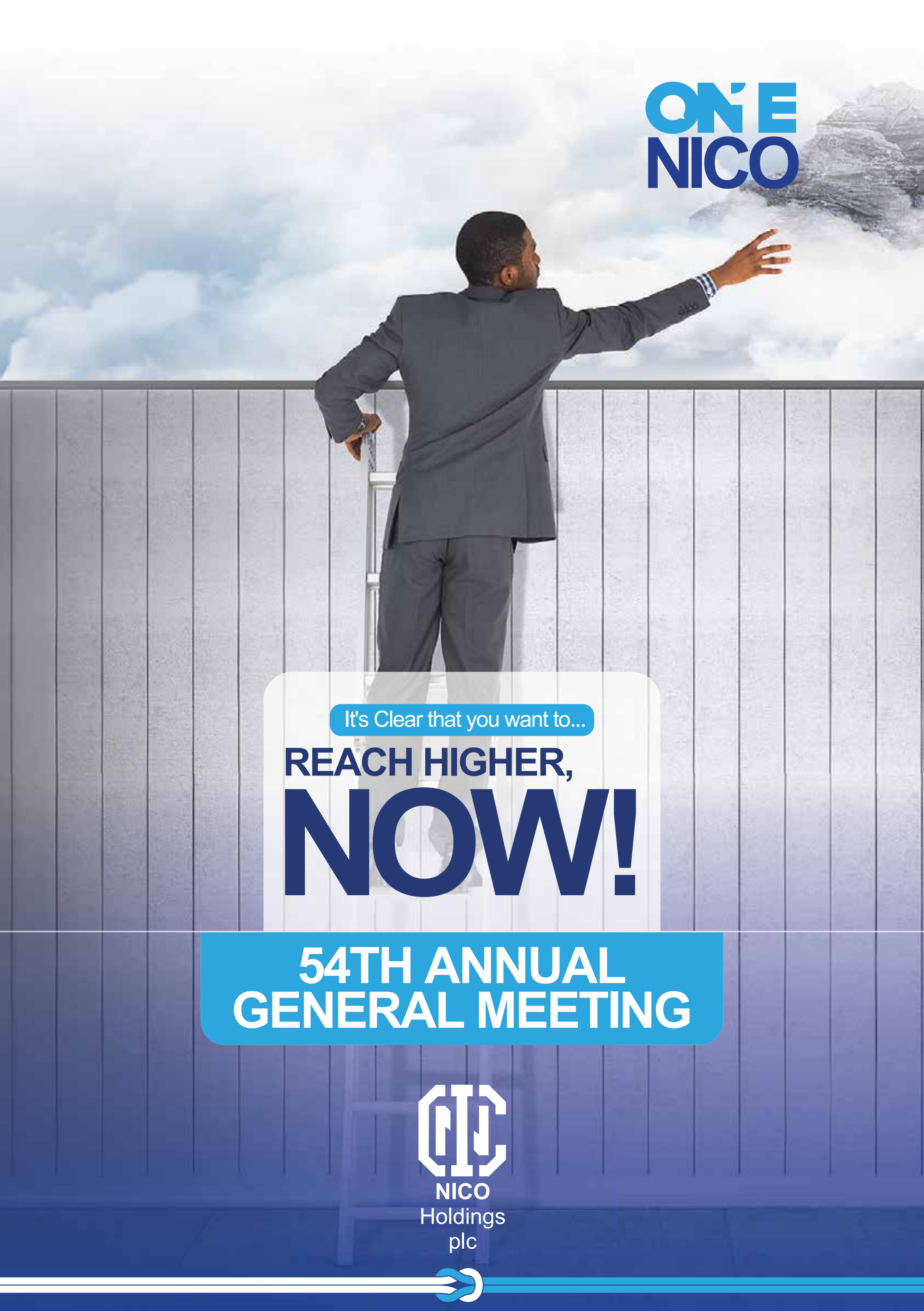


ONE NICO

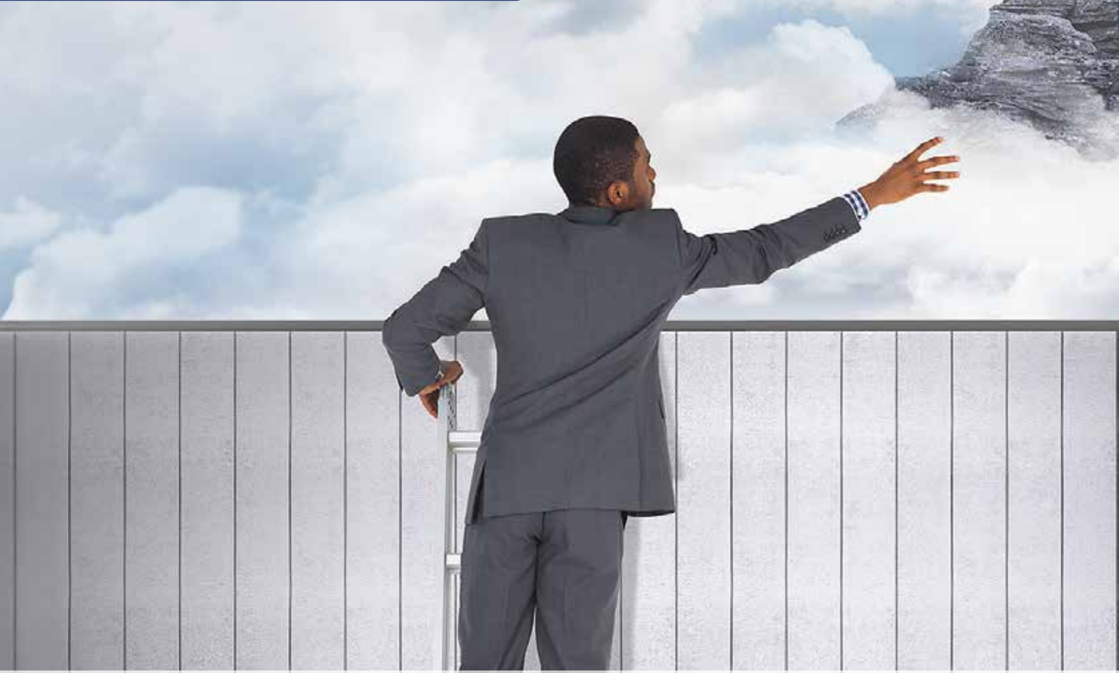
It's Clear that you want to...

REACH HIGHER, NOW!

54TH ANNUAL GENERAL MEETING

NICO Holdings plc

54TH ANNUAL GENERAL MEETING



CONTENTS

NOTICE AND AGENDA OF THE 54TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN to all shareholders and directors of NICO Holdings Plc that the Fifty fourth Annual General Meeting of NICO Holdings plc will be held at Mount Soche Hotel on 31st July 2024 from 10am or soon thereafter. The Board has made provision for shareholders unable to physically attend the meeting to participate virtually as provided below.

Shareholders who wish to participate electronically either in person or by proxy are therefore required to contact: transfersec@nicoassetmanagers.com, call or send a WhatsApp Message to +265 990 427 536 / +265 881 907 439 not later than 4th July 2024. For assistance on how they can participate in the AGM, Shareholders will be provided with a link to enable them access to the AGM.

The Business to be transacted shall be as follows:

1. **Financial Statements**
   To receive and consider the audited financial statements of the company for the year ended 31st December 2023 together with the reports of the Directors and Auditors thereon.

2. **Dividend**
   To declare a final dividend of MK2,086 million representing MK2.00 per share in respect of the 2023 profits as recommended by directors. Subject to the approval of the final dividend the total dividend in respect of the year ended 31st December 2023 will be MK10,430 million representing MK10.00 per share as per the table below:

	Year to December 2023		Year to December 2022	
	MK per share	**Total MK' Million**	**MK per share**	**Total MK' Million**
1st interim dividend	2.00	2,086	1.00	1,043
2nd interim dividend	2.00	2,086	4.00	4,172
3rd interim dividend	4.00	4,172	0.00	0
Final dividend	2.00	2,086	1.00	1,043
Total	**10.00**	**10,430**	**6.00**	**6,258**

3. **Re-Appointment of External Auditors**
   To re-appoint Deloitte, Certified Public Accountants, as nominated by the Board of Directors, as independent external auditors of the company to hold office until the conclusion of the next annual general meeting of the company and to authorize the Directors to fix their remuneration.

4. **Executive Directors' Remuneration**
   To confirm the remuneration of the Executive Director as determined by the Board of Directors as at 31st December 2023 and to authorize the Board to determine the remuneration of the Executive Director for the year 2024.

5. **Non-executive Directors Remuneration**
   To fix the fees and sitting allowances for the Chairman and other Non - executive Directors as follows:
   - **Directors Fees**
     i) **Chairperson:** MK12,458,000 per annum payable quarterly in arrears, up from MK9,583,000 per annum.
     ii) **Directors:** MK9,965,000 per annum payable quarterly in arrears up from MK7,665,000.
   - **Sitting Allowances**
     i) **Chairperson:** MK691,000 per sitting up from MK421,000 per sitting.
     ii) **Committee Chairperson:** MK632,000 per sitting up from MK385,000 per sitting.
     iii) **Directors:** MK512,000 per sitting, up from MK312,000 per sitting.

NOTICE AND AGENDA OF THE 54TH ANNUAL GENERAL MEETING

(continued)

6. Directors Appointment, Retirement and Re-election

6.1 To re-elect Mr. Sangwani Hara who retires by rotation and being eligible, offers himself for re-election.

Mr. Sangwani Hara holds a Bachelor's Degree in Commerce (Accountancy) from the University of Malawi, The Polytechnic (now Malawi University of Business and Applied Sciences - MUBAS). He is also a graduate of Emile Woolf Accountancy College, London, United Kingdom where he obtained his Chartered certified accountancy qualification. He has over thirty years of experience in Accounting, Finance, and Commodity Marketing gained from working for multinational groups; initially CDC Group plc, then Global Tea & Commodities Limited, both of which have their headquarters in the United Kingdom.

He is currently working as Head of Finance for Africa Division for Dhunseri Petrochem & Tea (pte) Limited which has its headquarters in Singapore. He has been a member of several boards. He brings to the NICO Board a wealth of experience in finance, start-ups, accounting, mergers and acquisitions, and general management.

6.2 To re-elect Ms. Catherine Lesetedi who retires by rotation and being eligible, offers herself for re-election.

Ms. Catherine Lesetedi is Group CEO of Botswana Insurance Holdings Limited (BIHL Group) having been appointed to that position in March 2016. She holds a BA in Statistics and Demography, an MDP from the Graduate School of Business (UCT), and an ELP from the Gordon Institute of Business Science as well as professional qualifications in Advanced Insurance Practice and a Diploma in Insurance Studies (UNISA).

Ms. Catherine Lesetedi is also an Associate of the Insurance Institute of South Africa. Catherine brings to the Board expertise in life insurance, finance and risk management. She is the chairperson of the Group Risk Committee. Her analytical and objective approach coupled with her zeal to bring out the best in executives and her entrepreneurial approach to the business are invaluable to NICO Holdings.

6.3 To re-elect Mr. Robert Scharar who retires by virtue of being a director who is over the age of 70 years and being eligible, offers himself for re-election and the Board having recommended and confirmed that his skills and expertise are still required on the NICO Holdings Board.

Mr. Robert Scharar is the President and Director of FCA Corp, based in Houston Texas, and has worked in this capacity since 1975 (including its predecessor firm). His current directorships include Africap LLC and the Commonwealth International Series Trust, a United States mutual fund group.

Mr. Robert Scharar holds a BSBA (accounting) from University of Florida. He received his AA degree from Polk Community College. He has a master's degree in business administration and a Juris Doctorate degree from Northeastern University and an LLM in Taxation from Boston University Law School. Mr. Scharar is a member of the Florida and Massachusetts Bars and is a Certified Public Accountant (Florida).

6.4 Retirement of Director - to note the retirement of Mr. Harold Bijoux.

Dated 21st day of June 2024

BY ORDER OF THE BOARD

Angela Kandani
Company Secretary

NOTES

1. The full audited financial statements for the Company for the year ended 2023 (i.e. the full 2023 Annual Reports) are sent out to shareholders together with this notice of annual general meeting through postal addresses and e-mail addresses provided by the shareholders and can also be accessed on the following website **www.nicomw.com**.
2. A booklet containing the following documentation shall be sent to shareholders through the postal addresses and the email addresses provided by shareholders and can also be accessed on the following website www.nicomw.com or collected from NICO Asset Managers, Chibisa House, 5 Glyn Jones Road, Blantyre, Malawi:
   - Minutes of the Annual General Meeting held on 28th June 2023
   - Proxy Forms
   - Proposed resolutions.
3. All questions and comments pertaining to the AGM may be sent in advance to **transfersec@nicoassetmanagers.com** or via WhatsApp on **+265 990 427 536 / +265 881 907 439** not later than the 15th of July 2024. Shareholders shall also have a right to ask questions at the meeting.
4. The Board of Directors shall communicate its responses to the questions at the Annual General Meeting.
5. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/ her stead. A proxy need not be a member of the company.
6. The instrument appointing a proxy and, if applicable, the authority under which it is signed, or a notarial certified copy of that power or authority must be deposited at the Company Secretary's office at Chibisa House, 19 Glyn Jones Road, Blantyre not less than 48 hrs before the time appointed for holding the meeting or emailed to **transfersec@nicoassetmanagers.com**. A copy of the proxy shall also be e-mailed together with this notice to addresses provided by shareholders and can be downloaded from the Company's website or can be done in the format found on the website.
7. In order to enhance communication on the vote for each item, shareholders are encouraged to indicate their decision against each resolution number in the format used in the Proxy and return the same by delivering at the Company Secretary's office at Chibisa House, 19 Glyn Jones Road, Blantyre not less than 48 hrs before the time appointed for holding the meeting or emailed to **transfersec@nicoassetmanagers.com**.

MINUTES OF THE 53RD ANNUAL GENERAL MEETING OF THE COMPANY HELD AT MOUNT SOCHE HOTEL ON 28TH JUNE 2023 FROM 10AM

Present

Mr. G Hassam	Chairman of the Board
Mr. H Bijoux	Director
Ms. C Lesetedi	Director
Mr. S Hara	Director
Mr. R Mdeza	Director
Dr. C Nakhumwa	Director
Mrs. N Nsamala	Director
Mr. R Scharar	Director
Mr. V Kumwenda	Group Managing Director
Public Shareholders & proxies	As per list which may be inspected at the companies registered office
Ms. A Kandani	Company Secretary

In Attendance

Mr. N Uka	Deloitte
Mr. J Kamanga	Malawi Stock Exchange
Mrs. C Maliro	Transfer Secretariat
Mr. R Mwiba	Transfer Secretariat
Mr. D Singano	Singano Purshotam Law Consultants
Mr. C Chiundira	Management
Mr. L Sibande	Management
Ms. L Mlenga	Management
Mr. E Chunga	Management
Ms. E Makuta	Management
Mr. T Phokoso	Management
Non- Shareholders	As per list which may be inspected at the Company's registered office

52.1 QUORUM

Upon confirmation of quorum by the Company Secretary, the meeting was declared duly constituted at 10:02 am. The Chairman welcomed all present and advised shareholders that provision hade been made for virtual attendance. He explained the process that would be followed in the proceedings of the Annual General Meeting. Shareholders were reminded that while opportunity to ask questions in advance was given, the Chairman would at each resolution ask if members had any questions before proceeding to call and confirm the votes of the resolution.

52.2 NOTICE OF THE ANNUAL GENERAL MEETING

The Chairman reported that a notice of 21 days for the Annual General meeting was published in the daily papers and in the handbook to the shareholders.

52.3 PROXIES

The Chairman reported that proxies duly signed were received from some of the shareholders.

MINUTES OF THE 53RD ANNUAL GENERAL MEETING OF THE COMPANY HELD AT MOUNT SOCHE HOTEL ON 28TH JUNE 2023 FROM 10AM

(continued)

52.11 RE-ELECTION OF MRS. NATASHA NSAMALA

On a proposal of a motion duly seconded it was resolved as follows: “that Mrs. Natasha Nsamala, a director, who retires by rotation and being eligible, offers herself for re-election, be and is hereby re-elected as a director.”

52.12 RE-ELECTION OF MR. HAROLD BIJOUX

On a proposal of a motion duly seconded it was resolved as follows: “that Mr. Harold Bijoux, a director, whose office will fall vacant by virtue of having attained the age of 70 and being eligible, offers himself for re-election, be and is hereby re-elected a director.”

52.13 RE-ELECTION OF MR. ROBERT SCHARAR

On a proposal of a motion duly seconded it was resolved as follows: “that Mr. Robert Scharar, a director, whose office will fall vacant by virtue of having attained the age of 70 and being eligible, offers himself for re-election, be and is hereby re-elected a director.”

52.14 CLOSURE OF THE MEETING

In the absence of other business on the agenda for which prior notice had been given, the Chairman thanked all members for their participation and declared the meeting closed.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023

DIRECTORS' REPORT

For the year ended 31 December 2023

The directors have pleasure in presenting their report together with the audited consolidated and separate financial statements of NICO Holdings plc (the Group) for the year ended 31 December 2023

PRINCIPAL ACTIVITIES OF THE GROUP

The activities of the Group are general insurance, life assurance, pension administration, banking, asset management, corporate finance advisory, and information technology. NICO Holdings plc shareholding structure in subsidiary, associate and joint venture companies is as follows: -

Name of subsidiary	% Holding	Type of business
NICO Insurance (Zambia) Limited	51.00	Short term insurance
NICO General Insurance Company Limited	51.00	Short term insurance
NICO Life Insurance Company Limited	51.00	Life insurance
NICO Pension Services Limited	51.00	Pension administration
NICO Capital Limited	100.00	Corporate finance Advisory
NBS Bank plc	50.10	Banking
NICO Technologies Limited	100.00	Information technology
NICO Asset Managers Limited	100.00	Asset management
Group Fabricators & Manufacturers Limited	100.00	Property holding

Name of Associate	% Holding	Type of business
Sanlam Mozambique Vida Companhia de Seguros, SA	34.30	Life insurance and pension administration

Name of Joint Venture	% Holding	Type of business
Eris Properties (Malawi) Limited	50.00	Property management and development

REGISTERED OFFICE

The Physical address of NICO Holdings plc's registered office is:

Chibisa House
19 Glyn Jones Road
P O Box 501
Blantyre
MALAWI

DIRECTORS' REPORT

For the year ended 31 December 2023

Continued

FINANCIAL PERFORMANCE

The results and state of affairs of the Group are set out in the accompanying consolidated and separate financial statements which comprise the consolidated and separate statements of financial position, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity, consolidated and separate statements of cash flows for the year then ended and associated accounting policies and notes.

CORPORATE GOVERNANCE

The Group embraces best practices in corporate governance as enshrined in the Malawi Code II: Code of Best Practice in Corporate Governance in Malawi ("the Malawi Code/the Code"). The Board adopted the Malawi Code and periodically assesses compliance with the Code. The Board is also committed to comply with all applicable laws and regulations. The Group has a clearly defined governance framework which is reviewed from time to time to ensure effective oversight by the Board.

The Board and subcommittees have a written charter and terms of references respectively which include the material points as required under the corporate governance instruments. All the subcommittees are chaired by a Non-Executive Director and the Company Secretary has a key role in Corporate Governance. The Board as a whole, the subcommittees and the directors individually have access to the advice and services of the Company Secretary on how their responsibilities can be properly discharged in the best interest of the Group and in compliance with laws, regulations, and corporate governance standards.

PROFIT

The profit for the year attributable to the owners of the Group of K31.09 billion (2022: K19.65 billion) has been added to retained earnings.

DIVIDEND

During the year, the Group paid a first interim dividend relating to the year 2023 of K2 086 million at K2.00 per share (2022: K1 043 million at K1.00 per share). The Group also paid a second interim dividend relating to 2023 profits of K2 086 million at K2.00 per share (2022: K4 172 million at K4.00 per share). The Board of Directors at its meeting of 19 April 2024 resolved to pay a third interim dividend relating to 2023 profits of K4 172 million at K4.00 per share (2022: No third interim dividend). The directors will be recommending a final dividend of K2 086 million at K2.00 per share (2022: K1 043 million at K1.00 per share) at the forthcoming Annual General Meeting. The total dividend relating to 2023 profits has been proposed to be K10 430 million at K10.00 per share (2022 Actual: K6 258 million at K6.00 per share). In terms of actual dividend declared the Group declared a total of K9 387 million in the year 2023 (2022: K3 129 million)

STAFFING

Staff complement for the Group stood at 1 225 as at 31 December 2023 (2022: 1 157). Human resource remains a major and key factor to the success of the Group. The Group, therefore, remains committed to professionalism by developing staff to their full potential. The Group has maintained staff development programs through training both locally and internationally.

BOARD OF DIRECTORS AND SECRETARY

Mr. Gaffar Hassam	-	Chairman
Mr. Harold Bijoux	-	Non-executive Director
Mr. Sangwani Hara	-	Non-executive Director
Ms. Catherine Lesetedi	-	Non-executive Director
Mr. Robert Mdeza	-	Independent and Non-executive Director
Dr. Candida Nakhumwa	-	Independent and Non-executive Director
Mrs. Natasha Nsamala	-	Independent and Non-executive Director
Mr. Robert Scharar	-	Non-executive Director
Dr. Elias Ngalande	-	Independent and Non-executive Director
Mr. Vizenge Kumwenda	-	Group Managing Director
Mrs. Angela Kandani	-	Company Secretary

DIRECTORS' REPORT

For the year ended 31 December 2023 Continued

In terms of the Memorandum and Articles of Association, any member who holds 10% or more in nominal value of the issued share capital of the company may from time to time appoint one director of the company in respect of every 10% shares held.

At the Annual General Meeting of the company, one third of the directors (excluding executive directors and directors appointed by a shareholder in exercise of its rights by virtue of holding 10% or more in nominal value of the issued share capital of the company) or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office and can be re-elected if they are available.

SHAREHOLDING STRUCTURE

	2023 %	2022 %
Africap LLC (American)	27.91	27.91
Botswana Insurance Holdings Limited (Botswana)	25.10	25.10
NICO Company Employees Share Ownership Scheme (Malawian and Foreign)	1.10	1.10
General Public (Malawian and Foreign)	45.89	45.89
	100.00	100.00

BOARD MEETINGS

The Board meets quarterly. Ad-hoc meetings are held when necessary. The directors are provided with comprehensive board documentation at least seven days prior to each of the scheduled meetings.

The Board met four times in the year.

Main Board meetings - Meeting Attendance

Members	31 Mar 23	1-Jun-23	28-Aug-23	1- Dec-23
Mr. Gaffar Hassam (Chairman)	√	√	√	√
Mr. Harold Bijoux	√	√	√	A
Mr. Sangwani Hara	√	√	√	√
Mr. Vizenge Kumwenda	√	√	√	√
Ms. Catherine Lesetedi	√	√	√	√
Mr. Robert Scharar	√	√	√	√
Mr. Robert Mdeza	√	√	√	√
Ms. Natasha Nsamala	√	√	√	√
Dr. Candida Nakhumwa	√	√	√	√
Dr Elias Ngalande	√	√	√	√

Key:
√ = Attendance
A = Apology

BOARD COMMITTEES

Board committees were established to ensure that the Board discharges its duties effectively in accordance with principles of good corporate governance.

All board committees have terms of reference and report to the main Board.

DIRECTORS' REPORT

For the year ended 31 December 2023 Continued

AUDIT COMMITTEE

The Audit committee is responsible for reviewing annual reports and Group financial statements. This committee also monitors the adequacy of accounting and internal control systems. The committee oversees the work of both the external and internal auditors. The committee consists of four non-executive directors. The Group Managing Director, internal and external auditors attend by invitation. The committee meets four times in a year. The members of the Finance and Audit Committee were as follows:

Ms. Natasha Nsamala	(Chairperson)
Mr. Harold Bijoux	(Member)
Mr. Sangwani Hara	(Member)
Mr. Robert Mdeza	(Member

The committee met four times during the year.

Audit Committee- Meeting Attendance

Member	28 Mar 23	28 May 23	23-Aug-23	28-Nov -23
Mr. Harold Bijoux	√	√	√	√
Mr. Sangwani Hara	√	√	√	√
Ms. Natasha Nsamala	√	√	√	√
Mr. Robert Mdeza	√	√	√	√

Key:
√ = Attendance
A = Apology

GROUP HUMAN RESOURCE COMMITTEE

The Group Appointments and Remuneration Committee is an independent Board Committee for oversight on matters relating to appointments and remuneration of management and staff. The committee also reviews candidates for Board Appointments at individual Company and Group level. The committee consists of nine non-executive Directors and the Group Managing Director. The Group Operations Executive sits as a director representing NICO Asset Managers Limited. The committee meets at least four times in a year.

The members of the Group Appointments and Remuneration Committee are:

Ms. Doreen Chanje*	(Chairperson)
Mr. Chifundo Chiundira**	(Member)
Mr. Robert Mdeza	(Member)
Dr. Candida Nakhumwa	(Member)
Mr. Robert Scharar	(Member)
Ms. Daisy Kambalame*	(Member)
Mr. Isaac Songea	(Member)
Dr. Mathews Mtumbuka*	(Member)
Mr. Tayemu Masikini*	(Member)
Mr. Vizenge Kumwenda	(Member)

*Doreen Chanje is a NICO General Company Director representing the company's interest, Mr. Isaac Songea replaced Ms. Daisy Kambalame as a director representing the interest of NICO Life Insurance Company Limited. Mr. Tayemu Masikini is a NICO Technologies Limited Director representing the company's interest and Dr. Mathews Mtumbuka is a NICO Pensions Services Limited Director representing the company's interest on the Group Appointments and Remuneration Committee.

**Mr. Chifundo Chiundira is a member of this committee representing the interest of NICO Asset Managers Limited, he sits on the Board of NICO Asset Managers Limited.

DIRECTORS' REPORT
For the year ended 31 December 2023 Continued

GROUP HUMAN RESOURCE COMMITTEE (Continued)

The committee met four times during the year.

Group Appointments and Remuneration Committee - Meeting Attendance

Members	24-Mar-23	16-May-23	11-Aug-23	23-Nov-23
Mr. Robert Scharar	√	√	√	√
Ms. Doreen Chanje	√	√	√	√
Mr. Chifundo Chiundira	√	√	√	√
Mr. Robert Mdeza	√	√	√	√
Dr. Candida Nakhumwa	√	√	√	√
Mr. Isaac Songea	√	√	√	√
Dr. Mathews Mtumbuka	√	A	√	√
Mr. Vizenge Kumwenda	√	√	√	√
Mr. Tayemu Masikini	√	√	√	√

Key:
√ = Attendance
A= Apology

GROUP RISK COMMITTEE

The Group Risk Committee is responsible for overseeing risk management in the Group and providing direction on matters of risk for the Group. It consists of seven Non-Executive Directors. The Group Managing Director and Group Head of Risk attends by invitation. The composition of the committee is as follows:

Ms. Catherine Lesetedi*	(Chairperson)
Dr. Candida Nakhumwa	(Member)
Mr. Jonathan Kara*	(Member)
Mr. Robert Scharar	(Member)
Mr. Anurag Saxena*	(Member) Up to March 2023
Mr. Chifundo Chiundira	(Member)
Mr. Tayemu Masikini*	(Member)
Ms Meg Kajiyanike	(Member) from November 2023
Mr Haig Ndzige	(Member) from November 2023

The committee met four times during the year.

Group Risk Committee- Meeting Attendance

Members	15-Mar-23	24-May-23	10-Aug-23	24-Nov-23
Mr. Robert Scharar	√	√	√	√
Dr. Candida Nakhumwa	A	√	√	√
Mr. Jonathan Kara	√	√	√	√
Ms. Catherine Lesetedi	√	√	√	√
Mr. Chifundo Chiundira	√	√	√	√
Mr. Anurag Saxena	√	N/A	N/A	N/A
Mr. Tayemu Masikini	√	√	√	√
Ms Meg Kajiyanike	N/A	N/A	N/A	√
Mr Haig Ndzige	N/A	N/A	N/A	√

Key:
√ = Attendance
A = Apology

DIRECTORS' REPORT
For the year ended 31 December 2023 Continued

GROUP RISK COMMITTEE (Continued)

* Mr. Jonathan Kara is a NICO General Company Limited Director representing the company's interest and Ms. Catherine Lesetedi is a NICO Life Company Limited Director representing the company's interest and Mr. Tayemu Masikini is a NICO Technologies Director representing the Company's interest and Ms Meg Kajiyanike an NBS Bank plc Director representing the Bank's interest on the Group Risk Committee, and Mr Haig Ndzige represents NICO Pensions on the committee.

EXECUTIVE APPOINTMENTS AND NOMINATIONS COMMITTEE

This is a Subcommittee of the Group HR Committee whose main objectives are to advise the board on the appointments terminations, and succession planning of executive employees, to provide oversight and ensure effectiveness of performance reviews for Executive employees and to review and advise the NICO Holdings Board on the remuneration of NICO Executives, Executive Directors and non – executive Directors. The Committee was set up in August 2023.

Mrs. Doreen Chanje	Chairperson
Mr. Robert Scharar	
Mr. Robert Mdeza	
Dr. Candida Nakhumwa	

The Committee met twice in the year.

Executive Appointments and Nominations committee - Meeting Attendance

Members	8-Aug-23	16-Nov-23
Mrs. Doreen Chanje	√	√
Mr. Robert Scharar	√	√
Mr. Robert Mdeza	√	√
Dr. Candida Nakhumwa	√	√

Key:
√ = Attendance
A = Apology

NICO HOLDINGS INVESTMENT COMMITTEE

This is a Committee of the NICO Holdings Board established to ensure that NICO Holdings plc has in place an investment governance framework and policy to guide in the identification of investment opportunities, monitor the implementation of investment projects and; the management and monitoring of NICO's investments, to ensure that these support NICO's business objectives and perform. The Committee was set up in June 2023.

Dr Elias Ngalande	Chairman
Ms Catherine Lesetedi	
Mr. Sangwani Hara	
Mr. Harold Bijoux	

NICO Holdings Investment **committee - Meeting Attendance**

Members	28-Jun-23	21-Aug-23
Dr Elias Ngalande	√	√
Ms. Catherine Lesetedi	√	√
Mr. Sangwani Hara	√	√
Mr. Harold Bijoux	√	√

Key:
√ = Attendance
A = Apology

DIRECTORS' REPORT

For the year ended 31 December 2023 Continued

BOARD EVALUATION

Board evaluation is a proactive, best practice by Boards that intend to excel to higher levels of performance. The review seeks to identify specific areas in need of improvement or strengthening. Further, under the corporate governance instruments it is a requirement that the evaluation be conducted annually, and the Group discloses it in its Annual Report that it has been done.

DIRECTORS' INTERESTS IN NICO HOLDINGS PLC

Mr. Sangwani Hara directly held shares in the Company.

Mr. Sangwani Hara also indirectly held shares through Continental Asset Managers (CAM) Nominees, through NICO Asset Managers (NAML) Nominees and through Continental Capital Limited (CCL). Below are tables indicating shares held and details of shares bought during the year. There were no transactions for sell of NICO Holdings pls shares during the year in relation to director Sangwani Hara

	Number of shares: Opening balance	Number of shares: Closing balance
Sangwani Hara	39 707	39 707
CAM NOMINEES/ Sangwani Hara	6 200 000	6 200 000
NAML/ Sangwani Hara	2 000 000	4 000 000
CCL Sangwani Judge Hara	-	500 000
TOTAL	**8 239 707**	**10 739 707**

BUY			
Name	**Date**	**Price**	**Shares bought in 2023**
NAML/ Sangwani Hara	5/5/2023	160.00	2 000 000
CCL Sangwani Judge Hara	2/5/2023	152.00	100 000
CCL Sangwani Judge Hara	2/5/2023	154.00	187 499
CCL Sangwani Judge Hara	2/5/2023	154.00	10 000
CCL Sangwani Judge Hara	2/5/2023	154.00	10 653
CCL Sangwani Judge Hara	3/5/2023	154.00	29 347
CCL Sangwani Judge Hara	4/5/2023	160.00	150 000
CCL Sangwani Judge Hara	5/5/2023	160.00	12 501
TOTAL SHARES BOUGHT			**2 500 000**

Mrs. Natasha Nsamala directly held shares in the company.

J & J Nsamala Trust indirectly held shares in the company through Continental Asset Managers (CAM) Nominees. J & J Nsamala Trust directly held shares in the company. Mrs. Natasha Nsamala is a Trustee in the Trust.

Ubuntu Limited held shares in the company. Mrs. Natasha Nsamala is a shareholder and Director in Ubuntu Limited.

	Number of shares: Opening balance	Number of shares: Closing balance
J & J Nsamala Trust	125 000	125 000
CAM Nom J & J Nsamala Trust	6 259 686	6 259 686
Ubuntu Limited	219 500	377 252
Natasha Nelia Nsamala	-	5 000
TOTAL	**6 604 186**	**6 766 938**

DIRECTORS' REPORT

For the year ended 31 December 2023 Continued

DIRECTORS' INTERESTS IN NICO HOLDINGS PLC (Continued)

BUY			
Name	**Date**	**Price**	**Shares bought in 2023**
Natasha Nelia Nsamala	19/09/2023	162.50	5 000
NAML Ubuntu Limited	11/4/2023	144.50	34 197
NAML Ubuntu Limited	5/5/2023	160.00	123 555
TOTAL SHARES BOUGHT			**162 752**

WOP VJ Trust indirectly held shares in the company. The Trust belongs to Mr. V Kumwenda and his family who are also the beneficiaries. 42 346 173 of these shares are on account of Continental Asset Managers Nominees. There were no transactions for buying and selling of NICO Holdings pls shares during the year.

	Number of shares: Opening balance	Number of shares: Closing balance
Continental Asset Managers		
Nominees A/C WOP V J Trust	42 346 173	42 346 173
WOP VJ TeustT	7 958 969	7 958 969
TOTAL	**50 305 142**	**50 305 142**

Africap LLC directly held shares in the company. Mr. Robert Scharar is investment manager for Africap LLC. There were no transactions for buying and selling of NICO Holdings pls shares during the year

	Number of shares: Opening balance	Number of shares: Closing balance
Africap LLC	291 163 843	291 163 843
TOTAL	**291 163 843**	**291 163 843**

Mrs. Angela Kandani indirectly held shares through NICO Asset Managers (NAML). There were no transactions for buying and selling of NICO Holdings pls shares during the year.

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Angela Kandani	10 000	10 000
TOTAL	**10 000**	**10 000**

TEDAA Trust indirectly held shares in the company. The Trust belongs to Mr. Chifundo. Chiundira and his family who are also the beneficiaries. There were no transactions for buying and selling of NICO Holdings plc shares during the year.

	Number of shares: Opening balance	Number of shares: Closing balance
NAML TEDAA Trust	1 030 837	1 030 837
TOTAL	**1 030 837**	**1 030 837**

Mrs. Doreen Isabella Chanje directly held shares in the company. There were no transactions for buying and selling of NICO Holdings plc shares during the year

	Number of shares: Opening balance	Number of shares: Closing balance
Doreen Isabella Chanje	5 000	5 000
TOTAL	**5 000**	**5 000**

DIRECTORS' REPORT

For the year ended 31 December 2023 Continued

DIRECTORS' INTERESTS IN NICO HOLDINGS PLC (Continued)

Mr. Maxwell Chilikhuma directly held shares in the company. There were no transactions for buying and selling of NICO Holdings plc shares during the year.

		Number of shares: Opening balance	Number of shares: Closing balance
Maxwell Chilikhuma	8 875		8 875
TOTAL	**8 875**		**8 875**

There were no other contracts between the Company and its Directors nor were there any arrangements to enable the Directors of the Company acquire shares in the Company. Further, no contract of significance to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REGISTER OF INTEREST

1. Mr. Robert Scharar declared his interest in the discussions relating to Wananchi Group Holdings Limited. This was as a result of his involvement in the parent company of Wananchi Group Holdings Limited.
2. Standing notices of Disclosure for Ms. Catherine Lesetedi for Botswana Insurance Holdings Limited executive position (in which Sanlam Allianz has a shareholding) and for the Directorship of NICO Life and NICO Pensions.
3. Standing Notices of Disclosure for Mr. Gaffar Hassam for executive position in Sanlam-Allianz.

Disclosure on dealings in NICO Holdings plc shares by other key persons in the NICO Group

Key persons in NICO Holdings plc

Thokozile Kuwali Tusalifye Mushani

	Number of shares: Opening balance	Number of shares: Closing balance
Thokozile Kuwali Tusalifye Mushani	0	1 492
TOTAL	**0**	**1 492**

Transactions during the period:

BUY			
Name	**Date**	**Price**	**Shares bought in 2023**
Thokozile Kuwali Tusalifye Mushani	8/5/2023	165	1 492
TOTAL SHARES BOUGHT			**1 494**

Key persons in NICO Asset Managers Limited

Paul Mojoo

	Number of shares: Opening balance	Number of shares: Closing balance
Paul Mojoo	167 989	96 289
TOTAL	**167 989**	**96 289**

Transactions during the period:

BUY			
Name	**Date**	**Price**	**Shares bought in 2023**
Paul Mojoo	4/07/2023	163.04	8 300

DIRECTORS' REPORT

For the year ended 31 December 2023 Continued

Key persons in NICO Asset Managers Limited (Continued)

SELL			
Name	**Date**	**Price**	**Shares sold in 2023**
Paul Mojoo	13/04/2023	144.50	80 000

Harold Ngoma

	Number of shares: Opening balance	Number of shares: Closing balance
Harold Trywell Ngoma	0	12 668
Chimwazga Ngoma Trust	0	69 758
TOTAL	**0**	**82 426**

Transactions during the period:

BUY			
Name	**Date**	**Price**	**Shares bought in 2023**
Harold Trywell Ngoma	2/11/2023	155.94	6 334
Harold Trywell Ngoma	6/11/2023	155.92	6 334
Chimwazga Ngoma Trust	17/10/2023	156.99	3 898
Chimwazga Ngoma Trust	24/10/2023	155.99	6 331
Chimwazga Ngoma Trust	27/10/2023	155.99	5 285
Chimwazga Ngoma Trust	1/11/2023	155.93	5 000
Chimwazga Ngoma Trust	1/11/2023	155.94	600
Chimwazga Ngoma Trust	1/11/2023	155.94	13 411
Chimwazga Ngoma Trust	21/11/2023	155.49	6 733
Chimwazga Ngoma Trust	24/11/2023	150	18 500
Chimwazga Ngoma Trust	30/11/2023	150	10 000
TOTAL SHARES BOUGHT			**82 426**

Tumusime Msimuko

	Number of shares: Opening balance	Number of shares: Closing balance
Tumusime Msimuko	0	5 432
TOTAL	**0**	**5 432**

Transactions during the period:

BUY			
Name	**Date**	**Price**	**Shares bought in 2023**
Tumusime Msimuko	5/7/2023	163.04	5 432
TOTAL SHARES BOUGHT			**5 432**

Key persons in NBS Bank

Temwani Simwaka

	Number of shares: Opening balance	Number of shares: Closing balance
Temwani Simwaka	11 986 621	11 986 621
TOTAL	**11 986 621**	**11 986 621**

DIRECTORS' REPORT

For the year ended 31 December 2023 Continued

Key persons in NBS Bank (Continued)

Shadrick Chikusilo

	Number of shares: Opening balance	Number of shares: Closing balance
CAM Nominees Shadrick Chikusilo	0	89 862
NAML Shadrick Chikusilo	0	20 000
TOTAL	**0**	**109 862**

Transactions during the period:

BUY			
Name	**Date**	**Price**	**Shares bought in 2023**
CAM Nominees Shadrick Chikusilo	24/05/2023	164.99	89 862
NAML Shadrick Chikusilo	10/05/2023	164.99	20 000
TOTAL SHARES BOUGHT			**109 862**

Chinga Chaguluka

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Chinga Chaguluka	0	6 335
TOTAL	**0**	**6 335**

Transactions during the period:

BUY			
Name	**Date**	**Price**	**Shares bought in 2023**
NAML Chinga Chaguluka	7/11/2023	155.9	6 335
TOTAL SHARES BOUGHT			**6 335**

Vitumbiko Gubuduza

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Vitumbiko Gubuduza	**0**	**10 000**
TOTAL	**0**	**10 000**

Transactions during the period:

BUY			
Name	**Date**	**Price**	**Shares bought in 2023**
NAML Vitumbiko Gubuduza	9/5/2023	164.99	10 000
TOTAL SHARES BOUGHT			**10 000**

Key Persons in NICO Life

Victoria Zigowa

	Number of shares: Opening balance	Number of shares: Closing balance
Victoria Zigowa	130 000	130 000
TOTAL	**130 000**	**130 000**

DIRECTORS' REPORT

For the year ended 31 December 2023 Continued

Key Persons in NICO Pensions

Gerald Chima

	Number of shares: Opening balance	Number of shares: Closing balance
Gerald Chima	143 008	163 008
TOTAL	**143 008**	**163 008**

Transactions during the period:

BUY			
Name	**Date**	**Price**	**Shares bought in 2023**
Gerald Chima	10/5/2023	164.99	20 000
TOTAL SHARES BOUGHT			**20 000**

Key Persons in NICO General

Donbell Mandala

	Number of shares: Opening balance	Number of shares: Closing balance
Donbell Mandala	50 000	50 000
TOTAL	**50 000**	**50 000**

Master Donald Kanauyemba Mbale

	Number of shares: Opening balance	Number of shares: Closing balance
Master Donald Kanauyemba Mbale	**4 000**	**276 689**
TOTAL	**4 000**	**276 689**

Transactions during the period:

BUY			
Name	**Date**	**Price**	**Shares bought in 2023**
Master Donald Kanauyemba Mbale	10/11/2023	155.88	19 083
Master Donald Kanauyemba Mbale	10/11/2023	155.88	88 731
Master Donald Kanauyemba Mbale	19/12/2023	149.88	7 887
Master Donald Kanauyemba Mbale	19/12/2023	149.88	156 988
TOTAL SHARES BOUGHT			**272 689**

DIRECTORS' REMUNERATION

During the year the total remuneration for executive and non-executive Directors was as analysed below:

		2023 K'000	2022 K'000
Directors' remuneration	- Executive (note 11)	737 764	457 109
	- Non- executive (note 11)	430 755	311 832

DIRECTORS' REPORT
For the year ended 31 December 2023 Continued

CONTRACT WITH THE GROUP MANAGING DIRECTOR

The Group engages some of its Executives on a contract basis. Performance is continually reviewed, and renewal of contracts is based on satisfactory performance. In prior year the Board approved renewal of the contract for the Group Managing Director for another period of five years. Six months' notice is required for termination and there is no predetermined compensation on termination.

EXTERNAL AUDITORS

A resolution is to be proposed at the forthcoming Annual General Meeting to re-appoint Deloitte as auditors in respect of the audit of the consolidated and separate financial statements for the year ending 31 December 2024.

ADDITIONAL INFORMATION ON INDIVIDUAL COMPANIES

The additional information relating to individual Group Companies is as presented below.

BOARD OF DIRECTORS

The Board of Directors of the various Group Companies are as presented below:

NBS Bank plc

Mr. Vizenge Kumwenda	Chairman
Mr. Kudakwashe Mukushi	Non-Executive Director
Mr. Anurag Saxena	Independent and Non-Executive Director (Up to July 2023)
Mr. Chifundo Chiundira	Non-Executive Director
Mr. Harrison Kalua	Independent and Non-Executive Director
Dr. Matthews Mtumbuka	Independent and Non-Executive Director
Ms. Roselyn Kandiero	Independent and Non-Executive Director
Ms. Meg Kajiyanike	Independent and Non-Executive Director
Mr. Emmanuel Banda	Independent and Non-Executive Director
Mr. James Masumbu	Independent and Non-Executive Director
Mr. Marsha Machika	Company Secretary

NICO Life Insurance Company Limited

Mr. Vizenge Kumwenda	Chairman
Ms. Catherine Lesetedi	Non-Executive Director
Mr. Isaac Songea	Independent and Non-Executive Director
Mr. John Melrose	Independent non-Executive Director
Mr. Ryan Scharar	Non-Executive Director
Ms. Daisy Kambalame	Independent and Non-Executive Director
Mr. Mayamiko Tembo	Company Secretary

NICO General Insurance Limited

Mr. Chifundo Chiundira	Chairman
Mr. Harold Bijoux	Non-executive Director
Ms. Doreen Chanje.	Independent and Non-Executive Director
Mr. Leonard Chikadya	Independent and Non-Executive Director
Mr. Jonathan Kara	Independent and Non-Executive Director
Dr. Tobias Doyer	Non-Executive Director
Mr. Maxwel Chilikhuma	Independent and Non-Executive Director
Mr. Mayamiko Tembo	Company Secretary

DIRECTORS' REPORT
For the year ended 31 December 2023 Continued

BOARD OF DIRECTORS (Continued)

NICO Insurance (Zambia) Limited

Mr. Vizenge Kumwenda	Chairman
Mr. Eric Chapola	Non-Executive Director
Ms. Mirriam Chiyaba	Non-Executive Director
Dr. Tobias Doyer	Non-Executive Director
Dr. Tukiya Mabula	Non-Executive Director
Mr. Michael Mundashi	Non-Executive Director
Wilson & Cornhill Advocates	Company Secretary

NICO Asset Managers Limited

Mr. Louis Sibande	Chairman (Up to 22 August 2023)
Mrs. Emily Makuta	Chairman (From 31 August 2023)
Mr. Chifundo Chiundira	Non-Executive Director
Mr. Wilson. Chirwa	Independent and Non-Executive Director
Mr. Ryan Scharar	Non-Executive Director
Mr. Kudakwashe Mukushi	Non-Executive Director
Ms. Rute Petautchere	Independent and Non-Executive Director
Mrs. M Chipembere	Company Secretary

NICO Technologies Limited

Dr. Matthews Mtumbuka	Chairman
Mr. Louis Sibande	Non-Executive Director (Up to 28 August 2023)
Mr Tayemu Masikini	Independent and Non-Executive Director
Mr. Eric Chapola	Non-Executive Director
Mr. Kwanele Ngwenya	Non-Executive Director
Mr. Donbell Mandala	Non-Executive Director
Ms. Emily Kwatani	Independent and Non-Executive Director
Mr. Gerald Chima	Non-Executive Director (from 28 August 2023)
Ms. Angela Kandani	Company Secretary

NICO Pensions Limited

Mr. Vizenge Kumwenda	Chairman (up to 13 July 2023)
Mr. Chifundo Chiundira	Chairman (from 12 October 2023)
Dr. Mathews Mtumbuka	Independent and Non-Executive Director
Ms. Phyles Kachingwe	Independent and Non-Executive Director
Ms. Catherine Lesetedi	Non-Executive Director (Up to 20 October 2023)
Mr. Haig Ndzinge	Non-Executive Director (from 2 November 2023)
Mr. Mayamiko Tembo	Company Secretary

NICO Capital Limited

Mr. Vizenge Kumwenda	Chairman
Mr. Gaffar Hassam	Non-Executive Director
Mr. Robert Scharar	Non-Executive Director
Ms. Natasha Nsamala	Independent and Non-Executive Director
Dr. Candida Nankhumwa	Independent and Non-Executive Director
Dr. Nyovani Madise	Independent and Non-Executive Director
Ms. Angela Kandani	Company Secretary

DIRECTORS' REPORT

For the year ended 31 December 2023

Continued

NON-EXECUTIVE DIRECTORS' REMUNERATION

The remuneration for Non-Executive Directors for the individual Group Companies is as presented below. None of the companies in the Group except NICO Holdings plc has an Executive Director. Remuneration for the Executive Director of NICO Holdings plc is presented in note 11 to the consolidated and separate financial statements.

Name of Company	2023 K 000	2022 K 000
1 NICO Holdings plc	64 997	85 051
2 NBS Bank plc	38 300	29 707
3 NICO Life Insurance Limited	51 883	38 281
4 NICO General Insurance Limited	80 831	55 120
5 NICO General Insurance (Zambia) Limited	56 790	31 571
6 NICO Asset Managers Limited	46 447	32 226
7 NICO Technologies Limited	10 238	8 611
8 NICO Pension Services Limited	19 950	15 872
9 NICO Capital Limited	18 984	15 393
Total	**388 420**	**311 832**

EXTERNAL AUDITOR'S REMUNERATION

The remuneration of External Auditors for the individual group companies is as presented below.

Name of Company	2023 K 000	2022 K 000
1 NICO Holdings plc	147 517	99 581
2 NBS Bank plc	207 455	184 834
3 NICO Life Insurance Limited	239 134	98 775
4 NICO General Insurance Limited	76 627	64 770
5 NICO General Insurance (Zambia) Limited	56 790	104 023
6 NICO Asset Managers Limited	39 081	36 514
7 NICO Technologies Limited	15 930	11 272
8 NICO Pension Services Limited	16 478	12 521
9 NICO Capital Limited	17 727	12 081
Total	**816 739**	**624 371**

DONATIONS

The donations by the individual Group Companies are as presented below.

Name of Company	2023 K 000	2022 K 0001
NICO Holdings plc	-	-
2 NBS Bank plc	347 459	128 728
3 NICO Life Insurance Limited	70 125	5 290
4 NICO Insurance (Zambia) Limited	8 424	1 167
5 NICO Asset Managers Limited	24 800	58 212
6 NICO Technologies Limited	4 663	2 250
7 NICO General Insurance Limited	23 000	9 000
Total	**478 471**	**204 647**

DIRECTORS' REPORT

For the year ended 31 December 2023

Continued

DIRECTORS' INTERESTS IN NBS BANK PLC

Mr. Sangwani Hara directly held in NBS Bank plc. Mr. Sangwani Hara indirectly held shares in NBS Bank plc through Continental Asset Management (CAM) Nominees and also indirectly held shares through NICO Asset Managers (NAML). There were no transactions for sell of NBS plc shares during the year in relation to Mr. Sangwani Hara

		Number of shares: Opening balance	Number of shares: Closing balance
Sangwani Hara	105 876		105 876
CAM Nominees/ Sangwani Hara	4 309 885		4 309 885
NAML/ Sangwani Hara	-		6 541 705
TOTAL	**4 415 761**		**10 957 466**

	BUY		
Name	**Date**	**Price**	**Shares bought in 2023**
NAML/ Sangwani Hara	15/11/2023	100.00	5 000 000
NAML/ Sangwani Hara	24/11/2023	105.00	1 541 705
TOTAL Shares Bought			**6 541 705**

Mr. Robert Mdeza directly held shares in NBS Bank. There were no transactions for buying and selling of NBS plc shares during the year.

		Number of shares: Opening balance	Number of shares: Closing balance
Mr. Robert Mdeza	18 895		18 895
TOTAL	**18 895**		**18 895**

Mrs. Angela Kandani indirectly held shares in NBS Bank. There were no transactions for buying and selling of NBS plc shares during the year.

		Number of shares: Opening balance	Number of shares: Closing balance
NAML Angela Kandani	30 000		30 000
TOTAL	**30 000**		**30 000**

Mrs. Natasha Nsamala directly held shares in NBS Bank plc.

J & J Nsamala Trust indirectly held shares in NBS Bank plc through NICO Asset Nominees (NAML). Mrs. Natasha Nsamala is a Trustee in the Trust.

J & J Nsamala Trust indirectly held shares in NBS Bank plc through Continental Asset Managers (CAM) Nominees. Mrs. Natasha Nsamala is a Trustee in the Trust.

Ubuntu Limited held shares in NBS Bank plc. Mrs. Natasha Nsamala is a shareholder and Director in Ubuntu Limited.

DIRECTORS' REPORT

For the year ended 31 December 2023

Continued

DIRECTORS' INTERESTS IN NBS BANK PLC (Continued)

Transactions during the period were as follows:

	Number of shares: Opening balance	Number of shares: Closing balance
Natasha Nelia Nsamala	39 100	-
NAML J & J Nsamala Trust	15 443 322	15 443 322
CAM Nom J & J Nsamala Trust	11 545 460	11 545 460
Ubuntu Limited	1 238 000	84 900
NAML Ubuntu Limited	-	1 556 275
TOTAL	**28 265 882**	**28 629 957**

BUY

Name	Date	Price	Shares bought in 2023
CAM Nom NATASHA Nsamala (free of payment)	14/04/2023	70.00	39 100
CAM Nom NATASHA Nsamala	27/10/23	107.93	45 800
NAML Ubuntu Limited (free of payment)	13/12/2023	103.00	1 238 000
NAML Ubuntu Limited	11/4/2023	70.00	70 593
NAML Ubuntu Limited	4/5/2023	82.00	88 176
NAML Ubuntu Limited	5/5/2023	90.00	138 353
NAML Ubuntu Limited	5/5/2023	90.00	952
NAML Ubuntu Limited	12/5/2023	94.00	526
NAML Ubuntu Limited	12/5/2023	94.28	19 675
TOTAL SHARES BOUGHT			**1 641 175**

SELL

Name	Date	Price	Shares sold in 2023
Natasha Nelia Nsamala (free of payment)	14/04/2023	70.00	39 100
Ubuntu Limited (free of payment)	13/12/2023	103.00	1 238 000
TOTAL SHARES SOLD			**1 277 100**

WOP V J Trust held shares in NBS Bank Plc. The Trust belongs to Mr. V Kumwenda and his family who are also the beneficiaries. 10 000 023 of these shares are on account of Continental Asset Management Nominees.

	Number of shares: Opening balance	Number of shares: Closing balance
CAM NOMINEES A/C WOP V J TRUST	9 739 593	10 000 023
WOP VJ TRUST	260 430	-
TOTAL	**10 000 023**	**10 000 023**

BUY

Name	Date	Price	Shares bought in 2023
CAM NOMINEES A/C WOP V J TRUST (free of payment)	31/7/2023	132.00	260 430
TOTAL SHARES BOUGHT			**260 430**

SELL

Name	Date	Price	Shares sold in 2023
WOP VJ TRUST (free of payment)	31/7/2023	132.00	260 430
TOTAL SHARES SOLD			**260 430**

DIRECTORS' REPORT

For the year ended 31 December 2023

Continued

DIRECTORS' INTERESTS IN ICON PLC

Mr. Robert Mdeza directly held shares in Icon Properties plc. There were no transactions for buying and selling of ICON plc shares during the year.

		Number of shares: Opening balance	Number of shares: Closing balance
Robert Mdeza	200 000		200 000
TOTAL	**200 000**		**200 000**

Dr. Candida Nakhumwa directly held shares in ICON Properties plc. There were no transactions for buying and selling of ICON plc shares during the year.

		Number of shares: Opening balance	Number of shares: Closing balance
DR TEDDIE & CANDIDA NAKHUMWA	230 000		230 000
TOTAL	**230 000**		**230 000**

Ubuntu Limited held shares in ICON Properties plc. Mrs. Natasha Nsamala is a shareholder and Director in Ubuntu Limited. There were no transactions for buying and selling of ICON plc shares during the year.

		Number of shares: Opening balance	Number of shares: Closing balance
Ubuntu Limited	581 000		581 000
TOTAL	**581 000**		**581 000**

WOP VJ Trust indirectly held shares in ICON Properties plc. The Trust belongs to Mr. V Kumwenda and his family who are also the beneficiaries. 22 858 000 of these shares are on account of Continental Asset Management Nominees. There were no transactions for buying and selling of ICON plc shares during the year.

		Number of shares: Opening balance	Number of shares: Closing balance
CAM NOMINEES A/C WOP V J TRUST	22 858 000		22 858 000
WOP VJ TRUST	1 000 000		1 000 000
TOTAL	**23 858 000**		**23 858 000**

Further, no contract of significance to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTOR
MR. VIZENGE KUMWENDA

DIRECTOR
MRS. NATASHA NSAMALA

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 December 2023

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of NICO Holdings plc, comprising the consolidated and separate statements of financial position as at 31 December 2023 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements which include a summary of material accounting policies information and other explanatory notes, in accordance with IFRS ACCOUNTING STANDARDS® Accounting standards, and in the manner required by the Malawi Companies Act, 2013. In addition, the directors are responsible for preparing the directors' report.

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

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

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing consolidated and separate financial statements; and
- Preparation of consolidated and separate financial statements on a going concern basis unless it is inappropriate to presume the Group and 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Group and its subsidiaries abilities to continue as going concerns and have no reason to believe that the Group and the Company will not be a going concern in the year ahead.

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

Approval of Consolidated and Separate financial statements

The consolidated and separate financial statements of NICO Holdings plc as identified in the first paragraph, were approved by the Board of Directors on 29 April 2024. and are signed on its behalf by:

DIRECTOR
MR. VIZENGE KUMWENDA

DIRECTOR
MRS. NATASHA NSAMALA

CERTIFICATE OF THE ACTUARY

For the year ended 31 December 2023

iAC | INDEPENDENT ACTUARIES & CONSULTANTS

Certificate of the Actuary

I hereby certify that to the best of my knowledge and belief and based on the audited financials for the year ended 31 December 2023, that the liabilities under unmatured individual life, funeral, industrial, deposit administration and group life policies issued by NICO Life Insurance Company Limited do not exceed the amount of the life insurance fund as at 31 December 2023.

Edwin Splinter

Appointed Actuary

Fellow of the Actuarial Society of South Africa

30 April 2024

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NICO HOLDINGS PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of NICO Holdings plc (the Group) set out on pages 36 to 216 which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of NICO Holdings plc as at 31 December 2023, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting standards and in the manner required by the Malawi Companies Act, 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to performing audits of financial statements in Malawi, and 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.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

Continued

Key audit matters *(Continued)*

Initial application of IFRS17-Impemenetation of IFRS 17, insurance Contracts.	Initial application of IFRS17 Our procedures on the application of IFRS17 included, amongst others:
Initial application of IFRS17 On 1 January 2023, the Group adopted IFRS 17 Insurance Contracts ('IFRS 17'), which replaced IFRS4 Insurance Contracts. The Group applied IFRS 17 to insurance contracts issued and reinsurance contracts held as at 1 January 2022, as described in note 2.3, in accordance with the accounting policies outlined in notes 3.5(f). This standard requires the use of complex valuation models and assumptions to measure groups of insurance contracts as the total of estimates of present value of future cash flows ('PVFCF'), plus a risk adjustment for non-financial risk ('RA') and a contractual service margin ('CSM'). The CSM component is only relevant for groups of insurance contracts measured using the general measurement approach ('GMM') and the variable fee approach ('VFA'). For General Insurance, the contracts are usually measured under the Premium Allocation Approach (PAA). The introduction of IFRS17 requires an entity to review the Liability for Remaining Coverage ("LRC") and Liability for Incurred Claims ("LIC") components for reasonability. As a result, certain 2022 comparative amounts as presented in these financial statements have been restated for the adoption of IFRS 17. This resulted in an increase of K4 154 billion to the Company's total equity as at 1 January 2022 as reflected in note 2.3 to the financial statements. Key areas of focus and judgement include: the assessment of management's judgements in selecting transition approaches; the impracticability assessment for application of the fair value approach and determination of key assumptions as they pertain to the measurement of insurance contract assets and liabilities.	We obtained an understanding and evaluated the design and implementation of management's controls (no control reliance placed) over the adoption of IFRS 17 accounting policies and the significant estimates and assumptions used in the determination of the Group's insurance contracts. With the support of our IFRS 17 Deloitte actuarial specialists we performed the following procedures: • Evaluated the Group's accounting policies and actuarial methodology to assess compliance with IFRS 17. • Evaluated the analyses of contracts prepared by the Group for the purposes of classification according to the different measurement approaches and tested the compliance with IFRS 17 to the underlying contracts on a sample basis. • Reviewed the transition approaches applied in the calculation of the present value of future cash flows ('PVFCF'), plus a risk adjustment for non-financial risk ('RA') and a contractual service margin ('CSM'). • Evaluated the Group's assessment of the availability of reasonable and supportable historical information required and the appropriateness of simplifications, under fair value approach applied. • Evaluated management's key judgements in their selection of the transition valuation approaches and inspection and assessment of available evidence supporting these decisions. • Assessed the appropriateness and consistency of key assumptions (both new and revised) considering industry and other external sources of benchmarking where applicable, and knowledge of the Group's products and the requirements of IFRS 17. • Tested the methodology and calculations of the IFRS 17 insurance contracts liabilities, including the transition CSM, primarily through calculating an independent estimate of the component of insurance contract liabilities for a sample of contracts and comparing our recalculation to the Group's results. • Considered whether the associated transition disclosures are compliant with IFRS 17 and with the methodologies and assumptions approved by the directors.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023 Continued

Key audit matters *(Continued)*

Initial application of IFRS17-Impemenetation of IFRS 17, insurance Contracts.(Cotinued)	Initial application of IFRS17 Our procedures on the application of IFRS17 included, amongst others:
The critical accounting judgements and impact of the initial application of IFRS 17 are set out in notes 2.3 and 3.5(f) to the financial statements. Accordingly, we have determined the initial application of IFRS 17 to be a key audit matter.	**Conclusion** We found that the modelling approach and methods applied in the application of IFRS 17 were appropriate and complied with IFRS 17 requirements. We further concluded that the financial statements disclosures in relation to IFRS 17 disclosures are appropriate and that the adoption of IFRS 17 was in line with the requirements.

The valuation of life and general insurance contract and liabilities as at 31 December 2023	Our procedures over the insurance contracts assets and liabilities included, amongst others:
The Group's insurance contract liabilities amount to K654 billion as at 31 December 2023 and represent a significant portion of its total liabilities. ***Life business*** Insurance contract assets and liabilities are determined in accordance with IFRS 17. The insurance contract liabilities are associated with significant uncertainties requiring the use of expert judgment embedded within complex actuarial models relying on subjective assumptions relating to future events. Key assumptions include mortality, persistency and economic assumptions may have a significant impact on the valuation of the present value of future cash flows. The actuarial valuations are based on complex models/methodologies and other computations designed for which inadequate assumptions and or inaccurate input data may be used. The Best Estimate Liability, Risk Adjustment and Contractual Service Margin is impacted by assumption changes to the present value of future cash flows for future coverage that influences the release of the Contractual Service Margin in the current year and future periods. Accordingly, given the complexity and judgement involved, we have identified life	• Obtained an understanding and evaluated the design and implementation of management's controls over the significant estimates and assumptions used in the determination of the Group's insurance contracts, including model data inputs; and • We assessed the qualifications, professional competence and independence of management actuary. • With the support of IFRS 17 c specialists considered whether the associated disclosures are compliant with IFRS17 and further perform the following procedures; • Challenged and assessed the key inputs, judgements and assumptions used in the valuation models, such as estimated cash flows, growth rates, discount rates and significant unobservable inputs, and assessed the valuation methodologies against current market practice and industry standards. • Reviewed management analysis of various liability component which include Best Estimate Liability, Risk adjustment, and Liabilities for remaining coverage; • Independently recalculate the best estimate liability and risk adjustment for sampled portfolios measured under general measurement model and comparing our recalculation to the Group's results within reasonable range; • Performed tests to ensure the complete and accurate transfer of policyholder data from policy administration systems to the actuarial systems,

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023 Continued

Key audit matters *(Continued)*

The valuation of life and general insurance contract and liabilities as at 31 December 2023	Our procedures over the insurance contracts assets and liabilities included, amongst others:
insurance contract assets and liabilities as a key audit matter, which includes the present value of future cash flows and CSM for remaining coverage. **General Business** Insurance contract liabilities and Reinsurance contract assets are determined in accordance with IFRS 17. The insurance contract liabilities are associated with significant uncertainties requiring the use of expert judgment embedded within complex actuarial models relying on subjective assumptions relating to future events. Key assumptions include incurred but not reported claims, outstanding losses which may have a significant impact on the valuation of the Insurance liabilities. The actuarial valuations are based on complex models/methodologies and other computations designed for which inadequate assumptions and or inaccurate input data may be used. The Best Estimate Liability, Risk Adjustment, Liability for Remaining Coverage and Liability for Incurred claims is impacted by assumption changes that may have an impact on the insurance liability. Accordingly, given the complexity and judgement involved, we have determined the valuation of insurance contract liabilities as a key audit matter.	leveraging management's key reconciliation controls where applicable. • Performed testing of the completeness and accuracy of data used in the calculation of the insurance liabilities balances to underlying source systems on a sample basis; **General insurance** • Our procedures over the insurance contracts liabilities included • With the support of IFRS 17 Deloitte actuarial specialists, considered, whether the associated disclosures are compliant with IFRS 17 • Reviewed management analysis of various liability component which include Liability for Incurred claims, Risk adjustment, and Liabilities for remaining coverage; • Independently recalculate the Liability for Remaining Coverage, Liability for Incurred Claims and risk adjustment for all portfolios which are measured under Premium Allocation Approach model and comparing our recalculation to the Group's results for reasonable ranges; and • Performed tests to ensure the completeness and accuracy of data used by our specialists in determining these estimates. • Considered whether the Financial statements disclosures are compliant with IFRS 17 insurance contracts accounting policies Conclusion The insurance liabilities are within reasonable range and appropriate disclosures in accordance with the provisions of IFRS17 have been made.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

Continued

Key audit matters *(Continued)*

Key audit matter	How the matter was addressed during the audit
Determination of Expected Credit Losses for Loans and Advances (Consolidated Financial Statements) (Consolidated Financial Statements)	
NBS bank plc Staging of loans and advances is a significant component in determining the Expected Credit Losses (ECL) as such inaccurate staging would have a significant impact on ECL output. The Bank is exposed to a loans and advances book of K162 billion as at 31 December 2023 as disclosed under note 7 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 Group's staging of loans and advances: **a. The Bank's large exposure loans and advances** The Bank's top 20 large exposure loans and advances contribute 27.5% of the Bank's loans and advances included in note 7 to the financial statements. **b. Stage 1 loans** The Bank's loans are concentrated under stage 1 which contribute 93% of the gross loan amount. The migration of loans and advances from stage 1 to stage 2 or 3 depends on both qualitative and quantitative factors. **a. Stage 2 and 3 loans** Stage 2 and 3 loans contribute 7% of the gross loan amount. The rate of provision in these stages is higher than in Stage 1 and in particular Stage 3 loan provision is mostly at more than 90% of the facility balances. We focused on staging of loans and advances due to the fact that ECL is a significant management estimate based on subjective assumptions and inputs used in the Expected Credit Loss model used to determine the estimated provisions. The Bank has recorded a total Expected Credit Loss of K8.49 billion as at 31 December 2023. We also considered possibilities of contagion risk, which is also referred to as systemic risk whereby the financial difficulties in one or more facilities would spill over to a large number of other facilities in the same group. This would have an effect in the determination of the ECL. We therefore considered this to be a key audit matter.	• We tested the design and implementation of controls around ECLs. With the support from Deloitte credit specialists we performed the following; • We obtained an understanding of the Group's criteria for Significant Increase in Credit Risk (SICR) from the Group's accounting policy and IFRS9 Model Methodology documentation; • We assessed management's staging of loans and advances criteria for appropriateness and completeness against the requirements of IFRS9 and other relevant regulatory guidance; and • We checked accuracy and completeness of data used in staging through the use of Data analytics. **Large exposure loans** 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 Group's accounting policy and IFRS9 requirements. **Stage 1 loans** • We sampled through the stage 1 loans and advances; and • Tested 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. **Conclusion** 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 recognized in the financial statements was reasonable and complied with IFRS9 Financial Instruments requirements.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

Continued

Key audit matters *(Continued)*

Key audit matter	How the matter was addressed during the audit
Valuation Of Treasury Notes (Consolidated Financial Statements)	
As included in note 14 the value of investments in treasury notes (Government securities) amounting to K188 billion has been considered to be an area where significant judgements were applied. In determining the value of investments in treasury notes, management applies judgement and assumptions to calculate the investment's fair value. The determination of the value of investments in treasury notes was considered a matter of utmost significance to our current year audit due to significant judgements and estimates made in determining the risk factors and yield curve.	We performed the following procedures: • Obtained an understanding of management's process to calculate the value of investment in treasury notes; • Checked the design and implementation of controls over the valuation of investment in treasury notes; • Checked the accuracy and completeness of underlying data inputs used in the valuation calculation; and • Involved our internal valuation specialists to review: - discount rates applicable to Malawian treasury notes; - the risk factors a reasonable market participant would consider including changes in credit, liquidity and other risk factors; and - re-perform the computation of the fair value of selected treasury notes based on the projected future cashflow and the discount rate valuation method against the requirements of IFRS13. **Conclusion** Based on the work done, the judgements and assertions used in the valuation of investments in Government Securities were appropriate and the disclosures pertaining to the investments in Government Securities were found to be appropriate in terms of the relevant accounting standards.

Other information

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

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

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

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

Responsibilities of Directors for the consolidated and separate financial statements

The directors are responsible for the preparation of consolidated and separate financial statements that give

Responsibilities of Directors for the consolidated and separate financial statements *(Continued)*

a true and fair view in accordance with IFRS Accounting standards and the requirement of the Malawi Companies Act, 2013 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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 and the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; 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

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

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, actions taken to eliminate threats or safeguards applied.

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

Chartered Accountants
Nkondola Uka

Partner

30 April 2024

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

Continued

	Notes	Group 2023 K'000	Group Restated 31 Dec 2022 K'000	Group *Restated 1 Jan 2022 K'000	Company 2023 K'000	Company 2022 K'000
ASSETS						
Cash and cash equivalents	5	182 381 842	96 525 115	88 616 964	14 050 559	9 642 156
Short-term investments	6(a)	6 201 445	4 820 632	3 271 849	-	-
Placements	6(b)	85 328 881	54 316 201	28 454 738	-	-
Loans and advances to customers	7	153 816 440	137 796 120	82 182 625	-	-
Income tax recoverable	8(c)	-	4 298 689	*4 396 680	854 827	1 349 588
Other receivables	9(a)	15 961 393	*11 492 982	*21 663 996	621 917	539 932
Client funds under management	9(b)	170 613 700	134 738 817	95 041 405	-	-
Reinsurance contract assets	27	41 872 545	29 783 298	10 579 940	-	-
Inventories	10	560 704	212 169	137 415	-	-
Amounts due from related parties	11(c)	-	-	-	642 061	318 778
Investment in subsidiary companies	11(b)	-	-	-	9 063 446	9 063 446
Investment in associate companies	13(a)	1 560 365	1 508 017	1 165 632	1 560 365	1 508 017
Investment in joint venture	13(b)	296 702	137 211	99 921	296 702	137 211
Investment in government securities	14	473 677 446	396 696 998	361 032 011	-	-
Investment in equity shares	15	384 573 540	227 015 464	194 920 529	2 804 021	2 178 920
Loans and debentures	16	1 846 362	1 213 370	7 328 852	1 753	1 753
Investment properties	17	4 914 032	4 453 524	4 060 610	206 000	178 000
Deferred tax assets	12	10 009 238	6 715 423	2 146 777	-	-
Right-of-use assets	18.1	3 822 558	3 151 262	3 939 922	28 947	55 596
Intangible assets	19	10 781 258	5 735 641	6 615 295	35 478	10 560
Property and equipment	20	19 463 185	12 709 758	10 986 877	56 067	55 670
TOTAL ASSETS		**1 567 681 636**	***1 133 320 691**	***926 642 038**	**30 222 143**	**25 039 627**
EQUITY AND LIABILITIES						
Equity						
Issued share capital	25(a)	52 152	52 152	52 152	52 152	52 152
Share premium	25(b)	428 859	428 859	428 859	428 859	428 859
Revaluation reserve	25(c)	776 889	405 278	244 825	-	-
Other reserves	25(e)	4 952 882	2 661 043	2 112 818	1 795 449	1 142 349
Retained earnings		84 831 953	*63 103 019	*46 850 189	22 029 796	17 718 062
Total equity attributable to equity holders of the company		91 042 735	66 650 351	49 688 843	24 306 256	19 341 422
Non-controlling interest	26	70 420 471	51 804 325	38 780 037	-	-
Total equity		161 463 206	*118 454 676	*88 468 880	24 306 256	19 341 422
Liabilities						
Deposits and customer accounts	23	497 745 003	355 830 188	210 665 104	-	-
Trade and other payables	21	63 872 119	*47 722 283	*108 944 136	4 500 763	3 296 477
Client fund payables	22	167 830 629	134 735 595	94 805 819	-	-
Income tax payable	8(c)	1 170 213	-	-	-	-
Insurance contract Liabilities	27	653 300 260	458 276 368	404 316 553	-	-
Reinsurance Contracts liabilities	27	305 000	5 000	-	-	-
Interest-bearing loans and borrowings	24	9 927 484	9 406 986	11 018 904	1 357 746	2 291 667
Lease liabilities	18.2	6 795 155	5 062 540	5 619 323	57 378	110 061
Deferred tax liabilities	12	5 272 567	3 827 055	2 803 319	-	-
Total liabilities		**1 406 218 430**	***1 014 866 015**	***838 173 158**	**5 915 887**	**5 698 205**
TOTAL EQUITY AND LIABILITIES		**1 567 681 636**	**1 133 320 691**	**926 642 038**	**30 222 143**	**25 039 627**

These consolidated and separate financial statements were approved and authorized for issue by the Board of Directors on 29 April 2024 and were signed on its behalf by:

DIRECTOR
MR. VIZENGE KUMWENDA

DIRECTOR
MRS. NATASHA NSAMALA

**Refer to note 1.1*

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

Continued

	Notes	Group 2023 K'000	Group Restated 2022 K'000	Company 2023 K'000	Company 2022 K'000
REVENUE					
Insurance revenue	28	81 006 070	76 158 151	-	-
Insurance service expenses	28	(69 907 111)	(65 634 689)	-	-
Net (expense)/income from reinsurance contracts held	28	(2 348 266)	2 082 053	-	-
Net insurance service results		8 750 693	12 605 515	-	-
Gains and income from investment assets measured at fair value through profit or loss		188 806 419	55 147 065	-	-
Change in investments from underlying items of contracts issued		(181 501 460)	(52 869 391)	-	-
Finance income/(expenses) from insurance contracts issued	31(c)	7 304 959	2 277 674	-	-
Finance income/(expenses) from reinsurance contracts held	31(c)	1 746 706	552 113	-	-
Net insurance finance expenses		9 051 665	2 829 787	-	-
Fees and commission income	32	13 783 912	8 626 562	3 742 005	3 138 939
Income from banking operations	33	146 693 636	91 310 519	-	-
Interest income	34(a)	29 666 619	20 965 248	1 357 045	871 648
Other Investment income	34(b)	10 274 034	5 585 131	15 040 901	7 058 736
Investment and other revenue		**200 418 201**	**126 487 460**	**20 139 951**	**11 069 323**
Other income	35	119 676	81 941	18 744	63 108
Share of profit from associated companies	13(a)	344 364	342 385	344 364	342 385
Share of profit from joint venture	13(b)	159 491	37 290	159 491	37 290
Net other income		623 531	461 616	522 599	442 783
Investment expenses	34(c)	(533 214)	(527 799)	(37 084)	(91 301)
Bank interest expense	36	(64 493 129)	(39 311 390)	-	-
Administrative expenses	37(a)(b)	(63 989 959)	*(48 818 479)	(5 238 660)	(4 444 594)
Impairment losses	38	(4 563 427)	(4 011 211)	-	-
Net other operating costs		(133 579 729)	(92 668 879)	(5 275 744)	(4 535 895)
Profit before net other finance costs		85 264 361	49 715 499	15 386 806	6 976 211
Net other finance costs	39	(1 162 748)	(1 220 522)	(483 130)	(464 395)
Profit before income tax expense		84 101 613	48 494 977	14 903 676	6 511 816
Income tax expense	8(a)	(25 024 133)	(11 489 564)	(1 204 572)	(498 881)
PROFIT FOR THE YEAR		59 077 480	*37 005 413	13 699 104	6 012 935

**Refer to note 1.1*

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

Continued

	Notes	Group 2023 K'000	Group Restated 2022 K'000	Company 2023 K'000	Company 2022 K'000
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings		486 650	170 607	-	-
Deferred tax on revaluation of land buildings		242 000	144 006	-	-
		728 650	314 613	-	-
Items that are or may be reclassified to profit or loss					
Gains on financial assets designated at FVTOCI		3 450 535	549 026	653 100	(590 753)
Translation difference on foreign subsidiary		456 351	524 566	-	-
Total other comprehensive income/(loss) for the year net of tax		4 635 536	1 388 205	653 100	(590 753)
Total comprehensive income for the year		63 713 016	38 393 618	14 352 204	5 422 182
Profit for the year attributable to:					
Non-controlling interest		27 981 643	17 352 311	-	-
Owners of the parent company		31 095 837	19 653 102	13 699 104	6 012 935
		59 077 480	37 005 413	13 699 104	6 012 935
Total comprehensive income for the year attributable to:					
Non-controlling interest		29 932 675	18 302 789	-	-
Owners of the parent company		33 780 341	20 090 829	14 352 204	5 422 182
		63 713 016	**38 393 618**	**14 352 204**	**5 422 182**
Basic and diluted earnings per share (MK)	40	**29.81**	**18.84**		

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

Continued

	Share Capital K'000	Share premium K'000	Revaluation reserves K'000	Loan loss reserve K'000	Translation reserve K'000	Fair value reserve K'000	General Reserve K'000	Retained earnings K'000	Total K'000	Non-controlling interest K'000	Total K'000
Group											
Balance at 1 January 2023	52 152	428 859	405 278	270 951	(414 467)	2 259 040	545 519	63 103 019	66 650 351	51 804 325	118 454 676
Profit for the year	-	-	-	-	-	-	-	31 095 837	31 095 831	27 981 643	59 077 480
Other comprehensive income for the year											
Gain/(loss) on property revaluation	-	-	371 611	-	-	-	-	-	371 611	357 039	728 650
Financial assets designated at FVTOCI	-	-	-	-	-	2 080 154	-	-	2 080 154	1 370 381	3 450 535
Translation difference on foreign Subsidiaries	-	-	-	-	232 739	-	-	-	232 739	223 612	456 351
Total other comprehensive income	-	-	371 611	-	232 739	2 080 154	-	-	2 684 504	1 951 032	4 635 536
Total comprehensive income for the year	-	-	371 611	-	232 739	2 080 154	-	31 095 837	33 780 341	29 932 675	63 713 016
Transfers within reserves											
Loss loans reserve transfer	-	-	-	(21 054)	-	-	-	(21 054)	-	-	-
Transactions with owners of the company											
Dividends to equity holders (Note 41)	-	-	-	-	-	-	-	(9 387 957)	(9 387 957)	(11 316 529)	(20 704 486)
Total transactions with owners of the parent	-	-	-	-	-	-	-	(9 387 957)	(9 387 957)	(11 316 529)	(20 704 486)
Balance at 31 December 2023	52 152	428 859	776 889	249 897	(181 728)	4 339 194	545 519	84 831 953	91 042 735	70 420 471	161 463 206

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

Continued

	Share Capital K'000	Share Premium K'000	Revaluation Reserves K'000	Translation Reserve K'000	Fair Value Reserve K'000	Loan Loss Reserve K'000	General Reserve K'000	Retained Earnings K'000	Total K'000	Controlling Interest K'000	Total K'000
Group											
Balance as previously report 1 January 2022	52 152	428 859	244 825	(681 996)	2 249 295	-	545 519	45 409 806	48 248 460	37 420 029	85 668 489
Adjustment due to adoption of IFRS17	-	-	-	-	-	-	-	2 118 567	2 118 587	2 035 505	4 154 092
Prior year adjustment (note 1)	-	-	-	-	-	-	-	(678 204)	(678 204)	(675 497)	(1 353 701)
Balance at 1 January 2022 Restated	52 152	428 859	244 825	(681 996)	2 249 295	-	545 519	46 850 169	49 688 843	38 780 037	88 468 880
Total comprehensive income for the year											
Profit for the year Restated	-	-	-	-	-	-	-	19 653 102	19 653 102	17 352 311	37 005 413
Other comprehensive income for the year											
Gain on property revaluation	-	-	160 453	-	-	-	-	-	160 453	154 160	314 613
Financial assets designated at FVTOCI	-	-	-	-	9 745	-	-	-	9 745	539 281	549 026
Translation difference on foreign Subsidiaries	-	-	-	267 529	-	-	-	-	267 529	257 037	524 566
Total other comprehensive income Restated	-	-	160 453	267 529	9 745	-	-	-	437 727	950 478	1 388 205
Total comprehensive income for the year Restated	-	-	160 453	267 529	9 745	-	-	19 653 102	20 090 829	18 302 789	38 393 618
Transfers within reserves											
Loss loans reserve transfer	-	-	-	-	-	270 951	-	(270 951)	-	-	-
Dividends to equity holders (Note 41)	-	-	-	-	-	-	-	(3 129 321)	(3 400 272)	(5 278 501)	(8 407 822)
Total transactions with owners of the parent	-	-	-	-	-	270 951	-	(3 129 321)	(3 400 272)	(5 278 501)	(8 407 822)
Balance at 31 December 2022 Restated	**52 152**	**428 859**	**405 278**	**(414 467)**	**2 259 040**	**270 951**	**545 519**	**63 103 019**	**66 650 351**	**51 804 325**	**118 454 676**

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

Continued

	Share Capital K'000	Share Premium K'000	Fair value reserve K'000	Retained earnings K'000	Total K'000
Company					
Balance at 1 January 2023	52 152	428 859	1 142 349	17 718 062	19 341 422
Profit for the year	-	-	-	13 699 104	13 699 104
Other comprehensive income for the year					
Financial assets designated at FVTOCI	-	-	653 100	-	653 100
Total comprehensive income for the year	-	-	653 100	13 699 104	14 352 204
Transactions with the owners of the Company					
Dividends to equity holders (Note 41)	-	-	-	(9 387 370)	(9 387 370)
Total transactions with owners of the parent	-	-	-	(9 387 370)	(9 387 370)
Balance at 31 December 2023	**52 152**	**428 859**	**1 795 449**	**22 029 796**	**24 306 256**
Balance at 1 January 2022	52 152	428 859	1 733 102	14 834 248	17 048 361
Profit for the year	-	-	-	6 012 935	6 012 935
Other comprehensive income for the year					
Financial assets designated at FVTOCI	-	-	(590 753)	-	(590 753)
Total comprehensive income for the year	-	-	(590 753)	6 012 935	5 422 182
Transactions with the owners of the Company					
Dividends to equity holders (Note 41)	-	-	-	(3 129 121)	(3 129 121)
Total transactions with owners of the parent	-	-	-	(3 129 121)	(3 129 121)
Balance at 31 December 2022	**52 152**	**428 859**	**1 142 349**	**17 718 062**	**19 341 422**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023

	Note	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2023 K'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		415 311 252	301 819 670	3 633 143	2 994 177
Cash payments to the employees and suppliers		(265 688 442)	(282 802 712)	(5 601 755)	(3 469 772)
Interest paid	24	(2 386 789)	(1 988 721)	(532 953)	(463 263)
Cash generated from/(used in) operations		147 236 021	17 028 237	(2 501 565)	(938 858)
Income tax paid	8(c)	(25 152 896)	(15 686 337)	(709 811)	(722 263)
Net generated from/(used in) operating activities		122 083 125	1 341 900	(3 211 376)	(1 661 121)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds disposal of property and equipment		79 682	61 398	-	248
Interest received		65 052 977	56 070 195	1 417 177	764 005
Dividend received		8 517 950	5 383 979	15 273 500	7 042 453
Additions to property and equipment and intangible assets	19, 20	(14 880 998)	(4 873 638)	(53 903)	(19 048)
Additions to investment properties	17	(103 242)	(12 416)	-	-
Disposal of government securities	14	30 275 738	87 693 797	-	-
Disposal of loan and debentures	16	736 842	4 836 842	-	-
Additions to government securities	14	(100 636 871)	(141 955 940)	-	-
Additions to equity shares	15	(15 140 950)	(6 355 492)	-	-
Disposal of equity shares	15	2 847 841	15 152 207	-	-
Additions to loans and debentures	16	(1 360 000)	-	-	-
Net cash generated from/(used in) investing activities		(24 611 031)	16 000 932	16 636 774	7 787 658
CASH FLOWS UTILISED IN FINANCING ACTIVITIES					
Issue of additional shares in subsidiary		-	-	-	-
Additions to long term borrowings	24	2 858 320	-	-	-
Repayment of long-term borrowings	24	(2 061 225)	(1 711 124)	(933 921)	(458 333)
Repayment of lease liabilities	18.2	(1 732 056)	(1 175 561)	(52 681)	(13 030)
Dividend paid	41	(14 466 517)	(4 757 937)	(8 101 402)	(2 012 853)
Net cash used in financing activities		(15 401 478)	(7 644 622)	(9 088 004)	(2 484 216)
Net increase in cash and cash equivalents		82 070 616	9 698 210	4 337 394	3 642 321
Cash and cash equivalents at 1 January		96 525 115	88 616 964	9 642 156	5 976 873
Effects of changes in exchange rates		3 786 111	(1 790 059)	71 009	22 962
Cash and cash equivalents at 31 December	5	182 381 842	96 525 115	14 050 559	9 642 156

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. Reporting entity

NICO Holdings plc (the company) is a public company incorporated in Malawi. The address of the company's registered office is: Chibisa House, 19 Glyn Jones Road, and P.O. Box 501, Blantyre, Malawi. The consolidated and separate financial statements for the year ended 31 December 2023 comprises the company and its subsidiaries, (together referred to as the "Group"). The Company is listed on the Malawi Stock Exchange.

The major activities of the Group are general insurance, life assurance and pension administration, banking, asset management and property management and development and information technology. NICO Holdings plc shareholding structure in subsidiaries and associated companies is as follows:-

Name of Joint Venture	% Holding	Type of business
NICO Insurance (Zambia) Limited	51.00	Short term insurance
NICO General Insurance Company Limited	51.00	Short term insurance
NICO Life Insurance Limited	51.00	Life insurance
NICO Pension Services Limited	51.00	Pension administration
NICO Capital Limited	100.00	Corporate Finance advisory
NBS Bank plc	50.10	Banking
NICO Technologies Limited	100.00	Information technology
NICO Asset Managers Limited	100.00	Asset management
Group Fabricators and Manufacturers Limited	100.00	Property holding

Name of Associate	% Holding	Type of business
Sanlam Mozambique Vida Companhia de Seguros, SA	34.30	Life insurance and pension administration

Name of Joint Venture	% Holding	Type of business
Eris Properties Malawi Limited	50.00	Property Management and Development

1.1 Restatement of correction of prior period tax accruals

The consolidated financial statements include an adjustment to the prior years in respect of an accrual for various taxes claimed by Malawi Revenue Authority following an audit of the tax affairs of the Group's banking business covering the period from January 2018 to 31 December 2022. The matter was under discussion with Malawi Revenue Authority, but the Group did an IFRIC 23 assessment which established that an accrual was required as at 31st December 2023 in order to present the tax claims in a true and fair manner.

Summary	K'000
Taxes and penalties related to the years 2018 to 2021	592 307
Taxes and penalties related to the year 2022	1 728 048
Total	**2 320 355**

Adjustments made to the 2021 financial statements in respect of the tax matter;

Description	Journal	As previously reported 31-Dec-21 K'000	Adjustment K'000	Restated Amount 31-Dec-21 K'000
Retained Earnings	Debit	45 409 806	592 307	46 002 113
Other liabilities	Credit	(109 973 233)	(592 307)	(110 565 540)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

1. Reporting entity *(Continued)*

1.1 Restatement of correction of prior period tax accruals *(Continued)*

Adjustments made to the 2022 financial statements in respect of the tax matter;

Description	Journal	As previously reported 31-Dec-22 K'000	Adjustment K'000	Restated Amount 31-Dec-22 K'000
Administrative expenses	Debit	54 527 991	(1 728 048)	52 799 943
Other liabilities	Credit	46 179 759	1 728 048	47 907 807

1.2 Restatement of correction of in relation to a prior consolidation adjustment

The amount relates to an intergroup balance from NBS as a result of an insurance claim to Nico General Insurance which was mis posted and not fully eliminated on consolidation in prior years.

Description	Journal	As previously reported 31-Dec-21 K'000	Adjustment K'000	Restated Amount* 31-Dec-21 K'000
Other receivable	Credit	22 751 702	(1 087 706)	21 663 996
Corporate tax receivable	Debit	4 070 368	326 312	4 396 680
Retained Earnings	Debit	45 409 806	761 394	46 171 200

1.3. Impact of Restatement on Earnings per Share

The impact of both restatements on the earnings per share ratio of the Group for the 2022 financial year is as follows:

Description		As previously reported 31-Dec-22	Change	Restated Ratio* 31-Dec-22
Earnings Per Share		19.10	(0.26)	18.84

2. Adoption of new and revised IFRS 17 Accounting standards

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

In the current year, the entity has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2023.

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS4 Insurance Contracts as of 1 January 2023.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

2. Adoption of new and revised IFRS 17 Accounting standards *(Continued)*

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements *(Continued)*

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	Amendments to IFRS17 Amends IFRS17 to address concerns and implementation challenges that were identified after IFRS17 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; and • Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

2. Adoption of new and revised IFRS 17 Accounting standards *(Continued)*

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements *(Continued)*

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	Initial Application of IFRS17 and IFRS9 — Comparative Information (Amendment to IFRS 17) The amendment permits entities that first apply IFRS 17 and IFRS9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS9 had been applied to that financial asset before. Note: An entity that elects to apply the amendment applies it when it first applies IFRS17.
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 material accounting policies infomation. 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 IFRSPractice Statement 2.
Annual reporting periods beginning on or after 1 January 2023	Definition of Accounting Estimates (Amendments to IAS 8) The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Annual reporting periods beginning on or after 1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

2. Adoption of new and revised IFRS 17 Accounting standards *(Continued)*

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements *(Continued)*

Annual reporting periods beginning on or after 1 January 2023, but not required in any interim financial statements for 2023	International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.
Annual reporting periods beginning on or after 1 January 2023, but not required in any interim financial statements for 2023	International Tax Reform — Pillar Two Model Rules (Amendments to the 'IFRSfor SMEs' Standard) The amendments align the standard's requirements with similar amendments to IAS 12 Income Taxes issued in May 2023.

Other than IFRS 17, amendments the adoption of these new and revised Standards and Interpretations did not have a significant impact on the annual consolidated financial statements of the entity. The impact of IFRS 17 are disclosed on See note 2.3 of the financial statements.

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are issued and effective for annual periods beginning on or after 1 January 2024 and have not been applied in preparing of these financial statements. Those which may be relevant to the Group are set out below. The entity does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2024	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.
Annual reporting periods beginning on or after 1 January 2024	Lease Liability in a Sale and Leaseback (Amendments to IFRS16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS15 to be accounted for as a sale.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023

2. Adoption of new and revised IFRS 17 Accounting standards *(Continued)*

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2024	Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
Annual reporting periods beginning on or after 1 January 2024	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS7) The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
Annual reporting periods beginning on or after 1 January 2025	Lack of Exchangeability (Amendments to IAS 21) The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.
Annual reporting periods beginning on or after 1 January 2024	IFRSS1 General Requirements for Disclosure of Sustainability-related Financial Information IFRSS1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
Annual reporting periods beginning on or after 1 January 2024	IFRSS2 Climate-related Disclosures IFRSS2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
Annual reporting periods beginning on or after 1 January 2025	Amendments to the SASB standards to enhance their international applicability The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics.

The Directors anticipate that other than IFRSS1 and IFRSS2, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Group. The Directors are the in a process of drafting a paper on Environmental, Social, and Governance (ESG), that will sustainability-related financial disclosures and disclosing information about climate-related risks and opportunities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023

2. Adoption of new and revised IFRS 17 Accounting standards *(Continued)*

2.3 Adoption of IFRS17- Transition Disclosure

The Group has adopted IFRS17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable.

The transition approach was determined at a group of insurance contracts level and affected the approach to calculating the CSM on initial adoption of IFRS17: At first adoption, the standard requires the determination of the following approaches;

I. full retrospective approach - the contractual service margin (CSM) at inception is based on initial assumptions when group's of contracts were incepted and rolled forward to the date of transition as if IFRS17 had always been applied.
II. modified retrospective approach - the contractual service margin (CSM) at inception is calculated based on assumptions at transition using some simplifications and taking into account the actual pre-transition fulfillment of cashflows (FCF); and
III. fair value approach - the pre-transition fulfillment of cashflows (FCF) and experience are not considered.

The Group has determined that it would be impracticable to apply the full retrospective approach because of the following conditions that existed:

- The effects of the full retrospective application were not determinable;
- The full retrospective application required assumptions that would have been made in an earlier period;
- The full retrospective application required significant estimates of amounts, and it was impossible to distinguish objectively between information about those estimates that provided evidence of circumstances that:
  - (i) existed on the date at which those amounts were to be recognised, measured or disclosed; and
  - (ii) would have been available when the financial statements for that prior period were authorised for issue, and other information.

For General business

The full retrospective approach was applied to the insurance contracts in force at the transition date. Under the full retrospective approach, at 1 January 2022 the Group:

- identified, recognized and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied; and
- derecognized previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as 'value of business acquired'), insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS17, they are included in the measurement of the insurance contracts; and recognized any resulting net difference in equity.

For Corporate business, fire, motor, accident, engineering and marine insurance contracts issued, the Group has used the full retrospective approach to identify, recognize and measure insurance acquisition cash flows assets as at transition date, except that the retrospective impairment test has not been performed prior to the transition date. The Group has not recognized any insurance acquisition cash flows assets relating to other insurance contracts issued or expected to be issued.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

2. Adoption of new and revised IFRS 17 Accounting standards *(Continued)*

2.3 Adoption of IFRS17- Transition Disclosure *(Continued)*

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity. The Group's transition from IFRS4 to IFRS 17 is presented below:

	IFRS4	IFRS17	GAPS
Assets	939 989 842	927 403 432	(12 586 410)
Liabilities	854 321 353	837 580 851	(16 740 502)
Equity	85 668 489	89 822 581	4 154 092
Profit and loss	18 298 658	22 452 750	4 154 092

3. Basis of preparation

3.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with IFRS 17 Accounting standards (IFRS 17) issued by the International Accounting Standards Board (IASB), and in a manner required by the Companies Act, 2013 of Malawi.

3.2 Basis of measurement

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

- financial instruments at fair value through profit or loss are measured at fair value;
- investment properties are measured at fair value;
- available-for- sale financial assets are measured at fair value through other comprehensive income; and
- items of property are measured at their revalued amounts.

Comparative information

Unless otherwise indicated, comparative information presented at and for the year ended 31 December 2022 within these consolidated annual financial statements has been IFRS 17 Insurance Contracts is effective for annual reporting periods starting 1 January 2023 and has been adopted by the Company. The impact of IFRS 17 has been included in Note 3.

3.2.1 Use of estimates and judgements

The preparation of consolidated and separate financial statements in conformity with IFRS 17 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.2 Basis of measurement (*Continued)*

3.2.1 Use of estimates and judgements (Continued)

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

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amounts recognized in the financial statements can be found in the following notes:

- Note 31 - Valuation Insurance liabilities
- Note 17 - Valuation of investment properties
- Note 15 and 16 - Valuation of investments in shares and loans receivables
- Note 13 (c) - Non consolidation of investments in which shareholding exceeds 50%

3.2.2 Fair value measurement

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.2 Basis of measurement *(Continued)*

3.2.2 Fair value measurement *(Continued)*

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.

3.3 Functional and presentation currency

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

3.4 Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able realise its assets and settle its liabilities in the normal course of business.

3.5 Material accounting policies infomation

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

a. Basis of consolidation

The consolidated and separate annual financial statements comprise the Group and its entities controlled by the Group. 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 company can appoint or prevent the appointment of not less than half of the directors of the subsidiary. In general control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

a. Basis of consolidation *(Continued)*

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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

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

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS 17). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

a. Basis of consolidation (Continued)
The Group manages and administers assets held in investment vehicles on behalf of investors. These are the defined as structure entities. Structured entities are entities that are designed so that their activities are not governed by way of voting rights. In assessing whether the Group has power over such entities in which it has an interest, the Group considers factors such as the purpose and design of the entity; its practical ability to direct the relevant activities of the entity; the nature of the relationship with the entity; and the size of its exposure to the variability of returns of the entity. The financial statements of these entities are not included in the consolidated financial statements except when the Group controls the entity.

b. Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.
At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:
- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income taxes* and IAS 19 *Employee benefits*
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS2 Share based payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assts. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable on the basis specified in another IFRS 17.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with IFRS9; *Financial Instruments,* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* as appropriate with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arisings from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss when such treatment would be appropriate if that interest were disposed of.

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

c. Investments in associates and Joint Ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS5.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

c. Investments in associates and Joint Venture *(Continued)*

the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

c. Investments in associates and Joint Venture *(Continued)*

had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

d. Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS 17 applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

e. Revenue

The Group's revenue arises mainly from provision of insurance, banking and asset management services. The Company's main revenue is dividend income.

To determine whether to recognise revenue, the Group follows a 5-step process:

- Identifying the contract with a customer;
- Identifying the performance obligations;

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

e. Revenue *(Continued)*

- Determining the transaction price;
- Allocating the transaction price to the performance obligations; and
- Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. Revenue is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services and excludes any amounts collected on behalf of third parties.

i. Interest income

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 or a financial asset or financial liability.

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; and
- Interest on held-to-maturity money market investments at amortised cost on an effective interest basis.

ii. Investment income

Investment income comprises interest income on money market financial instruments, dividends from listed and unlisted companies, investments in listed shares and rental income. The financial instruments include local registered stocks, treasury bills and fixed deposits.

Management considers the returns earned (i.e. interest received and dividend received) on investments to be part of investing activities.

iii. Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of investment income.

iv. Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation (Continued)

3.5 Material accounting policies infomation (Continued)

e. Revenue (Continued)

v. 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, 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 services are received.

vi. Other income

Other income includes gains and losses on disposal of an item of equipment which are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognised net within "other income" in profit or loss upon disposal. It also includes commissions and other sundry income are recognised as the related services are performed.

f. Insurance and reinsurance contracts

i. Key types of insurance contracts issued and reinsurance contracts held

The Group issues the following types of contracts that are accounted for in accordance with IFRS17 Insurance Contracts.

i. *Life business – non-participating contracts including:*

- Individual life insurance contracts provide level or decreasing sum assured coverage for a limited period of time in exchange for renewable fixed premiums.
- Annuity contracts provide the annuitant with a guaranteed income payout for life.

The Group accounts for these policies applying the General Model.

ii. *Life business – discretionary participating contracts including:*

- Deferred variable annuity contracts which provide the annuitant with a guaranteed income payout for life.
  The deferred variable annuity involves an accumulation and a payout phase. Cash flows of deferred variable annuity contracts vary with the return on underlying items in the accumulation phase, but not thereafter. The minimum pre-determined guaranteed annuity rates are specified at the contract's inception.
- Individual life insurance policies which include life insurance coverage and an investment component. The Group has an obligation to pay policyholders an amount equal to the value of the specified underlying items, minus a variable fee for service.
- Investment contracts with discretionary participation features:
  The deposit administration contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits that are expected to be a significant proportion of the total contractual benefits, the timing or amount of which are contractually at the discretion of the Group,

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*

but which has to be exercised in a reasonable way. The benefits are based on the investment performance of a specified pool of underlying assets.

The Group accounts for these contracts applying the VFA.

iii. Life insurance policies:

- These comprise of group life and credit life insurance policies with coverage of one year;
- The Group accounts for these contracts applying the Premium Allocation Approach (PAA);
- The Group also holds the following types of reinsurance contracts to mitigate risk exposure; and
  - For term life insurance policies, the Group holds reinsurance treaties and accounts for these treaties applying the PAA.
  - Life insurance risk business where insurance coverage is provided to members of Corporate schemes, with the premiums payable by the employers (policyholders) renewable at least annually, is measured under the PAA;

iv. General insurance business

- The group of contract under general business comprises of fire, motor, accident, engineering, bond and marine insurance contracts;
- The Group accounts for these contracts applying the Premium Allocation Approach (PAA) and ;
- The Group also holds the facultative and treaties reinsurance contracts to mitigate risk exposure.

ii. Definitions and classifications

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Group to financial risk.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Group. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Group, unless otherwise stated.

The Group determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Group to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

The Group issues certain insurance contracts that allow policyholders to participate in investment returns with the Group, in addition to compensation for losses from insured risk. Participating contracts meet the definition of insurance contracts with direct participating features if the following three criteria are met:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*

ii. Definitions and classifications *(Continued)*

- The Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns from the underlying items; and
- A substantial proportion of the cash flows that the Group expects to pay to the policyholder is expected to vary with the change in the fair value of the underlying items.

The Group assesses whether the above conditions and criteria are met using its expectations at the issue date of the contracts.

iii. Level of aggregation

The Group identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Group considers the similarity of risks rather than the specific labelling of product lines. The Group has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts. Each portfolio is subdivided into groups' of contracts to which the recognition and measurement requirements of IFRS17 are applied.

At initial recognition, the Group segregates contracts based on when they were issued. A cohort contains all contracts that were issued within a 12-month period. Each cohort is then further disaggregated into three group's of contracts:

- Contracts that are onerous on initial recognition;
- Contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- Any remaining contracts.

The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfilment cash flow expectations determined on a probability-weighted basis. The Group determines the appropriate level at which reasonable and supportable information is available to assess whether the contracts are onerous at initial recognition and whether the contracts not onerous at initial recognition have a significant possibility of becoming onerous subsequently. The Group applies significant judgement in determining at what level of granularity the Group has sufficient information to conclude that all contracts within a set will be in the same Group. In the absence of such information, the Group assesses each contract individually.

If facts and circumstances indicate that some contracts may be onerous at initial recognition or the group of contracts has become onerous, the Group performs a quantitative assessment to assess whether the carrying amount of the liability for remaining coverage determined applying the PAA is less than the fulfilment cash flows related to remaining coverage determined applying the General Model. If the fulfilment cash flows related to remaining coverage determined applying the General Model exceed the PAA carrying amount of the liability for remaining coverage, the difference is recognized in profit or loss and the liability for remaining coverage is increased by the same amount.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*

iv. Recognition

The Group recognises insurance contracts issued from the earliest of the following dates:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received); and
- The date when a group of contracts becomes onerous.

The Group recognises only contracts issued within a one-year period meeting the recognition criteria by the reporting date. Subject to this limit, a group of insurance contracts can remain open after the end of the current reporting period. New contracts are included when they meet the recognition criteria in subsequent reporting periods until such time that all contracts expected to be included within the group have been recognised.

Investment contracts with discretionary participation features are initially recognised at the date the group becomes a party to the contract.

Reinsurance contracts held

The Group recognises reinsurance contracts held at the beginning of the coverage period, but no earlier than the initial recognition date of any underlying insurance contract where the group of reinsurance contracts held provides proportionate coverage (such as quota share reinsurance or surplus reinsurance).

A Group of reinsurance contracts held that provides non-proportionate coverage (such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

v. Contract boundaries

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract issued if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums, or has a substantive obligation to provide the policyholder with insurance contract services.

Cash flows are within the boundary of an investment contract with DPF if they result from a substantive obligation of the Group to deliver cash at a present or future date.

A substantive obligation to provide services ends when the Group:

- has the practical ability to reassess the risks of a particular policyholder and as a result can change the price charged or the level of benefits provided for the price to fully reflect the new level of risk; or
- performs the boundary assessment at a portfolio rather than individual contract level, and the following two criteria are both satisfied:

a. the Group has the practical ability to reprice the portfolio to fully reflect risk from all policyholders; and
b. the Group's pricing of the premiums up to the assessment date does not consider any risks beyond this date.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*

v. Contract boundaries *(Continued)*

The Group concludes on its practical ability to set a price that fully reflects the insurance and / or financial risks in the individual contract or portfolio at the reassessment / renewal date by considering all the risks (transferred from the policyholder to the Group) that it would assess when underwriting equivalent contracts on the same date for the remaining service. Where the Group provides an option to members of group life insurance business to purchase individual life cover on cessation of employment, all future cash flows related to the individual life cover will form part of a new insurance contract because the Group has the practical ability to charge the prevailing new business rates which fully reflect the new level of risk. Cash flows outside of the boundary of the insurance contract relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

vi. Measurement of insurance contracts issued

i. Measurement on initial recognition for contracts other than PAA

The Group measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

Fulfilment cash flows within contract boundary

The fulfilment cash flows are the current unbiased and probability-weighted estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk. In arriving at a probability-weighted mean, the Group considers a range of scenarios to establish a full range of possible outcomes incorporating all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of expected future cash flows. The estimates of future cash flows reflect conditions existing at the measurement date including assumptions at that date about the future.

The Group estimates expected future cash flows for a group of contracts at a portfolio level and allocates them to the groups in that portfolio in a systematic and rational way.

When estimating future cash flows, the Group includes all cash flows within the contract boundary including:

- Premiums and any additional cash flows resulting from those premiums;
- Reported claims that have not yet been paid, claims incurred but not yet reported, future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing insurance contract
- For deferred variable annuity, investment contracts with discretionary participation features, payments that vary based on the returns on underlying items and resulting from any embedded guarantees;
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the issued contract belongs;
- Claim handling costs;

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii. Measurement of insurance contracts issued *(Continued)*
i. Measurement on initial recognition for contracts other than PAA (Continued)
Fulfilment cash flows within contract boundary (Continued)

- Policy administration and maintenance costs including recurring commissions expected to be paid to intermediaries for policy administration services only (recurring commissions that are insurance acquisition cash flows are treated as such in the estimate of future cash flows);
- Transaction-based taxes;
- An allocation of fixed and variable overheads directly attributable to the fulfilment of insurance contracts including overhead costs such as accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities;
- Costs incurred for performing investment activities that enhance insurance coverage benefits for the policyholder;
- Costs incurred for providing investment-related service and investment-return service to policyholders; and
- Other costs specifically chargeable to the policyholder under the terms of the contract.

The Group issues investment contracts with discretionary participation features that result in policyholders in different groups sharing the returns on the same pool of underlying items. The Group determines each group's share of the returns from the underlying items by first determining the overall return at a higher level of aggregation than the groups, and then making an allocation to each group on a systematic and rational basis.

The Group recognises /and measures the liability for the unpaid amounts arising from all groups in aggregate and does not allocate such fulfilment cash flows to specific groups when coverage on contracts has been provided.

The cash flow estimates include both market variables, which are consistent with observable market prices, and nonmarket variables, which are not contradictory with market information and based on internally and externally derived data. The Group updates its estimates at the end of each reporting period using all newly available information, as well as historic evidence and information about trends. The Group determines its current expectations of probabilities of future events occurring at the end of the reporting period. In developing new estimates, the Group considers the most recent experience and earlier experience, as well as other information.

Discount rates
Estimates of future cash flows that do not vary with investment returns on underlying items are discounted using a risk-free yield curve, adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. Risk-free rates are determined based on the market observable yield curves for government bonds, with extrapolation between the last available market point and an ultimate forward rate, considering long-term real interest rate and inflation expectations. Long-term inflation expectations are used to construct yield curves for markets where observable market data is not available.

The time value of money and financial risk is measured separately from expected future cash flows with

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii. Measurement of insurance contracts issued *(Continued)*
i. Measurement on initial recognition for contracts other than PAA (Continued)
Discounted rates (Continued)

changes in financial risks recognised in profit or loss at the end of each reporting period unless the Group has elected the accounting policy to present the time value of money separately in profit or loss and other comprehensive income.
The Group measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g. credit risk).

The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of future cash flows. The group applies discount rates, that include the effect of inflation, to nominal cash flows (i.e. those cash flows that also include the effect of inflation, where relevant).

The discount rates applied to the estimates of the future cash flows:
- reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- are consistent with observable current market prices (if any); and
- exclude the effect of factors that influence such observable market prices, but do not affect the future cash flows of the insurance contracts.

Cash flows are divided between cash flows that vary based on the returns on underlying items and cash flows that do not vary based on the returns on underlying items. Cash flows that vary based on the returns on underlying items are discounted using rates that reflect that variability.

A bottom-up approach is used to determine the discount rates applied to cash flows that do not vary based on returns with underlying items. A zero-coupon (risk-free) yield curve, adjusted to reflect the illiquidity of the group of insurance contracts where applicable, is applied to cash flows that do not vary based on the returns on underlying items. Insurance contracts issued such as non-participating life annuities that cannot be surrendered or lapsed, are illiquid.

Risk-free or real-world discount rates can be applied to cash flows that vary based on the returns on underlying items. Risk-free discount rates are consistent with the rates applied to cash flows that do not vary based on returns on underlying items. Real-world discount rates are consistent with a risk-free yield curve plus a risk premium which reflects the variability in the cash flows based on the underlying mix of asset classes other than fixed-interest securities. For the material lines of business in the group, real-world discount rates are applied to cash flows that vary based on the returns on underlying items.

Risk adjustment for non-financial risk
The risk adjustment is the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk. The main sources of non-financial risk are the estimates related to decrement rates for mortality and morbidity, persistency rates and

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii. Measurement of insurance contracts issued *(Continued)*
i. Measurement on initial recognition for contracts other than PAA (Continued)

expenses. Adjustments for financial risks are included either in the estimates of future cash flows or in the discount rates and are therefore excluded from the risk adjustment. Operational risk will be excluded from the risk adjustment as it is mainly related to general operational risk that cannot be directly attributed to the fulfilment of the insurance contracts.

The risk adjustment for non-financial risk is included in the fulfilment cash flows and is measured explicitly, as changes in the risk adjustment impact on accounting estimates (including the CSM) and need to be disclosed separately in the liability reconciliations. IFRS17 does not require entities to use a specific technique to estimate the risk adjustment, with the confidence level technique highlighted as a possible approach. However, an entity that uses a technique other than the confidence level technique for determining the risk adjustment, is required to disclose the technique used and the confidence level corresponding to the results of that technique. The life insurance businesses use the margins approach targeting a specified confidence level. The confidence level is determined based on each cluster's level of risk appetite for bearing the non-financial risk arising from the uncertain amount and timing of cash flows.

The confidence level technique is determined with reference to a particular target confidence level. A distribution of fulfilment cash flows is required, from which the risk adjustment is determined based on the standard deviation around the mean for the target confidence level. The standard deviation is estimated assuming the same risk distribution used for solvency purposes. For life insurance businesses the standard deviation is therefore derived based on the solvency capital requirements and assuming that the fulfilment cash flows can be approximated by a normal distribution, with the risk adjustment representing the value at risk in excess of the target confidence level over one year. For the life insurance businesses the risk adjustment has been calibrated and calculated based on a target confidence level at the 80th percentile.

The margins approach requires the calibration of margins based on historic decrement/expense experience and fitting a statistical distribution to the data. Margins are initially calibrated on an independent basis for each risk type based on a specified confidence level. The margins are modelled as percentage changes to the probability weighted best estimate assumptions applied over the relevant duration for each policy. The direction of each margin is tested independently and the direction that increases the best estimate liability (BEL) is adopted. The increase in the BEL resulting from these margins represents the risk adjustment component of the fulfilment cash flows. The confidence levels corresponding to the results of the margins approach vary between the 80th and 90th percentile.

The risk adjustment allows for the effect of diversification benefits between different risk and product types (where relevant), which is determined based on correlation matrix techniques and other diversification impacts determined for solvency purposes. When using the confidence level technique:

- the allocation of the risk adjustment to portfolios and groups of contracts is estimated using an appropriate measure; and
- the risk adjustment for reinsurance contracts held is determined by applying the technique to both gross and net of reinsurance, and deriving the amount of risk transferred to the reinsurer as the difference between the two results.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii Measurement of insurance contracts issued *(Continued)*
i. Measurement on initial recognition for contracts other than PAA (Continued

The risk adjustment calculations is performed separately for reinsurance contracts held using the margins approach. A risk adjustment is determined for incurred claims using the techniques explained in this section where there is uncertainty in the

Contractual service margin (CSM)
The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit that the Group will recognise as it provides insurance contract services over the coverage period.

At initial recognition, the Group measures the CSM at an amount that, unless a group of insurance contracts is onerous, results in no gains recognised in profit or loss arising from:

- The expected fulfilment cash flows of the group;
- The amount of any derecognised asset for insurance acquisition cash flows allocated to the group;
- Any other asset or liability previously recognised for cash flows related to the group; and
- Any cash flows that have already arisen on the contracts as of that date.

If a group of contracts is onerous, the Group recognises a loss on initial recognition. This results in the carrying amount of the liability for the group being equal to the fulfilment cash flows, and the CSM of the group being nil. A loss component is recognised for any loss on initial recognition of the group of insurance contracts.

The Group determines at initial recognition the group's coverage units. The Group then allocates the group's CSM based on the coverage units provided in the period.

The Group allocates contracts acquired with claims in the settlement phase into annual groups based on the expected profitability of the contracts at the date of acquisition. The Group uses the consideration received or paid as an approximation of premiums to calculate the CSM on initial recognition. When, on initial recognition, contracts acquired in a portfolio transfer are determined to be onerous, the excess of the fulfilment cash flows over the consideration received is recognised in profit or loss.

Coverage units
The CSM is recognised as income in insurance revenue over the duration of insurance contracts issued based on the number of coverage units provided in each period. Coverage units are determined for broad product types to best reflect the rendering of insurance contract services in a particular reporting period.

The coverage units of the group of insurance contracts are identified by considering for each contract the quantity of the benefits provided under the contract and its expected coverage period. The quantity of benefits is typically determined based on the maximum amounts that policyholders can claim in each period. The coverage units are updated at each reporting date to reflect the actual experience over the reporting period and the expected coverage to be provided in the future.

3. **Basis of preparation** *(Continued)*

3.5 **Material accounting policies infomation** *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii Measurement of insurance contracts issued *(Continued)*
i. Measurement on initial recognition for contracts other than PAA (Continued)
Contractual service margin (CSM)
Coverage units (Continued)

The following definitions of coverage units are used for the material lines of business*					
		Relative weighting of the benefits provided (**)			Examples of coverage unit definitions
	Measurement model	Insurance coverage	Investment-related services	Investment-return services	
Risk insurance business	GMM	(A)			*Guaranteed sum assured (for example term / whole life insurance business, funeral insurance business).*
Non-participating life annuities	GMM	(A) (a)		(a)	*Annuity benefit payments (***), or guaranteed benefits available on death/surrender/ withdrawal during the accumulation phase for deferred life annuities.*
DA	VFA	(a)	(A)		*Maximum of the underlying items and the guaranteed sum assured (including any vested bonuses).*
Other life insurance savings business (****)	VFA		(A)		*Total of the underlying items plus any insurance benefits (for example rider benefits / waivers)*

*Coverage units are defined for each group of contracts and could vary based on the specific features / characteristics of the underlying contracts.

**The insurance contract services with a majority relative weighting of total benefits provided (i.e. greater than 50%) are denoted by (A), whereas the insurance contract services with a minority relative weighting of total benefits provided (i.e. less than 50%) are denoted by (a), where relevant. The actual weighting

3. **Basis of preparation** *(Continued)*

3.5 **Material accounting policies infomation** *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii Measurement of insurance contracts issued *(Continued)*
i. Measurement on initial recognition for contracts other than PAA (Continued)
Contractual service margin (CSM) (Continued)
Coverage units (Continued)

varies in each current and future period based on the relative differences between the insurance and investment-related benefits payable, which is mainly a function of the terms of each contract and the probability-weighted estimates of future cash flows.

For life insurance risk business, the main purpose of the insurance contracts issued is to provide insurance coverage to the policyholders, and therefore a lower weighting of benefits are provided by investment-return services (where relevant), relative to the benefits provided by insurance coverage.

The reinsurance contracts held by the Group do not provide investment-return services.

For insurance contracts meeting the eligibility criteria for measurement under the VFA, there will by definition be a higher weighting of benefits provided by investment-related services, relative to the benefits provided by insurance coverage (refer to note 6 for further details on the judgements applied in assessing VFA eligibility).

***Investment-return services are provided on:
– immediate life annuities during guaranteed periods where payments are made on death or survival; and
****Including smoothed bonus business and participating life annuities.

Premium experience adjustments
The experience adjustments arising from premiums received (including related cash flows such as insurance acquisition cash flows) that do not vary based on the returns on underlying items, adjust the CSM if related to future service, or such amounts are recognised in insurance revenue in the reporting period if related to current (or past) service.

The Group applies judgement to determine whether these experience adjustments are related to current (or past) or future service. The premium-related experience adjustments typically relate to current (or past) service. Experience adjustments relating to premiums received for future coverage are an exception to this general rule. Such an example is where the premium experience adjustments have a direct impact on the value of future benefits payable to policyholders, resulting in the experience adjustments and the changes in the estimates of the future cash flows to largely offset when adjusting the CSM.

Loss recovery component (LRC)
The loss component at initial recognition of a group of insurance contracts issued represents the expected losses to be incurred on the group of insurance contracts over the coverage period.

Subsequent to initial recognition, the loss component of a group of insurance contracts issued is adjusted for changes in the estimates of the fulfilment cash flows that relate to future service (as described in the 'Fulfilment cash flows' section above) with such increases or reversals of losses recognised in insurance service expenses in profit or loss. For insurance contracts measured under the GMM, the adjustments to the loss component are measured based on locked-in discount rates.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii Measurement of insurance contracts issued *(Continued)*
i. Measurement on initial recognition for contracts other than PAA (Continued)
Contractual service margin (CSM) *(Continued)*
Coverage units (Continued)

The subsequent changes in the fulfilment cash flows of the liability for remaining coverage are allocated to the loss component on a systematic basis based on the expected incurred claims and administration expenses and expected release of the risk adjustment for risk expired in each reporting period, such that the loss component reduces to zero by the end of the coverage period of a group of insurance contracts. These changes in the fulfilment cash flows allocated to the loss component of a group of insurance contracts issued are excluded from insurance revenue and insurance service expenses, resulting in the recognition of insurance revenue depicting the consideration to which the Group expects to be entitled in exchange for the insurance contract services provided

Reinsurance contracts held
For a Group of reinsurance contracts held, the loss recovery component is adjusted based on the corresponding adjustments to any loss component(s) of the underlying insurance contracts and the reinsured portion of these underlying insurance contracts. The loss recovery component is not adjusted for any material increases in the loss component related to any cash flows that are not reinsured.

Insurance acquisition cash flows
The Group includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs.

The Group estimates, at a portfolio level, insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio. The Group then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

The Group recognises an asset in respect of costs to secure a portfolio or group of insurance contracts, such as costs of selling and underwriting, when these costs are incurred before the recognition of the group of insurance contracts to which these costs relate. The Group recognises such an asset for each existing or future group of insurance contracts to which insurance acquisition cash flows are allocated. The related portion of the asset for insurance acquisition cash flows is derecognised and included in the measurement of the fulfilment cash flows of the associated group of contracts when the group is initially recognised. When only some of the insurance contracts expected to be included within the group are recognised as at the end of the reporting period, the Group determines the related portion of the asset that is derecognised and included in the Group's fulfilment cash flows. The related portion is determined on a systematic and rational allocation method that considers the timing of recognition of the contracts in the Group.

At each reporting date, the Group reviews the carrying amounts of the asset for insurance acquisition cash flows to determine whether there is an indication that the asset has suffered an impairment. If any such indication exists, the Group adjusts the carrying amount of the asset so that the carrying amount of the asset does not exceed the expected net cash inflow for the associated future groups of contracts. An impairment loss is recognised in profit or loss for the difference. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent the impairment conditions no longer exist or have improved and the cumulative amount of impairment loss reversal does not exceed the impairment loss recognised for the asset in prior years.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii Measurement of insurance contracts issued *(Continued)*

ii. Subsequent measurement under the General Model
In estimating the total future fulfilment cash flows, the Group distinguishes between those relating to already incurred claims and those relating to future service.

At the end of each reporting period, the carrying amount of the group of insurance contracts will reflect a current estimate of the liability for remaining coverage (LRC) as at that date and a current estimate of the liability for incurred claims (LIC).

The remaining coverage (LRC) represents the Group's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred, amounts that relate to other insurance contract services not yet provided (i.e. provision of investment-return and investment-related services) and investment components and other amounts not related to insurance contract services that have not yet been transferred to the LIC. The LRC is comprised of:
- the fulfilment cash flows relating to future service;
- the CSM yet to be earned; and
- any outstanding premiums for insurance contract services already provided.

The LIC includes the Group's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and the liability for claims incurred but not yet reported. It also includes the Group's liability to pay amounts the Group is obliged to pay the policyholder under the contract. This includes repayment of investment components, when a contract is derecognised. The current estimate of LIC comprises the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

Changes in fulfilment cash flows
At the end of each reporting period, the Group updates the fulfilment cash flows for both LIC and LRC to reflect the current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables.

The Group has an accounting policy choice which calculates changes in fulfilment cash flows at the end of a reporting period for changes in non-financial assumptions, changes in discount rates and financial assumptions. The Group first calculates the changes in discount rates and financial assumptions on the fulfilment cash flows (as expected at the beginning of the period) and then calculate changes on those cash flows from the change in non-financial assumptions.

Experience adjustments are the difference between:
- The expected cash flow estimate at the beginning of the period and the actual cash flows for premiums received in the period (and any related cash flows paid such as insurance acquisition cash flows and insurance premium taxes)
- The expected cash flow estimate at the beginning of the period and the actual incurred amounts of insurance service expenses in the period (excluding insurance acquisition expenses). Experience adjustments relating to current or past service are recognised in profit or loss. For incurred claims (including incurred but not reported) and other incurred insurance service expenses, experience adjustments always relate to current or past service. They are included in profit or loss as part of insurance service expenses.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii Measurement of insurance contracts issued *(Continued)*

ii. Subsequent measurement under the General Model
Experience adjustments relating to future service are included in the LRC by adjusting the CSM. The release of theCSM depends on whether the contract does not participate, participates indirectly, or directly participates in the performance of the specified underlying items.

At the end of each reporting period, the Group re-estimates the LRC fulfilment cash flows, updating for changes in assumptions relating to financial and non-financial risks.

Adjustments to the CSM
For insurance contracts without direct participating features, the following changes in fulfilment cash flows are considered to be related to future service and adjust (or 'unlock') the CSM of the group of insurance contracts:

- Experience adjustments relating to the premiums received in the period that relate to future service, and any related cash flows such as insurance acquisition cash flows and premium-based taxes measured at the 'locked in' discount rates applicable when the contracts in the Group were initially recognised;
- The change in the estimate of the present value of expected future cash flows in the liability for remaining coverage, group were initially recognised. All financial variables are locked in at initial recognition;
- Changes in the risk adjustment for non-financial risk relating to future service. The Group has elected not to disaggregate the change in the risk adjustment for non-financial risk between (i) a change related to non-financial risk and (ii) the effect of the time value of money and changes in the time value of money; and
- Differences between the amount of investment components that were expected to be payable in the period and the amount of investment components that actually became payable. The amount of investment components expected to be payable in the period is measured at the discount rates applicable before it became payable.

The following adjustments do not relate to future service and thus do not adjust the CSM:

- Changes in fulfilment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof;
- Changes in the fulfilment cash flows relating to the LIC;
- Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows); and
- Any further increases in fulfilment cash flows relating to future coverage are recognised in profit or loss as they occur, increasing the loss component of the group of insurance contracts. Any subsequent decreases in fulfilment cash flows related to future coverage do not adjust the CSM until the loss component of the group is fully reversed through profit or loss.

At the end of the reporting period, the carrying amount of the CSM for a group of insurance contracts without direct participating features is the carrying amount at the beginning of the period adjusted for:

- The effect of any new contracts added to the group;
- Interest accreted on the carrying amount of the CSM measured at the discount rates determined at initial recognition; and
- The changes in fulfilment cash flows related to future service, except:
- Increases in fulfilment cash flows that exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous; and
- Decreases in fulfilment cash flows that reverse a previously recognised loss on a group of onerous contracts.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii Measurement of insurance contracts issued *(Continued)*
ii. Subsequent measurement under the General Model (Continued)

- The effect of any currency exchange differences on the CSM
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining coverage period.

Recognition of the CSM in profit or loss
An amount of the CSM is released to profit or loss in each period during which the insurance contract services are provided.

In determining the amount of the CSM to be released in each period, the Group follows three steps:

- Determine the total number of coverage units in the Group. The amount of coverage units in the Group is determined by considering the quantity of benefits provided under the contract and the expected coverage period for each contract;
- Allocate the CSM at the end of the period (before any of it is released to profit or loss to reflect the insurance contract services provided in the period) equally to each of the coverage units provided in the current period and expected to be provided in the future; and
- Recognise in profit or loss the amount of CSM allocated to the coverage units provided during the period.

The number of coverage units change as insurance contract services are provided, contracts expire, lapse or surrender and new contracts are added to the group. The total number of coverage units depends on the expected duration of the obligations that the Group has from its contracts. These can differ from the legal contract maturity because of the impact of policyholder behaviour and the uncertainty surrounding future insured events.

By determining the number of coverage units, the Group exercises judgement in estimating the likelihood of insured events occurring and policyholder behaviour to the extent that they affect expected period of coverage in the group, the different levels of service offered across periods (e.g. policyholder exercising an option and adding an additional coverage for a previously guaranteed price) and the 'quantity of benefits' provided under a contract.

Expected recognition of contractual service margin
The amount of CSM allocated to each coverage unit changes over time, as the amount of CSM changes. The allocation of the CSM to coverage units is done at the end of the period, after reflecting all other CSM adjustments (the accretion of interest and the effect of change in assumptions relating to future coverage), but before any of it is released to profit or loss. The amount of CSM remaining at the end of the reporting period is allocated equally to the coverage units provided in the period and the remaining coverage units relating to future periods.

iii. Insurance contracts measured under the premium allocation approach
The PAA is applied to all insurance contracts with a coverage period of one year or less. In some scenarios, the PAA is also applied where the group expects that the measurement of groups of insurance contracts issued under the PAA would produce a measurement of the liability for remaining coverage (or asset for remaining coverage component for reinsurance contracts held) that would not differ materially from the one that would be produced by applying the GMM.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii Measurement of insurance contracts issued *(Continued)*
iii. Insurance contracts measured under the premium allocation approach (Continued)

For insurance contracts issued, the liability for remaining coverage represents the portion of the premiums received related to insurance coverage to be provided in future. General business, group life and credit life are measured under PAA and insurance acquisition cash flows have been recognised as expenses in profit or loss when incurred.

For a group of insurance contracts issued on initial recognition, the Group measures the liability for remaining coverage as the amount of premiums received if any, less any insurance acquisition cash flows (if not recognised as an expense in profit or loss) and amounts for the derecognition at that date of any asset for insurance acquisition cash flows recognised before the initial recognition of the group.

The carrying amount of a group of insurance contracts issued under PAA at the end of each reporting date is the sum of:

a. the liability for remaining coverage; and
b. the liability for incurred claims, comprising the fulfilment cash flows for past incurred claims not paid.

For a group of insurance contracts issued, at the end of each reporting date, the group measures the liability for remaining coverage as the carrying amount at the start of the reporting period:

- plus the premiums received in the period;
- minus insurance acquisition cash flows (if not recognised as an expense in profit or loss);
- plus any amounts relating to the amortisation of insurance acquisition cash flows (if not recognised as an expense in profit or loss);
- minus the amount recognised as insurance revenue for the services provided in the period; and
- minus any investment component paid or transferred to the liability for incurred claims.

The Group has determined that there is no significant financing component in motor and home insurance contracts with a coverage period of one year or less The Group does not adjust the liability for remaining coverage for motor, group life and credit insurance contracts issued (or asset for remaining coverage for reinsurance contracts held) for the effect of the time value of money as the premiums are due within one year or less from the date of initial recognition.

Reinsurance contracts held
For reinsurance contracts held, the asset for remaining coverage measured under the PAA represents the portion of the ceding premiums paid related to reinsurance coverage to be received in future.

For a group of reinsurance contracts held on initial recognition, the group measures the asset for remaining coverage under the PAA as the amount of ceding premiums paid. The carrying amount of a group of reinsurance contracts held at the end of each reporting date is the sum of:

c. the asset for remaining coverage (also referred to as the remaining coverage component); and
d. the incurred claims component, comprising the fulfilment cash flows for past incurred claims not recovered.

Insurance contract carrying amount
Separating components from insurance and reinsurance contracts
In addition to the provision of the insurance coverage service, some insurance contracts issued by the Group

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii Measurement of insurance contracts issued *(Continued)*
iii. Insurance contracts measured under the premium allocation approach (Continued)
Insurance contract carrying amount *(Continued)*

have other components such as an investment component, an embedded derivative or the provision of some other distinct goods or non-insurance services.
The Group assesses its products to determine whether some of these components are distinct and need to be separated and accounted for applying other IFRS Accounting Standards. When these non-insurance components are non-distinct, they are accounted for together with the insurance component applying IFRS17.

The Group first considers the need to separate distinct embedded derivatives and investment components, before assessing the need to separate any goods and non-insurance services component.

iv. Subsequent measurement for direct participating contracts (accounted for under the VFA)
The following changes do not relate to future service and therefore do not adjust the CSM (refer to explanation of recognised insurance amounts in profit or loss for further details on the recognition of these amounts in profit or loss):

1. changes in the obligation to pay the policyholder an amount equal to the fair value of the underlying items;
2. changes in the fulfilment cash flows that do not vary with returns on the underlying items:
   a. changes in the liability for incurred claims related to past service; and
   b. experience adjustments arising from premiums received including related cash flows such as insurance acquisition cash flows, and experience adjustments related to incurred claims and administration expenses.

The following changes relate to future service and therefore adjust the CSM:

3. changes in the Group's share of the fair value of the underlying items, including any variances in the Group's share of the fair value returns on the underlying items in the reporting period, and changes that relate to the effect of and changes in the time value of money and financial risks;
4. changes in the fulfilment cash flows that do not vary with returns on the underlying items:
   a. changes related to the effect of and changes in the time value of money and financial risks, including the effect of financial guarantees (changes in TVOG);
   b. changes in estimates of the present value of future cash flows included in the liability for remaining coverage, excluding the impacts described above that do not adjust the CSM; and
   c. changes in the risk adjustment for non-financial risk that relate to future service.

The adjustments to the CSM are measured based on the current discount rates. The Group does not apply the risk mitigation option and therefore changes in time value of financial options and guarantees (TVOG) will adjust the CSM.

Risk Mitigation
In applying risk mitigation, the changes in the fulfilment cash flows arising from the minimum return guarantees on direct participating contracts do not adjust the CSM and are also reflected in profit or loss.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii Measurement of insurance contracts issued *(Continued)*

i. *Onerous contracts*
The Group considers an insurance contract to be onerous if the expected fulfilment cash flows allocated to the contract, any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow.

On initial recognition, the onerous assessment is done on an individual contract level assessing future expected cash flows on a probability-weighted basis including a risk adjustment for non-financial risk. Contracts expected on initial recognition to be loss-making are grouped together and such groups are measured and presented separately. Once contracts are allocated to a group, they are not re-allocated to another group, unless they are substantively modified. On initial recognition, the CSM of the group of onerous contracts is nil and the group's measurement consists entirely of fulfilment cash flows. A net outflow expected from a group of contracts determined to be onerous is considered to be the group's 'loss component'. It is initially calculated when the group is first considered to be onerous and is recognised at that date in profit or loss. The amount of the group's loss component is tracked for the purposes of presentation and subsequent measurement.

After the loss component is recognised, the Group allocates any subsequent changes in fulfilment cash flows of the LRC on a systematic basis between the loss component and the LRC excluding the loss component.

For groups of onerous contracts, without direct participating features, the Group uses locked-in discount rates. They are determined at initial recognition to calculate the changes in the estimate of future cash flows relating to future service (both changes in a loss component and reversals of a loss component).

For all issued contracts, other than those accounted for applying the PAA, the subsequent changes in the fulfilment cash flows of the LRC to be allocated are:
- Insurance finance income or expense;
- Changes in risk adjustment for non-financial risk recognised in profit or loss representing release from risk in the period; and
- Estimates of the present value of future cash flows for claims and expenses released from the LRC because of incurred insurance service expenses in the period.

The Group determines the systematic allocation of insurance service expenses incurred based on the percentage of loss component to the total fulfilment cash outflows included in the LRC, including the risk adjustment for nonfinancial risk, excluding any investment component amount.

The Group disaggregates the total finance income or expenses between profit or loss.

For any subsequent changes in the fulfilment cash flows of the LRC, the total of insurance finance income or expensesnis disaggregated between profit or loss and allocated on a systematic basis between the loss component and the 'LRC excluding the loss component'.

Any subsequent decreases in fulfilment cash flows relating to future service allocated to the group (arising from changes in estimates of future cash flows and the risk adjustments for non-financial risk) are allocated first to the loss component only. Once it is exhausted, any further decreases in fulfilment cash flows relating to future service results in the establishment of the group's CSM.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
vii Measurement of insurance contracts issued *(Continued)*

i. *Onerous contracts (Continued)*
For onerous groups of contracts, revenue is calculated as the amount of insurance service expenses expected at the beginning of the period that form part of revenue and reflects only:
- The change in the risk adjustment for non-financial risk due to expected release from risk in the period (excluding the amount systematically allocated to the loss component)
- The estimates of the present value of future cash flows related to claims expected to incur in the period (excluding the systematic allocation to the loss component)
- The allocation, based on the coverage units, of the portion of premiums that relates to the recovery of the insurance acquisition cash flows.

All these amounts are accounted for as a reduction of the LRC excluding the loss component.

The Group recognises amounts in insurance service expenses related to the loss component arising from:
- Changes in fulfilment cash flows arising from changes in estimates related to future service that establish or further increase the loss component;
- Subsequent decreases in fulfilment cash flows that relate to future service and reduce the loss component until it is exhausted;
- For direct participating contracts only, subsequent decreases in the entity's share of the fair value of the underlying items, that result in or further increase the loss component;
- For direct participating contracts only, subsequent increases in the entity's share of the fair value of the underlying items that reduce the loss component until it is exhausted; and
- Systematic allocation to the loss component arising both from changes in the risk adjustment for non-financial risk and from incurred insurance services expenses.

viii. Reinsurance contracts held

i. Recognition
The Group uses treaty reinsurance to mitigate some of its risk exposures. Reinsurance contracts held are accounted for applying IFRS 17 when they meet the definition of an insurance contract. This includes the condition that the contract must transfer significant insurance risk.

Reinsurance contracts transfer significant insurance risk only if they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract does not expose the issuer (reinsurer) to the possibility of a significant loss.

Reinsurance contracts held are accounted for separately from underlying insurance contracts issued and are assessed on an individual contract basis. In aggregating reinsurance contracts held, the Group determines portfolios in the same way as it determines portfolios of underlying insurance contracts issued. The Group considers that each product line reinsured at the ceding entity level to be a separate portfolio. The Group disaggregates a portfolio of its reinsurance contracts held into three groups of contracts:

- Any remaining reinsurance contracts held in the portfolio.

In determining the timing of initial recognition of a reinsurance contract held, the Group assesses whether the

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
viii. Reinsurance contracts held *(Continued)*

i. Recognition (Continued)
reinsurance contract's terms provide protection on losses on a proportionate basis. The Group recognises a group of reinsurance contracts held that provides proportionate coverage:
- At the start of the coverage period of that group of reinsurance contracts held; and
- At the initial recognition of any of the underlying insurance contracts, whichever is later.

The Group recognises a group of non-proportional reinsurance contracts at the earliest of the beginning of the coverage period of the group or the date an underlying onerous group of contracts is recognised.

The boundary of a reinsurance contract held includes cash flows resulting from the underlying contracts covered by the reinsurance contract held. This includes cash flows from insurance contracts that are expected to be issued by the Group in the future if these contracts are expected to be issued within the boundary of the reinsurance contract held.

Cash flows are within the boundary of a reinsurance contract held, if they arise from the substantive rights and obligations of the cedant that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

The Group measures quota share of corporate business reinsurance contracts by applying the PAA.

Under the PAA, the initial measurement of the asset for remaining coverage equals the reinsurance premium paid. The Group measures the amount relating to remaining service by allocating the premium paid over the coverage period of the group. For all reinsurance contracts held, the allocation is based on the passage of time, where the reinsurance contracts held covers a group of onerous underlying insurance contracts, the Group adjusts the carrying amount of the asset for remaining coverage and recognises a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group. The recognition of this gain results in the recognition for the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held.

Where the reinsurance contracts held covers a group of onerous underlying insurance contracts, the Group adjusts the carrying amount of the asset for remaining coverage and recognizes a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group. The recognition of this gain results in the recognition for the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held

ix. Investment contracts with discretionary participation features

The Group issues investment contracts with discretionary participation features (DPF). These provide the investor with the contractual right to receive a non-discretionary amount and, as a supplement to that amount, additional amounts that are expected to be a significant portion of the total contractual benefits based on the return of a specified pool of underlying items.

The Group recognises investment contracts with DPF at the date when the Group becomes a party to the contract.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*
ix. Investment contracts with discretionary participation features *(Continued)*

The investment contracts with DPF are aggregated in the same manner as insurance contracts. The Group identifies portfolios of such investment contracts with DPF. Within that portfolio, the Group aggregates them based on three expected profitability levels (groups of onerous contracts, groups of contracts that have no significant possibility of becoming onerous subsequently, and groups that are neither onerous nor have no significant possibility of becoming onerous subsequently). Groups only comprise of contracts issued not more than a year apart.

At initial recognition, similar to insurance contracts, the Group estimates the fulfilment cash flows based on the present value of expected future cash flows and a risk adjustment for non-financial risk. Any expected net inflows are accounted for as the initial CSM.

In estimating future cash flows, the Group considers the contract boundary which only includes cash flows if they result from a substantive obligation of the Group to deliver cash at a present or future date.

In estimating the risk adjustment for non-financial risk for investment contracts with DPF, the Group considers other non-financial risks, such as the risks arising from the contract holder behaviour, e.g. lapse risk and expense risk. The Group discounts cash flows using discount rates that reflect the characteristics of the fulfilment cash flows, including the extent of their dependency on the fair value of the underlying items.

The Group allocates the CSM over the group's whole duration period in a systematic way reflecting the transfer of investment services under a contract.

The Group measures investment contracts with DPF under the VFA/GM.

x. Modification and derecognition

The Group did not modify or derecognise any contracts.

xi. Presentation

The Group has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, and the portfolios of reinsurance contracts held that are assets and those that are liabilities.

The Group disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result sub-total that comprises insurance revenue and insurance service expenses and, separately from the insurance service result, the 'net insurance finance income or expenses' sub-total. The Group has voluntarily included the net insurance finance income or expenses line in another subtotal: net insurance and investment result, which also includes the income from all the assets backing the Group's insurance liabilities.

The Group includes any assets for insurance acquisition cash flows recognised before the corresponding groups of insurance contracts are recognised in the carrying amount of the related portfolios of insurance contracts issued.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*

xi. Presentation *(Continued)*

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non financial portion. It includes the entire change as part of the insurance service result.

The Group includes any assets for insurance acquisition cash flows recognised before the corresponding groups of insurance contracts are recognised in the carrying amount of the related portfolios of insurance contracts issued.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non financial portion. It includes the entire change as part of the insurance service result.

xii. Insurance revenue

Insurance revenue represents the changes in the liability for remaining coverage over the period for a group of insurance contracts excluding changes in the liability that do not relate to services expected to be covered by the consideration received. The consideration received refers to the amount of premiums paid to the Group, adjusted for the discounting effect and excluding any investment components. Investment components are amounts payable to the policyholder in all circumstances. The amount of insurance revenue recognised in the reporting period depicts the delivery of promised services at an amount that reflects the portion of premiums the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, the total consideration for a Group of contracts covers the following:

- expected claims and administration expenses incurred in the period (excluding amounts allocated to the loss component and excluding investment components payable in the period);
- amount of the CSM recognised in profit or loss;
- release of the risk adjustment for risk expired (excluding amounts allocated to the loss component);
- amounts related to income tax that are specifically chargeable to policyholders;
- premium experience adjustments relating to current service (including experience adjustments arising from related cash flows such as insurance acquisition cash flows); and
- amortisation of insurance acquisition cash flows.

For contracts measured under the PAA, insurance revenue for the period is the amount of expected premium receipts allocated to the period based on the passage of time. However, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then insurance revenue for the period is allocated on the basis of the expected timing of incurred insurance service expenses.

a. Insurance service expenses

The main components of insurance profits recognised in insurance service expenses are:

- the actual incurred claims and administration expense cash flows (excluding amounts allocated to the loss component and excluding investment components payable in the period);
- actual incurred acquisition expense cash flows on insurance contracts measured under the PAA (where businesses do not elect to include these cash flows in the liability for remaining coverage);
- expected future losses on onerous groups of contracts;
- the changes in liability for incurred claims relating to past service; and
- the amortisation of insurance acquisition cash flows for contracts not measured under the PAA.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*

xii. Insurance revenue *(Continued)*

a. Insurance service expenses (Continued)

The expense cash flows refer only to expenses which are directly attributable to fulfilling the insurance contracts. Non-attributable expenses will be recognised separately in profit or loss. The combined impact of insurance revenue and insurance service expenses will be presented as the insurance service result in profit or loss.

b. Income or expenses from reinsurance contracts held

The Group presents income or expenses from a group of reinsurance contracts held and reinsurance finance income or expenses in profit or loss for the period separately. Income or expenses from reinsurance contracts held are split into the following two amounts:

- Amount recovered from reinsurers;
- An allocation of the premiums paid; and
- Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

c. Insurance finance income and expenses

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk of a group of insurance contracts and a group of reinsurance contracts held. The Group recognises all insurance finance income or expenses for the reporting period in profit or loss. The Group has therefore elected not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. Under the GMM and PAA, the effect of and changes in financial risk form part of the insurance finance income and expenses. For groups of insurance contacts measured under the VFA, the fair value returns on the underlying items are recognised in insurance finance income and expenses. The changes in the risk adjustment for non-financial risk have been disaggregated between the insurance service result and insurance finance income and expenses.

(xiii). Investment income and insurance finance expenses

For PAA contracts

When applying the PAA, the Group does not discount the liability for remaining coverage to reflect the time value of money and financial risk for life insurance policies with a coverage period of one year or less. For those claims that the Group expects to be paid within one year or less from the date of incurrence, the Group does not adjust future cash flows for the time value of money and the effects of financial risks.

For non-participating contracts

For non-participating contracts whose cash flows are not affected by underlying items, the Group has elected to present all insurance finance income or expenses in profit or loss.

For quota-share life reinsurance contracts held measured applying the PAA, the Group does not adjusts the LRC for the time value of money for quota-share life reinsurance contracts held with a coverage period longer than one year. The Group elects to disaggregate presentation of insurance finance income or expenses. The amounts presented in profit or loss are based on the discount rates relating to nominal cash flows that do not vary based on the returns on any underlying items determined at the date of initial recognition of a group of contracts.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

f. Insurance and reinsurance contracts *(Continued)*

xiv. Contracts existing at transition date

IFRS17 requires that the Group applies the standard as if it has always been applicable. This means that a full retrospective approach be adopted. However, the Group applied the fair value approach for some group of contract as a fully retrospective approach was impracticable. The transition approach has been determined at a group of insurance contracts level. The Group elected to apply fair value approach for some group of contract, which was intended to achieve the closest possible outcome to the full retrospective application maximising the use of available information.

The transition approaches across the Group is summarised below:

- The Full retrospective approach has been applied to groups of contracts measured under the PAA.
- For contracts measured under the GMM or VFA, the start date for application of the full retrospective approach was dependant on the availability of historic data, assumptions and models. The fair value approach was applied to the remaining groups of contracts, including closed books of business.

Full retrospective approach

It is impracticable to adopt the full retrospective approach for groups of contracts at the date of transition if:

- the approach cannot be applied retrospectively after a reasonable effort was made by businesses to demonstrate that it will not be possible to collect the required information or create information where the required data is unavailable (for example, due to system migrations, data retention policies, and changes in requirements in terms of IFRS17); or
- hindsight is needed to determine the estimates at prior periods, i.e. the measurement of the fulfilment cash flows and CSM should apply management's estimates at that point in time, with only the information that would have been available at that point in time (for example, assessing the level of aggregation of contracts at the inception date, and if the estimates needed to determine the risk adjustment during periods where solvency information on the latest regulatory framework was not available).

Fair value approach

The fair value approach was applied where retrospective application is impracticable or if the modified retrospective approach is not applied. Under this approach the CSM (or loss component) is calculated as the difference between the fair value of the group of insurance contracts and the IFRS17 fulfilment cash flows. The fair value will be determined in accordance with IFRS13: *Fair Value Measurement*.

Taxation

Income tax specifically chargeable to policyholders

When income tax expenses are specifically chargeable to the policyholder under the terms of the contract, they are measured by applying IAS 12, and the Group includes those amounts in the fulfilment cash flows applying IFRS17. The Group accounts for them as a reduction in the liability for remaining coverage and recognises insurance revenue when incurred.

g. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to Malawi Kwacha at the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

g. Foreign currency *(Continued)*

xiv. Contracts existing at transition date *(Continued)*

are translated into Malawi Kwacha at the exchange rate (middle rate) at the date on which the fair value is determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate (middle rate) at the date of the transaction.

Monetary items denominated in foreign currencies at the reporting date are translated into Malawi Kwacha using the exchange rate at that date. Foreign currency differences arising on translation are generally recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Malawi Kwacha at exchange rates (mid-rate) ruling at the reporting date. The income and expenses of foreign operations are translated to Malawi Kwacha at average exchange rates during the year.

Exchange difference arising on the translation of the assets and liabilities of foreign operations are recognised directly in other comprehensive income and accumulated in equity in the translation reserve. When a foreign operation is disposed of in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Foreign exchange gains or losses arising from monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form a part of the net investment in foreign operation, are recognised directly in the foreign currency translation reserve.

h. Property and equipment

i. Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset.

ii. Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow. Ongoing repairs and maintenance expenses are expensed in profit or loss.

iii. Revaluation

Revaluations of buildings and freehold land is carried out with sufficient regularity such that the carrying amount does not differ materially from that, which would be determined using fair values at the reporting date

3. **Basis of preparation** *(Continued)*

3.5 **Material accounting policies infomation** *(Continued)*

h. **Property and equipment** *(Continued)*
xiv. Contracts existing at transition date *(Continued)*

iii. Revaluation (Continued)
as economic conditions dictate, by independent valuers. Surpluses on revaluations are recognised in other comprehensive income in the revaluation reserve. On disposal of the asset, the appropriate portion of the reserve is transferred to retained earnings. Revaluation decreases are charged to the profit or loss except to the extent that they relate to revaluation surpluses previously transferred to the revaluation reserve. An amount equivalent to the additional depreciation arising from revaluations is transferred annually, net of deferred tax, from the revaluation reserve to retained earnings. The revaluation reserve is a non-distributable reserve and is not available for distribution as a dividend.

iv. Depreciation recognised
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. Land is not depreciated.

The estimated useful lives for current and comparative periods are as follows:
- Freehold buildings 40 years
- Leasehold buildings40 years or over the lease period if less than 40 years
- Motor vehicles 5 years
- Furniture and equipment3-10 years

The residual value, useful life and method of depreciation are reviewed at each reporting date and adjusted if appropriate.

v. 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.

i. Leases
A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period in return for a payment or series of payments.

i. The Group as lessee
The Group assesses whether a contract is or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS16.

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 at the lease commencement date, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (those whose value is below the capitalisation threshold). 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.

3. **Basis of preparation** *(Continued)*

3.5 **Material accounting policies infomation** *(Continued)*

i. Leases *(Continued)*

i. The Group as lessee *(Continued)*
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. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments;
- 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 and 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 right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses (in accordance with IAS 36), if any, and adjusted for certain remeasurements of the lease liability.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

i. Leases *(Continued)*

i. The Group as lessee *(Continued)*
The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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 "Administrative expenses" in profit or loss.

ii. The Group as lessor
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.

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

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

When a contract includes both lease and non-lease components, the Group applies IFRS15 to allocate the consideration under the contract to each component.

j. Intangible assets

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

Subsequent expenditure on software is capitalised only if it is probable that the expected future economic benefits that are attributable to the asset flow to the Group and the cost of the asset can be measured reliably. 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.

The estimated useful life of software is 4-8 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

k. Financial instruments

Financial assets
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial assets *(Continued)*

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

i. Classification and initial measurement of financial assets
Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
- Amortised cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVOCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS15.

ii. Subsequent measurement of financial assets
Subsequently, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments not held for trading); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial assets *(Continued)*
ii. Subsequent measurement of financial assets *(Continued)*
Financial assets at amortised cost (debt instruments) *(Continued)*

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

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

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

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

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income calculated using the effective interest method, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial assets *(Continued)*
ii. Subsequent measurement of financial assets *(Continued)*
Financial assets at fair value through OCI (debt instruments) *(Continued)*

value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)
On initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments:* Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

Gains and losses arising from changes in fair value of these financial assets are recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss no disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS9 except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:
- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial assets *(Continued)*
ii. Subsequent measurement of financial assets *(Continued)*
Financial assets designated at fair value through OCI (equity instruments) *(Continued)*

gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial.

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

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

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

The Group always recognises lifetime ECL for its financial instruments unless there has been no significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Both Lifetime ECL and 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

iv. Significant increase in credit risk
The Group performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. In assessing whether the credit risk on a

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial assets *(Continued)*
iv. Significant increase in credit risks *(Continued)*

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

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

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

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

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

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

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

The Group considers a financial asset to have low credit risk where the borrower has a strong capacity to meet their contractual obligations in the near term and adverse changes in economic and business conditions in the longer term may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It also considers assets in the investment grade category to be low credit risk assets.

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial assets *(Continued)*
iv. Significant increase in credit risks *(Continued)*

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

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

v. Definition of default
The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

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

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

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

viii. Measurement and recognition of expected credit losses
The measurement of expected credit losses for the group is based on Markov model approach for non-

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial assets *(Continued)*
viii. Measurement and recognition of expected credit losses *(Continued)*

mortgage loan portfolio and rules based model for the mortgage loan portfolio, overdraft and credit cards. The following are major components of measuring the expected credit losses;

- **PD** – The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The 12–month and lifetime PDs of a financial instrument represent the probability of a default occurring over the next 12 months and over its expected lifetime respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

- **EAD** – The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. As for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

  The Group's modelling approach for EAD reflects current contractual terms of principal and interest payments, contractual maturity date and expected utilisation of undrawn limits on revolving facilities and irrevocable off–balance sheet commitments.

- **LGD** – The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. LGD estimates are based on historical loss data.

  When estimating the ECL, the Group considers the stages in which an asset is and also whether there has been a SICR. Each of the stages and the specific conditions of the assets is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure. The stages considered are as described below;

- **Stage 1:** Stage 1 financial instruments are those whose credit risk is low or has improved hence reclassified from Stage 2. Reclassifications from Stage 2 are however subject to 'cooling off' period of 3 months. The Group calculates 12-months ECL for this stage based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR;

- **Stage 2:** When financial instruments have shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECL. The calculation is done as explained under stage 1 above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. Stage 2 financial instruments also include those whose credit risk has improved hence has been reclassified from Stage 3. Reclassifications from stage 3 are however subject to a 'cooling off" period of 3 months;

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial assets *(Continued)*
viii. Measurement and recognition of expected credit losses *(Continued)*

- **Stage 3:** financial instruments under this stage are considered credit-impaired. The Group records an allowance for the Lifetime ECLs.

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

For overdrafts, revolving facilities that include both a loan and an undrawn commitment and loans commitments, ECLs are calculated and presented together with the loans and advances.

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

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

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

The Group uses multiple scenarios to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

Low risk assets
In applying the IFRS9 model, the Group identified the following as assets having a low credit risk:
1. Malawi Government Securities;
2. Interbank Placements; and
3. Other trading and non-trading receivables.

The Group evaluated both internal and external factors related to the assets and concluded that as at the

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial assets *(Continued)*
ix. Forward-looking information *(Continued)*

Low risk assets *(Continued)*
reporting date the risk of default for these assets was low, the borrowers had a strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but would not necessarily, reduce the ability of the borrowers to fulfil their contractual cash flow obligations.

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

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

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial assets *(Continued)*
xi. Modification of financial assets *(Continued)*

- Qualitative factors, such as contractual cash flows after modification are no longer solely payments of Principal and Interest (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. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition.

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

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

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

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

xii. De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial assets *(Continued)*
xii. De-recognition of financial assets *(Continued*

derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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

Financial liabilities and equity

i. Classification as debt or equity

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

ii. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

iii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

k. Financial instruments *(Continued)*
Financial liabilities and equity *(Continued)*

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not:

i. contingent consideration of an acquirer in a business combination;
ii. held-for-trading; or
iii. designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'finance costs" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

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

De-recognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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

m. Non-financial assets
The carrying amount of the company'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 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 entity that generates cash flows that largely is independent from other assets and entity's. Impairment losses are recognised in profit or loss.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

m. Non-financial assets *(Continued)*

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 unit (entity of 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 amortization, if no impairment loss had been recognised.

n. Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

o. Investment property
Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purposes. Investment property is measured at cost on initial recognition.

Subsequently, investment property is measured at fair value as determined by an independent registered valuer.

Any gain or loss arising from a change in fair value is recognised in profit or loss.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral as an integral part of the total rental income over the term of the lease.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property and equipment is sold, any related amount included in revaluation reserve is transferred to retained earnings.

When the use of property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Reclassification to investment property
When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain on this remeasurement is recognised in profit or

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

o. Investment property *(Continued)*

loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in revaluation surplus for that property, the decrease is recognised in other comprehensive income and reduces the revaluation surplus within equity.

p. Inventories

Consumable stock is measured at the lower of cost and net realisable value. Costs are based on the first-in-first out principle and include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

q. Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither the accounting or taxable profit or loss;
- differences relating to investments in subsidiaries and associates to the extent that it is probable that the Group is able to control the timing of the reversal of the temporary differences and it is probable they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

r. Employee benefits

i. Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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 estimated reliably.

ii. Defined contribution plans

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

The Group contributes to a number of defined contributions pension schemes on behalf of its employees. The pension cost is recognised in the period it is incurred. Contributions to the funds are based on a percentage of the payroll and are charged against profits as incurred. Obligations for contributions to these plans are recognised as employee benefit expenses in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

iii. Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

s. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Where new equity shares have been issued by way of capitalisation or subdivision, the profit is apportioned over the shares in issue after the capitalisation or subdivision and the corresponding figures for all earlier periods are adjusted accordingly.

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

t. Finance costs

Finance costs comprising of interest expense on interest bearing loans, and borrowing is recognised in profit or loss using the effective interest method.

u. Loans and advances

Loans and advances to customers from the banking business 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.

Loans and advances are initially measured at fair value plus incremental direct transaction costs. Subsequent to initial recognition, loans and advances are measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

3. Basis of preparation *(Continued)*

3.5 Material accounting policies infomation *(Continued)*

v. Other receivables

Other receivables comprise prepayments, cheques in course of collection, accrued income, staff loans and advances. Other receivables that are financial assets are measured at amortised cost using the effective interest method less impairment losses.

w. Non-financial assets

Carrying amounts of non-financial assets, other than investment property, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indications arise, then the asset recoverable amount is estimated. An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the 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 risk specific to the assets.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that is largely independent of the cash inflows of other assets or cash generating units.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that a 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 accumulated depreciation or amortisation, if no impairment loss had been recognised.

x. 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.

y. Investment – linked insurance funds

The Group has elected to carry investments in associated undertakings held by investment insurance funds at fair value through profit or loss. Investment in associated undertakings are valued using appropriate valuation techniques. These techniques may include price earnings multiples, discounted cash flows or the adjusted value of similar completed transactions.

The group has elected to measure its investments in Blantyre Hotels plc and ICON Properties plc at fair value through profit or loss.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

4. Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

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.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note 4.2 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 the consolidated financial statements.

4.1.1 Business model assessment

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

4.1.2 Significant increase in credit risk

As explained in note 3, Expected Credit Losses (ECL) are measured as an allowance equal to 12 month ECL for stage 1 assets, or life time ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information as disclosed in Note 42.4.14.

4.1.3 Establishing groups of assets with similar credit risk characteristics

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

4.1.4 Models and assumptions used

The 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 risk.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

4. Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

4.1 Critical judgements in applying accounting policies *(Continued)*

4.1.5 Forward looking information

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

The Group uses multiple scenarios to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

4.1.6 Determination of life of revolving credit facilities

The Group measures ECL considering the risk of default over the maximum contractual period. 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.

4.1.7 Assessment of significance of insurance risk:

The Company applies its judgement in assessing whether a contract transfers to the issuer significant insurance risk. A contract transfers significant insurance risk only if an insured event could cause the Company to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely. The assessment of whether additional amounts payable on the occurrence of an insured event are significant and whether there is any scenario with commercial substance in which the issuer has a possibility of a loss on a present value basis involves significant judgement and is performed at initial recognition on a contract-by-contract basis. The type of contracts where this judgement is required are those that transfer financial and insurance risk and result in the latter being the smaller benefit provided.

4.1.8 Consideration whether there are investment components:

The Company considers all terms of contracts it issues to determine whether there are amounts payable to the policyholder in all circumstances, regardless of contract cancellation, maturity, and the occurrence or non-occurrence of an insured event. Some amounts, once paid by the policyholder, are repayable to the policyholder in all circumstances. The Company considers such payments to meet the definition of an investment component, irrespective of whether the amount repayable varies over the term of the contract as the amount is repayable only after it has first been paid by the policyholder.

4.1.9 Determination of the contract boundary

The determination of the contract boundary of an insurance contract is not an area of significant judgement for the Group. For reinsurance contracts held, the Group's agreements with reinsurers include terms for the cancellation of new underlying business with notice periods typically ranging between three and six months.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

4. Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

4.1 Critical judgements in applying accounting policies *(Continued)*

4.1.9 Determination of the contract boundary *(Continued)*

The group has applied judgement to assess that estimates of future cash flows arising from new underlying contracts expected to be issued after the reporting date but within the notice period for the cancellation of this business, are either immaterial for the group or relate to future reinsurance contracts, and are therefore not included in the measurement of the reinsurance contracts held.

4.1.10 Expenses

The Group applies judgement by taking a broad view of attributable expenses where it is reasonable and supportable. These costs are determined by using functional cost analysis techniques.

Furthermore, the Group applies judgement to assess whether expected investment management expenses for insurance contracts without underlying items (measured under the GMM) should be included in the fulfilment cash flows and therefore, whether investment activity performed by the businesses enhances benefits from insurance coverage for policyholders.

4.1.11 Inflation assumptions

The Group applies judgement to determine whether changes in inflation assumptions are related to financial risk or non-financial risk. Inflation assumptions that are based on market observable rates are related to financial risk, with changes in fulfilment cash flows as a result of updates to these assumptions being presented in insurance finance income or expenses. Inflation assumptions that are based on the Group's expectation of inflation (for example based on analysts or insurance bodies' views of country inflation) are treated as assumptions that are related to non-financial risk, with changes in fulfilment cash flows as a result of updates to these assumptions adjusting the contractual service margin (CSM). In general, changes in inflation assumptions in the group are related to financial risk. Changes in inflation assumptions related to non-financial risk are an exception to this general rule.

4.1.12 Bonus rate assumptions

Separate asset portfolios are maintained in support of insurance liabilities for each of the major product lines of life insurance – savings business, each portfolio having an asset mix appropriate for the specific product. Bonus rates are declared for each class of relevant savings business in relation to the funding level of each portfolio and the expected future investment return on the assets of the particular investment portfolio.

The Group considers contractual, legal and regulatory restrictions when making its assessment and applies judgement to decide whether these restrictions have commercial substance.

4.1.13 Identification of portfolios:

The Group defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires thexercise of judgement.

4.1.14 Premium experience adjustments

The experience adjustments arising from premiums received (including related cash flows such as insurance acquisition cash flows) that do not vary based on the returns on underlying items, adjust the CSM if related to future service, or such amounts are recognised in insurance revenue in the reporting period if related to current (or past) service.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

4. Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

4.1 Critical judgements in applying accounting policies *(Continued*

4.1.14 Premium experience adjustments *(Continued)*

The Group applies judgement to determine whether these experience adjustments are related to current (or past) or future service. The premium-related experience adjustments typically relate to current (or past) service. Experience adjustments relating to premiums received for future coverage are an exception to this general rule. Such an example is where the premium experience adjustments have a direct impact on the value of future benefits payable to policyholders, resulting in the experience adjustments and the changes in the estimates of the future cash flows to largely offset when adjusting the CSM.

4.1.15 Premium allocation approach (PAA) eligibility;

The Group applies the PAA to measure a group of insurance contracts issued or reinsurance contracts held if, at inception of the group of contracts: the coverage period of each contract in the group of insurance contracts is one year or less; or the group reasonably expects that the PAA would produce a measurement of the liability or asset for remaining coverage for a group of insurance contracts that would not differ materially from the measurement that would be achieved by applying the requirements of the General Measurement Model (GMM). Where the coverage period is greater than one year, the Group will use judgement to assess the appropriateness of the PAA measurement model as follows:

- Project the fulfilment cash flows of the group of insurance contracts and take into account the time value of money where the time between providing each part of the services and the related premium is more than a year.
- Determine the projected liability or asset for remaining coverage under the PAA at each projected time period (initial recognition and subsequent measurement at our external reporting frequency, i.e. half-yearly or annually).
- Determine the liability or asset for remaining coverage under the GMM (including the contractual service margin (CSM)) at initial recognition as well as subsequent measurement. The Group use judgement as described in section below to determine the fulfilment cash flows and CSM at each projection point.
- At each projection point, the difference between the liability or asset for remaining coverage under the PAA and GMM is determined ("the difference").
- The difference is compared to the pre-determined materiality threshold (relative measure) at each point in time.
- Where the difference does not exceed the determined threshold (at any time) then the group passes the PAA eligibility test (for the base scenario).
- The Group will perform scenario testing using the above process to ensure differences remain immaterial. Scenario testing will be performed at least annually, by updating the projected fulfilment cash flows under reasonably expected scenarios, which would affect cash flow variability. The group applies judgement in calibrating these scenarios for changes in market and non-market variables based on management's view of the key changes affecting cash flow and liability variability for each portfolio of insurance contracts.

Judgement will be applied to define relative materiality thresholds for each portfolio based on ensuring that the combined absolute impacts of all groups of insurance contracts with coverage periods longer than a year applying the PAA, falls within an absolute measure of materiality for each future year.

4.1.16 Variable fee approach (VFA) eligibility:

The Group applies the VFA to life insurance savings business for insurance contracts with direct participation features that are substantially investment-related. The group applies judgement to assess on the initial recognition of the contracts, whether:

(a) a substantial share of the fair value returns on the underlying items is expected to be paid to the policyholders; and

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

4. Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

4.1 Critical judgements in applying accounting policies *(Continued*

4.1.16 Variable fee approach (VFA) eligibility:

(b) a substantial proportion of any change in the amounts to be paid to the policyholders is expected to vary with the change in fair value of the underlying items.

The assumed threshold for "substantial share" and "substantial proportion" is in excess of 50%. The Group has applied judgement to conclude that assessments can be performed for groups of homogeneous contracts with similar contract features/terms based on readily available qualitative or quantitative information for investment contracts with DPF (with no significant insurance risk), and other market-linked savings contracts where minimum investment guarantees and/or rider benefits create significant insurance risk. The group has performed quantitative assessments on an individual contract level for the material lines of Universal life insurance business where the relative significance of the insurance and investment components can vary based on the benefit selections made by each policyholder.

The assessment of criteria (a) considers the "pass-through" nature of the returns on the underlying item, and therefore excludes any benefits not payable from the underlying, such as fixed insurance benefits in excess of the investment components payable on death. Any deduction of a charge from the underlying item for insurance benefits (including for any waiver of premium) is included in the share of the returns to be paid to the policyholder as it forms part of the policyholder's share.

The assessment of criteria (b) considers how much of the total benefits payable to the policyholder will vary with changes in underlying items, including benefits that do not vary with the returns on underlying items in all scenarios (such as fixed insurance benefits). The assessment therefore considers whether on average the changes in the total amounts payable to policyholders are substantially related to the changes in the fair value of the underlying items based on testing the impact on this relationship for different scenarios where market/ non-market variables are adjusted.

4.1.17 Aggregation:

The identification of portfolios of insurance contracts is driven by how the business is managed, with broad product lines being managed together and subject to similar risks. This could result in contracts allocated to a portfolio being measured under the VFA, and other contracts allocated to the same portfolio being measured under GMM. Contracts within a portfolio are subject to "similar risks" if the risks are non-offsetting and respond similarly to changes in key assumptions.

The Group applies judgement to assess whether reasonable and supportable information is available to allocate a set of contracts to the same group of onerous contracts, for example, based on policyholder pricing groups and other internal management information. Where reasonable and supportable information is not available to identify a set of onerous contracts, this assessment is performed at an individual contract level. The individual contract assessments can be performed on an adjusted expense allocation basis for aggregation purposes where it can be justified as a systematic and rationale basis for allocating the expenses included in the fulfilment cash flows to a group of insurance contracts.

Insurance contracts have typically been allocated to annual cohorts which align with annual financial periods (i.e. the group will add more contracts to an annual cohort after the end of an interim reporting period, where relevant), except for non-participating life annuities where insurance contracts have typically been allocated to monthly cohorts due to the sensitivity of pricing to changes in financial risk.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

4. Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

4.1 Critical judgements in applying accounting policies *(Continued*

4.1.18 Coverage units:
The Group selects the appropriate method on a portfolio-by-portfolio basis. In determining the appropriate method, the Group considers the likelihood of insured events occurring to the extent that they affect expected period of coverage in the group, different levels of service across the period and the quantity of benefits expected to be received by the policyholder. For contracts providing both insurance coverage and investment-related services or both insurance coverage and investment-return services, the Group exercises judgement in determining the scaling factor applied in the weighting of benefits determined at initial recognition. The weights are recalculated in each subsequent period, reflecting historical experience and changes in assumptions for future periods that are determined at the reporting date. •

4.1.19 Loss recovery component (LRC) for reinsurance contracts held:
The group applies judgement in determining the LRC ratio. The LRC ratio is determined as the present value of the future expected claims recovery cash flows of the group of reinsurance contracts held divided by the present value of the future expected claims cash flows of the underlying insurance contracts.

4.1.20 Deferred taxation on investment properties
For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised any deferred taxes on changes in fair value of investment properties as the Group is subject to income taxes on the fair value changes of the investment properties on disposal.

4.1.22 Income taxes
Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4.2 Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Residual values and useful lives of tangible assets
The estimated residual values and useful lives of property, plant and equipment are reviewed and adjusted, if appropriate, at each reporting date to reflect current thinking on their remaining lives in the light of technological change, prospective economic utilisation and physical conditions of the assets concerned as described in note 3.5 (h).

4.2.2 Fair value measurements and valuation processes
Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data (level 1 inputs)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

4. Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

4.2 Key sources of estimation uncertainty *(Continued*

4.2.2 Fair value measurements and valuation processes *(Continued)*
to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs into the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the notes specific to those assets or liabilities.

Determination of fair values

(i) Investment property
An external, independent valuation Group, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment properties every year.

The fair value measurement for all of the investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

(ii) Financial instruments designated at fair value through profit or loss and/or other comprehensive income
The financial instruments designated at fair value through profit or loss and/or other comprehensive income are determined with reference to their quoted closing bid prices at the measurement date, or if unquoted, determined using a valuation technique that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Valuation techniques employed include market principles and discounted cash flow analysis using expected future cash flows and a market related discount rate, comparison to similar instruments for which market observable prices exist and other valuation models.

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

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

Key assumptions used:

a. Cash flows arising from repayment agreement are aggregated over yearly intervals and assumed to arise at the end of the period;
b. Where there is an agreement but no security in place and cash flows in the subsequent years are doubtful, total future estimated cash flows are assumed to be nil;
c. Unsupported guarantees are assumed to result in nil cash flows; and

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

4. Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

4.2 Key sources of estimation uncertainty *(Continued*

4.2.1 Impairment testing *(Continued)*

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

4.2.2 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.

4.2.3 Probability of Default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4.2.4 Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

4.2.5 Insurance contract assets and liabilities and reinsurance contract assets and liabilities

By applying IFRS17 to measurement of insurance contracts issued (including investment contracts with DPF) and reinsurance contracts held, the Group has made estimations in the following key areas. They form part of the overall balances of insurance contract assets and liabilities and reinsurance contract assets and liabilities:

- Future cash flows;
- Discount rates;
- Allocation rate for insurance finance income or expenses;
- Risk adjustment for non-financial risk; and
- Allocation of asset for insurance acquisition cash flows to current and future groups of contracts.
  Every area, including the Group's estimation methods and assumptions used and other sources of estimation uncertainty are discussed below. At 31/12/2023 the Group's total carrying amount of:
- Insurance contracts issued that are assets was K nil (31/12/2022: Nil);
- Insurance contracts issued that are liabilities was K653 billion (31/12/2022: K458 billion);
- Reinsurance contracts issued that are liabilities was K305 million (31/12/2022 K5 million); and
- Reinsurance contracts held that are assets was K42 billion (31/12/2022: K 30 million).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

4. Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

4.2 Key sources of estimation uncertainty *(Continued*

4.2.6 Insurance contract assets and liabilities and reinsurance contract assets and liabilities

Sensitivity analysis of carrying amounts to changes in assumptions

2023

Description	Insurance Contract Liabilities	Insurance Contract Assets	Reinsurance Contract	Reinsurance Contract Liabilities
Mortality +5%	596 298 751		-	305 000
Mortality -5%	595 903 199		-	305 000
Expenses +10%	596 708 874		-	305 000
Expenses -10%	596 460 581		-	305 000
Lapse Rate +10%	596 140 972		-	305 000
Lapse Rate -10%	596 289 853		-	305 000
Interest Rate +1%	596 307 739		-	305 000
Interest Rate -1%	554 351 935		-	305 000

2022

Description	Insurance Contract Liabilities	Insurance Contract Assets	Reinsurance Contract	Reinsurance Contract Liabilities
Mortality +5%	418 920 855		-	5 000
Mortality -5%	418 642 612		-	5 000
Expenses +10%	419 209 365		-	5 000
Expenses -10%	419 073 210		-	5 000
Lapse Rate +10%	418 773 519		-	5 000
Lapse Rate -10%	418 908 178		-	5 000
Interest Rate +1%	418 933 661		-	5 000
Interest Rate -1%	389 439 005		-	5 000

4.2.7 Technique for estimation of future cash flows

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the Group. Estimates of future cash flows incorporate in an unbiased way all reasonable and supportable information that is available without incurring undue cost or effort. This information includes internal and external historical information about claims and other experience, adjusted to allow for expected future changes in experience. Estimates of future cash flows therefore reflect the Group's current view of prevailing conditions. Market variables are consistent with current observable market prices. Changes in legislation that affect estimates of future cash flows are only allowed for once substantively enacted.

4. Critical accounting judgements and key sources of estimation uncertainty *(Continued)*

4.2 Key sources of estimation uncertainty *(Continued*

4.2.8 Method of estimating discount rates

The Group applies a bottom-up approach to determine discount rates applied to future cash flows for insurance contracts. Estimates of future cash flows that do not vary with investment returns on underlying items are discounted using a risk-free yield curve, adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. Risk-free rates are determined based on the market observable yield curves for government bonds, with extrapolation between the last available market point and an ultimate forward rate, considering long-term real interest rate and inflation expectations. Long-term inflation expectations are used to construct yield curves for markets where observable market data is not available.

The Group applies judgement to determine the point estimate illiquidity premium added to the risk-free yield curve to reflect the liquidity characteristics of the insurance contracts. An illiquidity premium is estimated for each portfolio of insurance contracts where relevant. Insurance contracts such as non-participating life annuities and income protection incurred claims that cannot be surrendered or lapsed, are illiquid. Illiquidity premiums are generally determined by comparing the spread on corporate bonds with the spread on credit default swap (CDSs).

4.2.9 Risk adjustment for non-financial risk

The risk adjustment is the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk. The main sources of non-financial risk are the estimates related to decrement rates for mortality and morbidity, persistency rates and expenses. Adjustments for financial risks are included either in the estimates of future cash flows or in the discount rates and are therefore excluded from the risk adjustment. Operational risk will be excluded from the risk adjustment as it is mainly related to general operational risk that cannot be directly attributed to the fulfilment of the insurance contracts.

The Group used the following yield curves to discount the cashflows

2023	Currency	1 year	5 years	10 years	20 years	30 years
Life	MWK	25.40%	33.98%	44.12%	24.18%	18.17%
Investment Contracts with Discretionary Participating Features	MWK	25.40%	33.98%	44.14%	25.92%	20.37%

2022	Currency	1 year	5 years	10 years	20 years	30 years
Life	MWK	20.44%	29.17%	36.21%	20.73%	15.97/%
Investment Contracts with Discretionary Participating Features	MWK	20.44%	29.17%	36.21%	22.41%	18.12%

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
5. Cash and cash equivalents				
Cash and bank balances	15 724 881	16 437 984	3 874 121	5 976 872
Balance with the Reserve Bank of Malawi excluding mandatory reserve balance	9 971 733	2 695 015	-	-
Mandatory reserve deposits with the Reserve Bank of Malawi	38 729 539	12 409 224	-	-
Balances with other banks	43 630 468	10 183 107	-	-
Short term deposits	74 325 221	54 799 785	10 176 438	3665 284
Cash and cash equivalents	182 381 842	96 525 115	14 050 559	9 642 156

Balances with the Reserve Bank of Malawi are held at a zero interest rate. Balances due from other banks relate to bank balances with correspondent banks on which interest rate of 0.5% per annum is earned. Interest rate on bank balances was 2% (2022: 1%) and for short term deposits at an average rate of 14%-22% (2022: 13.8%).

6. Short term investments

Short term investments have been recognized at a net of expected credit loss. Expected credit loss for the investments has been disclosed in note 42.4.1.

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
a. Financial assets carried at amortised cost				
Government securities (note 14)	6 201 445	4 820 632	-	-

Interest rates for Government securities ranged from 22% to 31% per annum (2022: 17.58% to 27.5%).

b. Placements

	Group 2023 K'000	Group 2022 K'000
NICO Asset Managers Limited	10 275 271	10 292 621
Reserve Bank of Malawi	51 296 330	36 966 378
First Capital Bank plc	7 313 800	
First Discount House Limited	5 009 452	-
Centenary Bank Limited	3 005 671	-
ECO Bank Limited	8 428 357	2 053 092
National Bank of Malawi plc	-	5 004 110
Total placements	85 328 881	54 316 201

Placements earned average interest rate of 22% (2022: 10.7%). Most of the placements for 2022 were in foreign currency hence a lower yield rate.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

	Group	
	2023	2022
	K'000	K'000
7. Loans and advances to customers		
Loans and overdrafts	152 874 239	135 004 056
Lease receivables	2 433 769	1 426 777
Mortgage advances	6 999 193	4 763 821
Total gross loans and advances	162 307 201	141 194 654
Expected credit losses (note 42.4.1)	(8 490 761)	(3 398 534)
Net loans and advances	153 816 440	137 796 120

Gross loans and advances are due to mature as follows:

Period	2023 Exposure (K'000)	2022 Exposure (K'000)
Within 1 Year	43 326 037	49 391 026
2-3 Years	38 189 940	38 638 424
3-5 Years	71 981 748	48 469 566
5-10 Years	3 686 725	1 837 733
After 10 Years	5 122 751	2 857 405
Total	**162 307 201**	**141 194 154**

Movement on allowance for impairment:		
At beginning of the year	3 398 534	2 989 257
Amounts written off	-	(2 567 193)
Increase in impairment loss net of recoveries	5 718 988	3 465 678
Previous amounts written off recovered	(626 761)	(489 208)
	8 490 761	3 398 534

The staging analysis of expected credit losses is part of note 42.4. .

The loans and advances to customers are mainly from the Group's banking business. The Bank applies risk-based pricing on its products. The price is linked to the reference rate (previously base lending rate) with an interest spread of 0 to plus 13.5%. The applicable base lending rate /reference rate averaged 17.3% and 20.7% for 2022 and 2023 respectively.

Finance lease receivables

The Group is the lessor for leases of property and equipment.

Gross investment in finance lease receivables:

	Group	
	2023	2022
	K'000	K'000
Less than one year	127 482	217 669
Between one and five years	2 880 995	2 012 515
	3 008 477	2 230 183

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

7. Loans and advances to customers *(Continued)*

Finance lease receivables *(Continued)*
Gross investment in finance lease receivables *(Continued)*

	Group	
	2023	2022
	K'000	K'000
Unearned finance income	(574 708)	(803 406)
Net investment in finance leases	2 433 769	1 426 777
Net investment in finance leases receivable:		
Less than one year	103 141	180 637
Between one and five years	2 330 628	1 246 140
	2 433 769	1 426 777

General terms

The Group's banking business offers asset finance for both new and used assets, the finance period being a minimum of 6 months and maximum of 60 months. The interest rate charges are risk based and the facilities are secured through the financed assets and in some occasions additional security is required.

	Group		Company	
	2023	2022	2023	2022
	K'000	K'000 Restated	K'000	K'000
8. Income tax expense				
Recognised in profit or loss				
a. Current tax expense				
Current year tax at 30% (2022: 37%)	24 762 637	10 739 583	-	-
Temporary differences (note 12)	(997 578)	(265 762)	-	-
Dividend tax at 10% (2022: 10%)	1 259 074	1 015 743	1 204 572	498 881
	25 024 133	11 489 564	1 204 572	498 881
b. Reconciliation of tax charge				
Profit before income tax expense	84 101 613	48 494 977	14 835 556	6 511 816
Income tax at 30%	25 230 484	14 548 493	4 450 667	1 953 545
Effect of permanent differences **	(1 465 425)	(4 074 672)	(4 450 667)	(1 953 545)
Dividend tax	1 259 074	1 015 743	1 204 572	498 881
	25 024 133	11 489 564	1 204 572	498 881
The effective tax rate	30%	24%		

**These mainly relate to tax effect of exempt life insurance profits, dividend income and other disallowable income and expenses.

c. Tax payable/ (recoverable)				
Balance at 1 January	(4 298 689)	(4 070 368)	(1 349 588)	(1 126 206)
Charge for the year	30 729 160	15 717 341	1 204 572	498 881
Prior year adjustment	51 638	(222 919)		-
Tax paid	(25 152 896)	(15 686 337)	(709 811)	(722 263)
Exchange rate differences	(159 000)	(36 406)	-	-
Balance as at 31 December	1 170 213	(4 298 689)	(854 827)	(1 349 588)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

Under the Malawi Taxation Act it is not possible to transfer tax losses from one subsidiary to another.

		Group		Company	
		2023	2022	2023	2022
		K'000	K'000 Restated	K'000	K'000
9a.	**Other receivables**				
	Accrued investment income	802 531	1 774 045	350 504	347 982
	Staff loans and advances	824 062	332 180	71 173	64 281
	Prepayments	2 529 529	2 424 317	71 784	54 633
	Sundry receivables - Refer to Note 1.1	9 538 378	6 776 712	128 456	73 036
	Rent receivable	2 66 893	185 728	-	-
	Total	15 961 393	11 492 982	621 917	539 932

Sundry receivables include receivables amount of K1.5 billion (2022: K400 million), from local authority of which amount is recoverable through government and K800 million prepayment from mobile money transactions. It also includes unclaimed withholding taxes of K2.1 billion (2022: K2.0 billion), receivable proceeds from sale of land K297 million (2022: K297 million), and loans to policy holders K411 million (K291 million). Loans to policy holders are given only to policies that qualify for surrender value and the loan is capped at 70% of surrender value.

		2023	2022	2023	2022
		K'000	K'000	K'000	K'000
9b.	**Client funds under management**	170 613 700	134 738 817	-	-
	Movement in allowance for impairment				
	At the beginning of the year	2 151 308	1 286 950	-	-
	Net (decrease)/increase in allowance for credit losses	(2 151 308)	864 358	-	-
	At the end of the year	-	2 151 308	-	-

The directors made an assessment of expected credit losses and policy holder loans and noted that the expected credit losses were immaterial.

Clients funds under management are third party funds invested by NICO Nominees. The related payable balances are included in note 22 to these consolidated and separate financial statements. Client funds under management earned an average interest of 21.18% (2022: 16.84%).

All of other receivables are recoverable within one year. No interest is charged on outstanding other receivables. The directors believe that the carrying amounts of the other receivables approximates their fair values.

		2023	2022
		K'000	K'000
10.	**Inventories**		
	Consumables	562 376	213 841
	Less: provision for obsolete inventories	(1 672)	(1 672)
	Balance at 31 December	560 704	212 169

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

11. Amounts due from/(to) related parties

The Group's related parties include directors, executive officers, subsidiaries, associates and immediate and ultimate parent companies.

Banking business

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

	Directors and their related parties 2023	Employees 2023	Directors and their related parties 2022	Employees 2022
	K'000	K'000	K'000	K'000
Advances	222 101	8 026 788	246 014	6 443 307
Deposits	(13 392)	(822 917)	(12 034)	(379 596)
Net balances	208 709	7 203 871	233 980	6 063 711

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

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

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

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

Executive Directors also participate in the Company's share option programme (refer to note 44). As at 31 December 2023, the total number of shares of the Company owned by the Executive Director through the Company's share option program was Nil (2022: Nil).

11. Amounts due from/(to) related parties *(Continued)*

Insurance business
Directors and their related parties transacted with the General insurance business unit during the year as follows:

	Directors and their related parties 2023	Directors and their related parties 2022
	K'000	K'000
Insurance premium	12 394	12 269

All outstanding balances with these related parties are priced on an arms' length basis and are to be settled in cash within one month of the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

As at 31 December 2023 there were no balances owing from directors and employees (2022: Nil).

Key management personnel compensation:
Key management personnel compensation comprised the following: -

	Group			
	Executive Directors 2023	Executive Directors 2022	Non-executive Directors 2023	Non-executive Directors 2022
	K'000	K'000	K'000	K'000
Directors' remuneration	737 764	457 109	-	-
Directors' fees	-	-	430 755	311 832
	737 764	457 109	430 755	311 832

Value of transactions and year end balances with associated companies are as follows: -

Related Party	Relationship	Type of transaction	Value of transactions 2023	Balance at year end 2023	Value of transactions 2022	Balance at year end 2022
SanlamAllianz	Common investee	Actuarial fees	63 484	-	47 401	-
		Director fees	8 123	-	6 717	-
		Balance at year end	-	78 253	-	48 540
Sanlam Vida Companhia de Seguros, SA	Associate	Directors fees	11 802	-	5 808	-
		Balance at year end	-	2 237	-	-

11. Amounts due from/(to) related parties *(Continued)*

The amounts in brackets indicate that the goods/services were acquired by the Group from related parties whilst the others indicate services provided to the related parties.

All outstanding balances with related parties are priced on an arm's length basis. These balances are unsecured and approximate their fair value at the reporting date due to their short term nature.

a. List of significant subsidiaries

The Composition of the Group at the end of the reporting period is as follows:

Name of entity	Principal Activity	Place of Incorporation	Number of Wholly owned subsidiaries 2023	2022
NICO Asset Managers Limited	Asset Management	Malawi	1	1
NICO Technologies Limited	Information Technology	Malawi	1	1
Group Fabricators and Manufactures Limited	Property Holding	Malawi	1	1
NICO Capital Limited	Corporate Finance Advisory	Malawi	1	1
			4	4

Name of entity	Place of Principal Activity	Number of Incorporation	Non-Wholly owned subsidiaries 2023	2023
NICO General Insurance Company Limited	Short Term Insurance	Malawi	1	1
NICO Insurance (Zambia) Limited	Short Term Insurance	Zambia	1	1
NICO Life Insurance Company Limited	Long Term insurance	Malawi	1	1
NBS Bank plc	Banking	Malawi	1	1
NICO Pension Services Limited	Pension Administration	Malawi	1	1
			5	5

The table below provides details of the subsidiaries of the Group.

b. Investment in subsidiary companies (at cost)

	Country of Incorporation	2023 Shareholding	2023 Amount	2023 Dividends received	2022 Shareholding	2022 Amount	2022 Dividends received
		%	K'000	K'000	%	K'000	K'000
Company							
NICO General Insurance Company Limited	Malawi	51	61 200	765 000	51	61 200	790 500
NICO Life Insurance Company Limited	Malawi	51	74 588	3 459 840	51	74 588	2 284 800

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

11. Amounts due from/(to) related parties *(Continued)*

b. Investment in subsidiary companies (at cost) *(Continued)*

	Country of Incorporation	2023 Shareholding %	2023 Amount K'000	2023 Dividends received K'000	2022 Shareholding %	2022 Amount K'000	2022 Dividends received K'000
NICO Insurance (Zambia) Limited	Zambia	100	1 336 880	-	51	1 336 880	-
NICO Technologies Limited	Malawi	100	75 365	-	100	75 365	-
NICO Asset Managers Limited	Malawi	100	31 081	3 402 964	100	31 081	1 300 000
Group Fabricators and Manufacturers	Malawi	50.1	58 500	-	100	58 500	-
NBS Bank plc	Malawi	100	6 590 332	7 071 659	50.1	6 590 332	2 332 919
NICO Capital Limited	Malawi	100	300 000	-	100	300 000	-
NICO Pension Services Company Limited	Malawi	51	535 500	-	51	535 500	-
			9 063 446	14 699 463		9 063 446	6 708 219

	As at 1 January K'000	Additions K'000	Disposals K'000	As at 31 December K'000
2023				
Subsidiaries movement during the year				
NICO General Insurance Company Limited	61 200	-	-	61 200
NICO Life Insurance Company Limited	74 588	-	-	74 588
NICO Insurance Zambia Limited	1 336 880	-	-	1 336 880
NICO Technologies Limited	75 365	-	-	75 365
NICO Asset Managers Limited	31081	-	-	31 081
Group Fabricators and Manufacturers Limited	58 500	-	-	58 500
NBS Bank plc	6 590 332	-	-	6 590 332
NICO Capital Limited	300 000	-	-	300 000
NICO Pension Services Company Limited	535 500	-	-	535 500
	9 063 446	-	-	9 063 446
2022				
Subsidiaries movement during the year				
NICO General Insurance Company Limited	61 200	-	-	61 200
NICO Life Insurance Company Limited	74 588	-	-	74 588
NICO Insurance Zambia Limited	1 336 880	-	-	1 336 880
NICO Technologies Limited	75 365	-	-	75 365
NICO Asset Managers Limited	31081	-	-	31 081
Group Fabricators and Manufacturers Limited	58 500	-	-	58 500
NBS Bank plc	6 590 332	-	-	6 590 332
NICO Capital Limited	300 000	-	-	300 000
NICO Pension Services Company Limited	535 500	-	-	535 500
	9 063 446	-	-	9 063 446

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

11. Amounts due from/(to) related parties *(Continued)*

The Directors have performed an impairment assessment of the investments in subsidiaries as at 31 December 2023. No impairment has been recognised

	Company 2023 K'000	Company 2022 K'000
c. Amounts due from subsidiaries, associate companies and joint venture companies		
i. Amounts due from subsidiary companies		
NICO Insurance (Zambia) Limited	29 830	1 281
Group Fabricators and Manufacturers Limited	3 235	17 386
NBS Bank plc	-	50 600
NICO Pension Services Company Limited	-	2 923
NICO Asset Managers Limited	-	-
NICO Capital Limited	587 181	186 875
NICO Life Insurance Company Limited	-	1 543
NICO Technologies Limited	-	3 263
ii. Amounts due from equity accounted companies		
Eris Properties Malawi Limited	21 815	54 907
Sanlam Mozambique Vida Companhia de Seguros SA	-	-
Total	**642 061**	**318 778**
Amounts to subsidiaries, associate companies and joint venture companies		
iii. Amounts due from associate companies		
Sanlam Mozambique Vida Companhia de Seguros SA	-	-

All outstanding balances with these related parties are short-term and are priced on an arms' length basis. None of the balances are secured. No loss allowance has been recognized for amounts due from related parties. An assessment of amounts due from related parties indicated no risk of default as amounts are settled normally within 3 months.

In the opinion of Directors, these balances approximate their fair value at the reporting date due to their short term nature.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

12. Deferred tax assets and liabilities

Group

Recognized deferred tax

Deferred tax (assets) and liabilities are attributed to the following:

	Assets		Liabilities	
	2023	**2022**	**2023**	**2022**
	K'000	**K'000**	**K'000**	**K'00**
Property and equipment	242 434	230 588	1 274 566	885 127
Investment properties and equity shares	(2 024 143)	(742 441)	-	-
Accrued interest	(1 563 659)	(2 931 183)	4 581 786	2 707 709
Other assets	(6 663 870)	(3 272 387)	(583 785)	234 219
Deferred tax (assets)/liabilities	(10 009 238)	(6 715 423)	5 272 567	3 827 055

	Balance as at 1 January	Recognised in profit and loss	Recognised in equity	Recognised in other comprehensive Income	Balance as at 31 December
	K'000	K'000	K'000	K'000	K'000
2023					
Movement of deferred tax asset					
Property and equipment	230 588	11 846	-	-	242 434
Investment properties and equity shares	(742 441)	(1 281 702)	-	-	(2 024 143)
Accrued interest	(2 931 183)	1 367 524	-	-	(1 563 659)
Other assets	(3 272 387)	(3 637 662)	-	246 179	(6 663 870)
Deferred tax (assets)/liabilities	(6 715 423)	(3 539 994)	-	246 179	(10 009 238)
Movement of deferred tax liability					
Property and equipment	885 127	432 638	-	(43 199)	1 274 566
Accrued interest	2 707 709	1 874 077	-	-	4 581 786
Other assets	234 219	(818 004)	-	-	(583 785)
Deferred tax (assets)/liabilities	3 827 055	1 488 711	-	(43 199)	5 272 567

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

12. Deferred tax assets and liabilities *(Continued)*

	Balance as at 1 January	Recognised in profit and loss	Recognised in equity	Recognised in other comprehensive Income	Balance as at 31 December
	K'000	K'000	K'000	K'000	K'000
2022					
Movement of deferred tax asset					
Property and equipment	114 019	234 391	(117 822)	-	230 588
Investment properties and equity shares	(695 799)	(46 642)	-	-	(742 441)
Accrued interest	259 058	(3 190 241)	-	-	(2 931 183)
Other assets	(1 906 971)	(1 198 816)	-	166 600)	(3 272 387)
Deferred tax (assets)/liabilities	**(2 229 693)**	**(4 201 308)**	**(117 822)**	**(166 600)**	**(6 715 423)**
Movement of deferred tax liability					
Property and equipment	1 014 907	(130 916)	(27 346)	28 482	885 127
Investment properties and equity shares	1 589 378	1 118 331	-	-	2 707 709
Accrued interest	152 881	74 770	-	6 568	234 219
Other assets					
Deferred tax (assets)/liabilities	2 757 166	1 062 185	(27 346)	35 050	3 827 055

The Group's operations are principally in Malawi and Zambia tax jurisdictions, with Zambia having only one subsidiary. For the rest of subsidiaries in Malawi, the tax law does not allow set-off of amounts of income tax recoverable or payable amongst companies, be it related companies. Deferred tax assets have mainly arisen from deductible temporary differences, except for the Zambia subsidiary where a portion of its deferred tax asset was attributable to tax losses. The deferred tax asset attributable to tax losses was K259.3 million (2022: K225.4 million). Tax losses arose in 2021, 2022 and 2023. The group has assessed that the Zambia subsidiary will turn around and generate taxable profits in the foreseeable future. At the reporting date the Group assessed that each of its subsidiaries with a net deferred tax asset position would be able to generate sufficient future taxable profits against which the deferred tax assets would be utilised.

13. Investment in associates, joint ventures and unconsolidated structured entities

a. Investment in associate

The composition of the Group's associate is the following:

Principal Activity	Place of Incorporation	Number of Associates 2023	2022
Long term Insurance	Mozambique	1	1
	Total	**1**	**1**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

13. Investment in associates, joint ventures and unconsolidated structured entities *(Continued)*

a. Investment in associate *(Continued)*

	Principle place of business/ country of incorporation	2023 Shareholding	2023 Amount	2022 Shareholding	2022 Amount
Sanlam Vida Companhia de Seguros, SA	Mozambique	34.30%	1 560 365	34.30%	1 508 017
			1 560 365		1 508 017

The table below shows the summarised financial statements of the associate:

	Sanlam Vida 2023 K'000	Sanlam Vida 2022 K'000
Non-current assets	9 980 727	8 878 389
Current assets	6 967 692	1 941 292
Non-current liabilities	(5 560 329)	(2 884 384)
Current liabilities	(6 473 031)	(3 995 444)
Net assets	4 915 059	3 939 853
Revenue	17 775 126	13 292 816
Profit	1 369 867	998 207
Total comprehensive income	1 369 867	998 207
Percentage shareholding	34.3%	34.3%
Share of associates profit	469 864	342 385

The investment in Sanlam Vida Companhia de Seguros, SA is operating within the life insurance business. These are strategic to the Group's activities and core lines of business.

The investments in associates are not material to the result of the Group and as such the following is disclosed in aggregate.

	Group/Company 2023 Sanlam Mozambique Vida Companhia de Serugos Limited K'000	Group/Company 2022 Sanlam Mozambique Vida Companhia de Serugos Limited K'000
As at 1 January	1 508 017	1 165 632
Current dividend received	(292 016)	-
Share of profit	469 864	342 385
Total	1 685 865	1 508 017
*Prior year dividend received	(125 500)	-
Balance at 31 December	1 560 365	1 508 017
Net income statement movement		
Share of profit as above	469 864	342 385
*Prior year dividend received	(125 500)	-
Balance at 31 December	344 364	342 385

*The dividend received in prior year was erroneously recorded as income instead of reducing the net asset value in accordance with equity accounting. This has been adjusted in the current year.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

13. Investment in associates, joint ventures and unconsolidated structured entities *(Continued)*

b. Investment in joint venture

Principal activity	Place of incorporation	Number of joint ventures 2023 K'000	Number of joint ventures 2022 K'000
Property management and development	Malawi	1	1
	Total	1	1

The table below show the summarised financial statements of the joint venture

Summarised financial information	ERIS Properties Malawi 2023 K'000	ERIS Properties Malawi 2022 K'000
Non current assets	130 236	51 792
Current assets	915 284	644 823
Non current liabilities	(12 596)	(394 585)
Current liabilities	(451 003)	(37 212)
Net assets	581 921	264 818
Revenue	1 801 377	1 076 337
Profit	318 982	74 580
Total comprehensive income	318 982	74 580
Percentage shareholding	50%	50%
Share of profit	159 491	37 290

Group/Company	As at 1 January K'000	Share of profit K'000	As at 31 December K'000
2023			
ERIS Properties Malawi Limited	137 211	159 491	296 702
2022			
ERIS Properties Malawi Limited	99 921	37 290	137 211

Eris Properties Malawi Limited is a Joint Venture between NICO Holdings plc and ERIS SA Limited. Its primary activities are property management and development.

c. Unconsolidated Structured entity

These investments are mainly through the Life and Pensions business. They are mutual investments and the shareholders portion in these investments is very minimal at less than 10%.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

13. Investment in associates, joint ventures and unconsolidated structured entities *(Continued)*

c. Unconsolidated Structured entity *(Continued)*

The unconsolidated and structured entity in the Group is ICON Properties plc.

	2023 %Holding	2022 % Holding
ICON Properties plc (through NICO Life Insurance Company Limited)	56.02	56.16

The Group owns 56.16% (2022: 56.6%) of the shares in ICON Properties plc. However, the ownership of the investment is shared between shareholder and policyholders at 6.7% and 93.3% respectively. The shares are listed on the Malawi Stock Exchange.

The group does not appoint the majority of the directors to the boards of these entities, and does not have the ability to direct their relevant activities."

ICON's business operations consist of 3 principal segments: property letting services, property management and property development.

Summarised Financial Information

	ICON Properties plc	
	2023	2022
	K'000	K'000
Non-current assets	117 165 423	102 246 359
Current assets	5 396 922	6 274 476
Non-current liabilities	(373 107)	(4 763 675)
Current liabilities	(1 314 565)	(1 673 966)
Net assets	120 874 673	102 083 194
Revenue	20 924 220	22 640 553
Profit	19 159 350	15 781 513
Total comprehensive income	19 159 350	15 781 513

Details of amounts relating to unconsolidated entity are as follows:

Income		
Rental income	5 988 388	5 159 820
Interest income	2 365 552	2 775 186
Other income	734 858	459 320
Fair value gains or losses	11 835 422	14 246 227
Total income	20 924 220	22 640 553

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

13. Investment in associates, joint ventures and unconsolidated structured entities *(Continued)*

c. Unconsolidated Structured entity *(Continued)*

Assets
Investments – maximum exposure

	2023 K'000	2022 K'000
Investment in equity shares **(maximum exposure)**	2 513 542	1 759 680

The related market values of the shares have been included under note 15 to the financial statements.

Nature of risks associated with unconsolidated structured entity
The Group has risks associated with these unconsolidated structured entities through the investments as analyzed below:

Risk exposure associated with these investments include financial risks: liquidity, market, interest default risks and impairment of the properties under the investments.

Liquidity-having granted income notes there is a risk that the companies may not have adequate cashflows to fund interest repayment as it falls due and therefore subsequent default of the income notes.

Market- having a significant portfolio of the investments in the property, development, management and letting, there is a risk that due to competition rental rates may decline or stagnate thereby reducing income.

Impairment loss may arise due to declining values in the invested properties under management due to dynamic changes in market forces.

Overall the positive net asset position as shown in table above indicates that overall exposure is remote and only limited to the assets.

14. Investment in government securities

	Group	
	2023 K'000	2022 K'000
The investments are due to mature as follows:		
• Within one year (note 6)	6 201 445	4 820 632
• After one year	473 677 446	396 696 998
	479 878 891	401 517 630
Investment in government securities comprised the following: -		
Financial assets designated FVTPL*		
Treasury notes	187 815 142	172 153 156
	187 815 142	172 153 156
Financial assets at amortized cost**		
Treasury notes	251 913 473	199 388 355
Treasury bills	39 507 097	22 567 288
Promissory notes	643 179	7 408 831
	292 063 749	229 364 474
Total	479 878 891	401 517 630

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

14. Investment in government securities *(Continued)*

	Group	
	2023	2022
	K'000	K'000
**Movement of financial assets designated FVTPL*		
Balance as at 1 January	172 153 156	164 743 783
Additions during the year	31 922 591	106 754 682
Fair value adjustment	7 147 542	(17 692 704)
Disposals during the year	(23 408 147)	(81 652 605)
Balance at 31 December	187 815 142	172 153 156

The fair valuation of these treasury notes is done by management in consultation with the consulting actuaries from Sanlam Allianz, who utilise best practice methods based on expertise within the wider Sanlam Group. It involves application of judgement in determining the most appropriate valuation basis and assumptions.

The bootstrapping method was used for the purpose of constructing the discounting curve used to discount expected future cashflows at each respective cashflow date. This method is a statistical technique for estimating quantities about a population by averaging estimates from multiple small data samples. These samples are constructed by drawing observations from a large data sample one at a time and returning to the data sample after they have been chosen.

	Group	
	2023	2022
	K'000	K'000
***Movement of financial assets at amortized costs*		
Balance as at 1 January	229 364 474	199 560 077
Effects of exchange rates	714 173	519 767
Additions during the year	68 714 280	35 201 258
Movement in accrued interest	148 005	141 735
Expected credit loss	(9 592)	(17 171)
Disposals during the year	(6 867 591)	(6 041 192)
Balance at 31 December	292 063 749	229 364 474

Interest rates for government securities ranged from 22.75% to 31% (2022: 16.58% to 27.5%).

Treasury bills earned interest at an average rate of 21.9% (2022: 19%). Treasury bills interest rates represent average yield rates on a 91-day, 182-day and 364-day bills as determined from time to time by Reserve Bank of Malawi, in line with monetary policy rate.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

15. Investment in equity shares

	Group		Company	
	2023	2022	2023	2022
	K'000	K'000 Restated	K'000	K'000
Investment in equity shares				
Valuation				
Balance at 1 January	227 015 464	194 920 529	2 178 920	2 789 673
Purchases during the year	15 140 950	6 355 492	-	-
Effects of changes in exchange rates	1 213	2 597	-	-
Increase/(decrease) in fair value -shareholders	10 080 012	5 407 144	625 101	(610 753)
-policyholders	135 183 742	35 481 909	-	-
Disposals during the year	(2 847 841)	(15 152 207)	-	-
Balance as at 31 December	**384 573 540**	**227 015 464**	**2 804 021**	**2 178 920**

Listed shares	Number of shares	%shareholding	Share Price	Group 2023 K' 000
Blantyre Hotels plc**	264 915 739.00	32	13.00	3 443 905.00
Standard Bank plc	40 841 220.00	17	3 950.00	161 322 819.00
Airtel Malawi plc	135 004 884.00	1	60.00	8 100 293.00
Illovo Sugar plc	921 292.00	-	1 260.00	1 160 828.00
Press Corporation plc	7 885 059.00	7	2 506.99	19 767 764.00
Old Mutual plc	710 191.00	5	1 500.00	1 065 287.00
National Bank of Malawi plc	31 152 004.00	7	2 101.25	65 458 148.00
National Investment Trust plc	16 237 747.00	12	410.00	6 657 476.00
FMB Capital Holding plc	7 613 496.00	-	315.00	2 398 251.00
Telekom Networks Malawi plc	944 795 391.00	9	18.70	17 667 674.00
MPICO plc	74 148 315.00	3	15.00	1 112 225.00
Airtel Networks Zambia Plc	12 500.00	-	-	35 508.00
NICO Holdings plc*	41 971 513.00	4	150.40	6 312 516.00
ICON Properties plc (note 13c)	3 742 364 625.00	56	17.85	66 801 209.00
NBS Bank plc	98 922 330.00	3	114.90	11 366 176.00
FDH Bank plc	76 775 571.00	1	70.00	5 374 290.00
Sunbird Tourism plc	489 087.00	-	191.07	93 450.00
Total listed shares				378 137 819.00

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

15. Investment in equity shares *(Continued)*

Listed shares	Number of shares	%shareholding	Share Price	Group 2022 K' 000
Blantyre Hotels plc**	265 845 909	32	11	2 924 305
Standard Bank plc	41 120 334	17	2 000	82 240 667
Airtel Malawi plc	130 094 386	1	57	7 415 380
Illovo Sugar plc	762 080	-	540	411 523
Press Corporation plc	6 223 067	5	2 181	13 572 510
Old Mutual plc	1 020 009	7	985	1 004 709
National Bank of Malawi plc	30 182 137	6	1 542	46 540 855
National Investment Trust plc	8 858 536	7	125	1 107 317
FMB Capital Holding plc	6 724 784	-	111	746 451
Telekom Networks Malawi plc	940 573 714	9	14	13 168 032
MPICO plc	60 778 571	3	21	1 276 350
Airtel Networks Zambia Plc	12 500	-	-	12 615
NICO Holdings plc*	42 543 717	4	60	2 552 623
ICON Properties plc (note 13c)	3 736 050 833	56	12	44 832 610
NBS Bank plc	70 787 647	2	34	2 406 780
FDH Bank plc	68 769 471	1	17	1 169 081
Sunbird Tourism plc	109 076	-	92	10 035
Total listed shares				**221 391 843**

*These are shares held by Deposit Administration fund by NICO Pensions on behalf of policyholders.
**Ownership of investments in these shares is between shareholders and policyholders is 20% and 80% of the 31.57%, respectively. Consequently, the group has no significant influence on the investment.

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Unlisted shares				
Reconciliation of carrying amounts of unlisted investments (level 3 fair value)				
Balance at 1 January	5 623 621	5 212 373	2 178 920	2 789 673
Increase in fair value	812 100	411 248	625 101	(610 753)
Balance as at 31 December	6 435 721	5 623 621	2 804 021	2 178 920
Analysis of unlisted shares				
Chibuku Products Limited	3 500 000	3 300 000	-	-
Telecom Holdings Limited (MTL/OCL)	1 000	211 900	-	197 899
Natswitch Limited	111 000	111 000	-	-
Swift	19 700	19 700	-	-
Mwaiwathu Private Hospital Limited	367 000	294 000	367 000	294 000
Sanlam General Insurance Uganda Limited	2 430 000	1 680 000	2 430 000	1 680 000
Fortesa	7 021	7 021	7 021	7 021
Total unlisted shares	**6 435 721**	**5 623 621**	**2 804 021**	**2 178 920**
Total investment in equity shares	**384 573 540**	**227 015 464**	**2 804 021**	**2 178 920**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

15. Investment in equity shares *(Continued)*

The fair value gains in unlisted shares are recognised in investment income in profit/loss under note 34 as part of the fair value adjustment of investment properties and shares.

In the current year shares in unlisted companies have been valued as at 31 December 2023 on behalf of the Directors by Enerst and Young using Net Asset Value (NAV) and market multiples approach. Listed shares have been valued using Malawi Stock Exchange prices as at 31 December 2023.

Level 1 Fair Value
Listed shares amount to K378.1 billion (2022: K221.4 billion). In measuring fair value the Group has used observable market related data. The fair value is based on quoted prices on the Malawi Stock Exchange except for shares in Airtel Networks Zambia plc valued at K35.5 million (2022: K12.6 million) whose prices are quoted on the Lusaka Stock Exchange.

Level 3 Fair Value
Unlisted equities for the Group amounted to K6.4 billion (2022: K5.6 billion) while for the Company amounted to K2.8 billion (2022: K2.2 billion). The unlisted shares were valued by Ernest and Young as at 31 December 2023 based on discounted cashflows and adjusted net asset value valuation approach.

Valuation techniques and significant unobservable
The following table shows the valuation technique used in measuring the fair value of the investment in shares, as well as the significant unobservable inputs used. The valuation expert adopted a Discounted Cash Flow for some of the unlisted investments.

Unlisted Investment	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Sanlam General Insurance Uganda: K2.43 billion (2022: K1.68billion)	The market multiples (MM) price-to-book valuation methodology was used. A comparable companies approach was performed by identifying companies in similar industries in the open market and determining the earnings multiples or discount rate implied in such transactions. Relevant discounts/premiums were applied to the quoted multiples to adjust for growth differentials between Uganda and the sample countries.	Adjusted peer group market multiples (2023: High multiple of 1.02 and Low multiple of 0.94)	The higher(lower) the adjusted market multiple, the higher (lower) the fair value. If the multiples increased/decreased by 5% while all other variables were held constant, the 2023 carrying amount would increase/decrease by K121 million.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

15. Investment in equity shares *(Continued)*

Valuation techniques and significant unobservable *(Continued)*

Unlisted Investment	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Chibuku Products Limited; MK3.5 billion (2022: MK3.30billion)	The market multiples (MM) approach valuation methodology was used. Commonly used approaches under the MM method to value manufacturing businesses are the EV/Sales and P/E multiple approaches	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the beverages industry, ranging from 5% to 8% (2022: 4% to 6%).	The higher the revenue growth rate, the higher the fair value. If the revenue growth was 5 per cent higher/lower while all other variables were held constant, the carrying amount would increase/ decrease by K136 million (2022: increase/decrease by K136 million).
Malawi Telecommunications Ltd (MTL), Open Connect Ltd(OCL) and Mwaiwathu Private Hospital Ltd. Total carrying amount of MK0.36 billion (2022: MK0.51 billion)	Net Asset Value	N/A	N/A

16. Loans and debentures

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Group				
Designated at FVTPL				
Balance at 1 January	1 213 370	7 328 852	-	-
Fair value gain	9 834	(1 278 640)	-	-
Short term portion of loans and debentures	1 360 000	-	-	-
Disposals during the year	(736 842)	(4 836 842)	-	-
Balance at 31 December	**1 846 362**	**1 213 370**	**-**	**-**
Designated at amortised cost				
Balance at 1 January	-	-	1 753	1 753
Balance at 31 December	-	-	1 753	1 753
Total	1 846 362	1 213 370	1 753	1 753

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

16. Loans and debentures *(Continued)*

The above disclosed loans and debentures are receivable from Malawi registered companies hence no exposure to exchange rate movement. Expected credit loss has been determined for all loans, refer to note 42.4.2.

In the opinion of the directors, the loans receivable, are expected to be realised in full at maturity date. At the reporting date, the most significant loans (excluding interest) are:

a. A five-year K3.5 billion floating rate loan guaranteed by the Malawi Government was advanced to Electricity Supply Commission of Malawi at 91 days Treasury bill plus 6% or at a floating rate of NBS Bank Plc base lending rate per annum whichever is higher and to be reset quarterly using the rate at the beginning of the quarter. The coupon rate shall be subject to a floor equivalent to the latest available inflation rate plus 2% or 91 days Treasury bill rate plus 1% whichever is higher. The balance as at 31 December 2023 was K 1.8billion (2022: K1.2 billion).

17. Investment properties

	Group Freehold investment properties K'000	Group Leasehold investment properties K'000	Group Total K'000	Company Freehold investment properties K'000	Company Total K'000
Group					
2023					
At valuation					
Balance at 1 January	721 341	3 732 183	4 453 524	178 000	178 000
Effects of exchange rates	43	-	43	-	-
Additions	-	103 242	103 242	-	-
Fair value adjustment	28 000	329 223	357 223	28 000	28 000
Balance as at 31 December	749 384	4 164 648	4 914 032	206 000	206 000
2022					
At valuation					
Balance at 1 January	701 303	3 359 307	4 060 610	158 000	158 000
Effects of exchange rates	38	-	38	-	-
Additions	-	12 416	12 416	-	-
Fair value adjustment	20 000	360 460	380 460	20 000	20 000
Balance as at 31 December	721 341	3 732 183	4 453 524	178 000	178 000

The amounts recognised in profit or loss in respect of investment properties are:

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Rental income (Note 34b)	234 698	215 785	5 280	2 660
Direct operating expense (maintenance costs)	-	11 356	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

17. Investment properties *(Continued)*

There are no amounts of restrictions on title and investment properties pledged as security for liabilities.

There are no contractual commitments for the acquisition of investment properties.

Valuation basis

Properties were revalued on open market basis on 31 December 2023 by Aaron H. Chalunda BSc. Land Econ. Grad SIM, a Graduate Valuation and reviewed by Desmond N. Namangale, MSc. Intl. Project. Mgmt.; BSc (Est. Mgmt.), Pg.Cert. Research; Methods, & PgCert. Prop. Dev. & invest. MSIM, registered Surveyor with Knight Frank on behalf of the directors. The valuer is an independent valuer not connected with the Group. Values were determined by reference to observable prices in the property market. There has been no change to the valuation technique during the year. The resultant surplus is taken to profit or loss. The fair value measurements have been categorized as Level 3 for value based on income capitalization technique. The Group has assessed that the highest and best use of his properties does not differ from their current use.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value Measurement
Income Capitalisation Approach	**Capitalisation rates 10%- 11% % (2022: 5% - 12%)**	The estimated impact of a change in the following significant unobservable inputs would result in a change in the independent valuers' valuation as follows: • K553 million to K552 million (2022: K K338 million to K727 million) for the Group and K7 million- K9 million (2021: K14 million- K19 million) for the company if the capitalisation rate were higher (lower);
	Market Rent Growth ranged from 10% to 25% (2022: 10% to 13%	• K575 million – K862 million (2022: K376 million-K418 million) for the Group and K28 million (2022: K18 million: K20 million) for the Company if the expected market rental growth were lower (higher).

18 Leases (Group as a lessee)

The Group and the company has lease contracts for various items of plant, machinery, vehicles, land and buildings used in its operations. Leases of plant and machinery generally have lease terms between 3 and 5 years, land and buildings between 2 and 13 years (largely with options for renewal) while motor vehicles have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group has options to purchase certain leased assets at the end of the lease term.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

18 Leases (Group as a lessee) *(Continued)*

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
18.1 Right-of-use assets				
Cost				
At 1 January	8 686 445	8 087 526	163 373	163 373
Effects of exchange rate	123 304	152 644	-	-
Additions	2 412 382	485 822	-	-
Disposal	(35 171)	(39 547)	-	-
At 31 December	11 186 960	8 686 445	163 373	163 373
Accumulated depreciation				
At 1 January	5 535 183	4 147 604	107 777	81 128
Effects of exchange rate	108 910	96 015	-	-
Charge for the year	1 720 309	1 305 423	26 649	26 649
Disposals	-	(13 859)	-	-
At 31 December	7 364 402	5 535 183	134 426	107 777
Carrying amount	**3 822 558**	**3 151 262**	**28 947**	**55 596**
Amounts recognized in profit and loss are as follows:				
Finance charges on lease liabilities	1 274 229	913 914	21 186	21 186
Depreciation expense on right-of-use assets	1 720 309	1 305 423	26 649	26 649

The Group leases buildings and the average lease term is 3 years (2021: 3 years).

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
18.2 Lease liabilities				
Cost				
At 1 January	5 062 540	5 619 323	110 061	123 091
Effects of exchange rate	30 421	125 669	-	-
Additions	2 617 784	396 503	-	-
Finance charges	1 374 229	913 914	21 186	21 186
Repayments of finance charges	(557 763)	(817 308)	(21 186)	(21 186)
Repayments of lease liabilities	(1 732 056)	(1 175 561)	(52 683)	(13 030)
At 31 December	6 795 155	5 062 540	57 378	110 061
Maturity analysis				
Due within 1 year or less	1 935 691	1 832 462	21 186	21 186
Due between 2 and 5 years	4 859 464	3 230 078	36 193	88 875
Due after 5 years	-	-	-	-
At 31 December	6 836 465	5 062 540	57 379	110 061

18 Leases (Group as a lessee) *(Continued)*
18.2 Lease liabilities *(Continued)*

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

19. Intangible assets

	Capital work in progress K'000	Software K'000	Total K'000
Group			
2023			
Cost			
Balance as at 1 January	1 376 909	12 194 958	13 571 867
Effects of changes in exchange rates	-	196 368	196 368
Additions during the year	5 466 476	668 162	6 134 638
Capitalization	(142 017)	142 017	-
Disposal during the year	(4 750)	-	(4 750)
Balance at 31 December	6 696 618	13 201 505	19 898 123
2022			
Cost			
Balance as at 1 January	842 413	12 170 567	13 012 980
Effects of changes in exchange rates	-	166 240	166 240
Additions during the year	1 021 109	191 540	1 212 649
Capitalization (note 20)	(486 613)	88 724	(397 889)
Disposal during the year	-	(422 113)	(422 113)
Balance at 31 December	1 376 909	12 194 958	13 571 867
2023			
Amortization			
Balance as at 1 January	-	7 836 226	7 836 226
Effects of changes in exchange rate	-	166 066	166 066
Charge for the year	-	1 114 573	1 114 573
Eliminated on disposal	-	-	-
Balance at 31 December	-	9 116 865	9 116 865
2022			
Amortization			
Balance as at 1 January	-	6 397 685	6 397 685
Effects of changes in exchange rate	-	72 436	72 436
Charge for the year	-	1 528 797	1 528 797
Eliminated on disposal	-	(162 692)	(162 692)
Balance at 31 December	-	7 836 226	7 836 226
Carrying amount at 31 December 2023	6 696 618	4 084 640	10 781 258
Carrying amount at 31 December 2022	1 376 909	4 358 732	5 735 641

19. Intangible assets *(Continued)*

	Software K'000	Total K'000
Company		
2023		
Cost		
Balance as at 1 January	137 220	137 220
Additions during the year	35 232	35 232
Balance at 31 December	172 452	172 452
2022		
Cost		
Balance as at 1 January	137 220	137 220
Balance at 31 December	137 220	137 220
2023		
Amortisation		
Balance as at 1 January	126 660	126 660
Charge for the year	10 314	10 314
Balance at 31 December	136 974	136 974
2022		
Amortisation		
Balance as at 1 January	120 719	120 719
Charge for the year	5 941	5 941
Balance at 31 December	126 660	126 660
Carrying amount at 31 December 2023	35 478	35 478
Carrying amount at 31 December 2022	10 560	10 560

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023

Continued

20. Property and equipment

	Land and buildings K'000	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress buildings K'000	Total K'000
Group					
Cost or valuation					
2023					
Balance as at 1 January	2 659 362	1 943 235	19 871 737	499 331	24 973 665
Effects of changes in exchange rates	22 225	36 054	121 592	-	179 871
Additions during the year	-	351 621	4 937 798	3 456 941	8 746 360
Revaluation surplus	432 000	-	(47 408)	-	384 592
Capitalization	-	-	200 000	(200 000)	-
Transfers within class	(42 019)	-	42 019	-	-
Disposals during the year	-	(137 627)	(327 890)	-	(465 517)
Balance as at 31 December	3 071 568	2 193 283	24 797 848	3 756 272	33 818 971
Analysed as follows:					
Valuation	1 669 045	-	-	-	1 669 045
Cost	1 402 523	2 193 283	24 797 848	3 756 272	32 149 926
	3 071 568	2 193 283	24 797 848	3 756 272	33 818 971
2022					
Balance as at 1 January	2 423 798	1 553 462	18 318 570	157 833	22 453 663
Effects of changes in exchange rates	20 564	32 513	112 927	-	166 004
Additions during the year	89 965	472 959	2 469 955	628 111	3 660 990
Revaluation surplus	125 035	-	(47 408)	-	77 627
Transfer from intangible assets*	-	-	684 502	(286 613)	397 889
Disposals during the year	-	(115 699)	(1 666 809)	-	(1 782 508)
Balance as at 31 December	2 659 362	1 943 235	19 871 737	499 331	24 973 665
Analysed as follows:					
Valuation	1 237 045	-	-	-	1 237 045
Cost	1 422 317	1 943 235	19 871 737	499 331	23 736 620
	2 659 362	1 943 235	19 871 737	499 331	24 973 665

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

	Land and buildings K'000	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress buildings K'000	Total K'000
Group					
Accumulated depreciation and impairment losses					
2023					
Balance as at 1 January	38 045	1 043 349	11 182 513	-	12 263 907
Effects of changes in exchange rates	-	20 118	50 605	-	70 723
Charge for the year	59 252	334 601	2 154 980	-	2 548 833
Released on revaluation	(54 892)	-	-	-	(54 892)
Transfers	(13 445)	-	13 445	-	-
Disposals	-	(150 190)	(322 595)	-	(472 785)
Balance as at 31 December	28 960	1 247 878	13 078 948	-	14 355 786

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023

Continued

20. Property and equipment *(Continued)*

	Land and buildings K'000	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress buildings K'000	Total K'000
Group					
Accumulated depreciation and impairment losses					
2023					
Balance as at 1 January	35 721	856 038	10 575 027	-	11 466 786
Effects of changes in exchange rates	-	15 138	28 000	-	43 138
Charge for the year	47 074	277 498	2 145 962	-	2 470 534
Released on revaluation	(44 750)	-	-	-	(44 750)
Disposals	-	(105 325)	(1 566 476)	-	(1 671 801)
Balance as at 31 December	38 045	1 043 349	11 182 513	-	12 263 907
Carrying amounts					
At 31 December 2023	3 042 608	945 405	11 718 900	3 756 272	19 463 185
At 31 December 2022	2 621 317	899 886	8 689 224	499 331	12 709 758

	Motor vehicles K'000	Furniture and equipment K'000	Total K'000
Company			
Cost			
2023			
Balance as at 1 January	45 730	245 602	291 332
Additions during the year	-	18 671	18 671
Balance as at 31 December	45 730	264 273	310 003
2022			
Balance as at 1 January	45 730	223 815	269 545
Additions during the year	-	21 787	21 787
Balance as at 31 December	45 730	245 602	291 332
Accumulated depreciation and impairment losses			
2023			
Balance as at 1 January	45 054	190 608	235 662
Charge for the year	270	18 004	18 274
Balance as at 31 December	45 324	208 612	253 936
2022			
Balance as at 1 January	44 044	172 450	216 494
Charge for the year	1 010	18 158	19 168
Balance as at 31 December	45 054	190 608	235 662
Carrying amounts			
At 31 December 2023	406	55 661	56 067
At 31 December 2022	676	54 994	55 670

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

20. Property and equipment *(Continued)*

	Group	
	2023	2022
	K'000	K'000
Cost	1 402 523	1 422 317
Accumulated depreciation	(28 960)	(38 045)
Carrying amount	1 373 563	1 384 272

Total losses for the period recognised in other comprehensive income amount to Nil (2022: Nil).

Land and buildings comprise freehold buildings and leasehold buildings whilst furniture and equipment include fixtures and fittings computer hardware and other equipment.

A register giving details of land and buildings as required by the Companies Act, 2013 Schedule 3 Section 16 is maintained at the registered offices of the respective companies and is open for inspection by members or their duly authorised agents.

Properties were revalued on open market basis on 31 December 2023 by Aaron H. Chalunda BSc. Land Econ. Grad SIM, a Graduate Valuation Surveyor and reviewed by Desmond N. Namangale, MSc. Intl. Project. Mgmt.; BSc (Est. Mgmt.), Pg.Cert. Research; Methods, & PgCert. Prop. Dev. & invest. MSIM, registered Surveyor with Knight Frank on behalf of the directors. The valuer is an independent valuer not connected with the Group. The valuer acted as an independent valuer in accordance with the RICS (Royal Institute of Chartered Surveyors) valuation professional standards published in 2022 and the International Valuation Standards (ISV).

Values were determined by reference to unobservable prices in the property market. There has been no change to the valuation technique during the year. The group has assessed that the highest and best use of its property does not differ from its current use

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
TThe valuation approach of Open Market Value was adopted as a result of a consideration of the Comparable approach and the residual value. The Comparable approach relies on recent sales data and all relevant factors pertaining to the property like age of the buildings and remaining lease life for the land.	Capitalization rates of between 10% to 11% (2022: 7% to 11%)	If the capitalization rate was higher or lower by 1 % the estimated fair value would increase (decrease) by K43 million (2022: K11.4 million)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

20. Property and equipment *(Continued)*
Valuation techniques and significant unobservable inputs *(Continued)*

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The residual value is defined as the estimated amount an entity would currently obtain from disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful life. In providing the residual values it has been assumed that the entity is not contemplating disposal of any of the properties in the foreseeable future.		On the basis of the general economic trends observed so far it appears unlikely that the sales market will improve in the near term unless there is a reduction to the currently high interest rates.

The fair value measurements of land and buildings have been categorised as level 3 fair values based on the inputs to the valuation techniques used.

	Group		Company	
	2023	2022	2023	2022
	K'000	K'000 Restated	K'000	K'000
21. Trade and other payables				
Interbank borrowings	26 569 638	15 557 356	-	-
Open market operations	-	9 994 686	-	-
Trade payables	1 759 526	1 975 246	-	-
Accruals	625 879	516 151	140 805	160 155
Dividend payable (note 41)	6 363 045	3 981 082	2 733 436	1 447 465
Other payables * *Refer to Note 1.1*	28 507 526	15 697 762	1 626 522	1 688 857
Balance 31 December	63 872 119	47 722 283	4 500 763	3 296 477

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

Included in other payables for the group is staff bonus provision of K6.7 billion (2022: K5.1 billion), deferred bank loan arrangement fees of K2.8 billion (2022: K2.1 billion) and PAYE and other taxes of K6.1 billion (2022: K4.9 billion)

* Other payables were restated following a tax audit by Malawi Revenue Authority covering the period from January 2018 to December 2022. The Group performed an IFRIC 23 assessment and determined that an accrual needed to be made for the taxes and penalties as at 31 December 2023. The total amount of taxes and penalties that have been accrued is K 2.3 billion. Refer to Note 1 for the details of the restatement.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
22. Client funds payable	167 830 629	134 735 595	-	-

Client funds payable are third party funds invested by NICO Nominees. The funds attracted an interest at an average rate of 20.22% (2022: 14.18%) per annum

	Group	
	2023 K'000	2022 K'000
23. Deposits and customer accounts		
Repayable on demand	450 093 770	355 410 408
Repayable within three months or less	47 651 233	419 780
Balance at 31 December	497 745 003	355 830 188

Deposits from customers on savings, investment and term deposit accounts carried an interest rate ranging from 2% to 23.5% (2022: 1% to 15.03%) per annum. Current accounts earned interest of 0.1% per annum on balances above K5,000,000, for the year ended 31 December 2023 which is unchanged from prior year. The foreign currency denominated accounts attract an interest rate of 0.5% (2022: 0.32%) per annum.

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
24. Interest bearing loans and borrowings				
CDH Investment Bank Limited	77 164	324 812	-	-
Continental Asset Management Limited	1 357 746	2 291 667	1 357 746	2 291 667
NBM Capital Markets Limited	5 009 822	5 006 411	-	-
NICO Asset Managers Limited	624 432	1 784 096	-	-
FINESS RBM Loan	2 858 320	-	-	-
	9 927 484	9 406 986	1 357 746	2 291 667
Analysed as follows:				
Balance at 1 January	9 406 986	11 018 904	2 291 667	2 750 000
Additions during the year	2 858 320	-	-	-
Interest charge	2 110 192	1 988 721	532 953	463 263
Interest paid	(2 386 789)	(1 988 721)	(532 953)	(463 263)
Loan repaid	(2 061 225)	(1 611 918)	(933 921)	(458 333)
Balance as at 31 December	9 927 484	9 406 986	1 357 746	2 291 667
Terms and debt repayment schedule				
Due within 1 year	6 628 085	1 169 853	916 667	916 667
Due between 2 and 5 years	3 299 399	8 237 133	441 079	1 375 000
	9 927 484	9 406 986	1 357 746	2 291 667

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

24. Interest bearing loans and borrowings *(Continued)*

Included in the loans of K9.9 billion (2022: K9.4 billion) are the following loans:-

(i) CDH Investment Bank
This is a 4-year floating rate loan raised in March 2020 by NICO Technologies Limited to enable the acquisition of server infrastructure. Interest is payable monthly in arrears. The loan is priced at the floating rate of the market reference rate plus a margin of 0.5%.

(ii) Continental Asset Management (CAM) loan
In June 2019 NICO Holdings plc issued a 3- year floating rate bond to Continental Asset Management of K2.75 billion whose proceeds were used to repay foreign currency denominated loan in order to reduce its foreign currency exposure. Effective 1 July 2022 the bond was rolled over into a Floating Rate Amortizing Facility for the principal amount of K2.75 billion for purposes of cashflow management. The loan is secured by a floating charge over all assets of NICO Holdings plc.

Interest and principal are payable quarterly in arrears and commenced on 30 September 2022. The interest rate for the notes are offered on a Floating Rate basis to be repriced quarterly with interest being the published average yield for 91day Treasury Bills in the auction immediately preceding the repricing date plus 350 basis points. NICO Holdings plc has the option of early repayment of the outstanding principal and accrued interest with no less than 60 days notice to Continental Asset Management, with no penalty for early repayment.

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

(iv) The NICO Asset Managers Limited loan
This is a syndicated loan borrowed by the Group's banking business, arranged by NICO Asset Managers Limited. It is a 5-year floating rate loan raised purely to fund a huge ticket transaction entered into in June 2019. 91 days T-bill plus 6% or headline inflation plus 4%. It was not raised to form part of the total capital of the Groups banking business.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

	Group		Company	
	2023	2022	2023	2022
	K'000	K'000	K'000	K'000
25. Capital and reserves				
a. Share capital				
Authorised:				
Number of authorized share capital ('000)	1 300 000	1 300 000	1 300 000	1 300 000
Nominal value (K)	0.05	0.05	0.05	0.05
Authorized share capital (K'000)	65 000	65 000	65 000	65 000
Issued and fully paid:				
Number of issued and fully paid share capital ('000)	1 043 041	1 043 041	1 043 041	1 043 041
Nominal value (K)	0.05	0.05	0.05	0.05
Issued share capital (K'000)	52 152	52 152	52 152	52 152
b. Share premium	428 859	428 859	428 859	428 859

Share premium arose on issue of 1 043 041 096 ordinary shares above nominal value of K0.05.

	Group	
	2023	2022
	K'000	K'000
c. Revaluation reserve		
Balance at 31 December	776 889	405 278

The revaluation reserve relates to property and comprises the cumulative increase in the fair value at the reporting date.

	Group		Company	
	2022	2021	2022	2021
	K'000	K'000	K'000	K'000
(e) Other reserves				
(i) General reserve	545 519	545 519	-	-
(ii) Fair value reserve	4 339 194	2 259 040	1 795 449	1 142 349
(iii) Translation reserve	(181 728)	(414 467)		-
(iv) Loan loss reserve	249 897	270 951	-	-
Total other reserves	4 952 882	2 661 043	1 795 449	1 142 349

General reserve represents transfers from retained earnings, required by statute and other regulators as well as premium on sale of shares in a subsidiary and other reserve arising out of business combination or other transaction with owners of the business and other reserves arising out of business combination.

Fair value reserve represents fair value adjustment on financial assets through other comprehensive income. Translation reserve represents retranslation difference arising on retranslation of foreign investments at the reporting date.

Loan loss reserve represents an appropriation from retained earnings as additional provision above those requires by the IFRS Accounting standards, to meet the requirements of the Reserve Bank of Malawi.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

26. Non-Controlling interest

Details of subsidiaries of the Group where there is a material non-controlling interest are disclosed below:

Name of subsidiary	Principal place of business	Proportion of ownership interests		Profit/loss allocated to non controlling interests	
		2023	2022	2023	Restated 2022
		%	%	K'000	K'000
NICO Insurance Zambia Company Limited	Zambia	49	49	(517 866)	(13 820)
NICO Life Insurance Limited	Malawi	49	49	12 602 390	7 584 374
NICO General Insurance Company Limited	Malawi	49	49	811 145	882 106
NBS Bank plc	Malawi	49.9	49.9	14 659 691	8 571 413
NICO Pension Services Company Limited	Malawi	49	49	426 283	328 238
TOTAL				27 981 643	17 352 311

Non-controlling interest represents minority position of the shares and reserves in NBS Bank plc, NICO Life Insurance Company Limited, NICO Pension Services Company Limited, NICO General Insurance Company Limited and NICO Insurance (Zambia) Limited.

	Group	Restated
	2023	2022
	K'000	K'000
The composition of non-controlling interest is as follows:-		
NBS Bank plc	24 961 639	17 366 040
NICO General Insurance Company Limited	6 789 057	5 331 596
NICO Insurance (Zambia) Limited	1 157 870	1 438 269
NICO Life Insurance Company Limited	35 973 281	26 338 363
NICO Pension Services Company Limited	1 538 624	1 330 057
Total	70 420 471	51 804 325
The movement is analyzed as follows:-		
Balance as at 1 January	51 804 325	37 420 029
Prior year adjustment	-	(675 497)
First time adoption of IFRS17	-	2 035 505
Profit for the year	27 981 643	17 352 311
Revaluation of land and buildings	357 039	154 160
Fair value on financial assets	1 370 381	539 281
Translation difference on foreign subsidiaries	223 612	257 037
Dividends paid	(11 316 529)	(5 278 501)
Balance as at 31 December	70 420 471	51 804 325

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

26. Non-Controlling interest *(Continued)*

NCI in subsidiaries

The following table summarizes the information relating to the Company's subsidiaries that have material non-controlling interest (NCI) before any intra-Group eliminations.

2023	NICO General Insurance Company Limited	NICO Life Insurance Company Limited	NICO Pension Services Company Limited	NBS Bank Plc	NICO Insurance Zambia Limited	Total
Location	**Malawi**	**Malawi**	**Malawi**	**Malawi**	**Zambia**	
Non-current assets	10 859 800	572 701 226	1 319 612	460 270 631	8 194 279	1 053 345 548
Current Assets	43 434 600	94 240 030	3 425 761	197 445 777	9 580 168	348 126 336
Non current Liabilities	1 939 093	11 620	(109 068)	(552 277 974)	(1 024 578)	(551 460 907)
Current Liabilities	(42 378 274)	(593 538 017)	(1 496 256)	(55 415 110)	(14 386 870)	(707 214 527)
Net Assets	13 855 219	73 414 859	3 140 049	50 023 324	2 362 999	142 796 450
Carrying amount of NCI	6 789 057	35 973 281	1 538 624	24 961 639	1 157 870	70 420 471
Revenue	29 248 894	40 655 527	5 183 763	146 820 968	27 065 182	248 974 334
Profit/(loss)	1 655 398	25 719 163	869 966	29 378 138	(1 056 869)	56 565 796
Other comprehensive income	2 819 011	728 650	-	(40 223)	18 647	3 526 085
Total comprehensive income	4 474 409	26 447 813	869 966	29 337 915	(1 038 222)	60 091 881
Profit/(loss) allocated to NCI	705 710	12 602 390	426 283	14 659 691	(481 395)	27 912 679
Total comprehensive income allocated to NCI	2 087 025	12 959 428	426 283	14 639 620	(472 258)	29 640 098
Cashflows from/(utilized in) operating activities	2 274 163	(1 218 932)	454 536	95 534 871	364 733	97 409 371
Cashflows from/(utilised in) investing activities	3 782 544	29 856 793	154 142	(13 793 702)	(57 603)	19 942 174
Cashflow utilised in financing activities before div to NCI	(895 397)	(1 097 093)	(129 653)	(8 305 846)	(381 342)	(10 809 331)
Cashflow used in financing activities – cash dividends to NCI	(735 000)	(1 002 214)	(108 811)	(7 044 024)	-	(8 890 049)
Net increase/(decrease) in cash and cash equivalents	4 426 310	26 538 554	370 214	66 391 299	(74 212)	97 652 165

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For the year ended 31 December 2023 Continued

26. Non-Controlling interest *(Continued)*

2022	NICO General Insurance Company Limited	NICO Life Insurance Company Limited	NICO Pension Services Company Limited	NBS Bank Plc	NICO Insurance Zambia Limited	Total
Location	**Malawi**	**Malawi**	**Malawi**	**Malawi**	**Zambia**	
NCI Percentage	49.00%	49.00%	49.00%	49.90%	49.00%	
Non-current assets	9 473 632	401 831 122	1 477 364	370 760 795	6 033 919	789 576 832
Current assets	46 553 122	66 478 824	1 647 189	92 539 647	9 600 495	216 819 277
Non-current liabilities	(10 809 338)	(421 430 052)	(46 920)	(387 885 048)	(8 614 851)	(828 786 209)
Current liabilities	(34 713 699)	1 620 781	(363 231)	(37 531 961)	(3 774 300)	(74 762 410)
Net assets	10 503 717	48 500 675	2 714 402	37 883 433	3 245 263	102 847 490
Carrying amount of NCI	5 146 821	23 765 331	1 330 057	18 903 833	1 590 179	50 736 221
Revenue	26 380 697	130 071 424	4 032 163	91 389 738	29 954 553	281 828 575
Profit/(loss)	1 664 434	14 596 964	669 874	18 905 228	(251 768)	35 584 732
Other comprehensive income	1 384 455	287 607	-	(278 243)	26 479	1 420 298
Total comprehensive income	3 048 889	14 884 571	669 874	18 626 985	(225 289)	37 005 030
Profit allocated to NCI	815 573	7 152 512	328 238	9 433 709	(85 817)	17 644 215
Total comprehensive income allocated to NCI	1 493 956	7 293 440	328 238	9 294 866	(72 845)	18 337 655
Cash flows from operating activities	(1 695 131)	(17 428 914)	949 536	35 691 543	1 093 983	22 001 279
Cash flows (utilised in)/ from investing activities	206 972	29 078 530	(123 022)	(29 662 518)	(439 281)	(939 319)
Cash flows utilised in financing activities, before dividends to NCI	(727 496)	(1 197 866)	(28 534)	(3 911 690)	(445 560)	(6 311 146)
Cash flows used in financing activities- cash dividends to NCI	(603 435)	(1 109 794)	-	(2 323 802)	-	(4 037 031)
Net (decrease)/increase in cash and cash equivalents	568 431	9 341 956	797 980	(206 467)	209 142	10 711 042

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

27. Summary of Insurance and Reinsurance Balances asset and Liabilities per Measurement Basis

	Variable Fee Approach	General Measurement Model	Premium Allocation Approach	Total
2023				
Insurance contract liabilities	577 848 000	12 062 000	63 390 260	653 300 260
Reinsurance contract assets	-	-	41 872 545	41 872 545
Reinsurance contract liabilities	-	-	(305 000)	(305 000)
2022				
Insurance contract liabilities	405 727 000	9 140 000	43 409 368	458 276 368
Reinsurance contract assets	-	-	29 783 298	29 783 298
Reinsurance contract liabilities	-	-	(5 000)	(5 000)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

27. Summary Of Insurance And Reinsurance Balances Per Measurement Basis *(Continued)*

27.1 Group Insurance/Reinsurance Product balances under the Premium Allocation Approach (PAA) full retrospective approach

	Fire	Motor	Accident & Bond	Marine & Engineering	Corporate Business	Total	Current portion	Non-current portion	Total
2023									
Insurance contract liabilities	33 909 087	4 983 247	13 444 092	6 604 834	4 449 000	63 390 260	63 390 260	-	63 390 260
Reinsurance contract assets	33 503 662	81 627	7 591 472	695 784	-	41 872 545	41 872 545	-	41 872 545
Reinsurance contract liabilities	-	-	-	-	(305 000)	(305 000)	(305 000)	-	(305 000)
2022									
Insurance contract liabilities	27 341 769	3 701 911	3 624 346	6 189 342	2 552 000	43 409 368	43 409 368	-	43 409 368
Reinsurance contract assets	24 436 923	304 590	505 697	4 536 088	-	29 783 298	29 783 298	-	29 783 298
Reinsurance contract liabilities	-	-	-	-	(5 000)	(5 000)	(5 000)	-	(5 000)

27. Summary Of Insurance And Reinsurance Balances Per Measurement Basis *(Continued)*

27.2 Group Insurance Liabilities balances under the variable fee approach (VFA) and General Measurement fair value approach

2023	Participating Deposit Administration	Individual Life	Annuities	Non Participating Individual Life	Annuities	Total	Current portion	Non-current portion	Total
Insurance contracts	**VFA**	**VFA**	**VFA**	**GM**	**GM**				
Insurance contract liabilities	489 378 937	53 159 043	35 310 020	889 519	11 172 481	589 910 000	89 846 416	500 063 586	589 910 000
Insurance contract assets	-	-	-	-	-	-	-	-	-
Net	489 378 937	53 159 043	35 310 020	889 519	11 172 481	589 910 000	89 846 416	500 063 586	589 910 000

2022	Participating Deposit Administration	Individual Life	Annuities	Non Participating Individual Life	Annuities	Total	Current portion	Non-current portion	Total
Insurance contracts	**VFA**	**VFA**	**VFA**	**GM**	**GM**				
Insurance contract liabilities	343 024 619	37 648 000	25 054 381	1 268 000	7 872 000	414 867 000	73 728 000	341 139 000	414 867 000
Insurance contract assets	-	-	-	-	-	-	-	-	-
Net	343 024 619	37 648 000	25 054 381	1 268 000	7 872 000	414 867 000	73 728 000	341 139 000	414 867 000

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For the year ended 31 December 2023 Continued

28. Summary of insurance service result

2023

	Variable Fee Approach	General Measurement Model	Premium Allocation Approach	Total
Insurance revenue from contracts not measured under PAA	13 033 000	1 183 000	-	14 216 000
Insurance revenue from contracts measured under PAA	-	-	66 790 070	66 790 070
Total insurance revenue	13 033 000	1 183 000	66 790 070	81 006 070
Total insurance service expenses	-	(13 934 000)	(55 973 111)	(69 907 111)
Insurance service result excluding re-insurance	13 033 000	(12 751 000)	10 816 959	11 098 959
Net income (expenses) from reinsurance contracts held	-	-	(2 348 266)	(2 348 266)
Total insurance service result	13 033 000	(12 751 000)	8 498 693	8 750 693

2022

	Variable Fee Approach	General Measurement Model	Premium Allocation Approach	Total
Insurance revenue from contracts not measured under PAA	8 450 000	1 279 000	-	9 729 000
Insurance revenue from contracts measured under PAA	-	-	66 429 151	66 429 151
Total insurance revenue	8 450 000	1 279 000	66 429 151	76 158 151
Total insurance service expenses	-	(3 737 000)	(61 897 689)	(65 634 689)
Insurance service result excluding re-insurance	8 450 000	(2 458 000)	4 531 462	10 523 462
Net income (expenses) from reinsurance contracts held	-	-	2 082 053	2 082 053
Total insurance service result	8 450 000	(2 458 000)	6 613 515	12 605 515

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

28a. Insurance revenue and expenses by product under the Premium Allocation Approach

2023	Fire Insurance	Motor Insurance	Accident & Bond	Marine & Engineering	Corporate Business	Total
Insurance revenue from contracts measured under PAA	21 424 886	18 055 865	9 800 507	3 610 812	13 898 000	66 790 070
Total insurance revenue	21 424 886	18 055 865	9 800 507	3 610 812	13 898 000	66 790 070
Insurance service expenses						
Incurred claims and other directly attributable expenses	(21 720 549)	(14 569 300)	(7 590 705)	(971 384)	(6 237 000)	(51 088 938)
Losses on onerous contracts and reversal of those losses	(152 824)	(175 404)	(134 993)	(28 729)	-	(491 950)
Changes that relate to past service – changes in the FCF relating to the LIC	188 110	334 094	154 937	28 920	-	706 061
Insurance acquisition cash flows recovery	(1 182 519)	(905 889)	(232 043)	(148 833)	(2 629 000)	5 098 284)
Total insurance service expenses	(22 867 782)	(15 316 499)	(7 802 804)	(1 120 026)	(8 866 000)	(55 973 111)
Net income (expenses) from reinsurance contracts held						
Reinsurance expenses – contracts measured under the PAA	(12 239 022)	(397 116)	(2 192 905)	(608 139)	-	(15 437 182)
Other incurred directly attributable expenses	(3 985 160)	(235 223)	(1 652 788)	(1 082 274)	(741 000)	(7 696 445)
Incurred claims recovery / (amortisation)	17 490 253	(22 179)	2 684 977	156 604	503 000	20 812 655
Recoveries of losses on onerous group of underlying contracts and reversal of such losses	-	(82 213)	346 374	73 715	-	337 876
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	(150 935)	(19 010)	(168 466)	(26 759)	-	(365 170)
Total net expenses from reinsurance contracts held	1 115 136	(755 741)	(982 808)	(1 486 853)	(238 000)	(2 348 266)
Total insurance service result	(327 760)	1 983 625	1 014 895	1 003 933	4 794 000	8 468 693

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

28a. Insurance revenue and expenses by product under the Premium Allocation Approach *(Continued)*

2022	Fire Insurance	Motor Insurance	Accident & Bond	Marine & Engineering	Corporate Business	Total
Insurance revenue from contracts measured under PAA	27 083 658	15 711 304	8 182 647	3 208 542	12 243 000	66 429 151
Total insurance revenue	27 083 658	15 711 304	8 182 647	3 208 542	12 243 000	66 429 151
Insurance service expenses						
Incurred claims and other directly attributable expenses	(30 873 057)	(13 120 395)	(3 789 645)	(1 494 697)	(8 193 000)	(57 470 794)
Losses on onerous contracts and reversal of those losses	-	155 019	-	-	-	155 019
Changes that relate to past service – changes in the FCF relating to the LIC	66 948	226 204	49 370	22 387	-	364 909
Insurance acquisition cash flows recovery	(1 106 053)	(872 319)	(326 669)	(105 782)	(2 536 000)	(4 946 823)
Total insurance service expenses	(31 912 162)	(13 611 491)	(4 066 944)	(1 578 092)	(10 729 000)	(61 897 689)
Net income (expenses) from reinsurance contracts held						
Reinsurance expenses – contracts measured under the PAA	(16 881 328)	(308 693)	(1 977 338)	(853 348)	-	(20 020 707)
Other incurred directly attributable expenses	(4 664 144)	(200 221)	(1 414 993)	(538 395)	(424 000)	(7 241 753)
Incurred claims recovery / (amortisation)	28 373 027	93 692	485 255	425 876	89 000	29 466 850
Recoveries of losses on onerous group of underlying contracts and reversal of such losses	-	(86 678)	-	-	-	(86 678)
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	(18 767)	4 949	(15 497)	(6 344)	-	(35 659)
Total net expenses from reinsurance contracts held	6 808 788	(496 951)	(2 922 573)	(972 211)	(335 000)	2 082 053
Total insurance service result	1 980 284	1 602 862	1 193 130	658 239	1 179 000	6 613 515

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

28b. Insurance revenue and expenses by product under the VFA and GMM approaches *(Continued)*

2023

	VFA K'000 2023	GMM K'000 2023	Total K'000 2023	VFA K'000 2022	GMM K'000 2022	Total K'000 2022
Insurance revenue						
Contracts not measured under PAA						
Amounts relating to the changes in the LRC						
Release of risk adjustment for expired	-	32 000	32 000	-	33 000	33 000
Expected incurred claims and other directly attributable expenses	-	1 265 000	1 265 000	-	1 140 000	1 140 000
Insurance acquisition cash flows recovery	-	27 000	27 000	-	35	35
C/SM recognised for the services provided	13 033 000	-	13 033 000	8 450 000	-	8 450 000
Experience adjustments - arising from premiums received in	-	-	-	-	-	-
the period other than those that relate to future periods	-	(141 000)	(141 000)	-	71 000	71 000
Total insurance revenue	13 033 000	1 183 000	14 216 000	8 450 000	1 279 000	9 729 000
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	(850 000)	(850 000)	-	(270 000)	(270 000)
Changes that relate to future service						
-Losses on onerous groups of contracts	-	(13 084 000)	(13 084 000)	-	(3 467 000)	(3 467 000)
Total insurance service expenses	-	(13 934 000)	(13 934 000)	-	(3 737 000)	(3 737 000)
Total insurance service result	13 033 000	(12 751 000)	282 000	8 450 000	(2 458 000)	5 992 000

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

29a. Reconciliation of the liability for remaining coverage and the liability for incurred claims Insurance contract held

Premium allocation approach

2023

	Excluding loss component K'000	Loss component K'000	LIC K'000	Total K'000
Insurance contract liabilities as at 1 January	6 152 444	(154 803)	37 411 727	43 409 368
Effects of exchange rates	506 684	27 072	1 360 842	1 894 598
Insurance revenue				
Contracts under the full retrospective approach	66 790 081)	-	-	(66 790 081)
Insurance revenue	(66 790 081)	-	-	(66 790 081)
Insurance service expenses				
Incurred claims	6 888 499	-	41 100 378	47 988 877
Other insurance service expenses	2 394 000	-	-	2 394 000
Losses on onerous contracts and reversal of those losses	-	491 951	-	491 951
Losses write back on onerous contracts and reversal of those losses	-	-	-	-
Amortization insurance acquisition cash flows	5 098 284	-	-	5 098 284
Adjustment to liabilities for incurred claims	-	-	-	-
Insurance service expenses	14 380 793	491 951	41 100 378	55 973 112
Insurance service result excluding reinsurance	(52 409 288)	491 951	41 100 378	(10 816 969)
Insurance finance income or expenses	(696 000)	-	2 940 983	2 244 983
Recognized in profit or loss	(53 105 288)	491 951	44 041 361	(8 571 976)
Cashflows				
Premium received	70 538 236	-	-	70 538 236
Claims paid	(4 636 041)	-	(28 424 124)	(33 060 165)
Insurance acquisition cashflows	(10 383 801)	-	-	(10 383 801)
Other expenses paid	(436 000)	-	-	(436 000)
Net cashflows	55 082 394	-	(28 424 124)	26 658 270
Insurance contract liabilities as at 31 December	**8 636 234**	**364 220**	**54 389 806**	**63 390 260**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

29a. Reconciliation of the liability for remaining coverage and the liability for incurred claims Insurance contract held *(Continued)*

Premium allocation approach

2022

	Excluding loss component K'000	Loss component K'000	LIC K'000	Total K'000
Insurance contract liabilities as at 1 January	7 410 730	-	17 481 573	24 892 303
Effects of exchange rates	(6 301)	216	(6 125)	(12 210)
Insurance revenue				
Contracts under the full retrospective approach	(66 429 151)	-	-	(66 429 151)
Insurance revenue	(66 429 151)	-	-	(66 429 151)
Insurance service expenses				
Incurred claims	5 466 123	-	50 314 770	55 780 893
Other insurance service expenses	1 325 000	-	-	1 325 000
Losses on onerous contracts and reversal of those losses	-	(155 019)	-	(155 019)
Amortisation insurance acquisition cash flows	4 946 815	-	-	4 946 815
Insurance service expenses	11 737 938	(155 019)	50 314 770	61 897 689
Insurance service result excluding reinsurance	(54 691 213)	(155 019)	50 314 770	(4 531 462)
Insurance finance income or expenses	(576 000)	-	1 074 094	498 094
Recognised in profit or loss	(55 267 213)	(155 019)	51 388 864	(4 033 368)
Premium received	65 084 015	-	-	65 084 015
Claims paid	(3 619 560)	-	(31 452 585)	(35 072 145)
Insurance acquisition cashflows	(5 711 227)	-	-	(5 711 227)
Other expenses paid	(1 738 000)	-	-	(1 738 000)
Net cashflows	54 015 228	-	(31 452 585)	22 562 643
Insurance contract liabilities as at 31 December	6 152 444	(154 803)	37 411 727	43 409 368

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

30a. Reconciliation of the liability measured under Variable Fee Approach

Reconciliation of net carrying amount: Life insurance - Risk business - Variable fee approach

2023

	Best estimate of future cash flows K' 000	Risk adjustment K' 000	Contractual service margins K' 000	Total K' 000
Opening balance	389 772 000	322 000	15 633 000	405 727 000
Non-onerous contracts recognised during the period	(1 405 000)	52 000	1 353 000	-
Recognised in insurance revenue				
Release of risk adjustment for risk expired	-	(1 080 000)	-	(1 080 000)
Recognition of contractual service margin	-	-	(11 953 000)	(11 953 000)
Insurance revenue	(1 405 000)	(1 028 000)	(10 600 000)	(13 033 000)
Insurance service expenses	-	-	-	-
Insurance service result	(1 405 000)	(1 028 000)	(10 600 000)	(13 033 000)
Changes in estimates recognised in contractual service margin	(14 394 000)	1 257 000	13 137 000	-
Net Gains and losses from investment excluding recognition of assumption changes in contract services margin at locked-in int rates	188 806 000	-	-	188 806 000
Total investment result	188 806 000	-	-	188 806 000
Cash flows				
Premiums received during the period	60 034 000	-	-	60 034 000
Incurred claims - investment components	(45 057 000)	-	-	(45 057 000)
Insurance acquisition cash flows	(3 043 000)	-	-	(3 043 000)
Other insurance service expenses	(15 586 000)	-	-	(15 586 000)
Total cashflows	**(3 652 000)**	**-**	**-**	**(3 652 000)**
Closing balance	**559 127 000**	**551 000**	**18 170 000**	**577 848 000**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 — Continued

30a. Reconciliation of the liability measured under Variable Fee Approach *(Continued)*

Reconciliation of net carrying amount: Life insurance - Risk business - Variable fee approach *(Continued)*

2022

	Best estimate of future cash flows K' 000	Risk adjustment K' 000	Contractual service margins K' 000	Total K' 000
Opening balance	357 833 000	292 000	11 937 000	370 062 000
Non-onerous contracts recognised during the period	(1 873 000)	56 000	1 817 000	-
Recognised in insurance revenue				-
Release of risk adjustment for risk expired	-	(67 000)	-	(67 000)
Recognition of contractual service margin	-	-	(8 384 000)	(8 384 000)
Total insurance revenue	(1 873 000)	(10 000)	(6 567 000)	(8 450 000)
Recognised in insurance service expenses	-	-	-	-
Insurance service result	(1 873 000)	(10 000)	(6 567 000)	(8 450 000)
Changes in estimates recognised in contractual service margin	(10 303 000)	40 000	10 263 000	-
Net Gains and losses from investment Excluding recognition of assumption changes in contract services margin at locked-in int rates	55 147 000	-	-	55 147 000
				-
Cash flows				-
Premiums received during the period	55 154 000	-	-	55 154 000
Incurred claims - investment components	(55 214 000)	-	-	(55 214 000)
Insurance acquisition cash flows	(1 886 000)	-	-	(1 886 000)
Other insurance service expenses	(9 086 000)	-	-	(9 086 000)
Total Cashflows	(11 032 000)	-	-	(11 032 000)
Closing balance	389 772 000	322 000	15 633 000	405 727 000

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 — Continued

30a. Reconciliation of the liability measured under Variable Fee Approach *(Continued)*

Reconciliation of net carrying amount: Life insurance - Risk business - Variable fee approach *(Continued)*

	Liability for remaining coverage		LIC for contracts under the PAA		
	Excluding Total loss component K' 000	Loss recovery component K' 000	Present value of future cash flows K' 000	Risk adj. for non-fin. Risk K' 000	Total
2023					
Insurance contract liabilities as at 1 January	**6 152 427**	**(154 799)**	**35 640 933**	**1 770 807**	**43 409 368**
Effects of exchange rates	506 639	27 073	1 319 894	40 992	1 894 598
Insurance revenue					
Contracts under the full retrospective approach	(66 790 081)	-	-	-	(66 790 081)
Insurance service expenses					
Incurred claims	6 888 509	-	40 195 061	905 317	47 988 887
Other insurance service expenses	2 394 000	-	-	-	2 394 000
Losses on onerous contracts and reversal of those losses	-	491 951	-	-	491 951
Losses write back on onerous contracts and reversal of those losses	-	-	-	-	-
Amortisation insurance acquisition cash flows	5 098 284	-	-	-	5 098 284
Net reinsurance acquisition expenses	-	-	-	-	-
Adjustment to liabilities for incurred claims/Changes that relate to past service	-	-	-	-	-
Insurance service expenses	14 380 793	491 951	40 195 061	905 317	55 973 122
Insurance service result	(52 409 288)	491 951	40 195 061	905 317	(10 816 959)
Insurance finance income or expenses	(696 000)	-	2 940 983	-	2 244 983
Recognised in profit or loss	(53 105 288)	491 951	43 136 044	905 317	(8 571 976)
Cashflows					
Premium received	70 538 236	-	-	-	70 538 236
Claims paid	(4 636 041)	-	(28 424 124)	-	(33 060 165)
Insurance acquisition cashflows	(10 383 801)	-	-	-	(10 383 801)
Other expenses paid	(436 000)	-	-	-	(436 000)
Net cashflows	**55 082 394**	**-**	**(28 424 124)**	**-**	**26 658 270**
Total	**8 636 172**	**364 225**	**51 672 747**	**2 717 116**	**63 390 260**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

30a. Reconciliation of the liability measured under Variable Fee Approach *(Continued)*

Reconciliation of net carrying amount: Life insurance - Risk business - Variable fee approach *(Continued)*

	Liability for remaining coverage		LIC for contracts under the PAA		
	Excluding Total loss component K' 000	Loss recovery component K' 000	Present value of future cash flows K' 000	Risk adj. for non-fin. Risk K' 000	Total
2022 (Restated)					
Insurance contract liabilities as at 1 January	7 410 730	-	16 358 019	1 123 554	24 892 303
Effects of exchange rates	(6 319)	220	(5 782)	(329)	(12 210)
Insurance revenue					
Contracts under the full retrospective approach	(66 429 151)	-	-	-	(66 429 151)
Insurance service expenses					
Incurred claims	5 466 124	-	49 667 187	647 582	55 780 893
Other insurance service expenses	1 325 000	-	-	-	1 325 000
Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Losses write back on onerous contracts and reversal of those losses	-	-	-	-	-
Amortisation insurance acquisition cash flows	4 946 815	-	-	-	4 946 815
Net reinsurance acquisition expenses	-	-	-	-	-
Adjustment to liabilities for incurred claims/Changes that relate to past service	-	(155 019)	-	-	(155 019)
Insurance service expenses	11 737 939	(155 019)	49 667 187	647 582	61 897 689
Insurance service result	(54 691 212)	(155 019)	49 667 187	647 582	(4 531 462)
Insurance finance income or expenses	(576 000)	-	1 074 094	-	498 094
Recognised in profit or loss	(55 267 212)	(155 019)	50 741 281	647 582	(4 033 368)
Cashflows					
Premium received	65 084 015	-	-	-	65 084 015
Claims paid	(3 619 560)	-	(31 452 585)	-	(35 072 145)
Insurance acquisition cashflows	(5 711 227)	-	-	-	(5 711 227)
Other expenses paid	(1 738 000)	-	-	-	(1 738 000)
Net cashflows	**54 015 228**	**-**	**(31 452 585)**	**-**	**22 562 643**
Total	**6 152 427**	**(154 799)**	**35 640 933**	**1 770 807**	**43 409 368**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

30b. Reconciliation of the liability measured under General Measurement Model

2023	Best estimate of future cash flows K' 000	Risk adjustment K' 000	Total K' 000	Liability for remaining coverage excluding loss component K' 000	Loss component K' 000	Total K' 000
Expected incurred claims excluding investment components	(934 000)	-	(934 000)	(487 000)	(447 000)	(934 000)
Expected administration and other expenses	(190 000	-	(190 000)	(64 000)	(126 000)	(190 000)
Release of risk adjustment for risk expired	-	(32 000)	(32 000)	(17 000)	(15 000)	(32 000)
Premium experience adjustments relating to current service	(27 000)	-	(27 000)	(27 000)	-	(27 000)
Recognised in insurance revenue	(1 151 000)	(32 000)	(1 183 000)	(595 000)	(588 000)	(1 183 000)
Initial loss on onerous contracts recognised during the period	67 000	-	67 000	-	67 000	67 000
Increase and reversal of losses on onerous contracts	10 730 000	3 137 000	13 867 000	-	13 867 000	13 867 000
Recognised in insurance service expense	10 797 000	3 137 000	13 934 000	-	13 934 000	13 934 000
Insurance service result	9 646 000	3 105 000	12 751 000	(595 000)	13 346 000	12 751 000
Recognition of assumption changes in contractual service margin at locked-in interest rates	(486 000)	91 000	(395 000)	(327 000)	(68 000)	(395 000)
Excluding recognition of assumption changes in contractual service margin at locked-in interest rates	(6 693 000)	(2 461 000)	(9 154 000)	(4 245 000)	(4 909 000)	(9 154 000)
Insurance finance income or expenses	(7 179 000)	(2 370 000)	(9 549 000)	(4 572 000)	(4 977 000)	(9 549 000)
Recognised in statement of comprehensive income	2 467 000	735 000	3 202 000	(5 167 000)	8 369 000	3 202 000
Changes in estimates recognised in contractual service margin	127 000	(127 000)	-	-	-	-
Cashflows						
Premiums received	570 000		570 000	570 000		570 000
Claims and other expenses paid	(850 000)		(850 000)		(850 000)	(850 000)
Net cashflows	(280 000)	-	(280 000)	570 000	(850 000)	(280 000)
Net movement for the period	2 314 000	608 000	2 922 000	(4 597 000)	8 509 000	2 922 000
Balance at beginning of the period	**8 493 000**	**647 000**	**9 140 000**	**5 661 000**	**3 479 000**	**9 140 000**
Balance at end of the period	**10 807 000**	**1 255 000**	**12 062 000**	**1 064 000**	**10 998 000**	**12 062 000**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

30b. Reconciliation of the liability measured under General Measurement Model *(Continued)*

2022

	Best estimate of future cash flows K' 000	Risk adjustment K' 000	Total K' 000	Liability for remaining coverage excluding loss component K' 000	Loss component K' 000	Total K' 000
Expected incurred claims excluding investment components	(898 000)	-	(898 000)	(898 000)	-	(898 000)
Expected administration and other expenses	(269 000)	-	(269 000)	(278 000)	9 000	(269 000)
Release of risk adjustment for risk expired	-	(33 000)	(33 000)	(33 000)	-	(33 000)
Recognition of contractual service margin	-	(44 000)	(44 000)	(44 000)	-	(44 000)
Premium experience adjustments relating to current service	(35 000)	-	(35 000)	(35 000)	-	(35 000)
Recognised in insurance revenue	(1 202 000)	(77 000)	(1 279 000)	(1 288 000)	9 000	(1 279 000)
Initial loss on onerous contracts recognised during the period	117 000	2 000	119 000	-	119 000	119 000
Increase and reversal of losses on onerous contracts	3 058 000	560 000	3 618 000	-	3 618 000	3 618 000
Recognised in insurance service expenses	3 175 000	562 000	3 737 000	-	3 737 000	3 737 000
Insurance service result	1 973 000	485 000	2 458 000	(1 288 000)	3 746 000	2 458 000
Recognised in statement of comprehensive income						
Recognition of assumption changes in contractual service margin at locked-in interest rates	(2 544 000)	(383 000)	(2 927 000)	(2 930 000)	3 000	(2 927 000)
Excluding recognition of assumption changes in contractual service margin at locked-in interest rates	210 233	(59 000)	153 000	153 000	-	153 000
Insurance finance income or expenses	(2 333 767)	(442 000)	(2 778 767)	(2 777 000)	3 000	(2 774 767)
Recognised in statement of comprehensive income	(360 767)	43 000	(317 767)	(4 066 767)	3 749 000	(317 767)
Changes in estimates recognised in contractual service margin	227 000	(227 000)	-	-	-	-
Cashflows						
Premiums received	250 767	-	250 767	250 767	-	250 767
Claims	(270 000)	-	(270 000)	-	(270 000)	(270 000)
Net cashflows	(19 233)	-	(19 233)	250 767	(270 000)	(19 233)
Net movement for the period	(153 000)	(184 000)	(337 000)	(3 816 000)	3 479 000	(337 000)
Balance at beginning of the period	8 646 000	831 000	9 477 000	9 477 000	-	9 477 000
Balance at end of the period	**8 493 000**	**647 000**	**9 140 000**	**5 661 000**	**3 479 000**	**9 140 000**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

30c Expected recognition of contractual service margin - CSM maturity Analysis

2023

K'million Life insurance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 to 20 years	>20 years
Closing Balance	18 169	13 540	7 972	5 323	6 196	7 268	9 174	11 633	16 056	22 489	31 677	21 310
Allocation of investment return to contracts under the variable fee approach	3 266	3 192	1 729	1 876	2 237	3 260	4 120	6 486	9 143	12 840	25 463	36 908
Recognised in Statement of Comprehensive Income	(7 895)	(8 760)	(4 378)	(1 003)	(1 165)	(1 354)	(1 661)	(2 063)	(2 710)	(3 652)	(35 830)	(58 216)
Opening Balance	13 540	7 972	5 323	6 196	7 268	9 174	11 633	16 056	22 489	31 677	21 310	-

2022

K'million Life insurance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 to 20 years	>20 years
Closing Balance	15 633	11 295	6 698	4 644	5 356	6 168	7 266	8 550	10 446	12 733	15 467	6 788
Allocation of investment return to contracts under the variable fee approach	2 499	2 282	1 205	1 541	1 795	2 265	2 703	3 618	4 415	5 338	10 640	4 273
Recognised in Statement of Comprehensive Income	6 836	6 879	3 259	(828)	(983)	1 168	1 419	722	2 129	2 603	19 320	11 060
Opening Balance	11 295	6 698	4 644	5 356	6 168	7 266	8 550	10 446	12 733	15 467	6 788	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

30d Effect of contracts initially recognised in the year

The following table summarises the effect on the measurement components of insurance contracts arising from the initial recognition of contracts not measured under the PAA that were initially recognised during the year:

Year ended 31 December 2023 Km	Profitable contracts issued	Onerous contracts issued	Total Insurance contracts issued
Insurance contracts: not measured under the PAA s			
Insurance acquisition cash flows	(11)	(19)	(30)
Claims and other insurance service expenses payable	(30 366)	(48)	(30 414)
Estimate of present value of cash outflows			
Estimate of present value of cash inflows	31 782	-	31 782
Risk adjustment for non-financial risk	(52)	-	(52)
Contractual service margin	(1 353)	-	(1 353)
Carrying value of new insurance contracts issued	-	(67)	(67)

Year ended 31 December 2022 Km	Profitable contracts issued	Onerous contracts issued	Total Insurance contracts issued
Insurance contracts: Life risk and annuities			
Insurance acquisition cash flows	(11)	(54)	(65)
Claims and other insurance service expenses payable	(28 129)	(63)	(28 192)
Estimate of present value of cash outflows			-
Estimate of present value of cash inflows	30 013	-	30 013
Risk adjustment for non-financial risk	(56)	(2)	(58)
Contractual service margin	(1 817)	-	(1 817)
Losses recognised on initial recognition	-	(119)	(119)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

31a. Fire, Motor, Accident, Engineering, and Marine Insurance contracts issued - Reinsurance contracts

Reconciliation of the remaining coverage and incurred claims components

2023	Remaining coverage		Incurred claims for contracts under the PAA		
	Total loss component K'000	Excluding recovery component K'000	Present Value of future cash flows K'000	Risk adjustment for non-financial risk K'000	Total K'000
Reinsurance contract assets as at 1 January	3 347 828	(87 577)	24 887 858	1 635 162	29 783 298
Effects of exchange rates	1 201 376	37 396	(200 187)	(6 904)	1 031 682
Net income (expenses) from reinsurance contracts held	(25 119 343)	73 944	-	-	(25 045 399)
Other incurred directly attributable expenses	4 669 398	337 876	-	-	5 007 274
Incurred claims recovery	-	-	17 242 136	447 722	17 689 858
Net income (expenses) from reinsurance contracts held	(20 449 945)	411 820	17 242 136	447 722	(2 348 267)
Finance income from insurance contract held	-	-	1 746 706	-	1 746 706
Total amounts recognised in comprehensive income	(20 449 945)	411 820	19 226 991	447 722	(601 561)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	26 798 577	-	(15 139 451)	-	11 659 126
Total cash flows	26 798 577	-	(15 139 451)	-	11 659 126
Reinsurance contract assets as at 31 December	10 897 836	361 640	28 537 062	2 075 980	41 872 545
Reinsurance Liabilities	-	-	(305 000)	-	(305 000)

2023	Remaining coverage		Incurred claims for contracts under the PAA		
	Excluding Total Loss component K'000	Loss component K'000	Present Value of future cash flows K'000	Risk adjustment for non-financial risk K'000	Total K'000
Reinsurance contract assets as at 1 January	5 097 465	(78 984)	5 858 032	583 149	11 459 663
Effects of exchange rates	44 411	(1 090)	14 931	3 994	62 246
Net income (expenses) from reinsurance contracts held	(29 394 322)	79 175	-	-	(29 315 147)
Other incurred directly attributable expenses	127 150	(86 678)	-	-	40 472
Incurred claims recovery	-	-	30 308 709	1 048 019	31 356 728
Net income (expenses) from reinsurance contracts held	(29 267 172)	(7 503)	30 308 709	1 048 019	2 082 053
Finance income from insurance contract held	-	-	552 113	-	552 113
Total amounts recognised in comprehensive income	(29 267 172)	(7 503)	30 860 822	1 048 019	2 634 166
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	27 473 150	-	(11 845 927)	-	15 627 223
Total cash flows	27 473 124	-	(11 845 927)	-	15 627 223
Reinsurance contract assets as at 31 December	3 347 828	(87 577)	24 887 858	1 635 162	29 783 298
Reinsurance Liabilities	-	-	(5 000)	-	(5 000)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

31b Fire,Motor,Accident,Engineering , Marine and Corporate Business contracts

The following table presents information on how reasonably possible changes in assumptions made by the Group with regard to underwriting risk variables impact Fire, motor, accident, engineering, marine and Corporate business insurance liabilities, excluding the run-off business and profit or loss and equity before and after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA and, thus, only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

	2023				2022 (Restated)			
	LIC as at 31 December	Impact on LIC	Impact on profit before income tax	Impact on equity	LIC as at 31 December	Impact on on LIC	Impact on profit before income tax	Impact on equity
Insurance contract liabilities	(54 389 806)	-	-	-	(37 411 727)	-	-	-
Reinsurance contract assets	28 537 062	-	-	-	24 887 858	-	-	-
Net insurance contract liabilities	(25 852 744)	-	-	-	(12 523 869)	-	-	-
Unpaid claims and expenses – 5% increase								
Insurance contract liabilities	-	(2 719 490)	(2 719 490)	(2 719 490)	-	(1 870 586)	(1 870 586)	(1 870 586)
Reinsurance contract assets	-	1 426 853	1 426 853	1 426 853	-	1 244 392	1 244 392	1 244 392
	-	(1 292 637)	(1 292 637)	(1 292 637)	-	(626 194)	(626 194)	(626 194)
Expenses – 5% increase								
Insurance contract liabilities	-	(2 719 490)	(2 719 490)	(2 719 490)	-	(1 870 586)	(1 870 586)	(1 870 586)
Reinsurance contract assets	-	1 426 853	1 426 853	1 426 853	-	1 244 392	1 244 392	1 244 392
Net insurance contract liabilities	-	(1 292 637)	(1 292 637)	(1 292 637)	-	(626 194)	(626 194)	(626 194)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

31c. Net insurance finance (income)/expenses

2023

	Individual life	Annuities	Contracts under PAA approach	Total
	K' 000	K' 000	K' 000	K' 000
Finance income (expenses) from insurance contracts issued/Reinsurance Contracts held				
Effects of changes in assumptions	945 958	867 000	-	1 812 958
Effect of changes in FCF at current rates when CSM is unlocked at locked in rates	43 686	9 111 105	-	9 154 791
Risk adjustment unwind	(599)	(85 443)	-	(86 042)
Best estimate liability unwind	(68 925)	(1 239 194)	-	(1 308 119)
Contractual service margin unwind	(23 267)	-	-	(23 215)
Liability for Incurred Claims net finance income / (expenses) for contracts measured under PAA approach	-	-	(2 244 983)	(2 244 983)
Finance income (expenses) from insurance contracts issued	896 853	8 653 088	(2 244 983)	7 304 959
Finance income (expenses) from reinsurance contracts held	-	-	1 746 706	1 746 706

2022

	Individual life	Annuities	Contracts under PAA approach	Total
	K' 000	K' 000	K' 000	K' 000
Finance income (expenses) from insurance contracts issued/ Reinsurance Contracts held				
Effects of changes in assumptions	30 916	4 134 429	-	4 165 345
Effect of changes in FCF at current rates when CSM is unlocked at locked in rates	(2 034)	(149 145)	-	(151 179)
Risk adjustment unwind	(4 029)	(62 926)	-	(66 955)
Best estimate liability unwind	(56 682)	(1 057 596)	-	(1 114 278)
Contractual service margin unwinds	-	(57 165)	-	(57 165)
Liability for Incurred Claims net finance income / (expenses) for contracts measured under PAA approach	-	-	(498 094)	(498 094)
Finance income (expenses) from insurance contracts issued	(31 829)	2 807 597	(498 094)	2 277 674

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

31c. Net insurance finance (income)/expenses *(Continued)*

Insurance Investments results	**2023 K'000**	**2022 K'000**
Gains and other income from investments measured at fair value through profit or loss	181 096 419	50 209 065
Dividend income from investments at fair value through profit or loss	7 520 000	4 765 000
Rent received from investment properties	156 000	167 000
Income from other activities	34 000	6 000
TOTAL	188 806 419	55 147 065
Change in investments of underlying items from the insurance contracts issued.	(181 501 460)	(52 869 391)
Net Finance income	**7 304 959**	**2 277 674**

	Group		Company	
	2023	**2022**	**2023**	**2022**
32. Fees and commission income				
Fund management based fees	11 591 970	7 037 157	-	-
Information technology fees	1 421 758	851 843	-	-
Other fee income	770 184	737 562	3 742 005	3 138 939
	13 783 912	8 626 562	3 742 005	3 138 939
33. Income from banking operations				
Interest income on loans	48 411 846	26 310 936	-	-
Interest from government stocks	63 484 264	50 916 503	-	-
Gross interest from banking	111 896 110	77 227 439	-	-
Fees and commission income	7 197 786	8 039 447	-	-
Profit on foreign exchange transactions	27 599 740	6 043 633	-	-
	146 693 636	91 310 519	-	-
34. Investment income				
34a. Interest Income				
Bank deposits	3 014 908	3 543 832	33 069	72 053
Treasury bills	21 148 756	13 957 406	1 323 976	799 595
Local registered stocks	2 651 171	1 810 496	-	-
Loans and debentures	2 797 278	1 627 631	-	-
Other interest income from other investments	54 506	25 883	-	-
Total interest income from investments	29 666 619	20 965 248	1 357 045	871 648

34. Investment income *(Continued)*

	Group		Company	
	2023	**2022**	**2023**	**2022**
34b Other Investment Income				
Dividends from equity shares	706 121	618 559	14 981 483	7 042 453
Fair value adjustment of shares	5 918 475	3 976 975	-	-
Fair value adjustment of investment properties	64 000	17 584	-	-
Gain on term deposits designated at FVPTL	3 350 740	756 228	54 138	13 623
Rental income	234 698	215 785	5 280	2 660
Total other investment income	10 274 034	5 585 131	15 040 901	7 058 736
34c. Investment expenses	(533 214)	(527 799)	(37 084)	(91 301)
35. Other income				
(Loss)/ profit on disposal of property and equipment	76 128	(9 471)	-	248
Other sundry income	43 548	91 412	18 744	62 860
	119 676	81 941	18 744	63 108
36. Interest expense				
Fixed deposits**	(26 482 141)	(12 298 900)	-	-
Interest expense on managed funds*	(22 731 667)	(15 243 760)	-	-
Investment deposits**	(391 309)	(446 976)	-	-
Savings deposits**	(14 888 012)	(11 321 754)	-	-
	(64 493 129)	(39 311 390)	-	-

*This represents interest expenses paid to the clients from the funds invested and managed by the Group on their behalf. (Refer to note 23b).

** Interest expenses incurred by the Group in its normal banking operations.

37a. Administrative expenses

	Company	
	2023 K'000	**2022 K'000**
Auditors' remuneration -Audit fees	(160 065)	(99 581)
Other audit expenses and disbursements		(19 881)
Directors' remuneration: Executive (note 13)	(737 764)	(457 109)
Directors' remuneration: Non-executive (note 13)	(107 332)	(85 051)
Staff costs	(2 848 858)	(2 876 167)
Communication and accommodation expenses	(277 480)	(209 071)
Depreciation and amortisation	(27 724)	(25 109)
Amortisation of right of use asset	(26 649)	(26 649)
Sundry business charges	(583 936)	(260 640)
Repairs and maintenance	(468 852)	(385 336)
	(5 238 660)	(4 444 594)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

39b. Administrative expenses *(Continued)*

	2023 Attributable expenses	Group 2023 Other operating expenses	2023 Total	2022 Attributable expenses	Group 2022 Other operating expenses	2022 Total
Auditors' remuneration -Audit fees	(295 741)	(598 653)	(894 394)	(146 705)	(477 666)	(624 371)
Other audit expenses and Disbursements	(84 946)	(21 618)	(106 564)	(80 432)	(29 820)	(110 252)
Directors' remuneration - Executive (Note 11)	-	(737 764)	(737 764)	-	(457 109)	(457 109)
Directors' remuneration - Non executive (Note 11)	(111 699)	(319 056)	(430 755)	(79 070)	(232 762)	(311 832)
Staff costs	(6 815 704)	(32 315 839)	(39 131 543)	(5 535 250)	(24 171 785)	(29 707 035)
Communication and accommodation expenses	(2 051 534)	(10 906 225)	(12 957 759)	(1 478 218)	(6 267 780)	(7 745 998)
Depreciation and amortisation	(546 985)	(3 071 111)	(3 618 096)	(510 357)	(3 557 283)	(4 067 640)
Deoreciation of ROU Asset	(82 612)	(1 582 439)	(1 665 051)	(137 427)	(1 161 061)	(1 298 488)
Sundry business charges	(2 479 996)	(10 528 897)	(13 008 893)	(1 348 691)	(7 269 865)	(8 618 556)
Repairs and maintenance (office equipment costs)	(2 185 583)	(3 908 357)	(6 093 940)	(1 193 532)	(5 193 348)	(6 386 880)
	(14 654 800)	(63 989 959)	(78 644 759)	(10 509 682)	(48 818 479)	(59 328 161)

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
38. Impairment losses on financial assets				
Loans and advances (note 7)	(4 561 096)	(2 976 470)	-	-
Client funds under management (note 9b)	-	(864 358)	-	-
Insurance receivables	-	(172 330)	-	-
Other receivables	(2 331)	1 947	-	-
Total impairment losses on financial assets	(4 563 427)	(4 011 211)	-	-
39. Net finance costs				
Interest on loans	(576 761)	(524 536)	(532 953)	(463 263)
Interest on lease liabilities	(1 328 758)	(888 746)	(21 186)	(21 186)
Exchange gains/(losses)	742 771	192 760	71 009	20 054
	(1 162 748)	(1 220 522)	(483 130)	(464 395)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

40. Basic and diluted earnings/loss per share

The calculation of basic earnings per share at 31 December 2023 was based on profit attributable to ordinary shareholders of K31 095 837 (2022: K19 653 102) and a weighted average number of ordinary shares outstanding of 1 043 041 thousand (2022: 1 043 041 thousand) calculated as follows: -

	Group 2023 K'000	Group 2022 K'000
Profit for the year K'000	59 077 480	37 005 413
Non-controlling interest K'000	(27 981 643)	(17 352 311)
Profit attributable to owners of the parent (K'000)	31 095 837	19 653 102
Weighted average number of ordinary shares in issue throughout the year ('000)	1 043 041	1 043 041
Basic and diluted earnings per share (K)	29.81	18 .84

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
41. Dividends				
Unpaid dividends at the beginning of the year	3 981 082	331 197	1 447 465	331 197
Dividends declared in the year	20 704 486	8 407 822	9 387 370	3 129 121
Dividends paid	(18 322 523)	(4 757 937)	(8 101 402)	(2 012 853)
Unpaid dividend at the end of the year*	6 363 045	3 981 082	2 733 433	1 447 465

*The unpaid dividends related to dividend payable to Sanlam Emerging Markets (Pty) Limited, Africap LLC and Botswana Insurance Holdings Limited. The dividends were unpaid due to unavailability of foreign currency in the market. The amount is included in note 21 to these consolidated and separate financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management

42.1 Risk governance structure

The Board of Directors has the overall responsibility for the Group's risk management framework and policies as well as monitoring the effectiveness and disclosure thereof in accordance with best practice.

The Group operates a decentralized business model environment, and all individual businesses take responsibility for all operational and risk related matters on a business level, within the set limits of the risk management framework.

The Board has established a number of risk management and monitoring mechanisms operating within the Group as part of the overall risk management structure.

The key ones are illustrated below:

- **Group Risk Committee**

  Develops Group risk management framework, policies and provides overall oversight across the Group, coordinates reporting and improves risk management across the Group.

- **Group Investment Committee**
  Determines and monitors appropriate investment strategies for the Group.

- **Finance and Audit Committee**
  Assists the Board in providing assurance on the policies and procedures and the financial reporting processes.

- **Credit Committee and Asset Liability Committee**
  Identifies, measures and controls credit risk exposure in the banking operations.

  The Group's Asset and Liability Management Committee (ALCO) is responsible for ensuring that there is an equitable balance between the Group's assets and liabilities. This is a management committee that meets regularly, and reports to the Finance and Audit Committee.

- **Actuarial Committee**
  Monitors and reports on key risks affecting life insurance operations. Determines capital requirements of the life operations and the potential impact of strategic decisions, by using appropriate modelling technics.

- **Treasury function**
  Manages the liquidity risks for banking operations, and reports to management and the board regularly.

- **Internal Audit**
  Monitors adequacy and effectiveness of internal controls and risk management practices across the Group. Also provides assurance on all aspects of the business.

- **Group Risk Management and Compliance Function**
  Coordinates the risk management processes and assisting the Group Risk Committee in aiding identification of risks.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.2 Risk management framework

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, and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all stakeholders understand their roles and obligations.

The main components of the Group Risk and Policy are as follows:

- The Broad objectives and Philosophy of Risk Management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- Standards on implementing risk management within the Group's businesses.

The Group Risk Committee provides an oversight role of ensuring compliance with the Group's risk management policies and procedures, and for ensuring the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Risk Committee is assisted in these functions by the Risk Management and Compliance Services functions.

42.3 Capital Risk Management

Effective capital management is an essential component of meeting the NICO Group's strategic objective of maximizing shareholder value. The management of the Group's capital base requires a continuous review of optimal capital levels,

The NICO Group has an integrated capital management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

42.3.1 Capital Allocation

The NICO Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The level and nature of the supporting capital is determined by regulatory capital requirements as well as business risks and growth considerations.

The NICO Group's approach to ensure appropriate working capital levels are as follows:

- The Group's internal dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and
- Performance targets are set for other Group operations based on an expected return of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.3 Capital Risk Management *(Continued)*

42.3.2 Discretionary Capital

Any capital in excess of requirements, and not optimally utilized, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of the Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy.

Any discretionary capital not being efficiently redeployed will be returned to shareholders in the most effective form.

42.3.3 Capital Risk Management - Life Business

Life insurance operations require significantly higher levels of allocated capital than the pension administration business. The optimization of long term required capital is a primary focus area of the business while maintaining appropriate solvency levels.

The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for the policy holder;
- Due regard is given to liquidity risk
- management, where funds are managed in line with the investment strategy;
- The asset mix of the long-term required capital. The balance sheet represents the overall risk and expected return on assets;
- The company ensures efficient selection of reinsurance exposure; and
- Internal controls and other operational risk management processes are used to reduce operational risk.

NICO Life Insurance Company Limited

The Reserve Bank of Malawi Directive on Minimum Capital and Solvency prescribes a minimum capital of K1 billion and a minimum solvency ratio of 100% for life fund and Shareholders funds and 120% for the company as a whole. Below is the company's compliance positions:

	2023 K'm	2022 K'm
Minimum capital		
Share capital	33	33
Share premium	1 358	1 358
Total	1 391	1 391

Solvency margin	With waiver			Without waiver		
	IFRS4 2023 %	IFRS17 2023 %	IFRS4 2022 %	IFRS4 2023 %	IFRS17 2023 %	IFRS4 2022 %
Life fund	108	110	100	100	100	100
Shareholders fund	1 714	1 714	1 393	906	932	655
Whole company	194	196	191	147	149	142

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.3 Capital Risk Management *(Continued)*

42.3.3 Capital Risk Management - Life Business *(Continued)*

Nico Life Insurance has been granted a final extension to comply with the Minimum Capital and Solvency Directive by 31 December 2025 or at the time this directive is reviewed whichever comes first. The waiver allows for reduced risk charges on equity investments of more than 30% in listed and unlisted companies, and on investments in unlisted securities and collective investment schemes and other assets. The Company has met the minimum capital for life insurers and solvency ratio for life fund, shareholders fund and for the whole Company, with and without the waiver, in the year. The Company set aside funds from the shareholders fund to meet the minimum capital requirement of the life fund without the waiver. This is in line with the Company's non-distributable reserve policy.

The solvency ratios are based on IFRS4 template. The company also simulated IFRS17 solvency ratios based on the same IFRS4 template. However, the regulator is yet to conclude on the IFRS17 template

42.3.4 Capital Risk Management – Banking Business

Regulatory capital

The Reserve Bank of Malawi sets and monitors capital requirements for the banking operations.

In implementing current capital requirements, Reserve Bank of Malawi requires the banking business to maintain a prescribed ratio of total capital to total risk-weighted assets as below.

The Group's banking business 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.; and
- 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.

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 recognized 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's banking operations have complied with all externally imposed capital requirements throughout the year.

There has been no material changes in the Group's management of capital during the year.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.3 Capital Risk Management *(Continued)*

42.3.4 Capital Risk Management – Banking Business *(Continued)*

The Group's banking operations regulatory capital position as at 31 December 2023 was as follows: -

Capital Adequacy Requirement

	Consolidated and Separate	
	2023	**2022**
Tier 1 capital	**K'000**	**K'000**
Share capital and share premium	13 559 474	13 559 474
Retained earnings and other reserves	35 793 864	23 562 566
Total tier 1 capital	49 353 338	37 122 040
Tier 2 capital		
Revaluation reserve on property, loan loss reserve less 50% of investment in a subsidiary	5 293 268	4 941 061
Total tier 2 capital	5 293 268	4 941 061
Total regulatory capital	54 646 606	42 063 101
Risk weighted assets	301 892 754	198 138 605
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	18.10%	21.23%
Total Tier 1 capital expressed as a percentage of total risk weighted assets	16.35%	18.74%

Prudential Aspects of Bank's Liquidity

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

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

As at 31 December 2023 the Bank's liquidity Ratio 1 was 33.06% (2022: 40.09%)

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.3 Capital Risk Management *(Continued)*

42.3.4 Capital Risk Management – Banking Business *(Continued)*

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.

42.3.5 Capital management – Short-term Insurance Business

The Group aims to maintain capital balances that are sufficient to meet operating and strategic obligations. The objectives are to maintain the Group's ability to continue as a going concern, while supporting the optimisation of returns relative to risks. The major objective to be achieved when managing short term capital are as follows;

- To comply with the statutory capital requirements required by regulators of the insurance market where the Group operates;
- To provide adequate return shareholders & benefits of other stakeholders;
- To protect policyholders against adverse results that may affect the solvency of the Group and therefore its ability to meet its financial obligations; and
- To ensure sufficient capital is available to fund the Group's capital and strategic requirements.

Regulatory solvency position
In each country in which the Group operates, the local insurance regulator specifies the minimum amount and the type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

Management regard share capital, share premium, perpetual preference shares, retained earnings, Long term debt and other reserves as capital.

(a) NICO General Insurance Company Limited

Solvency Margin and minimum capital
The Reserve Bank of Malawi Directive on Minimum Capital and Solvency prescribes a minimum capital of K750 million and a minimum solvency ratio of 20% defined as being a percentage of adjusted net assets the insurer bears to the net written premium for the corresponding period. Below are the entity's compliance position:

	2023	**2022**
Solvency margin	**K'000**	**K'000**
Net assets available to meet solvency	7 360 449	6 432 564
Net premium	16 375 966	13 255 209
Solvency margin (%)	45	42.9
Minimum requirement by regulator (Reserve Bank of Malawi) (%)	20	20

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.3 Capital Risk Management *(Continued)*

42.3.5 Capital management – Short-term Insurance Business *(Continued)*

	2023 K'000	2022 K'000
Paid up capital		
Share capital	9 000	9 000
Share premium	1 195 618	1 195 618
Total paid up capital	1 204 618	1 204 618
Minimum requirement by regulator (Reserve Bank of Malawi):		
As at 31 December	750 000	750 000

a. NICO Insurance (Zambia) Limited

The Group manages the capital in NICO Insurance (Zambia) Limited with the following objectives;

To comply with the insurance capital requirements that the regulator has set for the insurance market. In this respect the Group manages its capital on a basis of not less than 100% of its minimum capital position presented in the table below. Management considers the quantitative threshold of 100% sufficient to maximise shareholders' return and to support the capital required to write its businesses in Zambia;

To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Minimum capital
The defined Group capital includes equity and the share premium.

	Group	
	2023 K'000	2022 K'000
Total shareholder funds	2 746 109	2 376 130
Minimum required share capital	653 012	568 751
Company issued share capital	927 341	807 684
Excess	274 329	238 932
Excess as % of minimum capital	42%	42%

The Company is compliant with the externally imposed capital requirement in accordance with Section 41 of the Insurance Act of Zambia, which is currently K10 million. However, the statutory instrument No 105 of 2022, which brought into operation the Insurance Act No 38 of 2021 from 30 December 2022, contains new rules on minimum capital requirements. The Company is required to provide a roadmap covering the three year transition period to demonstrate how it will be fully complaint with the new provisions. This roadmap was provided to the Regulator.

42.4 Credit Risk Management

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. The Group's credit risk arises principally from its holding position of cash and cash equivalents, loans and advances to customers and banks, insurance receivables and investment securities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.4 Credit Risk Management *(Continued)*

42.4.1 Exposure of 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.

		31-Dec-23			31-Dec-22
Summary	**Note**	**Gross Amount**	**Impairment**	**Net Amount**	**Net Amount**
Balance with central bank	5	48 701 272	43 344	48 657 928	15 102 713
Short term deposits	5	74 325 221	38 831	74 286 390	54 552 307
Placements with the banks	6b	85 328 881	75 943	85 252 938	54 310 769
Treasury Notes	14	439 728 615	472 944	439 255 671	371 060 277
Promissory notes	14	643 179	182	642 997	7 408 121
Treasury Bills	14	39 507 097	1 311	39 505 786	22 564 812
Loans and advances to customers - loans & overdrafts	7	152 874 239	8 405 847	144 455 660	132 019 705
Loans and advances to customers - finance lease	7	2 433 769	84 913	2 348 857	1 381 561
Loans and advances to customers - mortgage advances	7	6 999 193	376 382	6 622 811	4 394 854
Reinsurance contract assets	27	41 872 545	-	41 872 545	29 783 298
Loans and debentures	16	1 846 362	-	1 846 362	1 213 370
Client Funds Under Management	9(b)	170 613 700	-	170 613 700	134 738 817
Other receivables	9(a)	13 461 825	29 961	13 431 864	9 068 665
TOTAL RECOGNISED		1 078 335 897	9 529 658	1 068 866 161	837 599 269
Loan commitments		3 796 613	3 379	3 793 234	4 442 372
Letters of credit and guarantee		25 446 522	22 647	25 423 875	17 607 527
TOTAL UNRECOGNISED		29 243 135	26 026	29 217 109	22 049 899
TOTAL		1 107 579 032	9 555 684	1 098 083 270	859 649 168

42. Risk Management *(Continued)*

42.4 Credit Risk Management *(Continued)*

42.4.1 Exposure of credit risk *(Continued)*

Stage1: 12 Month ECL	31-Dec-23			31-Dec-22
	Gross Amount	Impairment	Net Amount	Net Amount
Balance with central bank	48 701 272	43 344	48 657 928	15 102 713
Short term deposits	74 325 221	38 831	74 286 390	54 552 307
Placements with the banks	85 328 881	75 943	85 252 938	54 310 769
Treasury Notes	439 728 615	472 944	439 255 671	371 060 277
Promissory notes	643 179	182	642 997	7 408 121
Treasury Bills	39 507 097	1 311	39 505 786	22 564 812
Loans and advances to customers - loans & overdrafts	141 080 815	3 787 828	137 292 989	128 266 714
Loans and advances to customers - finance lease	2 291 929	14 629	2 277 300	1 293 632
Loans and advances to customers - mortgage advances	6 717 588	-	6 717 588	3 589 444
Reinsurance contract assets	41 872 545	-	41 872 545	29 783 298
Loans and debentures	1 846 36	-	1 846 362	1 213 370
Client Funds Under Management	170 613 700	-	170 613 700	134 738 817
Other receivables	13 461 825	29 961	13 431 864	9 068 665
TOTAL RECOGNISED	1 066 119 029	4 464 971	1 061 713 980	832 952 939
Loan commitments	3 796 613	3 379	3 793 234	4 442 372
Letters of credit and guarantee	25 446 522	22 647	25 423 875	17 607 527
TOTAL UNRECOGNISED	29 243 135	26 026	29 217 109	22 049 899
TOTAL	1 095 362 164	4 490 997	1 090 931 089	855 002 838
Stage 2: Lifetime ECL				
Loans and advances to customers - loans & overdrafts	3 988 031	591 540	3 396 491	3 236 142
Loans and advances to customers - finance lease	66 302	2 576	63 726	52 712
Loans and advances to customers - mortgage advances	161 534	-	161 534	397 547
TOTAL RECOGNISED	4 215 867	594 116	3 621 751	3 686 401
Stage 3: Lifetime ECL				
Loans and advances to customers - loans & overdrafts	7 792 661	4 026 481	3 766 180	516 849
Loans and advances to customers - finance lease	75 539	67 708	7 831	35 217
Loans and advances to customers - mortgage advances	132 801	376 382	(243 581)	407 863
TOTAL RECOGNISED	8 001 001	4 470 571	3 530 430	959 929

42. Risk Management *(Continued)*

42.4 Credit Risk Management *(Continued)*

42.4.2 Allowances for impairment *(Continued)*

The Group establishes an allowance for impairment losses that represents its estimate of expected loss on both impaired and non-impaired loans. The group had made an assessment and concluded that the impairment for reinsurance contracts, funds under management and loans and debentures are immaterial.

Analysis of the movement of the loss allowance for each portfolio is included in the tables below.

Allowances for impairment

Summary: Allowances for impairment	Loss allowance as at 31 December 2022	Net movement during the year	Loss allowance as at 31 December 2023
	K'000	K'000	K'000
Balance with central bank	1 525	41 819	43 344
Short term deposits	1 018	37 813	38 831
Placements with the banks	5 432	70 511	75 943
Treasury Notes	481 234	(70 937)	410 297
Promissory notes	710	(528)	182
Treasury Bills	2 476	(1 165)	1 311
Loans and advances to customers- loans & overdrafts	2 976 936	5 428 911	8 405 847
Loans and advances to customers- finance lease	45 216	39 697	84 913
Loans and advances to customers- mortgage advances	376 382	-	376 382
Client Funds Under Management	2 151 308	(2 151 308)	-
Other receivables	180 450	(150 489)	29 961
TOTAL RECOGNISED	6 222 687	3 244 324	9 467 011
Loan commitments	4 447	2 547 542	2 551 989
Letters of credit and guarantee	289 901	326 862	616 763
TOTAL UNRECOGNISED	294 348	2 874 404	3 168 752
TOTAL	6 517 035	6 118 728	12 635 763

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.4 Credit Risk Management *(Continued)*

42.4.2 Allowances for impairment *(Continued)*

	Loss allowance as at 31 December 2022 K'000	Net movement during the year K'000	Loss allowance as at 31 December 2023 K'000
Stage1: 12 Month ECL			
Balance with central bank	1 525	-	1 525
Short term deposits	1 018	-	1 018
Placements with the banks	5 432	-	5 432
Treasury Notes	481 234	-	481 234
Promissory notes	710	-	710
Treasury Bills	2 476	-	2 476
Loans and advances to customers- loans & overdrafts	1 196 985	2 590 841	3 787 826
Loans and advances to customers- finance lease	5 312	9 317	14 629
Client Funds under management	2 151 308	(2 151 308)	-
Other receivables	180 450	87 613	268 063
TOTAL RECOGNISED	4 026 450	536 463	4 562 913
Loan commitments	4 447	(1 068)	3 379
Letters of credit and guarantee	17 625	5 022	22 647
TOTAL UNRECOGNISED	22 072	3 954	26 026
TOTAL	4 048 522	540 417	4 588 939
Stage 2: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	268 937	322 603	591 540
Loans and advances to customers- finance lease	3 339	(763)	2 576
TOTAL RECOGNISED	272 276	321 840	594 116
Stage 3: Lifetime ECL			
Loans and advances to customers- loans & overdrafts	1 511 014	2 515 467.00	4 026 481
Loans and advances to customers- finance lease	36 565	31 143.00	67 708
Loans and advances to customers- mortgage advances	376 382	-	376 382
TOTAL RECOGNISED	1 923 961	2 546 610	4 470 571

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.4 Credit Risk Management *(Continued)*

43.4.3 Credit risk profiling

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.

	0-29 days K'000	30-59 days K'000	60-89 days K'000	90-180 days K'000	More than 181 days K'0000	Gross carrying amount K'000	Loss allowance K'000	Total K'000
2023								
Balance with central bank	48 701 272	-	-	-	-	48 701 272	(43 344)	48 657 928
Short term deposits	61 773 042	12 552 179	-	-	-	74 325 221	(38 831)	74 286 390
Placements with the banks	85 328 881	-	-	-	-	85 328 881	(75 943)	85 252 938
Treasury Notes	436 094 347	-	-	-	3 571 622	439 665 969	(410 297)	439 255 672
Promissory notes	643 179	-	-	-	-	643 179	(182)	642 997
Treasury Bills	39 507 097	-	-	-	-	39 507 097	(1 311)	39 505 786
Loans and advances to customers- loans & overdrafts	141 080 815	-	3 988 031	-	7 792 661	152 861 507	(8 405 847)	144 455 660
Loans and advances to customers- finance lease	2 291 929	-	66 302	-	75 538	2 433 769	(84 913)	2 348 856
Loans and advances to customers- mortgage advances	6 717 588	-	161 534	-	132 801	7 011 923	(376 382)	6 635 541
Reinsurance contract assets	-	-	-	-	41 872 545	41 872 545	-	41 872 545
Loans and debentures	1 846 362	-	-	-	-	1 846 362	-	1 846 362
Client Funds under management	170 613 700	-	-	-	-	170 613 700	-	170 613 700
Other receivables	13 344 455	67 647	10 726	6 939	32 058	13 461 825	(29 961)	13 431 864
TOTAL RECOGNISED	1 007 942 667	12 619 826	4 226 593	6 939	53 477 225	1 078 273 250	(9 467 011	1 068 806 239
Loan commitments	3 796 613	-	-	-	-	3 796 613	(3 379)	3 793 234
Letters of credit and guarantee	25 446 522	-	-	-	-	25 446 522	(22 647)	25 423 875
TOTAL UNRECOGNISED	29 243 135	-	-	-	-	29 243 135	(26 026)	29 217 109
TOTAL	1 037 185 802	12 619 826	4 226 593	6 939	53 477 225	1 107 516 385	(9 493 037)	1 098 023 348

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.4 Credit Risk Management *(Continued)*

43.4.3 Credit risk profiling *(Continued)*

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.

	0-29 days K'000	30-59 days K'000	60-89 days K'000	90-180 days K'000	More than 181 days K'0000	Gross carrying amount K'000	Loss allowance K'000	Total K'000
2022								
Balance with central bank	15 104 238	-	-	-	-	15 104 238	(1 525)	15 102 713
Short term deposits	45 711 512	3 169 826	-	1 355 792	4 316 195	54 553 325	(1 018)	54 552 307
Placements with other banks	54 316 201	-	-	-	-	54 316 201	(5 432)	54 310 769
Treasury Notes	366 782 590	-	-	-	4 758 922	371 541 512	(481 234)	371 060 278
Promissory notes	7 408 831	-	-	-	-	7 408 831	(710)	7 408 121
Treasury Bills	22 567 288	-	-	-	-	22 567 288	(2 476)	22 564 812
Loans and advances to customers- loans and overdrafts	129 463 699	-	3 505 079	-	2 027 863	134 996 641	(2 976 936)	132 019 705
Loans and advances to customers - finance lease	1 426 777	-	-	-	-	1 426 777	(45 216)	1 381 561
Loans and advances to customers-mortgage advances	3 986 991	-	-	-	784 245	4 771 236	(376 382)	4 394 854
Reinsurance contract assets	-	-	-	-	29 788 298	29 788 298	-	29 788 298
Loans and debentures	1 393 820	-	-	-	-	1 393 820	-	1 393 820
Client funds under management	136 890 125	-	-	-	-	136 890 125	(2 151 308)	134 738 817
Other trade receivables	9 094 855	-	84 051	17 929	52 280	9 249 115	(180 450)	9 068 665
Total	794 146 927	3 169 826	3 589 130	1 373 721	41 727 803	844 007 407	(6 222 687)	837 784 720
Loan commitments	4 446 819	-	-	-	-	4 446 819	(4 447)	4 442 372
Letters of credit and guarantee	17 625 152	-	-	-	-	17 625 152	(17 625)	17 607 527
Total unrecognised	22 071 971	-	-	-	-	22 071 971	(22 072)	22 049 899
Total	816 218 898	3 169 826	3 589 130	1 373 721	41 727 803	866 079 378	(6 244 759)	859 834 619

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.4 Credit Risk Management *(Continued)*

42.4.4 Distribution of credit exposures by sector

The table below provides an analysis of the gross carrying amount of loans and advances to customers by past due sector

2023

	Balance with central bank K'000	Short term deposits K'000	Placements with the banks K'000	Treasury Notes K'000	Promissory Notes K'000	Treasury Bills K'000	Loans and advances to customers- loans & overdrafts K'000	Insurance Receivables K'000	Loans and debentures K'000	Under Management K'000	Client Funds Other receivables K'000	Loan commit-ments K'000	Letters of credit and guarantee K'000	Total K'000
Agriculture, forestry, fishing and hunting	-	-	-	-	-	-	2 025 781	-	-	-	3 412	-	-	2 029 193
Mining and quarrying	-	-	-	-	-	-	-	-	-	-	18	-	-	18
Manufacturing	-	-	-	-	-	-	8 088 019	-	-	-	2 666	-	-	8 090 685
Electricity, gas, water and energy	-	-	-	-	-	-	8 076 315	-	486 362	-	1 073	-	-	8 563 750
Construction	-	-	-	-	-	-	2 407 806	-	-	-	2 538	-	-	2 410 344
Wholesale and retail trade	-	-	-	-	-	-	18 711 794	-	-	-	2 294	-	-	18 714 088
Restaurants and hotels	-	-	-	-	-	-	566 278	-	1 110 000	-	1 463	-	-	1 677 741
Transport, storage and communications	-	-	-	-	-	-	1 675 810	-	-	-	3 920	-	-	1 679 730
Financial services	48 701 272	74 325 221	85 328 881	439 728 615	643 179	39 507 097	7 105 651	41 872 545	250 000	170 613 700	635 463	-	-	908 711 624
Community, social and personal services	-	-	-	-	-	-	113 625 739	-	-	-	28 314	-	-	113 654 053
Real estate	-	-	-	-	-	-	24 007	-	-	-	68	-	-	24 075
Other sectors	-	-	-	-	-	-	-	-	-	-	12 780 596	3 796 613	25 446 522	42 023 731
Carrying amount	48 701 272	74 325 221	85 328 881	439 728 615	643 179	39 507 097	162 307 200	41 872 545	1 846 362	170 613 700	13 461 825	3 796 613	25 446 522	1 107 579 032

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.4 Credit Risk Management *(Continued)*

42.4.4 Distribution of credit exposures by sector *(Continued)*

2022

	Balance with central bank K'000	Short term deposits K'000	Placements with the banks K'000	Treasury Notes K'000	Promissory Notes K'000	Treasury Bills K'000	Loans and advances to customers-loans & overdrafts K'000	Insurance Receivables K'000	Loans and debentures K'000	Client Funds Under Management K'000	Other receivables K'000	Loan commit-ments K'000	Letters of credit and guarantee K'000	Total K'000
Carrying amount														
Concentration by sector														
Agriculture, forestry, fishing and hunting	-	-	-	-	-	-	17 368 764	-	-	-	6 764	-	-	17 375 528
Mining and quarrying	-	-	-	-	-	-	2 780	-	-	-	10	-	-	2 790
Manufacturing	-	-	-	-	-	-	11 281 833	-	-	-	5 431	-	-	11 287 264
Electricity, gas, water and energy	-	-	-	-	-	-	14 351 553	-	1 213 370	-	2 066	-	-	15 566 989
Construction	-	-	-	-	-	-	2 932 815	-	-	-	5 655	-	-	2 938 470
Wholesale and retail trade	-	-	-	-	-	-	9 987 084	-	-	-	4 939	-	-	9 992 023
Restaurants and hotels	-	-	-	-	-	-	1 266 561	-	-	-	4 529	-	-	1 271 090
Transport, storage and communications	-	-	-	-	-	-	1 389 949	-	-	-	6 542	-	-	1 396 491
Financial services	15 104 238	54 553 325	54 316 201	371 541 511	7 408 831	22 567 288	5 450 320	29 788 298	-	136 890 125	436 160	-	-	698 056 297
Community, social and personal services	-	-	-	-	-	-	73 634 140	-	-	-	90 814	-	-	73 724 954
Real estate	-	-	-	-	-	-	123 582	-	-	-	487	-	-	124 069
Other sectors	-	-	-	-	-	-	3 405 273	-	-	-	8 685 718	4 446 819	17 625 152	34 162 962
Total carrying amount	15 104 238	54 553 325	54 316 201	371 541 511	7 408 831	22 567 288	141 194 654	29 788 298	1 213 370	136 890 125	9 249 115	4 446 819	17 625 152	865 898 927

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.4 Credit Risk Management *(Continued)*

42.4.5 Cash and cash equivalents

The Group's cash and cash equivalents are held with financial institution counterparties that have high credit ratings.

42.4.6 Government securities

The Group's investments in government securities are issued by the Malawi government and are considered secure. Reputable financial institutions are used for investing and cash handling purposes within the group's strict guidelines on investments and institution exposure limits.

42.4.7 Placements

The Group invested in liquid short term assets. These do not pause a risk of default due to the high credit rating of the counterparties. For 2023 the placements were done by the group's banking business with the Reserve Bank of Malawi, financial institutions and a Malawi Government agency.

42.4.8 Loans and advances to customers

For its banking business, the Group uses an internal credit risk rating system 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 utilizes a combination of numerical data and qualitative information to assign a rating to each counterparty.

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

- Ageing analysis;
- Extent of utilization 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 behavior, 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 analyzed by type of product and borrower. The information used is both internal and external depending on the portfolio assessed.

42.4.9 Clients funds under management

These are fixed income investments on behalf of various clients, principally in fixed deposits. The counter parties are banks with good credit rating.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.4 Credit Risk Management *(Continued)*

42.4.10 Insurance receivables

The Group determines counter-party credit quality by performing an internal analysis, and seeks to avoid unacceptable concentration of credit risk to Groups of counter-parties, to business sectors, product types, and geographical segments.

Amounts receivable in terms of short-term insurance business are secured by the underlying value of unpaid policy benefits in terms of the policy contract. An appropriate level of allowances for credit losses is maintained. Granting of credit is based on laid down approved guidelines and procedures; there is an arrangement allowing for payment over a longer period, provided that failure to pay within the said agreed period should result in cancellation of the unexpired insurance period. In preparing these financial statements, the Directors have considered the recoverability of these amounts and are of the opinion that the amounts are recoverable in full.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of re-insurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The Group ensures that there is no significant concentration of risk within a single re-insurer.

42.4.11 Investments in equity shares

Investments are allowed only in liquid securities and only with counterparties that have a good credit rating and business ventures that are profitable. Given their good credit ratings, the Group does not expect any counterparty to fail to meet its obligations.

42.4.12 Investment in shares

These investment in shares and income notes have been made with counterparties of good credit rating. As a consequence the Group does not expect the counterparties to fail to meet their obligations.

42.4.13 Loans and debentures

The loans and debentures have been entered into with counterparties of good credit rating. As a consequence the Group does not expect the counterparties to fail to meet its obligations. In the opinion of the directors, the loans receivables, all of which, are due from Malawi registered companies are expected to be realised in full at maturity date

42.4.14 Forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group'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 fed into IFRS9 models.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

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

List of macro-economic variables used	Definition	Scenario	2023	2022
Nominal GDP	(US$ at PPP)	Base	26.00	26.32
		Favourable	25.75	26.58
		Worst	25.49	25.80
		Weighted	25.93	26.24
Real GDP	(US$)	Base	1 607 528.00	1 612 365.00
		Favourable	1 591 611.80	1 628 488.70
		Worst	1 575 538.00	1 580 278.70
		Weighted	1 602 705.40	1 607 527.90
Real private consumption	(US$)	Base	1 519 732.00	1 524 305.00
		Favourable	1 504 685.10	1 539 548.10
		Worst	1 489 489.30	1 493 971.30
		Weighted	1 515 172.80	1 519 732.10
Exchange rate	Malawi kwacha per USD (average)	Base	1 683.33	1 266.50
		Favourable	2 020.00	1 253.84
		Worst	2 104.20	1 291.96
		Weighted	2 205.20	1 270.30
Lending interest rate	Average borrowing rate on loans	Base	26.00	26.00
		Favourable	26.31	25.70
		Worst	26.50	26.50
		Weighted	26.10	26.10
Public debt	USD value of sovereign debt	Base	9 400 000.00	7 889 279.00
		Favourable	9 591 836.80	7 731 493.40
		Worst	9 588 939.40	8 047 853.00
		Weighted	9 409 400.00	7 897 168.30
Deposit interest rate	Average interest rate on deposits	Base	6.50	8.00
		Favourable	8.20	8.20
		Worst	7.80	7.80
		Weighted	8.00	8.00
GDP per head	($ at PPP)	Base	1 876.60	1 270.00
		Favourable	1 244.70	1 282.70
		Worst	1 273.80	1 244.70
		Weighted	1 876.60	1 266.20
Goods: exports	USD value of good exported	Base	1.05	0.95
		Favourable	0.93	0.97
		Worst	0.95	0.93
		Weighted	1.05	0.95
Goods: exports	USD value of good imported	Base	(2.28)	(2.81)
		Favourable	(2.75)	(2.84)
		Worst	(2.82)	(2.75)
		Weighted	(2.28)	(2.80)
Effective interest rate	Percentage	Base	0.75	0.30
		Favourable	0.75	0.30
		Worst	0.75	0.30
		Weighted	0.75	0.30

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 30%; (2022: Base case 30%; Worse case 50% and Favourable case 20%)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.4 Credit Risk Management *(Continued)*

42.4.15 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 2023 K 000	Year ended 2022 K 000
Gross carrying amount before modification	3 263 503	2 084 499
New restructures	2 463 907	5 077 095
Loss allowance before modification	(20 199)	(14 603)
Net amortised cost before modification	5 707 211	7 146 991
Repayment post modification	(275 181)	(3 883 488)
Net amortised cost after modification	5 432 030	3 263 503

42.5 Liquidity Risk Management

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations arising from its financial liabilities. Liquidity risk arises when there is mismatching between the maturities of liabilities and assets.

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 Group's banking business has an Asset and Liability Management Committee (ALCO) which is responsible for ensuring that there is an equitable balance between assets and liabilities. 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 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.5 Liquidity Risk Management *(Continued)*

Management of liquidity risk *(Continued)*

For the Life Risk and Savings contracts, uncertainty in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of long-term changes in the mortality rates, the variability in the policyholders behaviour and uncertainties regarding future inflation rates and expenses growth. Due to the long-term nature of the contracts issued in these product lines, IFRS 17 insurance contract carrying values are subject to interest rate risk variability.

i. Maturity Analysis

Investment assets and insurance liabilities

The following table shows a maturity analysis of cash flows for participating insurance contracts and risk insurance contracts which reflects the dates on which the cash flows are expected to occur, for portfolios which are in a liability position.

This analysis does not include the liability for remaining coverage for contracts measured under the PAA.

The maturity analysis for investment contracts reflects the contractual maturity dates. The majority of investment contracts are open ended and have no fixed maturity date. These contracts are included in the one year or less category.

	One year or less	One to two years	Two to three years	Three to four years	Four to five years	More than five years	Total
Year ended 31 December 2023 K'm							
Net policyholder cash flows							
Insurance contract cash flows	10 041	20 834	26 926	32 838	39 010	1 527 395	1 657 043
Life risk and annuities	10 041	20 834	26 926	32 838	39 010	1 527 395	1 657 043
Life savings							
Reinsurance contract cash flows	-	-	-	-	-	-	-
Life risk and annuities	-	-	-	-	-	-	-
Investment contract cash flows	647 983	-	-	-	-	-	647 983
Deposit administration contracts	647 983	-	-	-	-	-	647 983
Other contracts							
Net policyholder cash flows	658 023	20 834	26 926	32 838	39 010	1 527 395	2 305 026

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.5 Liquidity Risk Management *(Continued)*

i. Maturity Analysis *(Continued)*

	One year or less	One to two year	Two to three years	Three to four years	Four to five years	More than five years	Total
Insurance contract cash flows	4 753	11 418	13 862	21 439	25 210	1 025 735	1 102 418
Life risk and annuities	4 753	11 418	13 862	21 439	25 210	1 025 735	1 102 418
Life savings							
Reinsurance contract cash flows	-	-	-	-	-	-	-
Life risk and annuities	-	-	-	-	-	-	-
Investment contract cash flows	461 918	-	-	-	-	-	461 918
Deposit administration contracts	461 918	-	-	-	-	-	461 918
Other contracts							
Net policyholder cash flows	466 671	11 418	13 862	21 439	25 210	1 025 735	1 564 335

Maturity profiles

The table below shows maturity profiles of financial and insurance assets and liabilities. It shows some periodic mismatches between financial and insurance assets and liabilities. From time to time management manages this mismatch by setting guidelines and limits for anticipated liquidity gaps. The Board sets limits on the minimum proportion of maturing funds available to meet any calls. The Group has significant liquid resources to cover its obligations.

	Up to 1 month K'000	1 – 3 month K'000	3 – 12 months K'000	Over 1 year K'000	Total K'000	Carrying amount K'000
2023						
Assets						
Cash and cash						
Cash and cash equivalents	99 154 829	83 227 013	-	-	182 381 842	182 381 842
Short term investments	-	6 201 445			6 201 445	6 201 445
Government securities	536 301	38 853 111	44 235 835	756 308 286	839 933 533	473 677- 446
Placements with other banks	85 328 881	-	-	-	85 328 881	85 328 881
Loans and advances to	6 967 445	4 078 821	32 279 772	200 920 401	244 246 439	153 816 440
Reinsurance contract assets	-	-	40 058 676	-	40 058 676	40 058 676
Investment in equity shares	-	-	-	384 573 540	384 573 540	384 573 540
Loans and debentures	-	-	-	1 846 362	1 846 362	1 846 362
Client fund under management	22 977 353	37 228 602	80 952 795	30 454 833	171 613 583	170 613 700
Other receivables	12 094 656	150 521	2 266 827	-	14 512 004	17 041 533
Total assets	227 059 465	169 739 513	199 793 905	1 374 103 422	1 970 696 305	1 515 539 865

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.5 Liquidity Risk Management *(Continued)*

Maturity profiles *(Continued)*

	Up to 1 month K'000	1 – 3 month K'000	3 – 12 months K'000	Over 1 year K'000	Total K'000	Carrying amount K'000
Liabilities						
Trade and other payables	50 573 342	46 974	7 248 720	-	57 869 036	63 973 088
Client fund payable	38 750 913	51 212 646	39 270 974	38 596 096	167 830 629	167830 629
Domestic deposits (current & savings)	453 535 827	39 180 588	5 693 577	446 215	498 856 207	497 745 003
Insurance contract liabilities	-	-	-	653 300 260	653 300 260	653 300 260
Re-insurance contract liabilities-	-	-	-	305 000	305 000	305 000
Interest bearing loans and	2 217 357	781 086	3 211 902	5 952 724	12 163 069	9 927 484
Total liabilities	545 077 439	91 221 294	55 425 173	698 600 295	1 390 324 201	1 393 081 464
Net liquidity gap	**(318 017 974)**	**78 518 219**	**144 368 732**	**675 503 127**	**582 185 977**	
Cumulative liquidity gap	**(318 017 974)**	**(239 499 755)**	**(95 131 023)**	**580 372 104**	**580 372 104**	
2022						
Assets						
Cash and cash equivalents	96 525 115	-	-	-	96 525 115	96 525 115
Short term investments	-	4 820 632	-	-	4 820 632	4 820 632
Government securities	51 678 223	26 564 662	42 072 935	276 381 178	396 696 998	396 696 998
Placements with other banks	54 316 201	-	-	-	54 316 201	54 316 201
Loans and advances to customers	3 202 237	19 002 810	27 185 979	151 880 127	201 271 153	137 796 120
Insurance receivables	1 336 307	867 820	1 266 119	4 711 555	8 181 801	8 181 801
Investment in equity shares	-	-	-	227 015 464	227 015 464	227 015 464
Loans and debentures	-	-	-	(1 213 370)	1 213 370	1 213 370
Client fund under management	44 202 903	21 078 368	58 243 576	11 213 970	134 738 817	134 738 817
Other receivables	8 054 859	201 344	2 120 726	-	10 376 929	11 492 982
Total assets	259 315 845	72 535 636	130 889 335	669 988 924	1 132 729 740	1 071 458 446
Liabilities						
Trade and other payables	39 095 923	46 974	1 873 530	5 006 411	46 022 838	46 179 759
Client fund payable	55 148 578	33 724 038	33 096 267	12 766 712	134 735 595	134 735 595
Deposits to customers	328 370 731	47 468 493	3 776 184	249 918	379 865 326	355 830 188
Insurance contract payables	1 354 269	2 840 101	32 158 333	6 830 040	43 182 743	43 182 743
Interest bearing loans and Borrowings	23 609	403 337	1 211 589	8 547 946	10 186 481	9 406 986
Long-term policyholders liabilities	-	-	-	423 933 598	422 933 598	423 933 598
Total liabilities	423 993 110	84 482 943	72 115 903	457 334 625	1 036 926 581	1 013 268 869
Net liquidity gap	**(164 677 265)**	**(11 947 307)**	**58 773 432**	**212 654 299**	**95 803 159**	
Cumulative liquidity gap	**(164 677 265)**	**(176 624 572)**	**(116 851 140)**	**95 803 159**		

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.6 Market Risk Management

Market risk is the risk that changes in market prices, such as interest rate, 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.

42.6.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Group is exposed to currency risk through transactions denominated in foreign currencies, its foreign investments, and through the foreign exchange trading book of its banking business.

Management of currency risk

The Group ensures that the net exposure is kept to an acceptable level by transacting in foreign currencies at spot rates where necessary to address short term imbalances.

The Group's banking business has a foreign exchange business policy and a foreign exchange risk management policy. The policies have exposure limits, 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 policy for trading book exposure is that the position should be almost square. In the banking book, assets and liabilities mismatch is minimised. Most of the foreign currency borrowings by the Group are hedged by foreign currency loans to customers, to minimize risk exposure.

Currency risk exposure

The Group had the following significant foreign currency denominated monetary assets and liabilities.

	USD K'000	GBP K'000	EURO K'000	ZAR K'000	TOTAL K'000
Company					
At 31 December 2023					
Assets					
Balances with banks	37 120 765	1 935 550	3 623 468	(13 825)	42 665 958
Cash balances	1 865 366	10 724	88 128	8 559	1 972 777
Loans and advances to customers	1 349 885	-	-	-	1 349 885
Other receivables	36 124 280	-	-	-	36 124 280
Total assets	76 460 296	1 946 274	3 711 596	(5 266)	82 112 860
Liabilities					
Customer deposits	65 792 900	1 906 028	3 652 794	21 665	71 373 387
Other liabilities	8 684 932	22 835	85	3	8 707 855
Total liabilities	74 477 832	1 928 863	3 652 879	21 668	80 081 242
Net position	**1 982 464**	**17 411**	**58 717**	**(26 934)**	**2 031 618**
Sensitivity to projected profit on foreign exchange transactions					
Movement in foreign currency rates	1 000bp	2 000bp	(1 000bp)	(2 000bp)	
Change in income (K'000)	203 162	406 324	(203 162)	(406 324)	
Change in equity (K'000)	142 213	284 427	(142 213)	(284 427)	

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.6 Market Risk Management *(Continued)*

42.6.1 Currency risk *(Continued)*

	USD K'000	GBP K'000	EURO K'000	ZAR K'000	TOTAL K'000
Consolidated					
At 31 December 2022					
Assets					
Balances with correspondent banks	951 521	7 450 906	2 336 911	21 898	10 761 236
Cash balances	898 591	1 374 065	40 466	1 380	2 314 502
Loans and advances to customers	676 997	-	-	-	676 997
Outstanding premiums	345 120	-	-	-	345 120
Due from Reinsurance companies	1 892 236	-	-	-	1 892 236
Other Receivables	17 452 891	-	-	6	17 452 897
Total assets	22 217 356	8 824 971	2 377 377	23 284	33 442 988
Liabilities					
Customer deposits	986 752	24748 905	2 372 084	15 375	28 123 116
Outstanding claims	828 898	-	-	-	828 898
Due from Reinsurance companies	236 202	-	-	-	236 202
Other liabilities	1 530 988	1 986 592	45	-	3 517 625
Total liabilities	3 582 840	26 735 497	2 372 129	15 375	32 705 841
Net position	(18 634 516)	(17 910 526)	5 248	7 909	737 147
Sensitivity to projected profit on foreign exchange transactions					
Movement in foreign currency rates	(1 000bp)	(2 000bp)	1 000bp	2 000bp	
Change in income (K'000)	(73 714)	(215 810)	73 714	147 429	
Change in equity (K'000)	(51 600)	(103 200)	51 600	103 200	

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.6 Market Risk Management *(Continued)*

42.6.1 Currency risk *(Continued)*

	USD K'000	GBP K'000	EURO K'000	ZAR K'000	TOTAL K'000
At 31 December 2023					
Assets					
Balances with banks	98 176	-	-	-	98 176
Total assets	98 176	-	-	-	98 176
Liabilities					
Other liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
Net position	98 176	-	-	-	98 176
Sensitivity to projected profit on foreign exchange transactions					
Movement in foreign currency rates	(1 000bp)	(2 000bp)	1 000bp	2 000bp	
Change in income (K'000)	9 818	19 635	(9 818)	(19 635)	
Change in equity (MK'000)	6 872	13 745	(6 872)	(13 745)	
At 31 December 2022					
Assets					
Balances with banks	64 422	-	-	-	64 422
Total assets	64 422	-	-	-	64 422
Liabilities					
Other liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
Net position	64 422	-	-	-	64 422
Sensitivity to projected profit on foreign exchange transactions					
Movement in foreign currency rates	1 000bp	2 000bp	(1 000bp)	(2 000bp)	
Change in income (K'000)	6 442	12 884	(6 442)	(12 884)	
Change in equity (MK'000)	4 509	9 019	(4 509)	(9 019)	

42.6.2 Other price risk

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Group is exposed to price risk as it maintains equity shares traded on the Malawi Stock Exchange and Zambia Stock Exchange.

Management of other price risk

The Group manages price risk by constructing a diversified portfolio of equity shares. The Group will therefore ensure that its portfolio is well diversified so as to minimise any risk of loss resulting from a concentration of investments in one asset, asset class or sector. Although price risk specific to a stock can be minimized through diversification, market risk cannot be diversified away.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.6 Market Risk Management *(Continued)*

42.6.2 Other price risk *(Continued)*

Exposure to equity price risk

As at 31 December 2023 the Group had the following financial assets that are exposed to equity risk.

	2023 K'000	2022 K'000
Financial assets		
Blantyre Hotels plc	3 443 905	2 924 305
Standard Bank Malawi plc	161 322 819	82 240 667
Airtel Malawi plc	8 100 293	7 415 380
Illovo Sugar Malawi plc	1 160 828	411 523
Press Corporation plc	19 767 764	13 572 510
Old Mutual plc	1 065 287	1 004 709
National Bank of Malawi plc	65 458 148	46 540 855
National Investment Trust plc	6 657 476	1 107 317
FMB Capital Holdings plc	2 398 251	746 451
Telekom Networks Malawi plc	17 667 674	13 168 032
Mpico plc	1 112 225	1 276 350
Airtel Networks Zambia plc	35 508	12 615
ICON Properties plc	66 801 209	44 832 610
NICO Holdings plc (held by Administration Fund)	6 312 516	2 552 623
NBS Bank plc	11 366 176	2 406 780
FDH Bank plc	5 374 290	1 169 081
Sunbird Tourism plc	93 450	10 035
Total listed shares	378 137 819	221 391 843

Equity price sensitivity analysis

A sensitivity analysis in relation to the exposure for a plus or minus 10% movement in price will be as follows:

	2023 K'000	2022 K'000
Increase/decrease in equity	37 813 782	22 139 149
Increase/decrease in profit or loss	37 813 782	22 139 149

The movement used in the sensitivity analysis is based on a history of price movements on the various counters over the past year with current months receiving more weight.

Management also consider the current and projected performance of individual counters in line with market conditions.

42.6.3 Interest rate risk management

The Group holds significant interest-bearing financial assets and is therefore subjected to significant exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Group are invested in short-term repurchase agreements with maturity of up to one month.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.6 Market Risk Management *(Continued)*

42.6.3 Interest rate risk management *(Continued)*

The Group's interest rate risk is managed on a daily basis by the Asset Manager in accordance with policies and procedures set up by the Board. The Group's overall interest rate risks are monitored on a quarterly basis by the Board of Directors. Where the interest rate risks are not in accordance with the investment policy or guidelines of the Group, the Asset Manager will rebalance the portfolio.

Exposure to interest rate risk

The following table details the Group's exposure to interest rate risks. It includes the Group's assets and trading liabilities sensitive to interest rates at fair values, categorised by the earlier of contractual pricing or maturity date, measured by carrying value of the assets and liabilities:

	Less than 1 month	1 – 3 month	3 months above	Non-interest bearing	Total	Carrying amount
	K'000	K'000	K'000	K'000	K'000	K'000
Group						
31 December 2023						
Financial assets						
Cash and cash equivalents	174 262 390	4 366 952	3 752 500	-	182 381 842	**182** 381 842
Short-term investments	-	6 201 445	-	-	6 201 445	6 201 445
Placements	85 328 881	-	-	-	85 328 881	85 328 881
Loans and advances to Customers	6 967 445	4 078 821	142 770 174		153 816 440	153 816 440
Re-insurance contract asset	-	-	-	40 058 676	40 058 676	40 058 676
Government securities	85 328 881	2 236 712	386 111 853	-	473 677 446	473 677 446
Investment in equity shares	-	-	-	384 573 540	384 573 540	384 573 540
Loans and debentures	-	-	1 846 362	-	1 846 362	1 846 362
Client funds under management	21 977 469	37 228 602	80 952 795	30 454 834	170 613 700	170 613 700
Other Receivables	-	-	-	17 041 533	17 041 533	17 041 533
Total financial assets	373 865 066	54 112 532	615 433 684	472 128 583	1 515 539 865	1 515 539 865

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management (Continued)

42.6 Market Risk Management (Continued)

42.6.3 Interest rate risk management (Continued)

Exposure to interest rate risk *(Continued)*

	Less than 1 month	1 – 3 month	3 months above	Non-interest bearing	Total	Carrying amount
	K'000	K'000	K'000	K'000	K'000	K'000
Group						
31 December 2023						
Financial liabilities						
Trade and other payables	-	26 569 638	-	37 403 450	63 973 088	63 973 088
Client funds payables	38 750 913	51 212 646	39 270 974	38 596 096	167 830 629	167 830 629
Domestic deposits (current & savings)	429 500 689	39 180 588	6 139 792	-	474 821 069	497 745 003
Insurance contract liabilities	-	-	-	649 731 282	649 731 282	649 731 282
Re-insurance contract liabilities	-	-	-	305 000	305 000	305 000
Interest bearing loans and borrowings	2 217 357	781 086	6 929 041	-	9 927 484	9 927 484
Total financial liabilities	470 468 959	117 743 958	52 339 807	726 035 828	1 366 588 552	1389 512 486
Interest sensitivity gap	(96 603 893)	(63 631 426)	563 093 877	253 907 245	148 951 313	126 027 379
31 December 2022						
Financial assets						
Cash and cash equivalents	88 302 457	8 217 158	5 500	-	96 525 115	96 525 115
Placements with other banks	54 316 201	-	-	-	54 316 201	54 316 201
Loans and advances to Customers	3 202 237	19 002 810	115 591 073	-	137 796 120	137 796 120
Client funds management	44 202 902	21 078 368	58 243 576	11 213 971	134 738 817	134 738 817
Other receivables	-	-	-	12 801 246	12 801 246	12 801 246
Insurance receivables	-	-	-	7 628 845	7 628 845	7 628 845
Government securities	27 730 372	24 469 625	349 317 633	-	401 517 630	401 517 630
Investment in equity shares	-	-	-	227 015 464	227 015 464	227 015 464
Loans and debentures	-	-	1 213 370	-	1 213 370	1 213 370
Total assets	217 754 169	72 767 961	524 371 152	258 659 526	1 073 552 808	1 078 152 882
31 December 2022						
Financial liabilities						
rade and other payables	-	25 552 040	-	20 470 798	46 022 838	46 179 759
Client funds payables	55 148 578	33 724 038	33 096 267	12 766 712	134 735 595	134 735 595
Deposits and customer accounts	304 335 593	47 468 493	4 026 102	-	355 830 188	355 830 188
Insurance Payables	-	-	-	43 182 743	43 182 743	43 182 743
Interest bearing loans and borrowings	23 609	70 825	9 312 552	-	9 406 986	9 406 986
Long-term policyholders liabilities	-	-	317 607 584	105 326 014	422 933 598	422 933 598
Total financial liabilities	359 507 780	106 815 396	364 042 505	181 746 267	1 012 111 948	1 012 268 869
Interest sensitivity gap	**(141 753 611)**	**(34 047 435)**	**160 328 647**	**76 913 251**	**61 440 860**	**65 884 013**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 — Continued

42. Risk Management *(Continued)*

42.6 Market Risk Management *(Continued)*

42.6.3 Interest rate risk management *(Continued)*

Exposure to interest rate risk (Continued)

	Less than 1 month K'000	1 – 3 month K'000	3 months above K'000	interest bearing K'000	Total K'000
Company					
31 December 2023					
Financial assets					
Cash and cash equivalents	4 050 080	-	3 752 500	-	7 802 580
Total financial assets	4 050 080	-	3 752 500	-	7 802 580
Financial liabilities					
Trade and other payables					
Interest bearing loans and borrowings	-	-	2 291 667	-	2 291 667
Total financial liabilities	-	-	2 291 667	-	2 291 667
Interest sensitivity gap	**4 050 080**	**-**	**1 460 833**	**-**	**5 510 913**
31 December 2022					
Financial assets					
Cash and cash equivalents	9 642 156	-	-	-	9 642 156
Amount due from group companies	-	-	-	318 778	318 778
Other receivables	-	-	-	485 299	485 299
Total financial assets	9 642 156	-	-	804 077	10 446 233
Financial liabilities					
Trade and other payables	-	-	-	3 098 462	3 098 462
Interest bearing loans and borrowings	-	-	2 291 667	-	2 291 667
Total financial liabilities	-	-	2 291 667	3 098 462	5 390 129
Interest sensitivity gap	**9 642 156**	**-**	**(2 291 667)**	**(2 294 385)**	**(5 056 104)**

42.7 Accounting classifications and fair values

Fair value hierarchy
The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described below under the heading Level 3. For financial assets that are traded infrequently and have little price transparency fair value is less objective and requires varying degrees of judgement depending on liquidity concentration uncertainty of market factors pricing assumptions and other risks affecting the specific instrument. The Group 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 process or indirectly i.e. derived from prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 — Continued

42. Risk Management *(Continued)*

42.7 Accounting classifications and fair values *(Continued)*

Financial instruments measured at fair value
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.

Group	Note	Financial instruments designated at FVTPL	Financial instruments designated at FVTOCI K'000	Total K'000	Level 1 K'000	Fair value Level 2 K'000	Level 3 K'000	Total K'000
2023								
Financial Assets								
Investment in government securities	14	187 815 142	-	187 815 142	-	187 815 142	-	187815 14
Investment in equity shares	15	374 848 461	9 725 079	384 573 540	378 137 819	-	6 435 721	384 573 540
Loan and debentures	16	1 846 362	-	-	-	-	1 846 362	1 846 362
Total		564 509 965	9 725 079	574 235 044	378 137 819	187 815 142	8 282 083	574 235 044
2022								
Financial Assets								
Investment in government securities	14	172 153 156	-	172 153 156	-	172 153 156	-	172 153 156
Investment in equity shares	15	221 391 843	5 623 621	227 015 464	221 391 843	-	5 623 621	227 015 464
Loan and debentures	16	1 213 370	-	1 213 370	-	-	1 213 370	1 213 370
Total		394 758 369	5 623 621	400 381 990	221 391 843	172 153 156	6 836 991	400 381 990
Company								
2023								
Shares	15	2 804 021	206 000	3 010 021	-	-	3 010 021	3 010 021
Total								
2022								
Share	15	2 178 920	178 000	2 356 920	-	-	2 356 920	2 356 920
Total	2 356 920							

Measurement of fair values
The following table shows the valuation techniques used in measuring level 3 fair values as well as the significant unobservable inputs used.

Financial instruments measured at fair value.

Type	Valuation technique	Significant unobservable inputs
Unlisted equity securities	Refer to Note 15	Refer to Note 15
Government Treasury notes	Refer to note 14	Refer to note 14

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.7 Accounting classifications and fair values *(Continued)*

Financial instruments not measured at fair value
The following table provides the categories of financial instruments. It does not provide fair value information where the carrying amounts approximate their fair values.

	Note	Fair value through profit or loss K'000	Fair value through other comprehensive income K'000	Amortised cost K'000	Total carrying amount K'000
31 December 2023					
Cash and cash equivalents	5	-	-	182 381 842	182 381 842
Short-term investments	6	-	-	6 201 445	6 201 445
Placements with other banks	6(b)	-	-	85 328 881	85 328 881
Loans and advances to customers	7	-	-	153 816 440	153 816 440
Client funds under management	9b	-	-	170 613 700	170 613 700
Other receivables	9a	-	-	15 961 393	15 961 393
Loans and debentures	16	1 846 362			1 846 362
Government securities	14	187 815 142	-	285 862 304	473 677 446
Shares	15	374 484 461	9 725 079	-	384 573 540
Financial liabilities					
Trade and other payables	21	-	-	63 872 119	63 872 119
Client funds payable	22	-	-	167 830 629	167 830 629
Deposits and customer accounts	23	-	-	497 745 003	497 745 003
Interest bearing loans and borrowings	24	-	-	9 927 484	9 927 484
31 December 2022					
Cash and cash equivalents	5	-	-	96 525 115	96 525 115
Short-term investments	6	-	-	4 820 632	4 820 632
Placements with other banks	6(b)	-	-	54 316 201	54 316 201
Loans and advances to customers	7	-	-	137 796 120	137 796 120
Client funds under management	9(b)	-	-	134 738 817	134 738 817
Other receivables	9(a)	-	-	11 492 982	11 492 982
Government securities	16	172 153 156	-	224 543 842	396 696 998
Shares	17(a)	221 391 843	5 623 621	-	227 015 464
Financial liabilities					
Trade and other payables	21	-	-	47 722 283	47 722 283
Client funds payable	22	-	-	134 735 595	134 735 595
Deposits and customer accounts	23	-	-	355 830 188	355 830 188
Interest bearing loans and borrowings	27	-	-	9 406 986	9 406 986

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.8 Other Risk Management

42.8.1 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 designed to ensure the correctness, completeness and validity of all 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.

42.8.2 Risk management objectives and mitigating insurance risk

The primary insurance activity carried out by the Group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Group also has exposure to market risk through its insurance and investment activities.

The Group manages its insurance risk through underwriting limits; approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses and scenario analyses.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.8 Other Risk Management *(Continued)*

42.8.3 Underwriting strategy

The underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. Most general insurance contracts are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal. The Group has the right to re-price and change the risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Only extensive expertise, well maintained data resources, and selective underwriting based on this information can produce risk adequate prices and conditions. Through selective underwriting, client focused claims handling and good reserving methods, the Group endeavours to minimise risks.

42.8.4 Reinsurance strategy

The Group obtains reinsurance cover to reduce risks from single events or accumulation of risk that could have a significant impact on the current year earnings or the Group's capital. This cover is placed on the local and international reinsurance market. The Group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programme and the net exposure of the Group.

The core components of the reinsurance programme comprise:

- A surplus treaty which covers fire, accident, engineering and marine risks. The cover ranges from material damage and business interruption arising from fire and allied perils and any other physical accidental loss (All risks policies).
- An excess of loss cover for fire, accident, engineering and marine. It also includes all risks policies, and catastrophe, which provides protection to limit losses on each and every loss and every risk or series of losses or occurrence of one event.
- A motor, accident and liabilities excess of loss which covers motor (own damage and property damage and third liabilities arising there from), and general public and products liability, miscellaneous accident, fidelity guarantee and professional indemnity cases.
- A bonds and guarantees quota share treaty covering performance, advance payment, maintenance, bid, customs and transit bonds.

42.8.5 Reinsurance risk

The Group cedes insurance risk to limit exposure to underwriting losses under various agreements. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Group's evaluation of the specified risk, subject in certain circumstances to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the re-insurer agrees to reimburse the ceded proportion in the event the claim is paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any re-insurer fails to meet the obligations it assumes.

42.8.6 Claims development

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Group is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims (run-off risk). To manage run-off risk the Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

42. Risk Management *(Continued)*

42.8 Other Risk Management *(Continued)*

42.8.6 Claims development *(Continued)*

Consequently, the Group has a history of positive claims development, i.e. the reserves created over time proved to be sufficient to fund the actual claims paid.

42.8.7 Concentration of insurance risks and policies mitigating the concentrations

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's resources. The Group monitors the concentration of risk by geographical segment and class of business.

The Group has exposure to all major lines of insurance business with very limited exposure to specialised areas of insurance. This exposure is consistent with the market and the Group's reinsurance policy limits the losses in any one class of business.

42.9 Long term insurance risks

The primary insurance activity carried out by the Group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to life, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Group also has exposure to market risk through its insurance and investment activities.

The Group manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses and scenario analyses.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

42.9.1 Underwriting strategy

The underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

42.9.2 Reinsurance strategy

The Group reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. It buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Group. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances.

42. Risk Management *(Continued)*

42.9 Long term insurance risks *(Continued)*

42.9.2 Reinsurance risk

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

42.9.3 Long-term insurance contracts – Immediate annuities

This type of annuity is purchased with a single premium at outset and is paid to the policyholder for the remainder of his/her lifetime. Annuities may be level, or escalate at a fixed rate, or be in line with a suitable price index.

Payments are often guaranteed to be paid for a minimum term regardless of survival (e.g. 5 or 10 years).

Profit arises when mortality and investment experience are better than expected. All risks and rewards associated with this type of product accrue to shareholders.

Management of risks: The main risks associated with this product are longevity and investment risks. Longevity risks arise as the annuities are paid for the lifetime of the policyholder, and this risk is managed through the initial pricing of the annuity. Investment risk depends on the extent to which the annuity payments under the contracts have been matched by suitable assets.

The key risks are managed through sensible pricing and product design. Reinsurance underwriting is not used for this product.

Mortality risk: The pricing assumption is based on both historic in-house and industry available information on mortality experience for the population of policyholders including allowance for future mortality improvements. The mortality will differ between the retirement, voluntary and joint life annuitant.

Investment risk: With this type of product the lump sum premium is available for the Group to invest at the start of the contract. The asset mix will consist of corporate bonds and gilts with varying redemption dates. The income earned on the investment will not usually be sufficient to cover the annuity and the expense outgo, so each year part of the lump sum will be disinvested, which should coincide with (match) the redemption dates, in order to balance the fund. If annuitants die as expected then the fund will decline to zero just as the last annuitant dies (perfect matching). However, in most cases annuitants will not die as expected therefore the Group will need to buy and sell assets as necessary throughout the term of the policy to minimise the risk of mismatch.

Asset/liability modelling is used to monitor this position on a regular basis. Details of default risk have been covered under the credit risk section.

42.9.4 Long-Term Insurance Contracts – Individual Life

The Group writes individual life business. The policies are designed so as to distribute benefits to the policyholder.

Management of Risk

The Group uses properly developed rates as far as advised by the Actuary on life cover, and in the event of death covers, reinsurance arrangements are in place to protect the Group.

42. Risk Management *(Continued)*

42.9 Long term insurance risks *(Continued)*

42.9.5 Short-term Insurance – Group Life

The Group writes short-term Group life business. The policies are designed to indemnify the insured in the event of death.

Management of Risk

The Group uses rates that take cognisance of the mortality/claims experience of the Group as well as the market. Reinsurance arrangements are also in place to protect the Group on large claims.

42.9.6 Concentration of risk

The Group's risk analysis is largely driven by the classes of business written;

Business Class	Risk Rating
Immediate Annuity	High
Group Life	High
Individual Life	Medium
Deposit Admin	Low

42.9.7 Major assumptions

A brief summary of the main assumption changes has been included below:

i. Inflation, investment return, risk discount rate

The inflation and investment return assumptions are based on the long-term fixed investment return assumption.

The unit cost inflation assumption and risk free investment return assumption have been set at 31.0% and 34.4%, respectively. The risk free investment return assumption is consistent with the 5-year point on the risk free yield curve at the end of December 2023.The risk discount rate has been increased from 36.2% to 41% to maintain a 700 basis point gap to the risk free investment return assumption.

ii. Expenses

The Individual Life (IL) unit maintenance cost assumption increased from K66,377 to K 69,482. The IL unit acquisition cost assumption increased from K 82,831 to K 88,608. The above increase in aquisition and maintenance unit expenses is mainly due to inflation.

The Annuity unit maintenance cost assumption was maintained at K40,000. The Annuity unit acquisition cost assumption was maintained at K38,844 to 35,523.

The Company Life and Company Funeral expense ratio assumptions (as % gross earned premium) increased from 19.4% to 20.3% while year 2+ expense ratio was maintained at 20%.

The Credit Life expense ratio assumption (as % gross earned premium) increased to 14.5% from 16.25%.

iii. Mortality and loss ratios

The assumed year 1 Claim Ratio's for Company Life and Company Funeral business decreased from 35.5% to 30%. while the year 2+ (long-term) Claim Ratio increased from 35% to 30%. The assumed year 1 and year 2 Loss Ratios for Credit Life business were maintained at 30%.

42. Risk Management *(Continued)*

42.9 Long term insurance risks *(Continued)*

42.9.7 Major assumptions *(Continued)*

iii. Mortality and loss ratios (Continued)

The Individual mortality assumption was maintained at 100% of SA85-90 Heavy mortality and aids motality assumption at 100% of HA2M/HA2F adjustment. The Annuity mortality assumption was maintained at 100% of a (55) mortality table.

Margins for prudence are added to the above assumptions on products where a prospective reserve is held (i.e where asset share is not held). Some of these margins are compulsory under SAP 104 (Standard of Actuarial Practice 104) as set out in the table below:

Assumption	*Margin*
Mortality *Lapse*	*7.5% increase for risk business* *25% (e.g. if the best estimate is 10%, the margin is 2.5%), (increase or decrease, depending on which alternative increases liabilities).*
Surrenders	*10% (increase or decrease, depending on which alternative increases liabilities).*
Expense inflation	*10% (of estimated escalation rate).*
Charges against investment return	*25 basis points in the management fee or an equivalent asset-based or investment performance-based margin.*

Reinsurance risk

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. It buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the company. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances.

43. Operating segments

Segment results that are reported to the Group's CEO (being the Chief Operating Decision Maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

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's Executive Committee to make decisions about resource allocation to the segment and assess its performance and for which discrete information is available.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

43. Operating segments *(Continued)*

Inter-segment pricing is determined on an arms' length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Reportable segments

The Group comprises the following main reportable segments:

- Life Insurance and Pension business;
- General Insurance business;
- Banking business;
- Investment Holding;
- Asset Management; and
- Information Technology.

General Insurance segment operate in Malawi and Zambia

Investment Holding, Life Insurance and Pension segments operate in Malawi and Mozambique. Information Technology, Asset Management and Banking segments are only operated in Malawi.

The Banking sector monitors concentration of credit risk by sector and by geographic location

Concentration by Sector

- Retail
- Corporate
- Banks

Concentration by location

- Northern Region
- Central Region
- Southern Region

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

43. Operating segments *(Continued)*

OPERATING SEGMENTS

2023	Long term insurance K'000	Pension administration K'000	Short term insurance K'000	Banking K'000	Investment K'000	Asset management K'000	Information technology K'000	Total before eliminations K'000	Eliminated on consolidation K'000	Total K'000
Gross revenue	40 655 527	5 183 763	56 314 076	146 820 968	20 609 955	32 476 365	5 994 569	308 055 223	(25 934 952)	282 120 271
Insurance service result	5 076 307	-	3 674 386	-	-	-	-	8 750 693	-	8 750 693
Net other operating costs	(493 341)	(3 909 054)	(5 202 210)	(96 098 786)	(5 946 236)	(27 515 791)	(5 427 736)	(144 593 154)	11 013 425	(133 579 729)
Profit before tax	26 674 446	1 257 521	1 185 903	49 720 703	14 635 192	4 943 427	537 828	99 023 140	(14 921 527)	84 101 613
Profit after tax	25 719 163	869 966	598 529	29 378 138	13 555 249	3 452 476	371 190	73 999 007	(14 921 527)	59 077 480
Other Information										
Segment Assets	666 941 256	4 745 373	72 023 474	658 804 114	30 740 836	171 894 118	1 614 635	1 606 831 926	(38 094 255)	1 568 737 671
Segment Liabilities	593 526 397	1 605 324	55 850 629	608 019 396	5 695 162	169 341 918	841 940	1 434 894 590	(28 334 501)	1 406 560 088
Capital Expenditure	109 326	18 261	184 534	13 819 264	289 270	98 477	349 764	14 868 896	-	14 868 896
Segment Cashflows										
From Operating Activities	(1 218 932)	454 536	2 638 896	95 534 871	(3 260 724)	(21 011 980)	822 547	73 959 214	(14 504 268)	59 454 946
From Investing Activities	29 856 793	154 142	3 724 941	(13 793 702)	16 687 457	22 302 766	(334 130)	58 598 267	(20 581 119)	38 017 148
From Financing Activities	(2 099 307)	(221 276)	(2 068 590)	(13 164 492)	(9 090 307)	(3 424 455)	(254 578)	(30 323 005)	14 921 527	(15 401 478)
Composition of gross revenue										
Insurance revenue	28 113 989	-	52 892 081	-	-	-	-	81 006 070	-	81 006 070
Income from banking operations	-	-	-	146 820 968	-	-	-	146 820 968	(127 332)	146 693 636
Fees and commission income	-	5 012 780	-	-	4 044 139	7 066 154	5 994 201	22 117 274	(8 333 362)	13 783 912
Interest income	1 823 527	170 983	3 291 158	-	1 411 183	25 410 211	368	32 107 430	(2 440 811)	29 666 619
Other investment income	10 718 011	-	130 837	-	15 154 633	-	-	26 003 481	(15 033 447)	10 970 034
Gross revenue	**40 655 527**	**5 183 763**	**56 314 076**	**146 820 968**	**20 609 955**	**32 476 365**	**5 994 569**	**308 055 223**	**(25 934 952)**	**282 120 271**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

43 Operating segments *(Continued)*

2022	Long term insurance K'000	Pension administration K'000	Short term insurance K'000	Banking K'000	Investment K'000	Asset management K'000	Information technology K'000	Total before eliminations K'000	Eliminated on consolidation K'000	Total K'000
Gross revenue	27 670 354	4 032 163	56 779 114	91 389 738	11 420 976	23 285 913	2 895 695	217 473 953	(15 577 703)	201 896 250
Insurance service result	7 171 186	-	5 434 329	-	-	-	-	12 605 515	-	12 605 515
Net other operating costs	(1 079 892)	(3 079 135)	(4 752 465)	(65 437 238)	(5 090 417)	(19 359 384)	(2 739 833)	(101 538 364)	8 869 485	(92 668 879)
Profit before tax	15 890 777	939 089	2 791 035	25 232 440	6 309 192	3 920 005	120 657	55 203 195	(6 708 219)	48 494 976
Profit after tax	15 478 535	669 874	1 771 791	17 177 180	5 810 142	2 729 965	76 144	43 713 631	(6 708 219)	37 005 412
Other Information										
Segment Assets	468 309 946	3 115 651	56 248 099	463 300 446	24 949 401	138 737 087	1 200 160	1 153 903 824	(19 475 584)	1 134 428 240
Segment Liabilities	419 809 271	410 151	42 112 646	425 417 009	4 786 631	136 234 401	790 739	1 024 674 062	(9 461 892)	1 015 212 170
Capital Expenditure	482 377	193 598	549 415	3 018 565	284 619	31 597	313 467	4 873 638	-	4 873 638
Segment Cashflows										
From Operating Activities	(17 428 914)	949 536	2 789 114	35 691 543	(1 774 598)	(14 751 865)	591 735	6 066 551	(4 724 651)	1 341 900
From Investing Activities	29 078 530	(123 022)	(235 050)	(29 662 518)	7 785 377	17 907 276	(305 215)	24 445 378	(8 444 446)	16 000 932
From Financing Activities	(2 307 660)	(28 534)	(1 776 491)	(6 235 492)	(2 485 253)	(1 316 127)	(203 284)	(14 352 841)	6 708 219	(7 644 622)
Composition of gross revenue										
Insurance revenue	20 646 639	-	54 186 151	-	-	-	-	74 832 790	-	74 832 790
Income from banking operations	-	-	-	91 389 738	-	-	-	91 389 738	(79 219)	91 310 519
Fees and commission income	-	3 961 587	-	-	3 416 439	5 327 990	2 895 078	15 601 094	(6 974 532)	8 626 562
Interest income	1 285 019	70 576	2 502 069	-	885 271	17 957 923	617	22 701 475	(1 736 227)	20 965 248
Other investment income	5 738 696	-	90 894	-	7 119 266	-	-	12 948 856	(6 787 725)	6 161 131
Gross revenue	**27 670 354**	**4 032 163**	**56 779 114**	**91 389 738**	**11 420 976**	**23 285 913**	**2 895 695**	**217 473 953**	**(15 577 703)**	**201 896 250**

The Group did not earn revenues from a single customer that was ten percent or more of Group's total revenues.

43 Operating segments *(Continued)*

GEOGRAPHICAL SEGMENTS

	Malawi 2023 K'000	Malawi 2022 K'000	Zambia 2023 K'000	Zambia 2022 K'000	Eliminated on consolidation 2023 K'000	Eliminated on consolidation 2022 K'000	Total 2023 K'000	Total 2022 K'000
Gross revenue	280 990 041	186 147 789	27 065 182	31 326 164	(25 934 952)	(15 577 703)	282 120 271	201 896 250
Insurance service result	7 031 592	9 295 767	1 719 101	3 309 748	-	-	8 750 693	12 605 515
Net other operating costs	(140 864 046)	(97 932 011)	(3 729 108)	(3 606 353)	11 013 425	8 869 485	(133 579 729)	(92 668 879)
Profit before tax	100 114 960	55 035 322	(1 159 820)	167 873	(14 921 527)	(6 708 219)	84 101 613	48 494 976
Profit after tax	75 055 876	43 742 056	(1 056 869)	(28 425)	(14 921 527)	(6 708 219)	59 077 480	37 005 412
Other Information								
Segment Assets	1 589 102 850	1 138 188 245	17 729 579	15 715 579	(38 094 255)	(19 475 584)	1 568 737 671	1 134 428 240
Segment Liabilities	1 419 483 142	1 012 284 911	15 411 448	12 389 151	(28 334 501)	(9 461 892)	1 406 560 088	1 015 212 170
Capital Expenditure	14 827 279	4 529 302	41 617	344 336	-	-	14 868 896	4 873 638
Segment Cashflows								
From Operating Activities	73 594 481	4 972 568	364 733	1 093 983	(14 504 268)	(4 724 651)	59 454 946	1 341 900
From Investing Activities	58 655 870	24 884 659	(57 603)	(439 281)	(20 581 119)	(8 444 446)	38 017 148	16 000 932
From Financing Activities	(29 884 812)	(13 907 281)	(438 193)	(445 560)	14 921 527	6 708 219	(15 401 478)	(7 644 622)
Composition of gross revenue								
Insurance revenue	54 663 988	44 155 618	26 342 082	30 677 172	-	-	81 006 070	74 832 790
Income from banking operations	146 820 968	91 389 738	-	-	(127 332)	(79 219)	146 693 636	91 310 519
Fees and commission income	22 117 274	15 601 094	-	-	(8 333 362)	(6 974 532)	13 783 912	8 626 562
Interest income	31 384 330	22 052 483	723 100	648 992	(2 440 811)	(1 736 227)	29 666 619	20 965 248
Other investment income	26 003 481	12 948 856	-	-	(15 033 447)	(6 787 725)	10 970 034	6 161 131
Gross revenue	**280 990 041**	**186 147 789**	**27 065 182**	**31 326 164**	**(25 934 952)**	**(15 577 703)**	**282 120 271**	**201 896 250**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2023 Continued

44. Employee benefits liabilities

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Expense recognised in the profit or loss				
Pension costs	2 164 677	2 095 582	172 864	136 476

The Pension Fund is a defined contribution plan. Under this plan, employer's liability is limited to the pension contributions.

Employee Share Ownership Scheme

On 16 August 1996, the shareholders approved establishment of a Trust for an employee share ownership scheme. In terms of Malawi Stock Exchange rules, a maximum of up to 4% of the equity in the company may be held by the Trust. However, upon listing, arrangements were made for the Trust to acquire 2% of the equity. Options have been granted to employees of the Group based on length of service and positions of employees exercisable at a determined price. Option holders are only entitled to exercise their options if they are in the employment of the NICO Group and in accordance with the trust deed and rules. Employees are eligible if they have served for at least two years and occupy an established position in the Group.

The objective of the scheme is to motivate and encourage employees to identify themselves with the interests and aspirations of the NICO Group.

The periods in which the option shares may be acquired up to the maximum percentage specified after the expiry of minimum period computed from the date of grant and set out against the relevant percentages..

Maximum %	Minimum Period
25%	12 months
50%	24 months
75%	36 months
100%	48 months

Movement in employee Share Ownership

	31-Dec-23 Number of shares
Outstanding at the beginning of the year	6 818 708
Granted during the year	-
Forfeited during the year	-
Exercised during the year	225 175
Expired during the year	-
Outstanding at the end of the year	6 593 533

3 148 200 shares were allotted to qualifying employees in 2022. The shares will be vested over a four year period as noted above. No Shares were allotted in 2023.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023

Continued

45. Contingent liabilities and commitments

a. Capital commitments

As at 31 December 2023, the authorised but not yet contracted for capital commitments for property and equipment were K18.3 billion (2022: K16.3 billion). These capital commitments are to be funded from internal resources.

b. Contingent liabilities

The Group is a defendant to several cases which are outstanding. The cases include those relating to tax claims and claims from civil proceedings which are in courts. While liability is not admitted, if the defense against the actions is unsuccessful, then the Group would pay the claims estimated at K7.8 billion (2022: K8.2 billion). Included in the K7.8 billion are the following cases and claims;

i. The Group's short-term insurance business in Malawi is a defendant to several legal proceedings, arising in the normal course of business as an insurance company, of approximately K3 billion (2022: 1.3 billion), before the courts in Malawi, the outcome of which is not certain. The directors are of the opinion that the above noted contingencies are unlikely to crystalise.

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

iii. In 2020, the High Court awarded the Group's banking business 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 favour.

	Group	
	2023	2022
	K'000	K'000
Acceptances and letters of credit	7 813 086	7 749 635
Guarantees and performance bonds	14 073 418	9 875 517
Undrawn formal stand-by facilities credit lines and other commitments to lend	3 560 018	44 446 819
Total unrecognised financial assets	25 446 522	62 071 971
Other commitments		
Authorized but not yet contracted capital commitments on property and equipment	17 237 137	16 100 000
Total other commitments	17 237 137	16 100 000

46. Subsequent Events

There were no subsequent events after the reporting date.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023

Continued

46. Exchange and inflation rates

The average of selling and buying exchange rates at year end of major foreign currencies affecting the performance of the group and company are stated below, together with the increase in the National Consumer Price Index which represents an official measure of inflation.

	Group	
	2023	2022
	K'000	K'000
United States Dollar (USD) to Malawian Kwacha (MWK)	1 683.33	1 026.09
United States Dollar (USD) to Zambian Kwacha (ZMW)	25.78	18.1
United States Dollar (USD) to Ugandan Shilling (USH)	3 815.00	3 720.2
United States Dollar (USD) to Mozambique Metical (MT)	63.89	63.2
South Africa Rand (ZAR) to Malawian Kwacha (MK)	94.49	62.36
British Pound (GBP) to Malawian Kwacha (MK)	2 222.26	1 273.95
Inflation rates as at 31 December (%)	27	25.78

At the date of approval of these financial statements, the above noted exchange and inflation rates had moved as follows:

United States Dollar (USD) to Malawian Kwacha (MWK)	1 733.83
United States Dollar (USD) to Zambian Kwacha (ZMW)	25.98
United States Dollar (USD) to Ugandan Shilling (USH)	3 783.00
United States Dollar (USD) to Mozambique Metical (MT)	64.08
South Africa Rand (ZAR) to Malawian Kwacha (MK)	93.54
British Pound (GBP) to Malawian Kwacha (MK)	2 224.45
Inflation (March 2024) (%)	31.8

47. Environmental, Social and Governance (ESG)

Climate Change and impact on the Group

Cyclones remain a threat in Malawi with southern region mostly hit. The business may be impacted due to loss of clients' lives, damage to property and general disruption of various supply chains that lead to disruption of operations. The disruptive impact of cyclones to the economy means that economic fundamentals are less predictable and volatility is introduced to business planning and operations.

In March 2023 Tropical Cyclone Freddy caused heavy flooding in a number of districts in Malawi especially in the Southern Region due to a lot of heavy rainfall and strong winds which displaced more than 20,000 people. The Government declared a state of Disaster in 10 districts which were hardest hit by the cyclone. Cyclone Freddy affected the country's food security as farms were adversely impacted by the floods roads and bridges were washed away. The situation worsened by the fact that much of Malawi's population is dependent on agriculture and agricultural-related activities for livelihood. The Group assisted some of the affected communities financially and through the construction of houses. The Groups' general insurance business in Malawi has been facilitating payments totalling MK5.8 billion towards restoration of various infrastructure that was damaged by Cyclone Freddy.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2023 Continued

47. Environmental, Social and Governance (ESG) *(Continued)*

Supporting our communities

The Group wants as many people as possible to benefit from access to financial services.

The Groups banking business continues to see growing demand from many customers for more digital ways to bank. 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 Groups banking business 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 Group continues its expansion drive closing 2023 with 1,993 agents from 1,441 agents in December 2022.

The Groups banking business continues to enable as many people as possible to benefit from access to financial services. There is growing demand from many customers for more digital ways to bank. The Group’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 Group 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 Group continued its expansion drive closing 2023 with 2 444 agents. Providing formal financial services’ accessibility and convenience is a key element of the Group’s banking operations and the goal is to improve peoples’ livelihoods by inculcating a savings culture among the local communities.

The Group through its Life insurance business continues to offers a low premium product to ensure financial inclusion of the masses and continues to promotes the Zampira Funeral cover which was launched in 2022.

Governance

The NICO Group is committed to upholding the highest standards of corporate governance. We recognize that good corporate governance practices are essential for creating long term shareholder value, fostering trust with stakeholders, and ensuring the sustainable success of our company. The Group is thus fully committed to good corporate governance in dealing with shareholders and all other stakeholders. NICO Holdings formally adopted the Malawi Code II (“the Code”) and where appropriate will supplement with internationally recognized corporate governance principles including the King Code of Governance Principles.

54TH ANNUAL GENERAL MEETING – 31ST JULY 2024

VOTING SLIP

Name of member/proxy ______________________

Number of shares ______________________

RESOLUTIONS	In Favour	Against	Abstain
Resolution no. 1 To receive and consider the audited financial statements of the company for the year ended 31st December 2023, together with the reports of the Directors and Auditors thereon.			
Resolution no. 2 To declare a final dividend of MK2,086 million representing MK2.00 per share in respect of the 2023 profits as recommended by Directors.			
Resolution no. 3 To re-appoint Deloitte, Certified Public Accountants, as nominated by the Board of Directors as independent external auditors of the company to hold office until the conclusion of the next annual general meeting of the company and to authorize the Directors to fix their remuneration.			
Resolution no. 4 • To confirm the remuneration of the Executive Director as determined by the Board of Directors as at 31st December 2023. • To authorize the Board to determine the remuneration of the Executive Director for the year 2024.			
Resolution no. 5 • To fix the fees for the Chairperson at MK12,458,000 per annum payable quarterly in arrears (up from MK9,583,000 per annum) • To fix the fees for other Directors at MK9,965,000 per annum payable quarterly in arrears (up from MK7,665,000.00 per annum) • To fix the sitting allowances for the Chairperson at MK691,000.00 per sitting (up from MK421,000 per sitting) • To fix the sitting allowances for the Committee Chairperson at MK632,000.00 per sitting (up from MK385,000.00 per sitting) • To fix the sitting allowances for the other Directors at MK512,000.00 per sitting (up from MK312,000.00 per sitting)			

54TH ANNUAL GENERAL MEETING – 31ST JULY 2024

VOTING SLIP

(continued)

RESOLUTIONS	In Favour	Against	Abstain
Resolution no. 6.1 To re-elect Mr. Sangwani Hara who retires by rotation and being eligible, offers himself for re-election.			
Resolution no. 6.2 To re-elect Ms. Catherine Lesetedi who retires by rotation and being eligible, offers herself for re-election.			
Resolution no. 6.3 To re-elect Mr. Robert Scharar who retires by virtue of being a director who is over the age of 70 years and being eligible, offers himself for re-election and the Board having recommended and confirmed that his skills and expertise are still required on the NICO Holdings Board.			
Resolution no. 6.4 Retirement of Director - to note the retirement of Mr Harold Bijoux who having attained the age of 70 has not offered himself up for re-election.			

Date:____________________ Signed: ____________________

54TH ANNUAL GENERAL MEETING

PROXY FORM

I/We____________________ of ____________________

(address), being a member/member of the above-named company, hereby appoint__________

____________________ of ____________________

____________________ or failing him/her ____________________

of ____________________ as my/our proxy to vote for me/us on my/our behalf at the 54th Annual General Meeting of the Company to be held on the 12th of July 2024 and at any adjournment thereof.

This form is to be used:-

*In favour of/Against____________________Resolution 1 ____________________

*In favour of/Against____________________Resolution 2 ____________________

*In favour of/Against____________________Resolution 3 ____________________

*In favour of/Against____________________Resolution 4 ____________________

*In favour of/Against____________________Resolution 5 ____________________

*In favour of/Against____________________Resolution 6(i)____________________

*In favour of/Against____________________Resolution 6(ii)____________________

*In favour of/Against____________________Resolution 6(iii)____________________

*In favour of/Against____________________Resolution 6(iv)____________________

Unless otherwise instructed, the proxy will vote as he/she thinks fit.

Date:____________________

Signed:____________________

A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

*Strike out whichever is not desired

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