 years
Network/Comms Hardware- Routers, Switches, Firewalls	8 years	6 years
Computer Other software	8 years	8 years
Computer other	5 years	3 years
KYC-KIT	2 years	3 years
POS	4 years	3 years
Other office equipment -Chairs	5 years	10 years
Office Furniture	10 years	10 years
Fixture and fittings	15 years	10 years
Auto Teller Machines	10 years	10 years
Motor vehicles private passenger vehicles	5 years	5 years
Operational vehicles	4 years	5 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(m) Intangible assets (Continued)

Software

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

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

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

Asset Class	2022	2021 and prior periods
Software – purchased	5 years	4 years
Software -internally developed	5 years	4 years
Core Banking Software	8 years	8 years
Trademarks and copyrights	15 years	4 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(o) Employee benefits (Continued)

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

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

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

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

(p) Share capital and reserves
The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

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

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. Significant accounting policies (Continued)

(t) Grants received

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

(u) Other liabilities

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

5. Financial risk management

(a) Introduction and overview

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

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

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

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

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

- Market risks; and
- Operational risks.

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

Risk management framework

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk

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

Management of credit risk

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

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

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

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

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

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

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

Incorporation of forward-looking information

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

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

The table below summarises the principal macro-economic indicators included in the economic scenarios used at December 31, 2022 for the year 2022 for Malawi which is the country where the Group operates and therefore is the country that has a material impact on ECLs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

List of macro-economic variables used	Definition	Scenario	2022	2021
Nominal GDP	(US$ at PPP)			
	Base	26.32	23.95	
		Favourable	26.58	24.19
		Worst	25.80	23.35
		Weighted	26.24	23.818
Real GDP	(US$)	Base	1 612 365.0	1 580 628.9
		Favourable	1 628 488.7	1 596 435.2
		Worst	1 580 278.7	1 541 113.2
		Weighted	1 607 527.9	1 571 935.5
Real private consumption	(US$)	Base	1 524 305.0	1 506 158.2
		Favourable	1 539 548.1	1 521 219.8
		Worst	1 493 971.3	1 468 504.2
		Weighted	1 519 732.1	1 497 874.3
Exchange rate	Malawi kwacha per USD (average)	Base	1 266.50	850.90
		Favourable	1 253.84	872.17
		Worst	1 291.96	829.63
		Weighted	1 270.30	848.77
Lending interest rate	Average borrowing rate on loans	Base	26.0	23.0
		Favourable	25.7	20.7
		Worst	26.5	24.2
		Weighted	26.1	22.9
Public debt	USD value of sovereign debt	Base	7 889 279.0	5 957 858.6
		Favourable	7 731 493.4	5 808 912.1
		Worst	8 047 853.0	6 255 751.5
		Weighted	7 897 168.3	6 017 437.2
Deposit interest rate	Average interest rate on deposits	Base	8.0	10.3
		Favourable	8.2	10.8
		Worst	7.8	9.8
		Weighted	8.0	10.3
GDP per head	($ at PPP)	Base	1 270.0	1 190.0
		Favourable	1 282.7	1 201.9
		Worst	1 244.7	1 178.1
		Weighted	1 266.2	1 188.81
Goods: exports	USD value of good exported	Base	0.95	1.10
		Favourable	0.97	1.10
		Worst	0.93	1.00
		Weighted	0.95	1.07
Goods: exports	USD value of good imported	Base	(2.81)	(2.99)
		Favourable	(2.84)	(2.92)
		Worst	(2.75)	(3.14)
		Weighted	(2.80)	(3.021)
Effective interest rate	Percentage	Base	0.30	1.10
		Favourable	0.30	1.10
		Worst	0.30	1.10
		Weighted	0.30	1.10

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

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

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

Covid 19 related adjustments
Malawi is continuing to experience a steady decline in the number of COVID-19 cases, deaths, and admissions to Emergency Treatment Units (ETUs). This notwithstanding, sporadic cases from isolated districts continue to be reported on daily basis. In view of this development, the Government of Malawi has eased the travel restrictions into the country and announced level one emergency threshold with most of the economy now open while the population has been advised to observe the preventive public health measures.

Globally, coronavirus remains a global health emergency. However, the global economy continues to recover from the recession induced by the COVID-19 pandemic. This is largely being driven by rising vaccination rates which have enhanced business confidence, in addition to policy support particularly in advanced economies. The impact of the same has elevated loan performance risks within the business environment.

Malawi being a predominantly importing nation, COVID 19 has greatly impacted on International trade with an observed reduced economic activity. The economic environment remains uncertain and future impairment charges may be subject to further volatility (including from changes to macroeconomic variable forecasts) depending on the longevity of the COVID-19 pandemic and related containment measures, as well as the longer term effectiveness of central bank, government and other support measures.

The resultant scalar adjustment to PDs and LGDs is an increase of 20% and 5% respectively based on management judgement. The same scaler adjustments were also used in 2021.Management has also decided to apply an additional 20% scalar adjustment to stress the PDs and LGDs for restructured facilities that have not moved stages. This adjustment is considered adequate to cover incremental risk for restructured facilities.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

Measurement of ECL (Continued)

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

Groupings based on shared risks characteristics

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

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

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

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

Credit Quality

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

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

Exposure to credit risk

The carrying amount of financial assets represents 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 (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

Exposure to credit risk (Continued)

As at 31 December 2022

Stage1: 12 Month ECL	Gross amount K'000	Impairment K'000	Net amount K'000
Balance with Central Bank	15 104 239	1 525	15 102 714
Short term deposits	10 183 107	1 018	10 182 089
Placements with other Banks	54 316 201	5 432	54 310 769
Treasury notes	165 708 889	470 673	165 238 216
Promissory notes	7 101 303	710	7 100 593
Treasury Bills	24 761 583	2 476	24 759 107
Trading book assets	22 714 421	2 271	22 712 150
Loans and advances to customers- loans & overdrafts	129 463 699	1 196 985	128 266 714
Loans and advances to customers- finance lease	1 298 944	5 312	1 293 632
Loans and advances to customers- mortgage advances	3 589 444	-	3 589 444
Sundry debtors	4 511 255	180 450	4 330 805
Total	**438 753 085**	**1 866 852**	**436 886 233**
Loan commitments	4 446 819	4 447	4 442 372
Letters of credit and guarantee	17 625 152	17 625	17 607 527
Total	**22 071 971**	**22 072**	**22 049 899**
Total recognised	**460 825 056**	**1 888 924**	**458 936 132**
Stage 2: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	3 505 079	268 937	3 236 142
Loans and advances to customers- finance lease	56 051	3 339	52 712
Loans and advances to customers- mortgage advances	397 547	-	397 547
Total recognised	**3 958 677**	**272 276**	**3 686 401**
Stage 3: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	2 027 863	1 511 014	516 849
Loans and advances to customers- finance lease	71 782	36 565	35 217
Loans and advances to customers- mortgage advances	784 245	376 382	407 863
Total recognised	**2 883 890**	**1 923 961**	**959 929**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

Exposure to credit risk (Continued)

As at 31 December 2021

Stage1: 12 Month ECL	Gross amount K'000	Impairment K'000	Net amount K'000
Balance with Central Bank	22 808 613	2 302	22 806 311
Short term deposits	15 290 382	1 529	15 288 853
Placements with other Banks	28 454 738	2 845	28 451 893
Treasury Notes	150 016 352	433 823	149 582 529
Promissory notes	5 977 435	598	5 976 837
Treasury Bills	6 789 778	679	6 789 099
Trading book assets	30 347 482	3 035	30 344 447
Loans and advances to customers- loans & overdrafts	74 942 985	6 144	74 936 841
Loans and advances to customers- finance lease	1 390 603	-	1 390 603
Loans and advances to customers- mortgage advances	2 989 039	-	2 989 039
Sundry debtors	8 141 946	118 654	8 023 292
Total	**347 149 353**	**569 609**	**346 579 744**
Loan commitments	6 310 569	6 311	6 304 258
Letters of credit and guarantee	20 360 005	20 360	20 339 645
Total	**26 670 574**	**26 671**	**26 643 903**
Total recognised	**373 819 927**	**596 280**	**373 223 647**
Stage 2: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	3 251 574	2 143 173	1 108 401
Loans and advances to customers- finance lease	-	-	-
Loans and advances to customers- mortgage advances	170 636	-	170 636
Total recognised	**3 422 210**	**2 143 173**	**1 279 037**
Stage 3: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	1 678 125	684 168	993 957
Loans and advances to customers- finance lease	240 137	64 332	175 805
Loans and advances to customers- mortgage advances	564 861	91 440	473 421
Total recognised	**2 483 123**	**839 940**	**1 643 183**

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

Collateral held

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

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

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

	Loans and advances to customers consolidated and separate	
	2022 K'000	2021 K'000
Against non-performing loans		
Property	4 744 199	5 465 609
Plant and equipment	323 372	273 770
Against performing loans		
Property	33 765 664	18 283 994
Plant and equipment	6 497 946	9 892 024
Stock and cash	14 862 121	-
Government guarantee	54 100 000	40 000 000
Total collateral held	**114 293 302**	**73 915 397**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

(ii) Allowances for impairment

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

STAGE 1 : 12 MONTH ECL

	Balance with Central Bank K'000	Short term deposits K'000	Placements with other Banks K'000	Treasury Note and trading book assets K'000	Promissory notes K'000	Treasury Bills K'000	Repo K'000	Loan Commitments K'000	Letters of credit and guarantee K'000
Loss allowance as at 1 January 2022	2 302	1 529	2 845	436 858	598	679	-	-	-
Net movement during the year	(777)	(511)	2 587	36 086	112	1 797	-	-	-
Loss allowance as at 31 December 2022	**1 525**	**1 018**	**5 432**	**472 944**	**710**	**2 476**	**-**	**-**	**-**

12 MONTH ECL

	Loans and advances to customers- loans & overdrafts K'000	Loans and advances to customers- finance lease K'000	Loans and advances to customers- mortgage advances K'000	Lease receivables K'000	Outstanding premiums K'000	Loans and debentures K'000	Sundry debtors K'000	Loan commitments K'000	Letters of credit and guarantee K'000
Loss allowance as at 31 December 2021	6 144	-	-	-	-	-	118 654	6 311	20 360
Loss allowance as at 1 January 2022	6 144	-	-	-	-	-	118 654	6 311	20 360
Net movement during the year	1 190 841	5 312	-	-	-	-	61 796	(1 864)	(2 735)
Loss allowance as at 31 December 2022	**1 196 985**	**5 312**	**-**	**-**	**-**	**-**	**180 450**	**4 447**	**17 625**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

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
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Loss allowance as at 1 January 2022	2 143 173	-	-	-	-	-	-	-	-
Net movement during the year	(1 874 236)	3 339	-	-	-	-	-	-	-
Loss allowance as at 31 December 2022	**268 937**	**3 339**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

STAGE 3 LIFETIME ECL

	Loans and advances to customers- loans & overdrafts	Loans and advances to customers- finance lease	Loans and advances to customers- mortgage advances	Lease receivables	Outstanding premiums	Loans and debentures	Sundry debtors	Loan commitments	Letters of credit and guarantee
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Loss allowance as at 1 January 2022	684 168	64 332	91 440	-	-	-	-	-	-
Net movement during the year	826 846	(27 767)	284 942	-	-	-	-	-	-
Loss allowance as at 31 December 2022	**1 511 014**	**36 565**	**376 382**	**-**	**-**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

(ii) Allowances for impairment (Continued)

STAGE 1 : 12 MONTH ECL

	Balance with central Bank K'000	Short term deposits K'000	Placements with other Banks K'000	Treasury Note and trading book assets K'000	Promissory notes K'000	Treasury Bills K'000	Repo K'000	Loan Commitments K'000	Letters of credit and guarantee K'000
Loss allowance as at 1 January 2021	897	994	1 182	283 747	-	472	-	-	-
Net movement during the year	1 405	535	1 663	153 111	598	207	-	-	-
Loss allowance as at 31 December 2021	**2 302**	**1 529**	**2 845**	**436 858**	**598**	**679**	**-**	**-**	**-**

STAGE 1 : 12 MONTH ECL

	Loans and advances to customers- loans & overdrafts K'000	Loans and advances to customers- finance lease K'000	Loans and advances to customers- mortgage advances K'000	Lease receivables K'000	Outstanding premiums K'000	Loans and debentures K'000	Sundry debtors K'000	Loan commitments K'000	Letters of credit and guarantee K'000
Loss allowance as at 1 January 2021	1 334 391	45 181	-	-	-	-	80 159	2 231	3 400
Net movement during the year	(1 328 247)	(45 181)	-	-	-	-	38 495	4 080	16 960
Loss allowance as at 31 December 2021	**6 144**	**-**	**-**	**-**	**-**	**-**	**118 654**	**6 311**	**20 360**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Loss allowance as at 1 January 2021	98 787	8 947	-	-	-	-	-	-	-
Net movement during the year	2 044 386	(8 947)	-	-	-	-	-	-	-
Loss allowance as at 31 December 2021	**2 143 173**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Loss allowance as at 1 January 2021	458 932	68 674	128 540	-	-	-	-	-	-
Net movement during the year	225 236	(4 342)	(37 100)	-	-	-	-	-	-
Loss allowance as at 31 December 2021	**684 168**	**64 332**	**91 440**	**-**	**-**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

(i) Ageing and increase in significant risks

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

As at 31 December 2022

Gross carrying amounts	Balance with central Bank K'000	Short term deposits K'000	Placements with other Banks K'000	Treasury notes and Trading book K'000	Promissory notes K'000	Treasury bills K'000	Loans and advances to customers- loans & overdrafts K'000	Loans and advances to customers- finance lease K'000	Loans and other advances to customers mortgage advances K'000	Sundry debtors K'000	Loan commitments K'000	Letters of credit and guarantee K'000
0-29 days	15 104 239	10 183 107	54 316 201	188 423 310	7 101 303	24 761 583	129 463 699	1 298 944	3 589 444	4 511 255	4 446 819	17 625 152
30-59 days	.	-	-	-	-	-					.	-
60-89 days	-	-	-	-	-	-	3 505 079	56 051	397 547	-	-	-
90-180 days	-	-	-	-	-	-	-	-	-	-	-	-
More than 181 days	-	-	-	-	-	-	2 027 863	71 782	784 245	-	-	-
	15 104 239	10 183 107	54 316 201	188 423 310	7 101 303	24 761 583	134 996 641	1 426 777	4 771 236	4 511 255	4 446 819	17 625 152
Loss allowance	(1 525)	(1 018)	(5 432)	(472 944)	(710)	(2 476)	(2 976 936)	(45 216)	(376 382)	(180 450)	(4 447)	(17 625)
Total	**15 102 714**	**10 182 089**	**54 310 769**	**187 950 366**	**7 100 593**	**24 759 107**	**132 019 705**	**1 381 561**	**4 394 854**	**4 330 805**	**4 442 372**	**17 607 527**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

(i) Ageing and increase in significant risks (Continued)

As at 31 December 2021

Gross carrying amounts	Balance with central Bank K'000	Short term deposits K'000	Placements with other Banks K'000	Treasury notes and trading book K'000	Promissory notes K'000	Treasury bills K'000	Loans and advances to customers- loans & overdrafts K'000	Loans and advances to customers- finance lease K'000	Loans and other advances to customers mortgage advances K'000	Sundry debtors K'000	Loan commitments K'000	Letters of credit and guarantee K'000
0-29 days	22 808 613	15 290 382	28 454 738	180 363 834	5 977 435	6 789 778	74 942 985	1 390 603	2 989 039	8 141 946	6 310 569	20 360 005
30-59 days	-	-	-	-	-	-	3 251 574	-	170 636	-	-	-
60-89 days	-	-	-	-	-	-	-	-	-	-	-	-
90-180 days	-	-	-	-	-	-	-	-	-	-	-	-
More than 181 days	-	-	-	-	-	-	1 678 125	240 137	564 861	-	-	-
	22 808 613	15 290 382	28 454 738	180 363 834	5 977 435	6 789 778	79 872 684	1 630 740	3 724 536	8 141 946	6 310 569	20 360 005
Loss credits allowance	(2 302)	(1 529)	(2 845)	(436 858)	(598)	(679)	(2 833 485)	(64 332)	(91 440)	(118 654)	(6 311)	(20 360)
Total	**22 806 311**	**15 288 853**	**28 451 893**	**179 926 976**	**5 976 837**	**6 789 099**	**77 039 199**	**1 566 408**	**3 633 096**	**8 023 292**	**6 304 258**	**20 339 645**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

(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 2022 K 000	Year ended 2021 K 000
Gross carrying amount before modification	2 084 499	657 210
New restructures	5 077 095	3 908 553
Loss allowance before modification	(14 603)	(2 145 848)
Net amortised cost before modification	7 146 991	2 419 915
Repayment post modification	(3 883 488)	(335 417)
Net amortised cost after modification	3 263 503	2 084 498

(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 2022 were as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

Distribution of credit exposure by sector (Continued)

	Notes	Loans and advances to customers 2022 K'000	Loans and advances to customers 2021 K'000	Money market Investment 2022 K'000	Money market Investment 2021 K'000
Consolidated					
Carrying amount	8&9	137 796 120	82 182 625	219 802 091	193 131 047
Concentration by sector					
Agriculture, forestry, fishing and hunting		17 542 179	19 483 728	-	-
Mining and quarrying		2 743	84 238	-	-
Manufacturing		11 134 735	6 546 950	-	-
Electricity, gas, water and energy		14 072 448	8 810 314	-	-
Construction		3 073 981	2 103 035	-	-
Wholesale and retail trade		10 341 483	9 762 215	-	-
Restaurants and hotels		1 279 784	651 738	-	-
Transport, storage and communication		1 651 477	1 404 805	-	-
Financial services		5 347 989	8 400 358	-	-
Community, social and personal services		73 223 995	24 590 671	-	-
Real Estate		125 306	344 573	-	-
		137 796 120	**82 182 625**	**-**	**-**
Placements with other Banks					
Financial services		54 316 201	28 454 738	-	-
Carrying amount		**192 112 321**	**110 637 363**	**219 802 091**	**193 131 047**

Credit Risk Concentration

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

Settlement risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

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 and Separate	
	2022 K'000	**2021 K'000**
Gross maximum exposure		
Balances with Reserve Bank of Malawi	15 104 239	22 808 613
Balances due from other banks	10 183 107	6 303 415
Money market investments	219 802 091	193 131 047
Loans and advances	137 796 120	82 182 625
Placements with other banks	54 316 201	28 454 738
Total recognised financial assets	**437 201 758**	**332 880 438**
Letters of credit and guarantees	22 071 971	26 670 574
Total unrecognised financial assets	**22 071 971**	**26 670 574**
Total credit risk exposure	**459 273 729**	**359 551 012**

(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 (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(b) Credit risk (Continued)

Management of liquidity risk (Continued)

	Up to 1 month K'000	1 – 3 month K'000	3 – 12 Months K'000	Over 1 period K'000	Total K'000	Carrying Amount K'000
CONSOLIDATED FINANCIAL ASSETS						
At 31 December 2022						
Cash and cash equivalents	32 811 987	-	-	-	32 811 987	32 811 987
Money market investments	14 757 316	32 524 778	43 567 180	235 946 828	326 796 102	219 802 091
Loans and advances	3 202 237	19 002 810	27 185 979	151 880 127	201 271 153	137 796 120
Placements	54 316 201	-	-	-	54 316 201	54 316 201
Equity investments	-	-	-	130 700	130 700	130 700
Total assets	**105 087 741**	**51 527 588**	**70 753 159**	**387 957 655**	**615 326 143**	**444 857 099**
FINANCIAL LIABILITIES						
At 31 December 2022						
Current and Savings accounts	175 556 106	-	-	-	175 556 106	189 953 385
Term deposit accounts	132 900 601	42 940 501	260 670	193 423	176 295 195	158 595 318
Foreign currency denominated deposits	19 914 024	4 527 992	3 515 514	56 495	28 014 025	27 934 977
Long term loan	-	-	-	8 827 659	8 827 659	6 790 507
Other borrowings	15 557 355	10 306 163		-	25 863 518	25 552 042
Other liabilities	8 021 859	-	3 832 757	-	11 854 616	11 854 616
Total financial liabilities	**351 949 945**	**57 774 656**	**7 608 941**	**9 077 577**	**426 411 119**	**420 768 733**
Net liquidity gap	**(246 862 204)**	**(6 247 068)**	**63 144 218**	**378 880 078**	**188 915 024**	
Cumulative liquidity gap	**(246 862 204)**	**(253 109 272)**	**(189 965 054)**	**188 915 024**	**188 915 024**	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(c) Liquidity risk (Continued)

	Up to 1 month K'000	1 – 3 month K'000	3 – 12 months K'000	Over 1 period K'000	Total K'000	Carrying Amount K'000
SEPARATE FINANCIAL ASSETS At 31 December 2022						
Cash and Bank balances	32 811 987	-	-	-	32 811 987	32 811 987
Money market investments	14 757 316	32 524 778	43 567 180	235 946 828	326 796 102	219 802 091
Loans and advances	3 202 237	19 002 810	27 185 979	151 880 127	201 271 153	137 796 120
Equity investments	-	-	-	130 700	130 700	130 700
Placements	54 316 201	-	-	-	54 316 201	54 316 201
Total assets	**105 087 741**	**51 527 588**	**70 753 159**	**387 957 655**	**615 326 143**	**444 857 099**
FINANCIAL LIABILITIES At 31 December 2022						
Current and savings accounts	175 556 106	-	-	-	175 556 106	189 953 385
Term deposit accounts	132 900 601	42 940 501	260 670	193 423	176 295 195	158 595 318
Foreign currency denominated deposits	19 914 024	4 527 992	3 515 514	56 495	28 014 025	27 934 977
Long term loan	-	-	-	8 827 659	8 827 659	6 790 507
Other Borrowings	15 557 355	10 306 163	-	-	25 863 518	25 552 042
Other liabilities	8 021 859	-	3 832 757	-	11 854 616	11 854 616
Total financial liabilities	**351 949 945**	**57 774 656**	**7 608 941**	**9 077 577**	**426 411 119**	**420 680 845**
Net liquidity gap	**(246 862 204)**	**(6 247 068)**	**63 144 218**	**378 880 078**	**188 915 024**	**-**
Cumulative liquidity gap	**(246 862 204)**	**(253 109 272)**	**(189 965 054)**	**188 915 024**	**188 915 024**	**-**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(c) Liquidity risk (Continued)

	Up to 1 month K'000	1 – 3 month K'000	3 – 12 Months K'000	Over 1 period K'000	Total K'000	Carrying amount K'000
CONSOLIDATED FINANCIAL ASSETS						
At 31 December 2021						
Cash and bank balances	34 955 484	-	-	-	34 955 484	34 955 484
Money market investments	236 099	6 407 727	5 222 680	296 736 048	308 602 554	193 131 047
Loans and advances	3 365 068	330 611	16 495 434	108 480 211	128 671 324	82 182 625
Placements	-	28 454 738	-	-	28 454 738	28 454 738
Equity investments	-	-	-	49 700	49 700	49 700
Total assets	**38 556 651**	**35 193 076**	**21 718 114**	**405 265 959**	**500 733 800**	**338 773 594**
FINANCIAL LIABILITIES						
At 31 December 2021						
Current and savings accounts	112 671 202	-	-	-	112 671 202	112 671 202
Term deposit accounts	-	97 282 760	1 222 199	102 189	98 607 148	96 689 065
Foreign currency denominated deposits	8 228 039	7 404 838	-	-	15 632 877	15 589 982
Long term loan	-		-	10 067 113	10 067 113	7 743 933
Other borrowings	-	99 400 971	-	-	99 400 971	96 652 013
Lease and other liabilities	13 563 967	-	4 252 465	-	17 816 432	9 460 629
Total financial liabilities	**134 463 208**	**204 088 569**	**5 474 664**	**10 169 302**	**354 195 743**	**338 714 294**
Net liquidity gap	**(95 906 557)**	**(168 895 493)**	**16 243 450**	**395 096 657**	**146 538 057**	
Cumulative liquidity gap	**(95 906 557**	**(264 802 050)**	**(248 558 600)**	**146 538 057**	**146 538 057**	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(c) Liquidity risk (Continued)

	Up to 1 month K'000	1 – 3 month K'000	3 – 12 months K'000	Over 1 period K'000	Total K'000	Carrying Amount K'000
SEPARATE FINANCIAL ASSETS At 31 December 2021						
Cash and bank balances	34 955 484	-	-	-	34 955 484	34 955 484
Money market investments	236 099	6 407 727	5 222 680	296 736 048	308 602 554	193 131 047
Loans and advances	3 365 068	330 611	16 495 434	108 480 211	128 671 324	82 182 625
Equity investments	-	-	-	49 700	49 700	49 700
Placements	-	28 454 738	-	-	28 454 738	28 454 738
Total assets	**38 556 651**	**35 193 076**	**21 718 114**	**405 265 959**	**500 733 800**	**338 773 594**
FINANCIAL LIABILITIES At 31 December 2021						
Current and savings accounts	112 671 202	-	-	-	112 671 202	112 671 202
Term deposit accounts	-	97 282 760	1 222 199	102 189	98 607 148	96 689 065
Foreign currency denominated deposits	8 228 039	7 404 838	-	-	15 632 877	15 589 982
Long term loan	-	-	-	10 067 113	10 067 113	7 743 933
Other borrowings	-	99 400 971	-	-	99 400 971	96 652 013
Lease and Other liabilities	13 563 967	-	4 252 465	-	17 816 432	9 372 741
Total financial liabilities	**134 463 208**	**204 088 569**	**5 474 664**	**10 169 302**	**354 195 743**	**338 626 406**
Net liquidity gap	**(95 906 557)**	**(168 895 493)**	**16 243 450**	**395 096 657**	**146 538 057**	**-**
Cumulative liquidity gap	**(95 906 557)**	**(264 802 050)**	**(248 558 600)**	**146 538 057**	**146 538 057**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(c) Liquidity risk (Continued)

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

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 companies 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 Finance and Audit 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(d) Market risks (Continued)

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).

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.

(e) Interest rate gap analysis

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

5. Financial risk management (Continued)

(e) Interest rate gap analysis (Continued)
Consolidated and Separate

At 31 December 2022
Assets subject to interest rate adjustment Fixed Rate Instruments

	Zero rate K'000	Floating rate K'000	0-3 months K'000	3-6 months K'000	6-12 months K'000	Over 12 months K'000	Total K'000
Loans and Advances	-	137 796 120	-	-	-	-	137 796 120
Money markets and equity investments	130 700	-	45 956 051	20 380 282	17 603 309	135 992 407	220 062 749
Placements	-	-	54 316 201	-	-	-	54 316 201
Total rate sensitive	**130 700**	**137 796 120**	**100 272 252**	**20 380 282**	**17 603 309**	**135 992 407**	**412 175 070**
Liabilities subject to interest rate adjustment							
Demand accounts	-	166 407 113	-	-	-	-	166 407 113
Savings deposits	-	36 939 797	-	-	-	-	36 939 797
Term deposits	-	-	168 185 204	4 087 599	645 499	231 049	173 149 351
Other and longterm borrowings	-	-	25 552 042	-	-	10 623 264	36 175 306
Total rate sensitive liabilities (RSL)	**-**	**203 346 910**	**193 737 246**	**4 087 599**	**645 499**	**10 854 313**	**412 671 567**
Asset/liability gap	130 700	(65 550 790)	(93 464 994)	16 292 683	16 957 810	125 138 094	(496 497)
Cumulative gap	130 700	(65 420 090)	(158 885 084)	(142 592 401)	(125 634 591)	(496 497)	-
Net position as a Percent of total assets (RSA)	100%	(47%)	(158%)	(700%)	(714%)	0%	0%
RSA as a percent of RSL	0%	68%	52%	499%	2727%	1253%	100%
Sensitivity to projected net interest income		(300 bp)	(600bp)	300 bp	600 bp		
Percentage change a % of RSL		42.8%	85.7%	(24.0%)	(48%)		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(e) Interest rate gap analysis (Continued)
Consolidated and Separate

At 31 December 2021
Assets subject to interest rate adjustment Fixed Rate Instruments

	Zero rate K'000	Floating Rate K'000	0-3 months K'000	3-6 months K'000	6-12 months K'000	Over 12 months K'000	Total K'000
Loans and advances	-	82 182 625	-	-	-	-	82 182 625
Money markets and equity investments	49 700	-	6 446 133	3 014 745	1 623 514	182 046 655	193 180 747
Placements	-	-	28 454 738	-	-	-	28 454 738
Total rate sensitive	**49 700**	**82 182 625**	**34 900 871**	**3 014 745**	**1 623 514**	**182 046 655**	**303 818 110**
Liabilities subject to interest rate adjustment							
Demand accounts	-	80 608 766	-	-	-	-	80 608 766
Savings deposits	-	36 439 672	-	-	-	-	36 439 672
Term deposits	-	-	95 439 343	544 544	613 938	91 240	96 689 065
Other borrowings	-	-	96 652 013	-	-	11 996 398	108 648 411
Total rate sensitive liabilities (RSL)	**-**	**117 048 438**	**192 091 356**	**544 544**	**613 938**	**12 087 638**	**322 385 914**
Asset/liability gap	49 700	(34 865 813)	(157 190 485)	2 470 201	1 009 576	169 959 017	(18 567 804)
Cumulative gap	49 700	(34 816 113)	(192 006 598)	(189 536 397)	(188 526 821)	(18 567 804)	-
Net position as a Percent of total assets (RSA)	100%	(42%)	(550%)	(6287%)	(11612%)	(10%)	(6%)
RSA as a percent of RSL	0%	70%	18%	554%	264%	1506%	94%

		Decrease		Increase
Sensitivity to projected net interest income	(300bp)	(600bp)	300bp	600bp
Percentage change a % of RSL	6.8%	13.7%	(24%)	(48%)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(f) Currency risk

The Group had the following significant foreign currency positions.

	USD	GBP	Euro	ZAR	Total
Consolidated and separate					
At 31 December 2022					
Assets					
Balances with correspondent banks	951 521	6 920 965	2 336 911	21 898	10 231 295
Cash balances	7 773	1 374 065	40 466	1 380	1 423 684
Loans and advances to customers	676 997	-	-	-	676 997
Bank placements	17 452 567	-	-	-	17 452 567
Other assets	324	-	-	6	330
Total assets	**19 089 182**	**8 295 030**	**2 377 377**	**23 284**	**29 784 873**
Liabilities					
Customer deposits	955 642	24 748 905	2 372 084	15 375	28 092 006
Bank takings	-	-	-	-	-
Other liabilities	10 606	1 986 592	45	-	1 997 243
Total liabilities	**966 248**	**26 735 497**	**2 372 129**	**15 375**	**30 089 249**
Net position	**18 122 934**	**(18 440 467)**	**5 248**	**7 909**	**(304 376)**

Sensitivity to projected profit on foreign exchange Transactions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. Financial risk management (Continued)

(f) Currency risk (Continued)

The Group had the following significant foreign currency positions.

Consolidated and separate At 31 December 2021	**USD**	**GBP**	**Euro**	**ZAR**	**Total**
Assets					
Balances with correspondent banks	2 189 341	475 429	3 433 258	38 939	6 136 967
Cash balances	926 466	14 943	81 930	86 085	1 109 424
Loans and advances to customers	643 691	-	-	-	643 691
Bank placements	11 839 774	-	5 840 923	-	17 680 697
Other assets	258	-	-	6	264
Total assets	**15 599 530**	**490 372**	**9 356 111**	**125 030**	**25 571 043**
Liabilities					
Customer deposits	11 817 627	772 282	2 975 375	24 698	15 589 982
Bank takings	8 443 691	-	-	-	8 443 691
Other liabilities	24 310	9 209	29	12	33 560
Total liabilities	**20 285 628**	**781 491**	**2 975 404**	**24 710**	**24 067 233**
Net position	**(4 686 098**	**(291 119)**	**6 380 708**	**100 320**	**1 537 370**

Sensitivity to projected profit on foreign exchange Transactions

	USD	**GBP**	**Euro**	**ZAR**
Movement in foreign currency rates	(1000bp)	(2000bp)	1000bp	2000bp
Change in net income (K'000)	(46 861)	(5 822)	63 807	2 006
Change in equity (MK'000)	(32 803)	(4 076)	44 665	1 404

Management compiled the sensitivity analysis based on the assumption that the market moves in the directions indicated above which are movements that managements deems 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

5. Financial risk management (Continued)

(h) Operational risks

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

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

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

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

(i) Capital Management

Regulatory capital

The Reserve Bank of Malawi, in 2015, revised the minimum capital requirements for Banks from USD5m to USD10m effective 1 January 2020. NBS Bank plc is in full compliance with the revised minimum capital requirement. The Reserve Bank of Malawi sets and monitors capital requirements for the Group as a whole.

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

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

- Tier 1 capital which includes ordinary share capital share premium retained earnings translation reserve intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. The regulatory limit for tier 1 Capital is 10%.
- 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%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

5. Financial risk management (Continued)

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

The Group's policy is to maintain a strong capital base so as to maintain investor creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.
There have been no material changes in the Bank's management of capital during the year.

The Bank's regulatory capital position as at 31 December 2022 was as follows:-

	Consolidated and Separate	
	2022	2021
Tier 1 capital	K'000	K'000
Share capital and share premium	13 559 474	13 559 474
Retained earnings and other reserves	23 562 566	9 567 575
Total tier 1 capital	**37 122 040**	**23 127 049**
Tier 2 capital		
Revaluation reserve on property, loan loss reserve less 50% of investment in a subsidiary	4 941 061	4 977 726
Total tier 2 capital	**4 941 061**	**4 977 726**
Total regulatory capital	**42 063 101**	**28 104 775**
Risk weighted assets	**198 138 605**	**148 151 667**
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	21.23%	18.97%
Total Tier 1 capital expressed as a percentage of total risk weighted assets	18.74%	15.61%

The Group has complied with all capital management requirements during the year ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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 2022 the Bank's liquidity Ratio 1 was 40.09% (2021: 31.55%)

-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 2022, the Bank's Liquidity Ratio 2 was 40.10% (2021: 31.50%)

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:

Liquidity Reserve Requirement

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

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

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

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

- **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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

Key sources of estimation uncertainty

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

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

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

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

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

Determining fair values

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

(b) Critical accounting judgments in applying the Group's accounting policies (Continued)

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.

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 K'000	Level 3 K'000	Total K'000
Consolidated			
31 December 2022			
Financial assets			
Equity investment	-	130 700	130 700
	-	130 700	130 700
31 December 2021			
Financial assets			
Equity investment	-	49 700	49 700
	-	49 700	49 700
Separate			
31 December 2022			
Financial assets			
Equity investment	-	130 700	130 700
	-	130 00	130 700
31 December 2021			
Financial assets			
Equity investment	-	49 700	49 700
	-	49 700	49 700

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 (Continued)

For the year ended 31 December 2022

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

Financial instruments measured at fair-value hierarchy (Continued)

	Fair value through other comprehensive income K'000	Amortised Cost K'000 K'000	Total carrying amount K'000
Consolidated			
31 December 2022			
Financial assets			
Cash and cash equivalents	-	32 811 987	32 811 987
Money market investments	22 714 421	197 087 670	219 802 091
Loans and advances to customers		137 796 120	137 796 120
Placements with other institutions	-	54 316 201	54 316 201
Total	**22 714 421**	**422 011 978**	**444 726 399**
Financial liabilities			
Customer deposits	-	189 953 385	189 953 385
Term deposit accounts	-	158 595 318	158 595 318
FCDA accounts	-	27 934 977	27 934 977
Long-term loans	-	6 790 507	6 790 507
Liabilities to financial institutions	-	25 552 042	25 552 042
Total	**-**	**408 826 229**	**408 826 229**
Separate			
31 December 2022			
Financial assets			
Cash and cash equivalents	-	32 811 987	32 811 987
Money market investments	22 714 421	197 087 670	219 802 091
Loans and advances to customers		137 796 120	137 796 120
Placements with other institutions	-	54 316 201	54 316 201
Total	**22 714 421**	**422 011 978**	**444 726 399**
Financial liabilities			
Current and savings accounts	-	189 953 385	189 953 385
Term deposit accounts	-	158 595 318	158 595 318
FCDA accounts	-	27 934 977	27 934 977
Long term loans	-	6 790 507	6 790 507
Interbank borrowings	-	25 552 042	25 552 042
Total	**-**	**408 826 229**	**408 826 229**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

Financial instruments measured at fair-value hierarchy (Continued)

	Fair value through other comprehensive income K'000	Amortised cost K'000	Total carrying amount K'000
Consolidated			
31 December 2021			
Financial assets			
Cash and cash equivalents	-	34 955 484	34 955 484
Money market investments	30 347 482	162 783 565	193 131 047
Loans and advances to customers	-	82 182 625	82 182 625
Placements with other institutions	-	28 454 738	28 454 738
Total	**30 347 482**	**308 376 412**	**338 723 894**
Financial liabilities			
Current and savings accounts		112 578 672	112 578 672
Term deposit accounts	-	96 689 065	96 689 065
FCDA accounts	-	15 589 982	15 589 982
Long term loans	-	7 743 933	7 743 933
Interbank borrowings	-	96 652 013	96 652 013
Total	**-**	**329 253 665**	**329 253 665**
Separate			
31 December 2021			
Financial assets			
Cash and cash equivalents	-	34 955 484	34 955 484
Money market investments	30 347 482	162 783 565	193 131 047
Loans and advances to customers	-	82 182 625	82 182 625
Placements with other institutions	-	28 454 738	28 454 738
Total	**30 347 482**	**308 376 412**	**338 723 894**
Financial liabilities			
Current and savings accounts	-	112 578 672	112 578 672
Term deposit accounts	-	96 689 065	96 689 065
FCDA accounts	-	15 589 982	15 589 982
Long term loan	-	7 743 933	7 743 933
Interbank borrowings	-	96 652 013	96 652 013
Total	**-**	**329 253 665**	**329 253 665**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

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

Estimation of fair values

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

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

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

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

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

7. Cash and cash equivalents

	Consolidated and separate	
	2022	2021
	K'000	K'000
Coins and bank notes	7 524 641	5 843 456
Money at call and short notice	10 231 295	6 136 967
Balance in the course of cheque clearance	(48 188)	166 448
Balance with the Reserve Bank of Malawi excluding mandatory reserve balance	2 695 015	15 290 383
Cash and cash equivalents excluding mandatory reserve deposits with the Reserve Bank of Malawi	20 402 763	27 437 254
Mandatory reserve deposits with the Reserve Bank of Malawi	12 409 224	7 518 230
Total cash and cash equivalents	**32 811 987**	**34 955 484**

Balances with the Reserve Bank of Malawi are held at a zero interest rate (2021: nil). Balances due from other banks relate to bank balances with correspondent banks on which interest at a rate of 0.5% (2021: 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 K350 million (2021: K274 million) as cash collateral with VISA. The major counterparty is Citibank London and New York.

8a. Money market investments

	Consolidated and separate	
	2022	2021
	K'000	K'000
Government of Malawi and Reserve Bank of Malawi bills	24 761 583	7 223 601
Government of Malawi Promissory Notes	7 101 303	5 977 435
Government of Malawi Local Registered Stocks	165 708 889	150 016 352
Government of Malawi Treasury Note (Trading Book)	22 714 421	30 347 482
Total impairment for money market investments	(484 105)	(433 823)
Total investments	**219 802 091**	**193 131 047**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

8a. Money market investments

	Consolidated and separate 2022 K'000	2021 K'000
The investments are due to mature as follows:		
• Within three months	45 956 052	6 128 654
• Between three months and one year	173 846 039	187 002 393
	219 802 091	**193 131 047**

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 15.69% to 28.49% per annum in 2022 (2021: 5% to 22.50% per annum). The related expected credit loss has been disclosed on note 5b credit risk.

8b. Placements with other institutions

Consolidated and separate

	2022 K'000	2021 K'000
NICO Nominees	10 292 621	10 277 397
Continental Discount House Limited	-	600 197
Ecobank Malawi Limited	2 053 092	-
National Bank of Malawi plc	5 004 110	-
Reserve Bank of Malawi	36 966 378	17 577 144
Total placements with other institutions	**54 316 201**	**28 454 738**

Placements earned average interest rate of 10.77% (2021: 13.50%). Most of the placements for 2022 were in foreign currency hence a lower yield rate. Refer to note 5f for currency risk.

9. Loans and advances to customers

	Consolidated and separate 2022 K'000	2021 K'000
i.) Loans and overdrafts	135 004 056	79 900 225
Lease contracts (See note 9(iv))	1 426 777	1 558 683
Mortgage advances	4 763 821	3 712 974
Total gross loans and advances	**141 194 654**	**85 171 882**
Allowance for impairment	(3 398 534)	(2 989 257)
Net loans and advances	**137 796 120**	**82 182 625**
Net loans and advances are due to mature as follows		
ii) Within one year	49 391 026	20 191 113
After one year	91 803 628	64 980 769
	141 194 654	**85 171 882**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

9. Loans and advances to customers (Continued)

	Consolidated and separate	
	2022	**2021**
	K'000	**K'000**
iii) Allowance for impairment:		
At beginning of the year	2 989 257	2 143 452
Amounts written-off	(2 567 193)	(2 347 298)
Increase in impairment	3 465 678	3 577 958
Recoveries from written-off loans	(489 208)	(384 855)
Balance at end of the year	**3 398 534**	**2 989 257**

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 12.13% and 17.30% for 2021 and 2022, respectively. Reference should be made to currency risk note 5f for significant foreign currency positions.

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:

	Consolidated and separate	
	2022	**2021**
	K'000	**K'000**
Less than one year	217 668	90 639
More than one year	2 012 515	2 308 499
Total	2 230 183	2 399 138
Unearned finance income	(803 406)	(840 455)
Net investment in finance leases	**1 426 777**	**1 558 683**

Net investment in finance lease receivables mature as follows:

	2022	2021
Less than one year	180 637	75 976
More than one year	1 246 140	1 482 707
	1 426 777	**1 558 683**

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 th.e 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.

10. Amount due to subsidiary

	Separate	
	2022	**2021**
	K'000	**K'000**
Amount due to subsidiary		
Balance at 1 January and 31 December	12 580	12 580

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

	Consolidated and separate	
	2022	2021
	K'000	K'000
11. Equity investments		
NATSWITCH Limited	111 000	30 000
SWIFT	19 700	19 700
	130 700	**49 700**

NBS Bank Plc holds 9% in Natswitch Limited. In 2022, shareholders of Natswitch passed a resolution for each existing shareholder to acquire additional 30.0 million ordinary shares at a share price of MK2.70 per share.

The shares in Swift were purchased by the Bank upon meeting the minimum card transactions volume required to be a member.

12. Investment in subsidiary

NBS Bank Plc owns 100% of the shares in NBS Forex Bureau Limited. The Bureau remained dormant throughout 2022. The investment is fully impaired.

13. Property and equipment

	Property K'000	Motor vehicles fixtures and fittings K'000	Capital work in Progress Buildings K'000	Capital work in progress equipment K'000	Total K'000
Consolidated					
2022					
Cost					
Balance at 1 January 2022	216 481	14 630 886	-	154 735	15 002 102
Additions during the year	-	2 190 918	-	628 111	2 819 029
Disposals during the year	-	(1 450 884)	-	-	(1 450 884)
Transfers within class	-	486 613	-	(486 613)	-
Transfers from intangible*	-	397 889	-	-	397 889
Balance at 31 December 2022	**216 481**	**16 255 422**	**-**	**296 233**	**16 768 136**
Accumulated depreciation					
Balance at 1 January 2022	35 720	8 782 431	-	-	8 818 151
Charge for the year	2 324	1 554 803	-	-	1 557 127
Disposals during the year	-	(1 413 241)	-	-	(1 413 241)
Balance at 31 December 2022	**38 044**	**8 923 993**	**-**	**-**	**8 962 037**
Carrying amount					
At 31 December 2022	**178 437**	**7 331 429**	**-**	**296 233**	**7 806 099**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

13. Property and equipment (Continued)

2021	Property K'000	Motor vehicles fixtures and fittings K'000	Capital work in Progress Buildings K'000	Capital work in progress equipment K'000	Total K'000
Cost					
Balance at 1 January 2021	635 610	12 871 530	9 139	211 179	13 727 458
Additions during the year	-	1 445 852	-	307 334	1 753 186
Disposals during the year	(419 129)	(50 274)	(9 139)	-	(478 542)
Transfers	-	363 778	-	(363 778)	-
Balance at 31 December 2021	**216 481**	**14 630 886**	**-**	**154 735**	**15 002 102**
Accumulated depreciation					
Balance at 1 January 2021	54 126	7 077 217	-	-	7 131 343
Charge for the year	10 339	1 751 066	-	-	1 761 405
Disposals during the year	(28 745)	(45 852)	-	-	(74 597)
Balance at 31 December 2021	**35 720**	**8 782 431**	**-**	**-**	**8 818 151**
Carrying amount					
At 31 December 2021	**180 761**	**5 848 455**	**-**	**154 735**	**6 183 951**

* Relates to the transfer of capital expenditure on security system which was wrongly classified as intangible asset in prior year but subsequently reclassified as property and equipment in line with IAS 38 paragraph 4.

Separate 2022	Property K'000	Motor vehicles fixtures and fittings K'000	Capital work in progress buildings K'000	Capital work in progress equipment K'000	Total K'000
Cost					
Balance at 1 January 2022	216 480	14 562 589	-	154 735	14 933 804
Additions during the year	-	2 190 918	-	628 111	2 819 029
Disposals during the year	-	(1 450 884)	-	-	1 450 884
Transfers within class	-	486 613	-	(486 613)	-
Transfers from intangibles*	-	397 889	-	-	397 889
Balance at 31 December 2022	**216 480**	**16 187 125**	**-**	**296 233**	**16 699 838**
Accumulated depreciation and impairment losses					
Balance at 1 January 2022	35 721	8 759 643	-	-	8 795 364
Charge for the year	2 324	1 554 803	-	-	1 557 127
Disposals during the year	-	(1 413 241)	-	-	(1 413 241)
Balance at 31 December 2022	**38 045**	**8 901 205**	**-**	**-**	**8 939 250**
Carrying amount					
At 31 December 2022	**178 435**	**7 285 920**	**-**	**296 233**	**7 760 588**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

13. Property and equipment (Continued)

2021	**Property K'000**	**Motor vehicles fixtures and fittings K'000**	**Capital work in Progress Buildings K'000**	**Capital work in progress equipment K'000**	**Total K'000**
Cost					
Balance at 1 January 2021	635 610	12 803 234	9 139	211 179	13 659 162
Additions during the year	-	1 445 852	-	307 334	1 753 186
Disposals during the year	(419 130)	(50 275)	(9 139)	-	(478 544)
Transfers	-	363 778	-	(363 778)	-
Balance at 31 December 2021	**216 480**	**14 562 589**	**-**	**154 735**	**14 933 804**
Accumulated depreciation and impairment losses					
Balance at 1 January 2021	54 127	7 054 431	-	-	7 108 558
Charge for the year	10 339	1 751 066	-	-	1 761 405
Disposals during the year	(28 745)	(45 854)	-	-	(74 599)
Balance at 31 December 2021	**35 721**	**8 759 643**	**-**	**-**	**8 795 364**
Carrying amount					
At 31 December 2021	**180 759**	**5 802 946**	**-**	**154 735**	**6 138 440**

* Relates to the transfer of capital expenditure on security system which was wrongly classified as intangible asset in prior year but subsequently reclassified as property and equipment in line with IAS 38 paragraph 4.

During the year 2022 a comprehensive review of asset useful lives was made to align actual asset usage to useful lives in the fixed asset register. Asset lives were revised as per note 4 (iii) above. As a result of this review 2022 depreciation was MK615 million lower than it would have been had the prior period useful lives been used

Capital work in progress represents renovation work and software implementation and upgrade costs.

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 (Continued)

For the year ended 31 December 2022

14. Intangible assets

	Consolidated and Separate					
	2022			2021		
	Software K'000	Software work in progress K'000	Total K'000	Software K'000	Software work in progress K'000	Total K'000
Balance at 1 January	7 986 958	909 457	8 896 415	7 341 904	365 136	7 707 040
Additions	42 886	156 649	199 535	138 027	1 065 586	1 203 613
Write-off of asset wrongly capitalised	-	(91 620)	(91 620)	-	(14 238)	(14 238)
Transfers within classes	457 019	(457 019)	-	507 027	(507 027)	-
Transfers to property and equipment*	-	(397 889)	(397 889)	-	-	-
Balance at 31 December	**8 486 863**	**119 578**	**8 606 441**	**7 986 958**	**909 457**	**8 896 415**
Accumulated amortisation and impairment						
Balance at 1 January	4 886 002	-	4 886 002	3 693 238	-	3 693 238
Amortisation for the year	1 012 233	-	1 012 233	1 192 764	-	1 192 764
At 31 December	5 898 235	-	5 898 235	4 886 002	-	4 886 002
Carrying amount 31 December	2 588 628	119 578	2 708 206	3 100 956	909 457	4 010 413

*Relates to the transfer of capital expenditure on security system which was wrongly classified as intangible asset in prior year but subsequently reclassified as property and equipment in line with IAS 38 paragraph 4.

15. Other assets

	Consolidated		Separate	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Consumable stationery	187 503	121 537	187 503	121 537
Prepayments	1 826 370	2 236 209	1 826 370	2 236 209
Sundry debtors	2 277 369	8 141 946	2 277 369	8 141 946
Other receivables	220 013	934 494	189 272	903 753
Total	**4 511 255**	**11 434 186**	**4 480 514**	**11 403 445**

Included in other assets, are prepayments for license fees for various Bank ICT systems and other services. Sundry debtors include receivables from Capital Oil Refining Limited (CORI) court claims settlement of K1.3 billion (2021: Nil) and receivable proceeds from sale of land of K297 million (2021: K297 million).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

16. Deposits

	Consolidated and separate 2022 K'000	2021 K'000
Customer deposits		
Savings accounts	36 927 217	36 427 092
Currents accounts	138 472 135	65 018 784
Investment accounts	14 554 033	11 132 796
	189 953 385	**112 578 672**
Term deposit accounts		
Maturing within 3 months	158 175 538	95 439 343
Maturing between 3 and 12 months	419 780	1 249 722
	158 595 318	**96 689 065**
Total local currency deposits	**348 548 703**	**209 267 737**

Foreign currency denominated accounts

Currency	2022 Amount 000	2022 MWK Equivalent K'000	2021 Amount 000	2021 MWK Equivalent K'000
US Dollar	23 980	24 606 070	14 679	11 824 357
British Pound	744	947 398	612	765 845
Euro Dollar	2 101	2 366 376	2 550	2 975 185
South African Rand	243	15 133	395	24 595
Total	**27 068**	**27 934 977**	**18 236**	**15 589 982**

Deposits from customers, on savings investment and term deposit accounts carried an interest rate ranging from 0.62% to 15.03% (2021: 1% to 14.7%) per annum. Current accounts earned interest of 0.5% per annum on balances above K5 000 000 for the year ended 31 December 2022 which is unchanged from prior year. The foreign currency denominated accounts attract an interest rate of 0.32% (2021: 0.30%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

16. Deposits (Continued)

Distribution of Customer deposits by Sector

Customer deposits per sector at 31 December 2022 were as follows:

		Customer Deposits			
Consolidated	**Notes**	**2022 K'000 Local Currency**	**2022 K'000 Foreign currency**	**2021 K'000 Local Currency**	**2021 K'000 Foreign currency**
Carrying amount	16	348 548 703	27 934 977	209 267 737	15 589 982
Concentration by sector					
Agriculture, forestry, fishing, and hunting		9 322 793	894 072	11 857 081	581 692
Mining and quarrying		6 009 825	30 681	5 582 517	30 948
Manufacturing		22 016 506	762 336	5 992 617	563 188
Electricity, gas, water and energy		58 448 540	163 271	29 353 867	132 269
Construction		3 649 270	7 878 741	3 181 341	5 608 933
Wholesale and retail trade		20 799 573	648 021	14 823 588	629 762
Restaurants and hotels		3 216 908	2 497 675	1 380 460	1 202 594
Transport, storage and communications		41 314 603	1 284 861	20 179 719	98 724
Financial services		109 662 994	8 400 358	51 661 745	772 566
Community, social and personal services		65 126 869	4 911 456	52 875 769	5 926 739
Real estate		2 401 131	3 840	3 405 708	904
Other sectors		6 579 691	459 665	8 973 325	41 663
Total		**348 548 703**	**27 934 977**	**209 267 737**	**15 589 982**

17. Long -term loans

	Consolidated and Separate	
	2022 K'000	**2021 K'000**
National Bank of Malawi Capital Markets Limited	5 006 411	5 002 576
NICO Asset Managers Limited	1 784 096	2 741 357
Total	**6 790 507**	**7 743 933**

Movement in borrowings in 2022

	01/01/2022 K'000	**Interest charged K'000**	**Repayments K'000**	**31/12/2022 K'000**
National Bank of Malawi Capital Limited	5 002 576	998 959	(995 124)	5 006 411
NICO Asset Managers Limited	2 741 357	465 226	(1 422 487)	1 784 096
Total	**7 743 933**	**1 464 185**	**(2 417 611)**	**6 790 507**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

17. Long -term loans (Continued)

Movement in borrowings in 2021

	01/01/2021 K'000	Additions K'000	Interest charged K'000	Repayments K'000	31/12/2021 K'000
National Bank of Malawi Capital Limited	3 001 477	2 000 000	613 451	(612 352)	5 002 576
NICO Asset Managers Limited	3 806 544	-	505 293	(1 570 480)	2 741 357
Total	**6 808 021**	**2 000 000**	**1 118 744**	**(2 182 832)**	**7 743 933**

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

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

All the two loan facilities are not secured

18. Deferred tax assets and liabilities

	2022			2021		
	Assets K'000	Liabilities K'000	Net K'000	Assets K'000	Liabilities K'000	Net K'000
Consolidated						
Excess capital allowance on property and equipment	13 575	(500 484)	(486 909)	72 054	(569 529)	(497 475)
Provisions	1 602 639	-	1 602 639	1 345 639	-	1 345 639
Accrued interest	-	(2 707 708)	(2 707 708)	-	(1 589 377)	(1 589 377)
Deferred arrangement fees	643 610	-	643 610	-	(376 360)	(376 360)
Unrealised gains on FX positions	25 455	-	25 455	-	(461)	(461)
Fair value adjustment on Malawi Government T/notes	144 811	-	144 811	25 564	-	25 564
Balance at 31 December	**2 430 090**	**(3 208 192)**	**(778 102)**	**1 443 257**	**(2 535 727)**	**(1 092 470)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

18. Deferred tax assets and liabilities (Continued)

	2022			2021		
	Assets K'000	Liabilities K'000	Net K'000	Assets K'000	Liabilities K'000	Net K'000
Separate						
Excess capital allowance on property and equipment	13 575	(500 484)	(486 909)	72 054	(569 529)	(497 475)
Provisions	1 632 974	-	1 632 974	1 375 974	-	1 375 974
Accrued Interest	-	(2 707 708)	(2 707 708)	-	(1 589 377)	(1 589 377)
Deferred arrangement fees	643 610	-	643 610	-	(376 360)	(376 360)
Unrealised gains on FX positions	25 455	-	25 455	-	(461)	(461)
Fair value adjustment on Malawi Government T/notes	144 811	-	144 811	25 564	-	25 564
Balance at 31 December	**2 460 425**	**(3 208 192)**	**(747 767)**	**1 473 592**	**(2 535 727)**	**(1 062 135)**

Deferred tax is calculated in full on all temporary differences under the liability method using the enacted tax rate of 30% (2021: 30%). The movement on the deferred tax account is as follows:

	As at 1 January K'000	Recognised in profit or loss K'000	Recognised in other comprehensive income K'000	As at 31 December K'000
2022				
Consolidated				
Property and equipment	(497 475)	10 568	-	(486 907)
Provisions and accruals	1 345 639	256 997	-	1 602 637
Accrued interest	(1 589 377)	(1 118 331)	-	(2 707 708)
Deferred arrangement fees	(376 360)	1 019 970	-	643 610
Unrealised gains on FX positions	(461)	25 916	-	25 455
FVOCI reserve	25 564	-	119 247	144 811
	(1 092 470)	**195 120**	**119 247**	**(778 102)**
Separate				
Property and equipment	(497 475)	10 567	-	(486 908)
Provisions and accruals	1 375 975	256 998	-	1 632 973
Accrued interest	(1 589 377)	(1 118 331)	-	(2 707 708)
Deferred arrangement fees	(376 360)	1 019 970	-	643 610
Unrealised gains on FX positions	(461)	25 915	-	25 455
FVOCI reserve	25 564	-	119 247	144 811
	(1 062 134)	**195 120**	**119 247**	**(747 767)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

2021	As at 1 January K'000	Recognised in profit or loss K'000	Recognised in other comprehensive income K'000	As at 31 December K'000
Consolidated				
Property and equipment	(987 665)	490 190	-	(497 475)
Provisions and accruals	945 184	400 455	-	1 345 639
Accrued interest	(762 575)	(826 802)	-	(1 589 377)
Deferred arrangement fees	186 436	(562 796)	-	(376 360)
Unrealised gains on FX positions	(114 736)	114 275	-	(461)
FVOCI reserve	58 528	-	(32 964)	25 564
	(674 828)	**(384 678)**	**(32 964)**	**(1 092 470)**
Separate				
Property and equipment	(987 665)	490 190	-	(497 475)
Provisions and accruals	975 519	400 455	-	1 375 974
Accrued interest	(762 575)	(826 802)	-	(1 589 377)
Deferred arrangement fees	186 436	(562 796)	-	(376 360)
Unrealised gains on FX positions	(114 736)	114 275	-	(461)
FVOCI reserve	58 528	-	(32 964)	25 564
	(644 493)	(384 678)	(32 964)	(1 062 135)

19. Other liabilities

	Consolidated		Separate	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Accruals	7 804 658	4 571 648	7 716 770	4 483 760
PAYE and other taxes	305 089	482 786	305 089	482 786
	8 109 747	**5 054 434**	**8 021 859**	**4 966 546**

Accruals are mainly Group commitments whose amounts and timing of settlement are clearly known at the reporting date.

20. Liabilities to financial institutions

	Consolidated and separate	
	2022 K'000	2021 K'000
Interbank borrowings	15 557 356	8 443 691
Open Market operations (OMOs)	9 994 686	88 208 322
	25 552 042	96 652 013

Liabilities to financial institutions constitute reverse repos with Reserve Bank of Malawi (RBM) which are instruments used by RBM to inject liquidity back into the market. The Bank took advantage of this and accessed the facility to invest part of the amount in high yielding Treasury notes. The instruments are priced within the range of 11.5%-18% per annum (2021: 11.5%-12%) 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 13.14% per annum (2021: 11.75%.)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

		Consolidated and Separate	
		2022	**2021**
21.	**Share capital**		
	Authorised share capital		
	4 000 000 000 (2022: 4 000 000 000) Ordinary Shares of K0.50 each (K'000).	2 000 000	2 000 000
	The holders of ordinary shares are entitled to receive dividends as declared from time to time.		
	Issued and fully paid (thousands of shares)	**2 910 574**	**2 910 574**
	Weighted average number of shares as at 31 December	**2 910 574**	**2 910 574**
	The movement in share capital during the year was as follows (in thousands of Malawi Kwacha): At 1 January issued and fully paid shares of 50t each (K'000)	1 455 291	1 455 291
	Total share capital issued at end of the year (K'000)	**1 455 291**	**1 455 291**

		2022 **K'000**	**2021** **K'000**
22.	**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:

	2022 **K'000**	**2021** **K'000**
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

	Consolidated and separate	
	2022 **K'000**	**2021** **K'000**
At the beginning of the year	(59 651)	(136 567)
Fair value adjustment on Malawi Government Treasury notes	(397 490)	109 880
Deferred tax on fair value adjustment on Malawi Government Treasury notes	119 247	(32 964)
At end of the year	**(337 894)**	**(59 651)**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

23 (b) Loan Loss Reserve

	2022 K'000	2021 K'000
As at 1 January	-	-
Transfer from retained earnings	540 820	-
As at 31 December	**540 820**	**-**

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

24. Interest income

	Consolidated and Separate	
	2022 K'000	2021 K'000
Corporate loans	8 503 192	2 999 752
Overdrafts	1 327 209	1 097 919
Personal loans	11 833 386	4 826 022
Short-term loans	20 625	118 720
SME loans	918 159	1 406 931
Agri-business loans	124 889	122 417
Mortgage loans	687 966	493 220
Total Interest on loans and advances	**23 415 426**	**11 064 981**
Interest on lease financing	271 864	293 495
Interest on placements with other banks	2 623 646	2 793 398
Interest from money markets investments	50 916 503	35 360 426
	77 227 439	**49 512 300**

25. Interest expense

	Consolidated and Separate	
	2022 K'000	2021 K'000
Current accounts	670 982	422 892
Foreign currency denominated accounts	336 065	233 356
Fixed deposits	13 684 502	9 078 994
Inter-bank borrowing	3 115 276	5 568 037
Interest on borrowings	7 112 176	2 650 530
Investment deposits	446 976	345 236
Savings deposits	437 880	418 929
Total interest expense	**25 803 857**	**18 717 974**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

26. Net fees commission and other charges

	Consolidated and Separate 2022 K'000	2021 K'000
Bank charges and commission	9 714 193	8 947 492
Income from ATM transactions	293 761	298 570
Card based expenses	(1 899 512)	(2 464 700)
Net fees commission and other charges	**8 108 442**	**6 781 362**

27. Personnel expenses

	2022 K'000	2021 K'000
Salaries and wages	9 298 947	7 427 781
Leave pay provision	36 761	28 606
Pension contribution	942 578	800 028
Life insurance	332 709	271 962
MASM contribution	348 911	308 570
Meal allowances	205 166	216 890
Other expenses	720 386	447 949
Christmas pay expenses	118 702	62 608
Training expenses	432 019	325 752
Management car scheme	910 393	822 440
Staff fuel benefits	442 149	-
Profit share	2 923 509	1 148 793
	16 712 230	**11 861 379**

28. Other operating expenses

	Consolidated and Separate 2022 K'000	2021 K'000
Travel & entertainment	557 704	442 455
Premises expenses	818 691	489 584
Marketing & advertising	837 856	482 275
Stationery and consumables	335 975	293 500
Motoring expenses	771 398	744 835
Communication expenses	1 016 910	1 142 049
Consultancy & professional fees	1 087 638	844 253
Audit fees for the year	184 834	128 674
Directors fees	29 707	22 943
Directors travel	72 228	17 315
Bank charges	466 689	420 955
Insurance costs	478 912	491 680
Security expenses	601 335	554 740
Donations	118 638	84 917
General sundry expenses	542 076	611 929
Office expenses subscription	225 504	164 438
MSE expenses & listing expenses	28 000	26 621
Non capitalized items	238 083	193 145
Transfer secretarial expenses	34 111	17 111
Outsourcing services cost	233 875	-
Operational losses-fraud	266 454	161 343
NICO corporate expenses	697 988	36 044
NICO shared expenses	10 151	74 013
	9 654 757	**7 444 819**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

29. Income tax expense

	Consolidated and Separate	
	2022	**2021**
	K'000	**K'000**
Current tax expense	8 250 380	3 412 636
Deferred tax(credit)/charge (note 18)	(195 120)	384 678
Total income tax charge	**8 055 260**	**3 797 314**
Reconciliation of tax charge		
Profit before tax	26 960 489	11 489 687
Income tax using corporate tax rate @ 30%	8 088 147	3 446 906
Non-deductible expenses	(8 283 267)	(3 062 228)
Temporary differences	8 250 380	3 412 636
	8 055 260	**3 797 314**
Reconciliation of rate of tax	%	%
Standard rate of taxation	30	30
Permanent differences	-	3
Effective rate of taxation	**30%**	**33%**

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	
	2022	**2021**
Net profit attributable to ordinary shareholders (Thousands)	18 905 229	7 692 373
Weighted average number of ordinary shares (Thousands) (note 21)	2 910 574	2 910 574
Basic earnings per share (MK)	6.50	2.64
Diluted earnings per share (MK)	6.50	2.64

31. Unrecognised 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 K4.1 billion. However, the High Court of Malawi delivered a judgment in favor of the Bank. 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 should not have a material adverse effect on the Group's consolidated financial position and the directors are satisfied that the Group has adequate provisions in place to meet claims that may succeed.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

31. Unrecognised financial instruments contingent liabilities and commitments (Continued)

b) Contingent asset

In November 2021, the High Court of Malawi awarded interest of K1.655 billion in favour of the Bank. This interest is in respect of the 2019 Supreme court judgement in which the Bank was refunded the principal sum of K566 million. The Bank is still awaiting settlement of interest hence it has not incorporated the income in the financial statements.

c) Capital commitments and contingent liabilities

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

The authorized but not yet contracted for capital commitments as at 31 December 2022 were K16.1 billion (2021: K5.2 billion). The Bank's policy is that such authorised capital commitments fall off and a new capital expenditure budget is approved for the subsequent year. The 2022 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	**2022**	**2021**
	K'000	**K'000**
Acceptances and letters of credit	7 749 635	385 612
Currency swaps	-	16 383 689
Guarantees and performance bonds	9 875 517	3 590 704
Undrawn formal stand-by facilities credit lines and other commitments to lend	4 446 819	6 310 569
Total unrecognised financial assets	**22 071 971**	**26 670 574**
Other Commitments		
Authorized but not yet contracted capital commitments on property and equipment	16 100 000	5 160 159
Total other commitments	**16 100 000**	**5 160 159**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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 2022 K'000	Balance of Transaction 31 December 2022 K'000	Value of Transaction 31 December 2021 K'000	Balance of Transaction 31 December 2021 K'000
NICO Holdings Plc	Holding	Company account interest	15 019)	-	(15 186)	-
		FCDA	-	49 274	-	-
		Bank Account	-	774 203	-	3 647
		Fixed deposit	-	2 915 073	(119 959)	-
		Fixed deposit interest	(81 897)	-	-	461 041
		Directors fees	(9 791)	-	-	21 102
		Shared services fees	(454 481)	-	-	-
NICO Life Insurance Company Limited	Fellow subsidiary	Shared services fees	-	-	-	-
		Bank account	-	3 843 045	-	1 806 271
		Bank account Interest	(7 620)	-	(1 706)	-
		expense	-	10 229 565	-	7 924 225
		Total deposits	-	-	-	-
		Expense	-	1 357 059	-	1 200 207
		Contribution	-	-	-	-
		Rental income	-	-	-	-
NICO General Insurance Company Limited	Fellow subsidiary	FCDA	-	210 921	-	521 074
		Bank account interest	(1 745)	-	(1 069)	-
		Total deposits	-	1 762 628	-	967 514
		General insurance	-	565 906	-	147 040
		premiums	-	-	-	189 297
		Bank account	-	-	11 616	-
		Rental income	-	-	-	-
NICO Technologies Limited	Fellow subsidiary	Technical support	(122 268)	-	(108 852)	-
		Expense	-	-	-	-
		Fixed deposit	-	4 513	-	4 413
		Total deposits	-	-	-	-
		Directors fees	(1 188)	-	(1 043)	-
NICO Asset Management Limited	Fellow subsidiary	Bank account	-	213 671	-	482 338
		Bank account interest	(121)	-	(65)	-
		Expense	-	21 700 000	-	8 201 744
		Fixed deposit	(57 206)	-	(74 322)	-
		Fixed deposit interest	(1 789 145)	-	(18 862)	-
		Management and transfer	(29 651)	-	-	
		secretarial fees				
		Transaction fees and				
		commissions				
Directors and Executive Officers	Directors/ Managers	Directors remunerations	(29 707)	-	(22 943)	-
		remunerations				
		Interest on Directors	-	246 014	-	49 500
		and Executive Managers				
		Loans- Directors	-	561 497	-	582 555
		Loans- Executive				
		management				

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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 2022 K'000	Employees 2022 K'000	Directors and their related parties 2021 K'000	Employees 2021 K'000
Advances	246 014	6 443 307	49 500	4 663 870
Deposits	(12 034)	(379 596)	(9 081)	(503 048)
Net balances	**233 980**	**6 063 711**	**40 419**	**4 160 822**

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 K296 million (2021: K214 million) interest free loans and K6 147 million (2021: K4 450 million) loans at an interest rate of 9% and reference rate (which averaged 12.13%) 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 K620 million (2021: K399 million).

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

	Consolidated 2022 K'000	Separate 2021 K'000
Short term benefits		
Executive Managers' short-term benefits	1 098 938	740 684
Directors' remuneration	29 707	22 943

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

33. Right-of-use assets

	Consolidated and Separate	
Right-of-use assets	**2022**	**2021**
Cost	**K'000**	**K'000**
As at 1 January	5 922 378	4 796 891
Additions	106 235	1 125 486
At 31 December	**6 028 613**	**5 922 377**
Accumulated depreciation		
As at 1 January	2 992 589	2 150 333
Charge for the year	705 942	842 256
At 31 December	**3 698 532**	**2 992 589**
Carrying amount	**2 330 081**	**2 929 788**

33. Right-of-use assets (Continued)

	Consolidated and Separate	
	2022	**2021**
	K'000	**K'000**
Finance Charges	709 836	734 832
Depreciation	705 942	842 256

The Group leases buildings and the average lease term is 5 years (2021: 5 years).

Some expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of use assets of K106 million in 2022 (2021: K1 125 million).

34. Lease liabilities

	Consolidated and Separate	
	2022	**2021**
Cost	**K'000**	**K'000**
At 1 January	4 252 465	3 479 034
Finance charges	709 836	734 832
Interest paid	(709 836)	(734 832)
Additions	106 235	1 125 486
Repayments	(525 943)	(352 055)
At 31 December	**3 832 757**	**4 252 465**
Maturity analysis		
Year 1	1 024 580	1 136 778
Year 2	900 914	999 569
Year 3	802 556	890 441
Onwards	1 104 707	1 225 677
	3 832 757	**4 252 465**

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

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 is 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.

	Note	Central Region K'000	Northern Region K'000	Southern Region K'000	Total K'000
2022					
Interest income	24	5 144 906	2 290 534	69 791 999	77 227 439
Interest expense	25	(381 005)	(136 585)	(25 286 267)	(25 803 857)
Net interest income		4 763 901	2 153 949	44 505 732	51 423 582
Other operating income		2 734 776	757 089	10 660 210	14 152 075
Operating expenses		(2 899 562)	(1 135 311)	(31 603 825)	(35 638 699)
Profit before loan impairment		4 599 115	1 775 727	23 562 117	29 936 959
Impairment losses on financial assets	9	-	-	(2 976 470)	(2 976 470)
Reported profit for the year before income tax		4 599 115	1 775 726	20 585 647	26 960 489
Reportable segments assets					
Total assets		151 840 375	33 366 487	277 005 878	462 212 740
Reportable segment liabilities		91 610 527	10 575 695	322 904 478	425 090 700
Depreciation and Amortization		**13 14 33**			**3 275 302**
Capital expenditure					**1 417 150**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

35. Segment reporting (Continued)

	Note	Central Region K'000	Northern Region K'000	Southern Region K'000	Total K'000
2021					
Interest income	24	4 978 651	1 790 379	42 743 270	49 512 300
Interest expense	25	(435 599)	(163 794)	(18 118 581)	(18 717 974)
Net interest income		4 543 052	1 626 585	24 624 689	30 794 326
Other operating income		2 540 709	813 157	7 865 041	11 218 907
Operating expenses		(3 556 392)	(1 372 667)	(22 401 384)	(27 330 443)
Profit before loan impairment		3 527 369	1 067 075	10 088 346	14 682 790
Impairment losses on financial assets	9	-	-	(3 193 103)	(3 193 103)
Reported profit for the year before income tax		3 527 369	1 067 074	6 895 244	11 489 687
Reportable segments assets					
Total assets		82 309 956	21 492 626	259 529 350	363 331 932
Reportable segment liabilities		55 075 902	10 891 757	274 212 303	340 179 962
Depreciation and Amortization		**13 14 33**	**-**	**-**	**3 796 425**
Capital expenditure		**-**	**-**	**-**	**2 956 799**

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

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

36. Tax payable

	2022 K'000	2021 K'000
Balance at 1 January	526 928	258 510
Current tax	8 250 378	3 412 636
Tax paid	(5 233 441)	(3 144 218)
Balance at 31 December	**3 543 865**	**526 928**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

37. Environment Social Governance (ESG)

Supporting our communities

The Bank wants as many people as possible to benefit from access to financial services. The Bank continues to see growing demand from many customers for more digital ways to bank. The Bank's investment in technology means more customers who have access to digital tools are able to use mobile banking channels to take advantage of accessible features. To reinforce its drive towards financial inclusion, the Bank through its Agency Banking arm Bank Pafupi and its ongoing partnership with Financial Access for Rural Markets Smallholders and Enterprises (FARMSE) prioritised a plan to increase availability and visibility of the channel and educate local communities about the value of banking formally. The Bank continues its expansion drive closing 2022 with 1993 agents. Providing formal financial services' accessibility and convenience is a key element of the Bank's operations and the goal is to improve peoples' livelihoods by inculcating a savings culture among the local communities.

Climate Change and impact on the country and the Bank

Tropical Storm Ana caused heavy flooding in a number of districts in Malawi especially in the Southern Region due to a lot of heavy rainfall and strong winds. The Government declared a State of National Disaster on 26 January 2022. Cyclone Ana has affected the country's food security as farms were adversely impacted by the floods. This situation is worsened by the fact that much of Malawi's population is dependent on agriculture and agricultural-related activities for livelihood. Apart from the impact on agriculture productivity the storm also destroyed the power generation plant at Kapichira. Kapichira is the country's main source of electricity generation representing almost 23 per cent of Malawi's total installed capacity. Efforts to rehabilitate the power stations affected are in progress.

38. Inflation and exchange rates

	2022	2021
United States Dollar (USD)	1 026.09	816.91
British Pound (GBP)	1 273.95	1 251.81
South African Rand (ZAR)	62.36	62.20
Euro	1 126.31	1 166.89
Inflation rate (%)	25.78	11.50

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)	1 026.09
British Pound (GBP)	1 267.40
South African Rand (ZAR)	58.08
Inflation rate (%) February 2023	26.7

39. Events after reporting date

Subsequent to year end, no significant events have occurred worthy disclosing in these financial statements.

NBS Bank
Your Caring Bank
A member of the NICO Group

NBS Bank PLC
Head office: NBS House | Corner Chipembere Highway & Johnstone Road | Ginnery Corner | Blantyre
P.O. Box 32251 | Chichiri | Blantyre 3 | Malawi

Tel: +265 (0)1 876 222/231/218 | Fax: +265(0)1 875 041
Email: nbs@nbs.mw | Website: www.nbs.mw