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Annual Report 2020

STANDARD BANK PLC

STANDARD BANK PLC

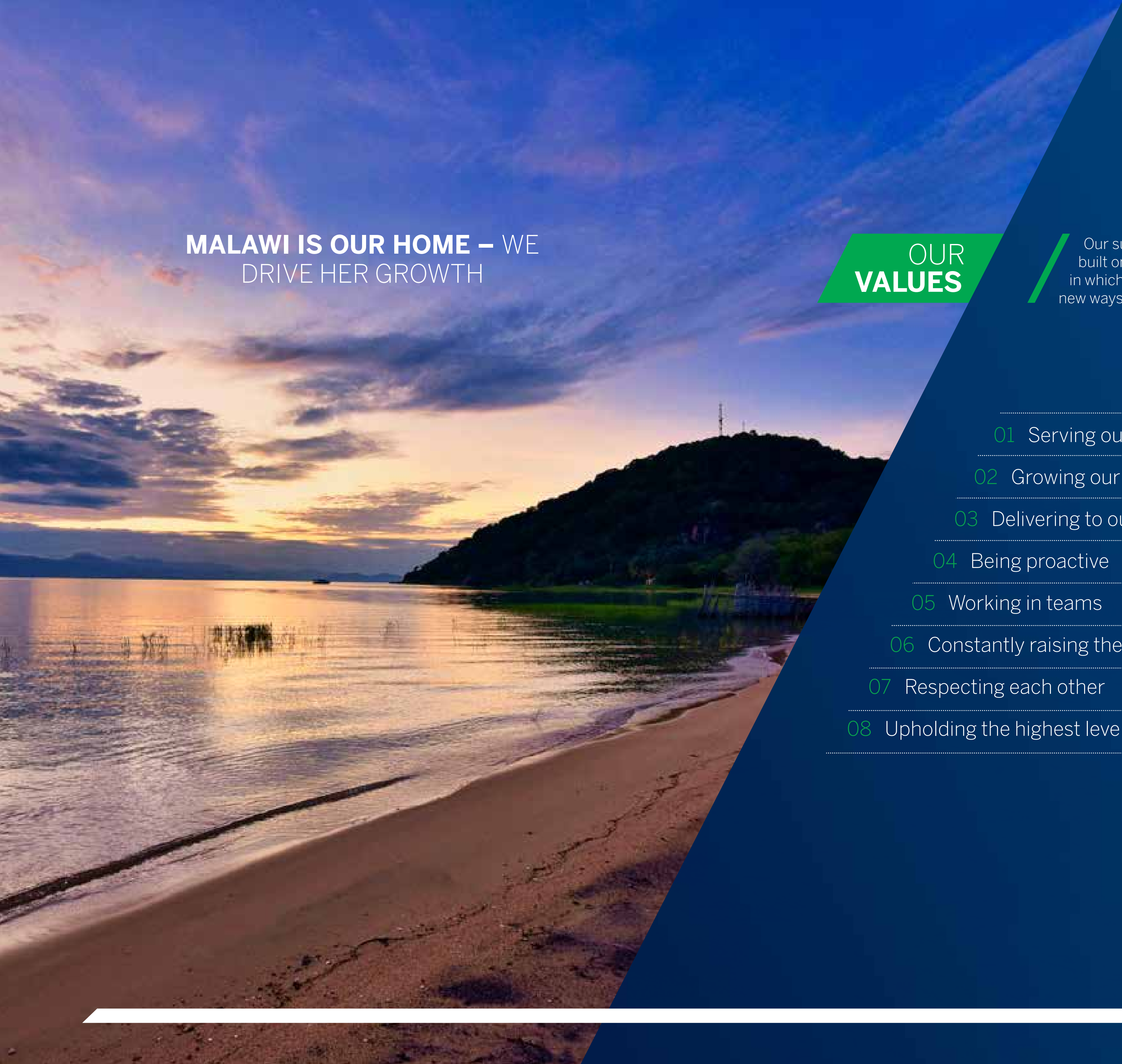
ANNUAL REPORT 2020

IT CAN BE™


FROM STUDENT
TO GRADUATE
IT CAN BE
Whatever your aspiration,
let us help you achieve it
Standard Bank IT CAN BE

CONTENTS

MALAWI IS OUR HOME – WE DRIVE HER GROWTH



OUR **VALUES**

Our success and growth over the long-term is built on making a difference in the communities in which we operate. We are committed to finding new ways to make dreams possible.

01 Serving our customers

02 Growing our people

03 Delivering to our shareholders

04 Being proactive

05 Working in teams

06 Constantly raising the bar

07 Respecting each other

08 Upholding the highest levels of integrity

Chairperson's and Chief Executive's Report

ECONOMIC OVERVIEW

Malawi's growth was weak in 2020 owing to subdued economic activities; largely a result of social disruptions caused by the COVID-19 pandemic and a volatile political environment during the first half of the year. Headline inflation was notably low in 2020 owing to lower food inflation rate. The annual average headline inflation rate was 8.6%, compared to 9.4% in 2019. Food inflation and non-food inflation averaged 13% and 4.7% in the year from 14.3% and 5.3% in the previous year, respectively. Accordingly, the Policy rate was cut in the year by 1.5 percentage points to 12%. On the foreign exchange market, the Kwacha weakened against the United States Dollar for the greater part of 2020 partly driven by weak supply.

PERFORMANCE

2020 was a challenging year due to the impact of COVID-19 on the macro-economy and the Group's operations. However, despite the challenging operating environment, the Group posted a strong set of results.

The Group's profit after tax of MK23.7 billion was 50% above prior year.Net interest income grew by 6% year on year. The growth in net interest income arose as a result of growth of loans and advances to customers which grew by 11% despite reduced appetite particularly in the lending space due to the

N.R Kanyongolo, PhD
Chairperson

Mr. P Madinga
Chief Executive

> "For the board to be an effective custodian of sustainable performance and long-term value creation requires that we are adept at managing the complexities of change."

COVID-19 pandemic. In addition, the growth of financial investments by 42% also contributed to the higher net interest income. The customer deposit growth of 30% year on year supported growth of interest earning assets.

Non-interest revenue grew by 30% year on year emanating from growth in transaction volumes particularly the foreign exchange business. However, the growth in non-interest revenue was negatively impacted by reduced business activity as a result of the COVID-19 pandemic and a 40% reduction of fees on internet banking, mobile payments and other related services as a cushion to customers on COVID-19 impact.

Credit impairments were 13% below prior year due to recoveries on previously written off credit facilities. In addition, the Group also recovered MK7.1 billion through an insurance claim on a previously written off credit facility. The Group will continue its efforts to recover previously written off loans as well as focus on prudent risk taking and management.

Operating costs grew by 11% year on year mainly due to inflationary increases of goods and services. As a result of higher revenue base and lower cost growth in operating costs, the cost to income ratio reduced from 59% in prior year to 57% in the current year. The Group will continue to focus on diversifying its revenue base and focus on a sustainable cost base.

Earnings per share for the year increased from MK68 in 2019 to MK101 in 2020.

STRATEGY

Malawi is our home and we drive her growth. We aspire to be the "undisputed number one financial services organisation in Malawi, delivering superior value to all stakeholders."

To achieve our aspiration, we will focus on Client Centricity where we promise to deliver value to our clients while driving Digitisation to offer our clients and prospective client a truly Universal Financial Services (UFS) experience. This means our business units and corporate functions will work as an integrated whole to service our client's financial needs in a seamless way. We understand that as a Bank we need to constantly transform in order to remain relevant to our clients. We have therefore welcomed the digital revolution as one of our biggest opportunities.

LEADERSHIP

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

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

CORPORATE GOVERNANCE AND DIRECTORSHIP

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

PROSPECTS

The negative economic effects of the COVID-19 pandemic will likely continue in 2021; however, the forecast good agricultural production could offset some of the downside impact. Currency pressures are expected to continue largely driven by weak foreign currency inflows which can be partly attributed to the ongoing pandemic. Inflation is expected to remain low, being supported by the forecast higher agricultural output.

We remain committed to ensuring customer satisfaction in all we do. The Group continues to focus and drive digitisation in order to improve customer experience, cost rationalisation while we continue investing for the future, prudent management of risk and liquidity, diversifying balance sheet and maintaining a healthy capital position remains at the core of what we do.

APPRECIATION

We thank our colleagues on the Board for their guidance and support during the year. We thank the executive team and the staff for the results delivered in 2020. We also thank our customers for their continued support without whom we would have not achieved this good result.

N.R Kanyongolo, PhD
Chairperson

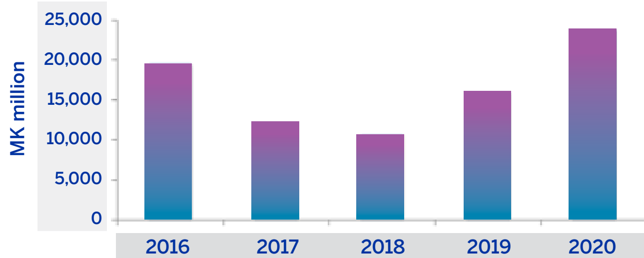
24 February 2021

Mr. P Madinga
Chief Executive

Review of performance

MK23.7 billion
Profit after tax ↑

2019: MK15.9 billion



24% Capital adequacy ratio ↑ 2019: 22%	**1%** Credit loss ratio (Loans and advances to customers) 2019: 1%
22% Return on equity ↑ 2019: 18%	**MK165.4 billion** Loans and advances to customers ↑ 2019: MK148.5 billion
57% Cost-to-income ratio ↓ 2019: 59%	**MK314.8 billion** Deposits from customers ↑ 2019: MK242.1 billion

Lead transaction Advisor, Transfer Secretary and Receiving bank for Airtel Malawi Plc Initial Public Offering (IPO). Standard Bank PLC successfully raised

MK27.92 billion

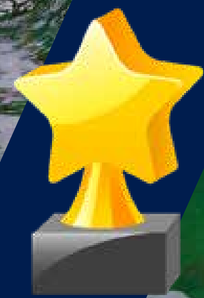
making it the largest IPO on the Malawi Stock Exchange and the first to use digital payment solutions for subscribing.

Arranged and financed pre-export and trade facilities totalling

US$60 million

for the Tobacco and Petroleum sectors.

AWARDS



1- Euromoney Awards for Excellence 2020

- Best Investment Bank in Malawi Award

2- Business Continuity Institute (BCI) Africa Awards 2020

- The Best Continuity and Resilience Team

3- Institute of Marketing in Malawi 2020 Marketing Excellence Awards

- Marketing Campaign of the Year: It Can Be
- Best Commercial (TV): It Can Be
- Commercial of the Year (Outdoor); It Can Be
- Commercial of the Year (Print)
- Digital Marketing Initiative of the Year: It Can Be
- Most visible brand of the Year: Standard Bank PLC

Our Socio-economic Impact

Our core intent is to drive the growth of Malawi. We play our part in sustainability by serving our communities through impactful projects that touch lives and improve societies.

Below are some of the key highlights from 2020.

Continued sponsoring 6 university students from each of the following universities: LUANAR, Chancellor College, Polytechnic, Malawi University of Science and Technology and Mzuzu University.

Committed MK102 million towards the fight against COVID-19 in Malawi at the onset of the pandemic in 2020. The donation included 4,650 protective suits, 9,520 masks, 37,480 gloves, 1,000 hand sanitizers, 20 infrared thermometers and 3,000 COVID-19 test kits to Kamuzu Central Hospital, Queen Elizabeth Central Hospital, Mzuzu Central Hospital and Nurses and Midwives Council of Malawi.

Trained and empowered over 7,800 women in Mchinji, Mzimba and Lilongwe Rural in the practice of climate smart groundnut farming to improve quality and yield as well as value addition, financial literacy and market linking opportunities. MK340 million (Provided by Standard Bank Group in 2019 for 3-year project).

Donated 30 Samsung tablets valued at MK5 million to College of Medicine to enable students to proceed with online learning in the midst of the COVID-19 pandemic.

Our Business Structure

PERSONAL AND BUSINESS BANKING

Provides banking and other financial services to individual customers and small to medium-sized enterprises.

WHAT WE OFFER

Mortgage lending / Card products / Instalment sale and finance leases / Lending products / Bancassurance

CORPORATE AND INVESTMENT BANKING

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

WHAT WE OFFER

Global markets / Investment banking / Transactional products and services

OTHER

Include the results of centralised support functions (back office), including those functions that were previously embedded in the business segments. The direct costs of support functions are recharged to the business segments.

Board of Directors

GENDER 6/ 10/

1. DR REX HARAWA [63]
Chairman up to 26th June 2020
PhD. (Finance and Economics)
Appointed: August 2007

2. NGEYI RUTH KANYONGOLO PhD [52]
Chairperson from 27th June 2020
PhD in Law (Warwick)
Appointed: June 2012

3. WILLIAM LE ROUX [59]
Executive Director
Bachelor of Commerce
Appointed: December 2017

4. TEMWANI SIMWAKA [50]
Executive Director
Fellow of the Association of Chartered Certified Accountants
Appointed: May 2010

5. SHARON TAYLOR [52]
Director
Bachelor of Commerce (UNISA)
Appointed: November 2020

6. NORAH NSANJA ACG [36]
Company Secretary
Associate, Governance Institute; LLB (hons) Mw.
Appointed: June 2019

7. CATHERINE MTONDA [59]
Director
Master of Business Administration
Appointed: June 2012

8. SHADRECK ULEMU [61]
Director
MSc Electronic Engineering
Appointed: May 2016

9. RODERICK PHIRI [70]
Director up to November 2020
Bachelor of Social Science (Economics and Statistics)
Appointed: October 2006

10. DAVID PINTO [47]
Director
Bcom Management Finance
Appointed: May 2016

11. ANDREW CHIOKO [67]
Director
Fellow of the Association of Chartered Certified Accountants
Appointed: June 2007

12. ALAN CHINULA SC [63]
Director
LL.B Honours
Appointed: June 2012

13. JAYESH PATEL [51]
Director
M.A Economics
Appointed: October 2008

14. ANTONIO COUTINHO [53]
Executive Director
Baccalaures in Handel (Bachelor of Science in Business)
Appointed: July 2018

15. ALEX MKANDAWIRE [59]
Director
Fellow of the Association of Chartered Certified Accountants
Appointed: November 2020

16. RACHEL SIBANDE PhD [35]
Director
PhD, Computer Science
Appointed November 2020

AIR | For more information on how our remuneration structures support performance, refer to the remuneration report on page 24.

Executive Committee

1. WILLIAM LE ROUX 59
Chief Executive up to December 2020
Bachelor of Commerce
Joined: December 2017

2. PHILLIP MADINGA 50
Chief Executive from January 2021

Head Personal and Business Banking up to December 2020
Master of Business Administration
Joined: January 2020

3. TEMWANI SIMWAKA 50
Chief Financial Officer
Fellow of the Association of Chartered Certified Accountants
Joined: September 2006

4. WILLIAM NUKA 56
Head, Information Technology
Bachelor of Science in Electrical Engineering
Joined: January 2000

5. FRANK CHANTAYA 45
Head, Corporate and Investment Banking,
Bachelor of Business Administration
Joined: April 2008

GENDER 4/ 6/

6. NORAH NSANJA ACG 36
Head, Legal and Company Secretary
Associate, Governance Institute;
LLB (hons) Mw.
Joined: May 2012

7. ZANDILE PHANGAPHANGA 38
Head Human Capital
Master of Business Administration
Joined: February 2017

8. THOKO UNYOLO 40
Head, Marketing and Communication
Master of Business Administration
Joined: January 2015

9. KONDWANI MLILIMA 47
Chief Risk Officer
Master of Arts Economics
Joined: October 2002

10. DANIEL MBOZI 50
Head, Operations
Chartered Management Accountant
Joined: May 2004

AIR | For more information on how our remuneration structures support performance, refer to the remuneration report on page 24.

Statement of Corporate Governance

CODES AND REGULATIONS

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

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

Board and Directors

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

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

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

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

Skills, Knowledge, Experience and Attributes Of Directors

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

- International and domestic experience;
- Operational experience;
- Knowledge and understanding of both the macroeconomic and the microeconomic factors affecting the Group; and
- Financial, legal, entrepreneurial and banking skills.

Board Responsibilities

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

- Agree on the Group's objectives, strategies and plans for achieving those objectives;
- Regularly review the corporate governance process and assess achievement against objectives;
- Delegate to the Chief Executive or any director holding any executive office or any senior executive, any of the powers, authorities and discretions vested in the Board, including the power of sub-delegation. Delegate, similarly, such powers, authorities and discretions to any committee and subsidiary company boards as may exist or be created from time to time;
- Determine the terms of reference and procedures of all board committees in consultation with Stanbic Africa Holdings Limited ("SAHL");
- Consider and evaluate reports submitted by Management;
- Ensure that an effective risk management process exists and is maintained throughout the Group;
- Monitor the performance of the Chief Executive and the Executive team;
- Establish, review regularly and approve major changes to the Group's policies;
- Ensure that an adequate budget and planning process exists, that performance is measured against budgets and plans and approves annual budgets for the Group, in line with the policies and procedures of the Group;
- Consider and approve capital expenditure as recommended by management;
- Consider and approve any significant changes proposed in accounting policy or practice and consider the recommendations of the Board Audit Committee.
- Assume ultimate responsibility for systems of financial, operational and internal controls, the adequacy and review of which is delegated to sub-committees, and the Board ensures that reporting on these issues is adequate;
- Take ultimate responsibility for regulatory compliance and ensure that reporting to the Board is comprehensive;
- Ensure balanced reporting to stakeholders on the Group's position and that such reporting is done in a manner that can be understood by stakeholders;
- Review non-financial matters that have not been specifically delegated to any sub-committee. The review includes code of ethics, environmental issues and social issues.

Strategy

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

Board Effectiveness and Evaluation

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

Board Meetings

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

Board Meetings - Meeting Attendance

Member	27-Feb-20	28-May-20	29-July-20	26-Nov-20
N.R Kanyongolo, PhD ** (Current Chairperson)	√	√	√	√
Dr. R Harawa (Past Chairman)**	√	√	N/A	N/A
Mr. J P Patel**	√	√	√	√
Mr. R K Phiri**	√	√	√	N/A
Mr. A A Chioko**	√	√	√	√
Mr. A J W Chunula Sc**	√	√	√	√
Mrs. C Mtonda**	√	√	√	√
Mr. A Coutinho*	√	√	√	√
Mr. W le Roux*	√	√	√	√
Mrs. T Simwaka *	A	√	√	√
Mr. S Ulemu**	A	√	√	√
Mr. D Pinto**	√	√	√	√
Mrs. S. Taylor**	N/A	N/A	N/A	A
R. Sibande, PhD**	N/A	N/A	N/A	√
Mr. A. Mkandawire**	N/A	N/A	N/A	√

Key

√	= Attended the meeting
A	= Apology
N/A	= Not applicable as the Director was not part of the Board at that time
*	= Executive Director
**	= Non-executive Director

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

Board Audit Committee

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

- Annual review and recommendation to the Board for approval of the Board Audit Committee mandate;
- Review of the audit plan with the external auditors, with specific reference to the proposed audit scope and approach to the Group's activities falling within the high-risk areas, the effectiveness of the audit and audit fee.
- Consider with Management, areas of special concern and the procedures being developed to monitor and contain risks in those areas;
- Review with Management copies of reports and letters received from the external auditors concerning deviations from and weaknesses in accounting and operational controls, and ensure that prompt action is taken by Management and that issues are satisfactorily resolved;
- Review the adequacy of capital, provisions for bad debts and diminution in the value of other assets, and the formulae applied by the Group in determining charges for and levels of general debt provisions, within the framework of the Group policy;
- Review the accounting policies adopted by the Group and all proposed changes in accounting policies and practices and recommend such changes where these are considered appropriate in terms of International Financial Reporting Standards and also considers the adequacy of disclosures in the financial statements;
- Review the Group's interim and audited annual financial statements and all financial information intended for distribution to the shareholders and the general public, prior to submission to the full Board;
- Assess the performance of financial management and review the quality of internal accounting control systems and reports produced by management;
- Review the basis on which the Group has been determined as a going concern and make recommendations to the Board;
- Review written reports furnished by the Internal Audit Department of the Bank and of the Standard Bank Group, detailing the adequacy and overall effectiveness of the Group's internal audit function and its implementation by Management, the scope and depth of coverage, reports on internal control and any recommendations and confirmation that appropriate action has been taken;

Board Audit Committee (continued)

- Monitor compliance with the Financial Services Act, Companies Act, Banking Act and the Malawi Stock Exchange Listings Requirements and all other applicable legislation in as far as they impact financial reporting.
- Monitor ethical conduct of the Standard Bank Group and Executives and reviewing reports from Management on violations of the Group's Code of Ethics;
- Consider the development of standards and requirements and review statements on ethical standards or requirements for the Group; and
- Review and make recommendations on any potential conflicts of interest relating to situations of a material nature.

The membership of this committee comprised of:

Mr. A A Chioko - Chairman
Mr. S Ulemu - Member
Mr. A Coutinho - Member

The committee met four times during the year.

Board Audit Committee – Meeting attendance

Member	26-Feb-20	27-May-20	29-Jul-20	26-Nov-20
Mr. A A Chioko	√	√	√	√
Mr. S Ulemu	√	√	√	√
Mr. A Coutinho	√	√	√	√

Key

√	= Attended the meeting

Board Credit Committee

The role of this Committee is to ensure that effective credit governance is in place in order to provide for the adequate management, measurement, monitoring and control of credit risk, including country risk. This involves ensuring that all committees within the Credit governance structure operate within clearly defined mandates and delegated authorities, as delegated to them by the Board, and that an appropriate credit framework and structure exists. The responsibilities of the Committee also include:

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

The membership of this committee comprised of:

Mr. J P Patel - Chairman
Mrs. C Mtonda - Member
Mr. R Phiri - Member

The committee met four times during the year.

Board Credit Committee – Meeting attendance

Member	27-Feb-20	26-May-20	27-Jul-20	24-Nov-20
Mr. J P Patel	√	√	√	√
Mrs. C Mtonda	√	√	√	√
Mr. R Phiri	√	√	√	√

Key

√	= Attended the meeting

Board Risk Committee

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

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

The membership of this committee comprised of:

Mr. A Chinula Sc - Chairman
N.R Kanyongolo, PhD - Member
Mr. D Pinto - Member

The committee met four times during the year.

Board Risk Committee - Meeting attendance

Member	27-Feb-20	26-May-20	27-Jul-20	24-Nov-20
Mr. A Chinula	√	√	√	√
Mr. D Pinto	√	√	√	√
N.R Kanyongolo, PhD	√	√	N/A	N/A

Key

√	= Attended the meeting
N/A	= Seized to be a member after being appointed chairperson of the Board.

Board Human Capital Committee

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

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

The membership of this committee comprised of:

Mr. R K Phiri - Chairman
N.R Kanyongolo, PhD - Member
Mr. A Chinula Sc - Member

The committee met four times during the year.

Board Human Capital Committee - Meeting attendance

Member	26-Feb-20	27-May-20	28-Jul-20	25-Nov-20
Mr. R K Phiri	√	√	√	√
N.R Kanyongolo, PhD	√	√	N/A	N/A
Mr. A Chinula Sc	√	√	√	√

Key

√	= Attended the meeting
N/A	= Seized to be a member after being appointed chairperson of the Board.

Board Technology and Information Committee

The Committee was constituted in June 2019 to ensure effective monitoring by the Board of the Group's strategy on technology and information. The role of the Committee is to oversee the governance of technology and information in a way that supports the Group in setting and achieving its strategic objectives. The responsibilities of the Committee include:

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

The membership of this committee comprised of:

Mr. D Pinto	-	Chairman
Mrs. C Mtonda	-	Member
N.R Kanyongolo, PhD	-	Member

The committee met four times during the year.

Member	26-Feb-20	27-May-20	28-Jul-20	25-Nov-20
Mr. D Pinto	√	√	√	√
Mrs. C. Mtonda	√	√	√	√
N R Kanyongolo, PhD	√	√	N/A	N/A

Key

√	= Attended the meeting
N/A	= Seized to be a member after being appointed chairperson of the Board.

MANAGEMENT COMMITTEES

Credit Risk Management Committee

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

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

Asset and Liability Committee (ALCO)

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

Executive Committee (EXCO)

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

COMPANY SECRETARY

The role of the Company Secretary is to ensure that the Board remains cognisant of its duties and responsibilities. In addition to providing the Board with guidance on its responsibilities, the Company Secretary keeps the Board abreast of relevant changes in legislation and governance best practices. The Company Secretary oversees the induction of new directors, as well as the ongoing training of directors. All directors have access to the services of the Company Secretary.

GOING CONCERN

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

RELATIONSHIPS WITH SHAREHOLDERS

The shareholders' role is to appoint the Board of Directors and the external auditors. This role is extended to holding the Board accountable and responsible for efficient and effective corporate governance.

SUSTAINABILITY REPORTING

Management of the Group's economic, social and environmental impacts and responsibilities is being systematically entrenched in the Group's culture through the emphasis placed on the application of the Group's vision and values in all its operations.

ETHICS AND ORGANISATIONAL INTEGRITY

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

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

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

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

REMUNERATION

Remuneration Philosophy

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

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

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

Remuneration Governance

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

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

- the provision of rewards that enable the attraction, retention and motivation of employees and the development of a high performance culture;
- maintaining competitive remuneration in line with our markets, trends and required statutory obligations;
- rewarding people according to their contribution;
- allowing a reasonable degree of flexibility in remuneration processes and choice of benefits by employees and;
- educating employees on the full employee value proposition.

Remuneration Structure

Non-Executive Directors

Terms of Service

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

Fees

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

Management and Staff

Terms of Service

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

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

Fixed Remuneration

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

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

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

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

Short-Term Incentives

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

Long-Term Incentives

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

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

Post-Employment Benefits

The Group operates a contributory pension fund to provide for retirement benefits for employees. Both, employee and employer contributions are made in line with the Pension Act of 2011. Currently, NICO Life Insurance Company are the fund managers.

The Group's Highlights For The Year

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

The following are the highlights of the year:

- The Group was awarded the Best Investment Bank in Malawi Award in the Euromoney Awards for Excellence 2020.
- The Group played the roles of Lead Transaction Advisor, Transfer Secretary and Receiving Bank for the Airtel Malawi Plc initial public offering which saw the company successfully listed on the Malawi Stock Exchange on 24 February 2020.
- The Group rolled out a digital unsecured lending offering to its consumer customers using behavioural scoring. This initiative enables customers to access loans digitally through the internet banking platform and eliminates paperwork improving processing time to below 5 minutes.
- The Group increased the number of deposit taking ATM's, implemented a mobile teller solution aimed at offering convenient deposit services to customers as well as implementation of a quick customer onboarding solution allowing offsite account opening for new small business customers.

GROUP SNAPSHOT

	2020	2019
Points of representation	**27**	27
ATMs	**93**	86
Cash deposit machines	**11**	8
POS devices	**932**	551
Headcount	**743**	739

OUR STAKEHOLDERS

Shareholders

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

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

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

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

Customers

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

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

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

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

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

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

In Personal and Business Banking (PBB) division, we offer service through Personal Markets and Business Banking.

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

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

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

Employees

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

Talent Management

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

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

Leadership Development

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

Occupation-Directed Education, Training and Development

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

Health Risk Management

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

Independent Counselling and Advisory Services

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

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

Staff Recognition Programme

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

Regulators

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

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

Suppliers

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

Community

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

Health

In response to the COVID-19 Pandemic, the Group donated assorted items to health facilities across Malawi through the Ministry of Health to help in managing and treating COVID-19 patients. The donation comprised of Personal Protective Equipment; 4,650 protective suits, 9,520 masks, 37,480 gloves, 1,000 hand sanitizers, 20 infrared thermometers and 3,000 COVID-19 test kits. The total donation was valued at MK102 million. Kamuzu Central Hospital, Queen Elizabeth Central Hospital and Mzuzu Central Hospital each received 1,500 protective suits, 3,000 masks and 12,160 gloves. The Nurses and Midwives Council of Malawi received 1,000 hand sanitizers, 20 infrared thermometers, 520 masks, 1,000 gloves and 150 protective suits. The Ministry of Health received the 3,000 COVID-19 test kits to distribute to health facilities across the country.

In commemoration of World Cancer Day held annually on the 4th of February, the Group donated cancer treatment kits valued at MK3 million to the cancer unit at Kamuzu Central Hospital. The donation comprised of laboratory material such as MRTD kits, glucometer, glucosticks, nitrile-extra exam gloves. Other items included an ECG multiparameter, oxygen concentrators, an emergency trolley, ambubags, nasal prongs and oxygen masks.

Education

We continued our impact in the Education Sector through the four-year Standard Bank University Bursary Program covering 6 students from each of the universities in Malawi; The Polytechnic, Chancellor College, Mzuzu University, Malawi University of Science and Technology and Lilongwe University of Agriculture and Natural Resources. Valued at MK120 million, the scholarships are spread over the initial four academic years and cover tuition fees, accommodation, food, book allowance and stipend for the most needy but hardworking students.

The Group supported the Chief Executive in a donation of 300 chairs valued at MK1.8 million to Bwaila Secondary School to improve the learning experience and delivery of lessons at the school. In addition to this a donation of MK1 million was made towards the Shaping Our Future Foundation Scholarship Fund to ensure no Malawian child is left behind in access to quality education.

The Group also donated 30 Samsung Tablets valued at MK5 million to College of Medicine. This donation was to assist students with the necessary gadgets to facilitate online learning in light of the pandemic.

Youth and Sustainable Development

Standard Bank Group continued the partnership UN Women in Malawi, Nigeria, Uganda and South Africa to promote the economic empowerment of women through climate smart agriculture. In Malawi, the MK340 million initiative aims to target and empower 10,000 women farmers through climate smart agriculture in groundnut farming in cooperatives located in Mchinji, Mzimba and Lilongwe rural. The project provides trainings on best practices for groundnut farming to increase yield, the use of climate smart practices, crop care, technologies for post-harvest handling on groundnuts for optimal storage, addressing socio-cultural barriers, facilitating value addition, financial literacy and market linking opportunities.

The Group entered a strategic partnership with Inosselia GGL and sponsored MK23.5 million to develop an intensive production greenhouse-based vegetable farm in Lilongwe. The project involves the development and operation of farmer/family level greenhouse production units to enable farmers to increase productivity yield and household income on small plot acreage.

Risk Management and Control

The effective management of risk is fundamental to the business activities of the Group as we remain committed to the objective of increasing shareholder value by developing and growing business that is consistent with agreed risk appetite. We seek to achieve an appropriate balance between risk and reward in our business and continue to build and enhance the risk management capabilities that will assist in delivering our growth plans in a controlled environment.

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

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

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

RISK MANAGEMENT FRAMEWORK

The Group's approach to risk management is based on well-established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances strong corporate oversight at the Board level with independent risk management structures.

Unit heads are specifically responsible for the management of risk within their areas. As such, they are responsible for ensuring that there are appropriate risk management frameworks that are adequate in design, effective in operation and meet minimum Group standards.

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

For extensive disclosures on how the Group manages its risk and capital, log on to our website at www.standardbank.co.mw to access a copy of the Risk and Capital Management Report.

COVID-19 IMPACT ON RISK MANAGEMENT

Risk management is a cornerstone of the Group's response to the COVID-19 crisis, enabling fast, targeted and responsible support of our clients, at the same time protecting our people while preserving the group's financial position. Our response to the pandemic was swift and purposeful, and a testament to our operational resilience. As we executed our business continuity measures on an unprecedented scale, we put our people, our customers and our communities front and centre of our response efforts to this public health emergency. We provided extensive client relief programmes while carefully monitoring and managing our capital, liquidity and impairment risk metrics. We helped ease the liquidity crisis facing many clients and maintained the collections activity by enabling employees to work from home.

The effects of the COVID-19 pandemic were widespread in Malawi, and the Group was not spared. From a risk management perspective, the Group saw clients across the economic value chain – consumer, enterprise, commercial and corporate – being socially disrupted. Some sectors (e.g. travel and tourism) were more impacted than others. The Group had to respond by undertaking sector and portfolio rapid risk reviews to understand the extent of the damage to be able to provide necessary credit relief packages (e.g. restructures and moratoriums) which the Government of Malawi also promoted through the Central Bank.

Directors' Report

Incorporation and registered office

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

Principal Activities

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

Financial Performance

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

Dividend

The net profit for the year of **MK23.7 billion** (2019: MK15.9 billion) has been added to retained earnings. An interim dividend of **MK2.5 billion** (2019: MK2.1 billion) was paid in September 2020 representing **MK10.65** (2019: MK8.95) per ordinary share. The directors resolved to pay a second interim dividend of **MK3 billion** (2019: Nil) representing **MK12.78** (2019:Nil) per ordinary share and recommend a final dividend of **MK5 billion** (2019: MK5billion) representing **MK21.31** (2019: MK21.31) per ordinary share to be tabled at the forthcoming Annual General Meeting.

Directorate and Secretary

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

Dr. R Harawa*	-	Chairman up to 26th June 2020
N R Kanyongolo, PhD*	-	Chairperson from 27th June 2020
Mr. R K Phiri*	-	Up to 26th November 2020
Mr. A A Chioko*	-	All year
Mr. J Patel*	-	All year
Mrs. T Simwaka*	-	All year
Mr. A J W Chinula*	-	All year
Mrs. C Mtonda*	-	All year
Mr. S Ulemu*	-	All year
Mr. D Pinto***	-	All year
Mr. W le Roux**	-	All year
Mr. A Coutinho**	-	All Year
Mrs. S Taylor**	-	From 26th November 2020
Mr. A Mkandawire*	-	From 26th November 2020
R Sibande, PhD *	-	From 26th November 2020
Mrs. N Nsanja*	-	All Year

* Malawian

** South African

*** Portuguese

Directors interest

The following directors held shares in the Bank as at 31 December 2020.

Mr. J Patel	- **146,668** (2019: 146,668) Ordinary shares
Mrs. T Simwaka	- **102,809** (2019: 102,809) Ordinary shares
Mr. A A Chioko	- **25,668** (2019: 25,668) Ordinary shares

Shareholding analysis

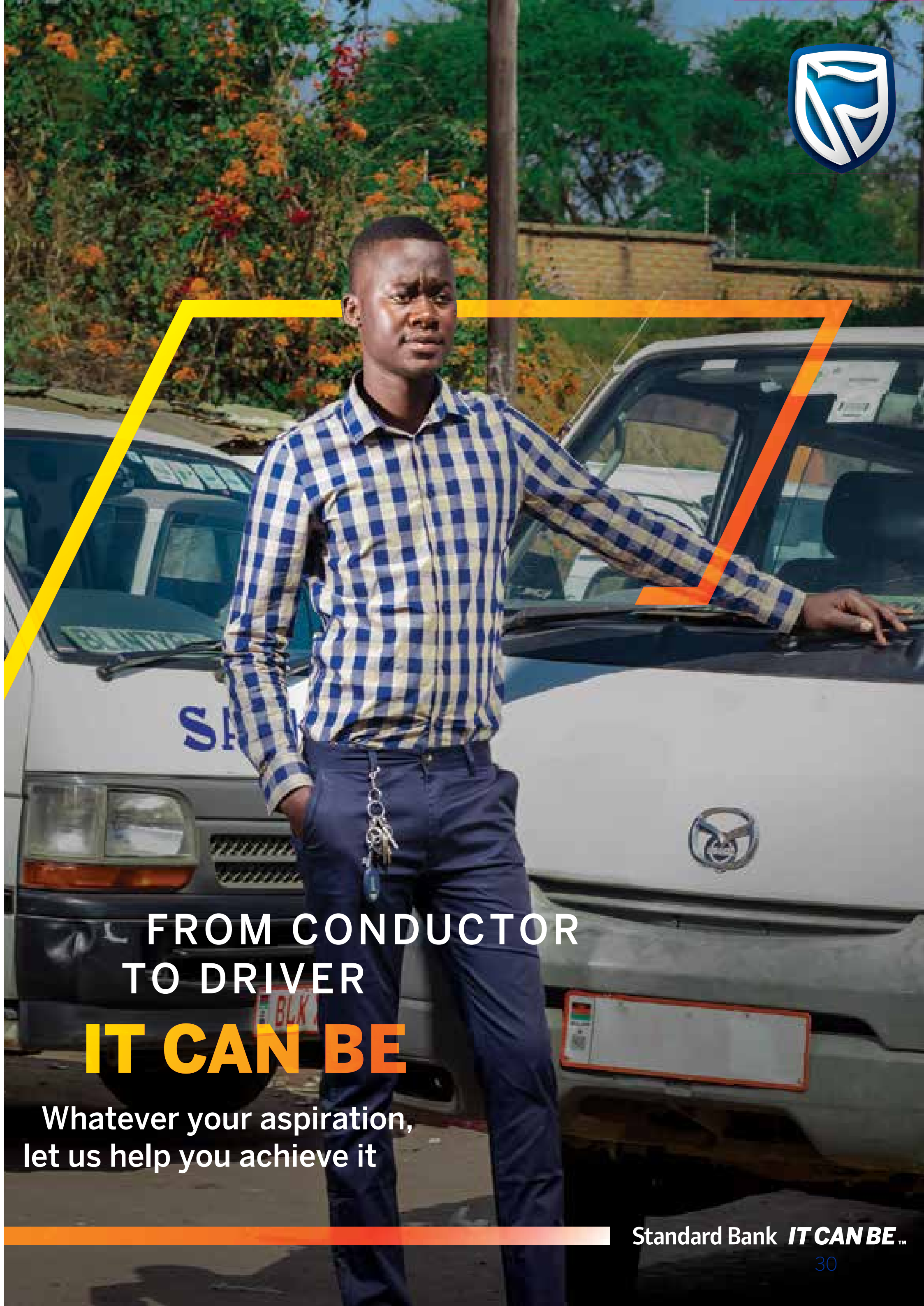
The shareholders of the Group as at 31 December 2020 were as below:

Stanbic Africa Holdings Limited	**60.18%**
NICO Holdings Limited	**20.00%**
Old Mutual Life Assurance Company Limited	**5.38%**
Press Trust	**2.32%**
Magetsi Pension Fund	**1.38%**
Public	**10.74%**
Total	**100.00%**

Auditors

The Group's auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution will be proposed at the forthcoming Annual General Meeting to re-appoint them as auditors for the year ending 31 December 2021.

N R Kanyongolo, PhD	Mr. A A Chioko
Chairperson	**Director**



Statement of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Standard Bank PLC, comprising the statements of financial position at 31 December 2020, the income statements, other comprehensive income, changes in equity and cash flows for the year then ended, and the notes comprising significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards and in the manner required by Companies Act, 2013, of Malawi (the "Act").

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

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

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

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

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

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

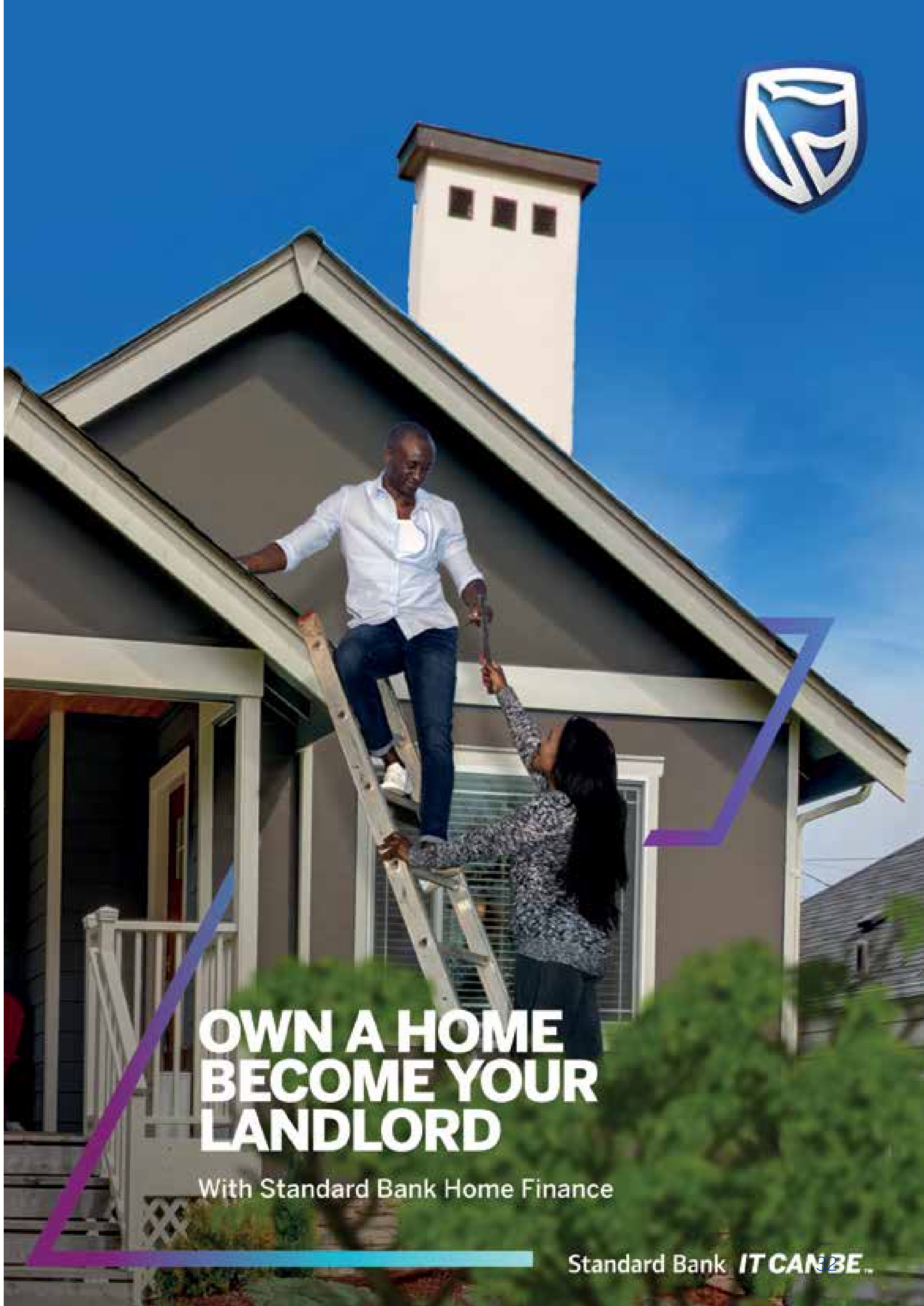
The external auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Act.

Approval of consolidated and separate financial statements

The consolidated and separate financial statements of Standard Bank PLC, as identified in the first paragraph, were approved by the Board of Directors on 24 February 2021 and are signed on its behalf by.

By order of the Board

N R Kanyongolo, PhD	Mr. A A Chioko
Chairperson	**Director**



Our Socio-economic Impact

1 COVID-19 DONATION

Committed MK102 million towards the fight against COVID-19 in Malawi at the onset of the pandemic in 2020. The donation included 4,650 protective suits, 9,520 masks, 37,480 gloves, 1,000 hand sanitizers, 20 infrared thermometers and 3,000 COVID-19 test kits to Kamuzu Central Hospital, Queen Elizabeth Central Hospital, Mzuzu Central Hospital and Nurses and Midwives Council of Malawi.

2 BREAST CARE CLINIC

Ginnery Corner Branch donated 14 bottles of 5litre ultra-sound gel, 4 bottles of 5litre hand sanitizer and 9 boxes of powdered examination gloves to Breast Care Clinic, a charitable clinic which specializes in offering free breast cancer clinic for early detection.

3 COLLEGE OF MEDICINE TABLETS

Donated 30 Samsung tablets valued at MK5 million to College of Medicine to enable students to proceed with online learning in the midst of the COVID-19 pandemic.

Our Socio-economic Impact

1 UN WOMEN CLIMATE SMART AGRICULTURE PROJECT

Trained and empowered over 7,800 women in Mchinji, Mzimba and Lilongwe rural in the practice of climate smart groundnut farming to improve quality and yield as well as value addition, financial literacy and market linking opportunities. MK340 million (provided by Standard Bank Group in 2019 for 3-year project).

2 INOSSELIA GGL GREENHOUSE PROJECT

Partnered with Inosselia GGL and sponsored MK23.5 million to purchase 2 greenhouses, irrigation accessories and furnishing of a training center. The project aims to develop an intensive greenhouse vegetable farm in Lilongwe and enable farmers to improve productivity and yield.

Our People

1 INTERNATIONAL WOMEN'S DAY

Celebrated International Women's Day by hosting a spa day and high tea event in Lilongwe and Blantyre for key females in Malawi's public and private sector.

2 INSTITUTE OF MARKETING IN MALAWI AWARDS

Standard Bank PLC won multiple awards at the Institute of Marketing in Malawi 2020 Marketing Excellence Awards following the IT CAN BE campaign.

Our Events

1 AFRICA DAY

Our staff celebrated Africa's vibrant and diverse culture.

pwc

Independent Auditor's Report

To the Shareholders of Standard Bank PLC

OUR OPINION

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Standard Bank PLC (the "Company" or "Bank") and its subsidiaries (together the "Group") as at 31 December 2020, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2013 of Malawi.

What we have audited

Standard Bank PLC's consolidated and separate financial statements set out on pages 47 to 198 comprise:

- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate income statements and statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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.

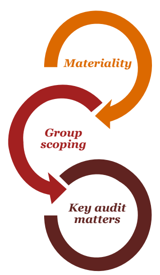
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of financial statements in Malawi.

OUR AUDIT APPROACH

Overview



Overall Group materiality

MK 1 789 600 000, which represents 5% of consolidated profit before income tax expense.

Group audit scope

The Group consists of three entities, which comprise the Bank and two subsidiaries, namely Standard Bank Bureau De Change Limited and Standard Bank Nominees Limited. Full scope audits were performed on the Bank due to its financial significance to the Group and Standard Bank Bureau De Change Limited based on statutory reporting requirements.

Key audit matters

- Expected credit losses on loans and advances to customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	*MK 1 789 600 000.*
How we determined it	*5% of consolidated profit before income tax expense.*
Rationale for the materiality benchmark applied	*We chose consolidated profit before income tax expense as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of three entities, which comprise the Bank and its two subsidiaries, Standard Bank Bureau De Change Limited and Standard Bank Nominees Limited, all operating in Malawi. The Bank represents 97% of the consolidated profit before income tax for the year ended 31 December 2020 and is thus considered to be a financially significant component. We performed full scope audits on the Bank and Standard Bank Bureau De Change Limited due to financial significance and statutory reporting requirements. Standard Bank Nominees Limited is a dormant entity and has no financial significance to the Group.

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. This matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses ("ECL") on loans and advances to customers *This key audit matter relates to both the consolidated and separate financial statements.* *Refer to the following accounting policies and notes to the consolidated and separate financial statements for details: 3(g) - Financial assets and financial liabilities, 4 (b) - Credit risk, 5 - Accounting estimates and judgements and 14 - Loans and advances to customers.* The ECL on loans and advances was considered to be a matter of most significance to the current year audit due to the magnitude of the loans and advances balances to the consolidated and separate financial statements, the level of subjective judgement applied by management in determining the ECL and the impact that the ECL has on the Group and Bank's credit risk management processes and operations.	Our audit addressed the key audit matter by performing the following procedures: We obtained an understanding of and tested the relevant controls relating to loans and advances to customers which included: • the processes over credit approval for loans and advances; • the monitoring of credit including the internal rating tool and the watch list; and • the monitoring of loans and advances that were granted COVID-19 moratoriums. Our audit addressed the key areas of significant management judgement as follows: **Evaluation of SICR taking the estimated impact of the COVID-19 pandemic into account** For CIB exposures, we selected a sample of exposures and assessed their assigned credit rating as follows: • Traced the inputs recorded in the credit rating systems to the financial information related to the exposure and the Group's 25-point master rating scale. No material exceptions were noted;

Key audit matter	How our audit addressed the key audit matter
Loans and advances to customers include Corporate and Investment Banking (CIB) exposures as well as Personal and Business Banking (PBB) exposures. As of 31 December 2020, the Group and Bank reported total gross loans and advances to customers of MK172 297 000 000 and recognised an ECL of MK 6 700 000 000 against these loans and advances. The ECL on CIB exposures are calculated separately based on rating models for each of the asset classes, whilst the ECL on PBB exposures is calculated on a portfolio basis. For both CIB and PBB exposures, the key areas of significant management judgement within the ECL calculations include: • Evaluation of Significant Increase in Credit Risk ("SICR") taking the estimated impact of the COVID-19 pandemic into account; • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement; • Assessment of ECL raised for Stage 3 exposures; and • Input assumptions applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) as inputs into the ECL measurement. **Evaluation of SICR taking the estimated impact of the COVID-19 pandemic into account** For CIB, SICR is largely driven through the movement in credit ratings assigned to customers on origination and reporting date, based on the Bank and Group's 25-point master rating scale to quantify the credit risk for each exposure. For PBB exposures, the Group and Bank determines the SICR threshold by utilising an appropriate transfer rate to Stage 2 of exposures that are less than 30 days past due (DPD). This transfer rate is such that the proportion of the 0-29 DPD book transferred into Stage 2 is no less than the observed 12-month roll rate of 0-29 day accounts into 30 or more days in arrears. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to consequently facilitate appropriate impairment coverage. In accordance with the Reserve Bank of Malawi's guidelines where a restructure is considered by the counterparty as a result of COVID-19, the Group and Bank applies judgement in determining the following: • determining whether the exposure is expected to remain in 'an not overdue status' subsequent to the relief period, and • assessing whether the restructure can be classified as a temporary or permanent distress.	• Assessed management assumptions made during the credit risk rating process for reasonability, by obtaining an understanding of the exposure and industry factors, performing an independent assessment of the exposure and comparing the results to those used by management. Based on the results of our assessment, we accepted management's assumptions; and • Assessed whether the stage classification of Stage 1 and Stage 2 exposures was appropriate in terms of the Group's accounting policy for SICR at reporting date since the origination date of these exposures. Our procedures included the inspection of credit risk ratings at reporting date relative to origination date and consideration of accounts which had been granted COVID-19 payment moratoriums. No material exceptions were noted. For PBB exposures management provided us with a quantitative assessment of the Group's calculation of the impact of SICR against the requirements of IFRS 9 - Financial Instruments ("IFRS 9"). • Making use of our actuarial expertise, we reperformed the calculation of the significant deterioration roll rates per product category and compared these rates per product category to those used by management and noted no material differences. • For a sample of exposures which were manually transferred by management we assessed if these transfers were appropriate through discussions with management and inspection of underlying documentation. No material exceptions were noted. • We tested the design and effectiveness of relevant controls that identify renegotiated and cured loans to assess whether the curing policies were appropriately applied. • For a selected sample of exposures placed under watchlist, we assessed if these had been classified appropriately in Stage 1 or 2 of the model by checking if the accounts were complying with ratios and performance indicators set by the Bank. We found no material exceptions in the staging and classification of these accounts. • For a sample of exposures classified as COVID-19 related restructures we assessed the reasonableness of the staging and classification assigned to these exposures by evaluating the payment history before and after the relief term. We found no material exceptions in the staging and classification of these exposures.

Key audit matter	How our audit addressed the key audit matter
Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement For CIB exposures, macroeconomic expectations are incorporated in CIB's client ratings to reflect the Group and Bank's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions. For PBB exposures, forward-looking economic expectations are included in the ECL based on the Group's and Bank's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on judgement to predict the outcomes based on the Group's and Bank's macro-economic outlook expectations. **Application of out-of-model adjustments into the ECL measurement** Management may identify that due to modelling complexity, certain aspects of the ECL may not be fully reflected by the underlying model and an out-of-model adjustment is required. **Assessment of ECL raised for Stage 3 exposures** For CIB exposures, management applies its internal credit risk management approach and definitions to determine the recoverable amounts (including collateral) and timing of the future cash flows for Stage 3 exposures at an individual exposure level. For PBB exposures, impairment is assessed on individual exposures for accounts in Stage 3, and for accounts placed on the watchlist due to evidence of increased credit risk e.g. potential security shortfalls, deteriorating financial performance, etc. This assessment relates primarily to business lending accounts and incorporates judgement in determining the foreclosure value of the underlying collateral. **Input assumptions applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) as inputs into the ECL measurement** For CIB exposures, input assumptions applied to estimate the PD, EAD and LGD as inputs into the ECL measurement are subject to management judgement and are determined at a counterparty level.	**Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement** Making use of our actuarial expertise, we evaluated the appropriateness of forward-looking economic expectations included in the ECL model which included the impact of COVID-19, by comparing the forward-looking expectations to independently sourced industry data and noted no material inconsistencies. **Application of out-of-model adjustments into the ECL measurement** Where management applied out-of-model adjustments, we evaluated the reasonableness of the adjustments by assessing key assumptions, inspecting the calculation methodology and tracing a sample of out-of-model adjustments back to source data. No material exceptions were noted. **Assessment of ECL raised for Stage 3 exposures** We evaluated management's process for identifying non-performing loans by recomputing days past due for a selected sample of loans to assess accuracy of the loans ageing report and considered the impact of the current macroeconomic environment, in particular COVID-19, industry factors and other known client specific factors identified from public sources of information and inspection of credit monitoring records. No material inconsistencies were noted. No CIB exposures were classified as Stage 3 loans and advances to customers. However, we assessed whether the stage classification of Stage 1 and Stage 2 exposures was appropriate in terms of the Group's accounting policies and inspection of credit risk ratings at reporting date relative to origination date, including the consideration of accounts which had been granted COVID-19 payment moratoriums. Based on our assessment we accepted management's stage classification. For a sample of Stage 3 PBB exposures, we performed the following procedures: • We independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level, noting no material differences; • For collateral held, we inspected legal agreements and other relevant documentation to confirm the existence and legal right to the collateral, noting no material exceptions; and • The collateral valuation techniques applied by management were assessed against the Group's valuation guidelines, noting no material inconsistencies.

Key audit matter	How our audit addressed the key audit matter
For PBB exposures, the ECL is calculated using statistical models which incorporate observable data, assumptions and estimates relating to historical default experience and the loss experience given a default; and timing and amount of forecasted cash flows and the value of collateral.	**Input assumptions applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) as inputs into the ECL measurement** Making use of our valuation expertise, we assessed the assumptions relating to historical default experience, estimated timing and amount of forecasted cash flows and the value of collateral applied within the PD, EAD and LGD models for compliance with the requirements of IFRS 9. In addition, our procedures included assessing the appropriateness of the statistical models by way of reperformance and validation procedures. We noted no material differences in the assumptions used by management and our valuation experts in the calculation of ECL at year end.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Standard Bank PLC Consolidated and Separate Financial Statements For the year ended 31 December 2020", which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Standard Bank PLC Annual Report 2020", which is expected to be made available to us after that date. The other information does not include the consolidated or the 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 and will 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 identified above 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 THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/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 the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants (Malawi)
Lilongwe

Andrew Vere

11 March 2021

Statements of Financial Position

As at 31 December 2020

	Note	Consolidated 2020 MKm	Consolidated 2019 MKm	Separate 2020 MKm	Separate 2019 MKm
Assets					
Cash and balances held with the Central Bank	8	**29,465**	22,870	**29,353**	22,603
Derivative assets	9	**602**	601	**602**	601
Non-current assets held for sale	10	**366**	-	**366**	-
Trading assets	11	**3,030**	722	**3,030**	722
Pledged assets	12	**12,928**	-	**12,928**	-
Loans and advances to banks	13	**82,507**	59,930	**82,505**	59,952
Loans and advances to customers	14	**165,445**	148,490	**165,445**	148,772
Financial investments	15	**142,532**	100,631	**142,532**	100,631
Investment in subsidiaries	16	**-**	-	**100**	100
Other assets	17	**7,434**	6,789	**7,464**	6,800
Property, equipment and right-of-use assets	18	**18,263**	16,991	**18,263**	16,991
Intangible assets	19	**16,988**	18,092	**16,988**	18,092
Total assets		**479,560**	375,116	**479,576**	375,264
Liabilities					
Derivative liabilities	9	**115**	242	**115**	242
Trading liabilities	21	**-**	454	**-**	454
Deposits and loans from banks	22	**30,311**	22,932	**30,311**	22,924
Deposits from customers	23	**314,756**	242,082	**318,285**	244,995
Other liabilities	24	**15,709**	11,639	**15,711**	11,633
Income tax payable	25	**4,031**	1,941	**3,886**	1,855
Provisions	26	**4,468**	4,331	**4,468**	4,331
Deferred tax liabilities	20	**4,449**	4,256	**4,449**	4,259
Total liabilities		**373,839**	287,877	**377,225**	290,693
Equity					
Share capital	27	**234**	234	**234**	234
Share premium	27	**8,492**	8,492	**8,492**	8,492
Revaluation reserve	28	**9,593**	7,347	**9,593**	7,347
Fair value through OCI reserve	28	**170**	177	**170**	177
Retained earnings	28	**87,232**	70,989	**83,862**	68,321
Total equity		**105,721**	87,239	**102,351**	84,571
Total liabilities and equity		**479,560**	375,116	**479,576**	375,264

These financial statements were approved for issue by the Board of Directors on 24 February 2021 and were signed on its behalf by:

N R Kanyongolo, PhD
Chairperson

Mr. A A Chioko
Director

Income Statements

For the year ended 31 December 2020

	Note	Consolidated 2020 MKm	Consolidated 2019 MKm	Separate 2020 MKm	Separate 2019 MKm
Interest income	29	**46,309**	43,171	**46,294**	43,163
Interest expense	29	**(5,096)**	(4,294)	**(5,117)**	(4,294)
Net interest income	29	**41,213**	38,877	**41,177**	38,869
Fee and commission income	30	**15,647**	13,790	**15,647**	13,790
Fee and commission expense	30	**(1,364)**	(1,080)	**(1,364)**	(1,080)
Net fee and commission income	30	**14,283**	12,710	**14,283**	12,710
Trading income	31	**12,559**	9,117	**11,471**	7,834
Other operating income	32	**185**	152	**241**	216
Other gains and losses on financial instruments	33	**1,462**	-	**1,462**	-
Total operating income		**69,702**	60,856	**68,634**	59,629
Credit impairment charges	34.1	**(1,622)**	(1,872)	**(1,622)**	(1,872)
Recovery from insurance policy relating to previously written off exposures	34.2	**7,105**	-	**7,105**	-
Income after credit impairment charges		**75,185**	58,984	**74,117**	57,757
Staff costs	35	**(16,002)**	(15,034)	**(16,002)**	(15,034)
Depreciation and amortisation	36	**(4,273)**	(4,188)	**(4,273)**	(4,188)
Other operating expenses	37	**(19,118)**	(16,390)	**(19,062)**	(16,255)
Total expenditure		**(39,393)**	(35,612)	**(39,337)**	(35,477)
Profit before income tax expense		**35,792**	23,372	**34,780**	22,280
Income tax expense	38	**(12,049)**	(7,493)	**(11,739)**	(7,161)
Profit for the year attributable to ordinary shareholders		**23,743**	15,879	**23,041**	15,119
Earnings per share					
Basic and diluted (MK per share)	39	**101.47**	67.86	**98.47**	64.61

Statements of Other Comprehensive Income

For the year ended 31 December 2020

	Consolidated		Separate	
	2020 MKm	2019 MKm	**2020 MKm**	2019 MKm
Profit for the year	**23,743**	15,879	**23,041**	15,119
Items that will not be reclassified to profit or loss				
Net revaluation gain/(reversal) on property and equipment	**2,246**	(186)	**2,246**	(186)
Items that may be reclassified subsequently to profit or loss				
Net change in expected credit losses	**(3)**	(12)	**(3)**	(12)
Net change in debt financial assets measured at fair value through other comprehensive income (OCI)	**(4)**	340	**(4)**	340
	(7)	328	**(7)**	328
Total comprehensive income for the year attributable to ordinary shareholders	**25,982**	16,021	**25,280**	15,261

Statements of Changes in Equity

For the year ended 31 December 2020

Consolidated 2020	Share capital MKm	Share premium MKm	Fair value through OCI reserve MKm	Revaluation reserve MKm	Retained earnings MKm	Total MKm
Balance at 1 January 2020	**234**	**8,492**	**177**	**7,347**	**70,989**	**87,239**
Profit for the year	-	-	-	-	**23,743**	**23,743**
Other comprehensive income						
Net revaluation gain on property and equipment	-	-	-	**2,246**	-	**2,246**
Change in fair value of financial assets at fair value through OCI net of tax	-	-	**(7)**	-	-	**(7)**
Total comprehensive income for the year	-	-	**(7)**	**2,246**	**23,743**	**25,982**
Transactions with owners of the company						
Dividend declared and paid	-	-	-	-	**(7,500)**	**(7,500)**
Total transactions with owners of the company	-	-	-	-	**(7,500)**	**(7,500)**
Balance at 31 December 2020	**234**	**8,492**	**170**	**9,593**	**87,232**	**105,721**

Statements of Changes in Equity

For the year ended 31 December 2020

Consolidated	Share capital MKm	Share premium MKm	Fair value through OCI reserve MKm	Revaluation reserve MKm	Retained earnings MKm	Total MKm
2019						
Balance at 1 January 2019	234	8,492	(151)	7,533	61,211	77,319
Profit for the year	-	-	-	-	15,879	15,879
Other comprehensive income						
Net revaluation reversal on property and equipment	-	-	-	(186)	-	(186)
Change in fair value of financial assets at fair value through OCI net of tax	-	-	328	-	-	328
Total comprehensive income for the year	-	-	328	(186)	15,879	16,021
Transactions with owners of the company						
Dividend declared and paid	-	-	-	-	(6,101)	(6,101)
Total transactions with owners of the company	-	-	-	-	(6,101)	(6,101)
Balance at 31 December 2019	234	8,492	177	7,347	70,989	87,239

Separate	Share capital MKm	Share premium MKm	Fair value through OCI reserve MKm	Revaluation reserve MKm	Retained earnings MKm	Total MKm
2020						
Balance at 1 January 2020	**234**	**8,492**	**177**	**7,347**	**68,321**	**84,571**
Profit for the year	**-**	**-**	**-**	**-**	**23,041**	**23,041**
Other comprehensive income						
Net revaluation gain on property and equipment	**-**	**-**	**-**	**2,246**	**-**	**2,246**
Change in fair value of financial assets at fair value through OCI, net of tax	**-**	**-**	**(7)**	**-**	**-**	**(7)**
Total comprehensive income for the year	**-**	**-**	**(7)**	**2,246**	**23,041**	**25,280**
Transactions with owners of the company						
Dividend declared and paid	**-**	**-**	**-**	**-**	**(7,500)**	**(7,500)**
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**(7,500)**	**(7,500)**
Balance at 31 December 2020	**234**	**8,492**	**170**	**9,593**	**83,862**	**102,351**

Statements of Changes in Equity

For the year ended 31 December 2020

Separate 2019	Share capital MKm	Share premium MKm	Fair value through OCI reserve MKm	Revaluation reserve MKm	Retained earnings MKm	Total MKm
Balance at 1 January 2019	234	8,492	(151)	7,533	59,303	75,411
Profit for the year	-	-	-	-	15,119	15,119
Other comprehensive income						
Net revaluation reversal on property and equipment	-	-	-	(186)	-	(186)
Change in fair value of financial assets at fair value through OCI, net of tax	-	-	328	-	-	328
Total comprehensive income for the year	-	-	328	(186)	15,119	15,261
Transactions with owners of the company						
Dividend declared and paid	-	-	-	-	(6,101)	(6,101)
Total transactions with owners of the company	-	-	-	-	(6,101)	(6,101)
Balance at 31 December 2019	234	8,492	177	7,347	68,321	84,571

Statements of Cash Flows

For the year ended 31 December 2020

	Note	Consolidated 2020 MKm	Consolidated Restated 2019* MKm	Separate 2020 MKm	Separate Restated 2019* MKm
Cash flows from operating activities					
Profit before income tax expense		**35,792**	23,372	**34,780**	22,280
Adjustment for non-cash items included within the income statement	43.1	**(34,783)**	(32,573)	**(34,747)**	(32,566)
Increase in income-earning assets	43.2	**(99,158)**	(24,215)	**(98,858)**	(23,942)
Increase in deposits and other liabilities	43.3	**78,944**	4,623	**79,575**	4,945
Interest paid		**(5,104)**	(4,202)	**(5,126)**	(4,201)
Interest received		**50,606**	40,482	**50,591**	40,473
Direct taxation paid	25	**(10,592)**	(4,652)	**(10,355)**	(4,296)
Net cash generated from operating activities		**15,705**	2,835	**15,860**	2,693
Cash flows from investing activities					
Capital expenditure on property and equipment	18	**(1,452)**	(3,355)	**(1,452)**	(3,355)
Proceeds from sale of property and equipment		**47**	59	**47**	59
Capital expenditure on intangible assets	19	**(387)**	(60)	**(387)**	(60)
Net cash used in investing activities		**(1,792)**	(3,356)	**(1,792)**	(3,356)
Cash flows from financing activities					
Principal lease repayments	24	**(147)**	(307)	**(147)**	(307)
Dividend declared and paid		**(7,500)**	(6,101)	**(7,500)**	(6,101)
Net cash used in financing activities		**(7,647)**	(6,408)	**(7,647)**	(6,408)
Net increase/(decrease) in cash and cash equivalents		**6,266**	(6,929)	**6,421**	(7,071)
Cash and cash equivalents at the beginning of the year		**22,870**	29,385	**22,603**	29,260
Effects of exchange rate changes		**62**	414	**62**	414
Cash and cash equivalents at the end of the year	43.4	**29,198**	22,870	**29,086**	22,603

*Statement of cash flows for 2019 has been restated to align with Standard Bank Group Policy, Refer to note 3(y).

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

1. Reporting Entity

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

General information

Standard Bank PLC provides retail and corporate banking services through its **27** (2019: 27) service centres located across Malawi. The Company is listed on the Malawi Stock Exchange.

The Group's ultimate parent Company is Standard Bank Group Limited, which is a limited liability company incorporated in South Africa and listed on the Johannesburg Securities Exchange with a secondary listing on the Namibian Stock Exchange.
Standard Bank Bureau de Change Limited is a 100% owned subsidiary of Standard Bank PLC whose line of business is foreign currency trading.

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

(e) Changes in accounting policies

The Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated and separate financial statements.

(i) Adoption of new and amended standards effective for the current financial period

- IFRS 3 Business Combinations (amendment) (IFRS 3), the amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment will be applied prospectively.

- IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 9 Financial Instruments (amendments) (IFRS 9) and IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the year of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendment will be applied retrospectively.

- Conceptual Framework for Financial Reporting (revised) (Conceptual Framework), the revised Conceptual Framework includes a comprehensive set of concepts for financial reporting, replacing the previous version of the Conceptual Framework. These concepts are used by the IASB as the framework for setting IFRS standards.

(ii) Early adoption of revised standards:

- IFRS 3 Business Combinations (amendments). This standard requires an entity to refer to the Conceptual Framework for Financial Reporting in determining what constitutes an asset or a liability. The amendments update the reference from the previous version of the Conceptual Framework that existed to the version issued in March 2018 and adds an exception for some types of liabilities and contingent liabilities to refer to IAS 37 instead of the Conceptual Framework. The amendments will be applied prospectively.

- IAS 16 Property, Plant and Equipment (amendments) (IAS 16). Narrow-scope amendments to IAS 16 for the accounting of

2. Basis of preparation (Continued)
(e) Changes in accounting policies (continued)
(ii) Early adoption of revised standards (continued)

amounts received when selling items produced while an entity is preparing an asset for its intended use. The amendments clarify the accounting requirements in prohibiting the entity from deducting such amount from the cost of property, plant and equipment and instead recognising such sales proceeds and related cost in profit or loss. The amendments will be applied retrospectively.

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments) (IAS 37). Narrow-scope amendments to IAS 37 in determining which costs to include in estimating the cost of fulfilling a contract for the purposes of assessing whether that contract is onerous. The amendments clarify that the cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling contracts. The amendments will be applied retrospectively.

  Adjusting prior years is not required, but rather adjusting the opening retained earnings with the cumulative effect of the amendments on transition date.

The adoption of the above new and amended standards on 1 January 2020 did not affect the Group's previously reported financial results, disclosures or accounting policies and did not impact the Group's results upon transition. Accounting policies have been amended as relevant.

(f) Going concern

The financial statements have been prepared on a going concern basis as directors have made assessment of the Group's ability to continue as a going concern and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing the financial statements.

3. Significant accounting policies

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

(a) Basis of consolidation

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

Subsidiaries

'Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated and separate financial statements from the date on which control commences until the date when control ceases.

Loss of control

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

Transactions eliminated on consolidation

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

(b) Foreign currency transactions

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

(c) Financial assets and financial liabilities

(i) Recognition

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities at trade date. The trade date for loans, deposits, and other liabilities is usually the date of the cash flow. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial assets. Any interest in a transferred asset that is created or retained by the Group is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

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

(iii) Offsetting

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

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

3. Significant accounting policies (Continued)

(c) Financial assets and financial liabilities (continued)

(iv) 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 recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

(d) Cash and cash equivalents

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

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

(e) Derivative assets and liabilities

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

Derivatives are initially recognised at fair value. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

(f) Trading assets and trading liabilities

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

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

(g) Financial assets and financial liabilities

Financial assets

(i) Initial measurement

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the Group commits to purchase (sell) the instruments (trade date accounting).

Amortised cost

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

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

3. Significant accounting policies (Continued)

(g) Financial assets and financial liabilities (continued)

Fair value through OCI

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

- Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.

Held for trading

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

Designated at fair value through profit or loss

Financial assets are designated to be measured at fair value to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

Fair value through profit or loss - default

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

(ii) Subsequent measurement

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

Amortised cost

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

Fair value through OCI

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

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

Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income.

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

Held for trading

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

Designated at fair value through profit or loss

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

Fair value through profit or loss – default

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

(iii) Impairment

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

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

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

3. Significant accounting policies (Continued)

(g) Financial assets and financial liabilities (continued)

(iii) Impairment (continued)

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

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

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

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

(iv) Reclassification

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

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

Financial liabilities

(v) Initial classification

Held-for-trading

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

3. Significant accounting policies (Continued)

(g) Financial assets and financial liabilities (continued)

(v) Initial classification (continued)

Designated at fair value through profit or loss

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

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

Amortised cost

All other financial liabilities not included in the above categories.

(vi) Subsequent measurement

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

Held-for-trading

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

Designated at fair value through profit or loss

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

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

Amortised cost

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

(vii) Derecognition and modification of financial assets and liabilities.

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

3. Significant accounting policies (Continued)

(g) Financial assets and financial liabilities (continued)

Financial guarantee contracts

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

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee or
- unamortised premium.

(h) Loans and advances

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

(i) Property and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

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

(j) Work in progress

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

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

(k) Intangible assets

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

Impairment of non-financial assets

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

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

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

(l) Leases

Lessee accounting policies

Single lessee accounting model

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

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

Lease liabilities

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

3. Significant accounting policies (Continued)

(l) Leases (continued)

Lease liabilities (continued)

assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:

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

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

Right-of-use assets

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

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

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

Termination of leases

When the Group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised.

Interest expense on lease liabilities

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

Depreciation on right of use assets

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

Termination of leases

On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

Low value asset or a short-term lease

All leases that meet the criteria as either a lease of a low value asset or a short term lease are accounted for on a straight-line basis over the lease term.
Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.
Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.

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

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

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

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

Lease modifications that are accounted for as a separate lease

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

Separating components of a lease contract

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

Lessor Accounting policies

Finance leases

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

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

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

Operating leases

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

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

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

3. Significant accounting policies (Continued)

(i) Leases (continued)

Lessor lease modifications

Finance leases

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

All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.

Operating leases

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

(m) Provisions

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

(n) Income tax expense

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

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

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

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

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

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

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

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

(o) Dividends

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

(p) Interest income and expense

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

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

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

(q) Employee benefits

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

(i) Short-term employee benefits

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

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

(ii) Leave pay liability

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

(iii) Termination benefits

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

(iv) Retirement contribution plan

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

The Group's contributions to the defined contribution scheme are recognised in profit or loss in the year to which they relate.

3. Significant accounting policies (Continued)

(q) Employee benefits (continued)

(v) Share-based payment transactions

The fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of share options for which the related service and non-market performance vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share options that do meet the related service and non-market performance conditions at the vesting date.

The fair value of the amount payable to employees in respect of share appreciation rights (SAR's), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised in the income statement.

The employee share options are valued by independent experts at the Standard Bank Group level and the values relating to their employees are communicated to the Group.

(r) Acceptances, guarantees and letters of credit

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

(s) Fees and commissions

Fee and commission revenue, including accounting transaction fees, card-based commission, documentation and administration fees, electronic banking fees, foreign currency service fees, insurance based fees and commissions, and knowledge-based fees and commissions are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

Loan syndication fees, where the Group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.
Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

(t) Trading income

Trading income includes gains and losses from spot and forward contracts, options, futures, and foreign exchange differences and gains and losses on trading assets and liabilities. Interest rate instruments include the results of making markets in instruments in government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives.

Equities trading income includes the results of making markets globally in equity securities and equity derivatives such as swaps, options, futures and forward contracts.

(u) Earnings per share

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

(v) Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is internally provided to the Group Executive Committee which is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Executive Committee to make decisions about resource allocation to the segment and assess its performance and for which discrete information is available.

(w) Non-current assets held for sale

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

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

(x) New standards and interpretations not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2020 and have not been applied in preparing these annual consolidated and separate financial statements. The Group does not plan to adopt these standards early:

(i) IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 39 Financial Instruments: Recognition and Measurement (amendments)

The second phase of Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative benchmark rate instead of derecognising or adjusting the carrying amount of financial instruments for changes required by the reform. An entity will not have to discontinue hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria. In addition, the amendments require companies to provide additional information to investors about new risks arising from the reform and how it manages the transition to alternative benchmark rates. These amendments will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 39 Financial Instruments: Recognition and Measurement (amendments) are effective 1 January 2021.

3. Significant accounting policies (Continued)

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

(ii) IFRS 10 Consolidated Financial Statements and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the Group's financial statements.

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

(iii) IFRS 16 Leases (amendment)

IFRS 16 requires an entity to account for a change in consideration or term of a lease contract to be accounted for and disclosed as a lease modification. In light of the recent COVID-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular COVID-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits the application of the practical expedient to rent concessions that meet specific COVID-19 related requirements and requires specified disclosures. An entity shall apply the practical expedient as an accounting policy choice and consistently to contracts with similar characteristics and in similar circumstances. The purpose of the amendment is to provide relief to lessees from the complexity arising in applying the requirements of IFRS 16 to COVID-19 related rent concessions. The amendment will be applied retrospectively and is not expected to have a material impact on the Group.

IFRS 16 Leases (amendment) is effective 1 June 2020.

(iv) IFRS 17 Insurance Contracts

This standard replaces IFRS 4 Insurance Contracts which provided entities with dispensation to account for insurance contracts (particularly measurement) using local actuarial practice, resulting in a multitude of different approaches. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The standard requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.

A general measurement model (GMM) will be applied to long-term insurance contracts and is based on a fulfilment objective (risk-adjusted present value of best estimate future cash flows) and uses current estimates, informed by actual trends and investment markets. IFRS 17 establishes what is called a contractual service margin (CSM) in the initial measurement of the liability which represents the unearned profit on the contract and results in no gain on initial recognition. The CSM is released over the life of the contract, but interest on the CSM is locked in at inception rates. The CSM will be utilised as a "shock absorber" in the event of changes to best estimate cash flows. On loss making (onerous) contracts, no CSM is set up and the full loss is recognised at the point of contract inception. The GMM is modified for contracts which have participation features. An optional simplified premium allocation approach (PAA) is available for all contracts that are less than 12 months at inception. The PAA is similar to the current unearned premium reserve profile over time. The requirement to eliminate all treasury shares has been amended such that treasury shares held for a group of direct participating contracts or investment funds are not required to be eliminated and can be accounted for as financial assets. These requirements will provide transparent reporting about an entities' financial position and risk and will provide metrics that can be used to evaluate the performance of insurers and how that performance changes over time. An entity may re-assess its classification and designation of financial instruments under IFRS 9, on adoption of IFRS 17. The amendment will be applied retrospectively and is not expected to have a material impact on the Group.

IFRS 17 Insurance Contracts is effective 1 January 2023.

(v) IAS 1 Presentation of Financial Statements (amendments)

The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, 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. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

IAS 1 Presentation of Financial Statements (amendments) is effective 1 January 2023.

(vi) Annual improvements 2018-2020 cycle

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

Annual improvements 2018-2020 cycle is effective 1 January 2022.

(y) Comparative figures

During the year, the Group changed presentation of cash flows from operating activities in the statement of cash flows from the direct method to the indirect method in order to align with the Standard Bank Group policy.

The restatement resulted in a material change in classification of deposits and balances due from banking institutions with a contractual maturity of less than 3 months from cash and cash equivalents to cash flows from operating activities and balances held with the Reserve Bank of Malawi for liquidity reserve requirements from cash flows from operating activities to cash and cash equivalents.

The change has been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

3. Significant accounting policies (Continued)

(y) Comparative figures (continued)

	Note	Consolidated As previously reported 2019 MKm	Consolidated Adjustments 2019 MKm	Consolidated Restated balance 2019 MKm	Separate As previously reported 2019 MKm	Separate Adjustments 2019 MKm	Separate Restated balance 2019 MKm
Cash flows from operating activities							
Interest income	29	43,171	(43,171)	-	43,163	(43,163)	-
Interest expense	29	(4,294)	4,294	-	(4,294)	4,294	-
Fee and commission income	30	13,790	(13,790)	-	13,790	(13,790)	-
Fee and commission expense	30	(1,080)	1,080	-	(1,080)	1,080	-
Trading and other income		9,130	(9,130)	-	7,910	(7,910)	-
Recoveries from impairment losses		360	(360)	-	360	(360)	-
Payments to employees and suppliers		(31,622)	31,622	-	(31,488)	31,488	-
Cash flows from operating activities before changes in operating assets and liabilities		29,455	(29,455)	-	28,361	(28,361)	-
Profit before income tax expense		-	23,372	23,372	-	22,280	22,280
Adjustment for non cash items included within the income statement	43.1	-	(32,573)	(32,573)	-	(32,566)	(32,566)
Changes in operating assets and liabilities							
Loans and advances to customers		(38,167)	125	(38,042)	(37,826)	124	(37,702)
Liquidity reserve requirements		7,150	(7,150)	-	7,150	(7,150)	-
Trading assets		11,269	(765)	10,504	11,269	(765)	10,504
Financial investments		(15,558)	3,932	(11,626)	(15,558)	3,932	(11,626)
Loans and advances to banks		5,643	10,238	15,881	5,643	10,151	15,794
Other assets		(695)	(237)	(932)	(677)	(235)	(912)
Deposits from customers		12,176	(28)	12,148	12,514	(28)	12,486
Deposits and loans from banks		(11,829)	118	(11,711)	(11,841)	118	(11,723)
Other liabilities		3,880	306	4,186	3,876	306	4,182
Interest paid		-	(4,202)	(4,202)	-	(4,202)	(4,202)
Interest received		-	40,482	40,482	-	40,474	40,474
Income tax paid	25	(4,653)	1	(4,652)	(4,296)	-	(4,296)
Net cash (used in)/ generated from operating activities		(1,329)	4,164	2,835	(1,385)	4,078	2,693

	Note	Consolidated As previously reported 2019 MKm	Consolidated Adjustments 2019 MKm	Consolidated Restated balance 2019 MKm	Separate As previously reported 2019 MKm	Separate Adjustments 2019 MKm	Separate Restated balance 2019 MKm
Cash flows from investing activities							
Purchase of property and equipment and intangible assets	18,19	(3,415)	3,415	-	(3,415)	3,415	-
Purchase of property and equipment	18	-	(3,355)	(3,355)	-	(3,355)	(3,355)
Purchase of intangibles	19	-	(60)	(60)	-	(60)	(60)
Proceeds from sale of property and equipment		59	-	59	59	-	59
Net cash used in investing activities		(3,356)	-	(3,356)	(3,356)	-	(3,356)
Cash flows from financing activities							
Principal lease payments		-	(307)	(307)	-	(307)	(307)
Dividends declared and paid		(6,101)	-	(6,101)	(6,101)	-	(6,101)
Net cash used in financing activities		(6,101)	(307)	(6,408)	(6,101)	(307)	(6,408)
Net (decrease)/increase in cash and cash equivalents		(10,786)	3 857	(6,929)	(10,842)	3,771	(7,071)
Cash and cash equivalents at 1 January		58,745	(29,360)	29,385	58,556	(29,296)	29,260
Effect of exchange rate fluctuations on cash and cash equivalents held		414	-	414	414	-	414
Cash and cash equivalents at 31 December	43.4	48,373	(25,503)	22,870	48,128	(25,525)	22,603

	Consolidated 2019 MKm	Separate 2019 MKm
Cash and cash equivalents as previously reported	48,373	48,128
Add liquidity reserve requirement	11,763	11,763
Less loans to banks with a maturity of less than 3 months	(37,266)	(37,288)
Cash and cash equivalents as reported in current year	22,870	22,603

4. Risk management

(a) Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

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

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

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

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

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

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

(b) Credit risk

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

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

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

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

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

- **Establishing the authorisation structure** for approvals and renewals of credit facilities. Authorisation limits are provided to credit officers and credit committees. Large credit limits require approval by the country Credit Risk Management Committee and the Head of Credit as delegated by the Board.

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

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

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

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

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

Maximum exposure to credit risk without taking into account any collateral or other credit enhancements
The table overleaf shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include financial instruments defined and recognised under IAS 32 Financial Instruments: Presentation as well as other financial instruments not recognised. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets

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

At 31 December 2020 Consolidated	Note	Gross Carrying amount	SB 1 - 12		SB 13 - 20		SB 21 - 25		Default	Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Interest in suspense on default exposures	Balance sheet expected credit loss on default exposures	Gross default coverage	Non-performing exposures
			Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3						
		MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	%	%
Loans and advances at amortised cost															
Personal Business Banking															
Mortgage loans	14	6,073	-	-	5,604	-	-	342	127	127	35	4	88	72%	2%
Vehicle and asset finance	14	11,740	-	-	11,643	-	-	-	97	97	1	-	96	99%	1%
Other loans and advances	14	80,873	-	-	55,311	-	17,499	6,032	2,031	2,031	9	148	1,874	100%	3%
Corporate and Investment Banking															
Corporates	14	73,611	17,755	-	53,139	2,477	-	240	-	-	-	-	-	-	-
Sovereign	13	22,989	-	-	22,989	-	-	-	-	-	-	-	-	-	-
Banks	13	59,522	59,522	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount		254,808	77,277		148,686	2,477	17,499	6,614	2,255	2,255	45	152	2,058	98%	1%
Less: Interest in suspense	14	(152)													
Less: Total expected credit losses for loans and advances	13,14	(6,704)													
Net carrying amount of loans and advances measured at amortised cost		247,952													
Financial investments measured at amortised cost															
Sovereign	15	136,800	-	-	136,800	-	-	-	-						
Gross carrying amount		136,800	-	-	136,800	-	-	-	-						
Less: total expected credit loss for financial investments	15	(372)													
Net carrying amount of financial investments measured at amortised cost		136,428													
Financial investments at fair value through OCI															
Sovereign		5,904	-	-	5,904	-	-	-	-						
Gross carrying amount		5,904	-	-	5,904	-	-	-	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	28	170													
Total financial investment at fair value through OCI	15	6,074													

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2020 Consolidated	Note	Gross Carrying amount
		MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	41	18,056
Guarantees	41	125,465
Irrevocable unutilised facilities	41	14,936
Total exposure to off-balance sheet credit risk		158,457
Expected credit losses for off-balance sheet exposures	26	(274)
Net carrying amount of off-balance sheet exposures		158,183
Total exposure to credit risk on financial assets subject to an expected credit loss		548,637
Add the following other banking activities exposures:		
Cash and balances held with the Central Bank	8	29,465
Derivative assets	9	602
Trading assets	11	3,030
Pledged assets	12	12,928
Other financial assets	17	2,340
Total exposure to credit risk		597,002

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

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

At 31 December 2019 Consolidated	Note	Gross Carrying amount	SB 1 - 12		SB 13 - 20		SB 21 - 25		Default	Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Interest in suspense on default exposures	Balance sheet expected credit loss on default exposures	Gross default coverage	Non-performing exposures
			Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3						
		MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	%	%
Loans and advances at amortised cost															
Personal Business Banking															
Mortgage loans	14	3,892	-	-	3,482	-	-	358	52	52	9	5	38	82%	1%
Vehicle and asset finance	14	10,440	-	-	9,072	-	-	885	483	483	218	-	265	55%	4%
Other loans and advances	14	59,869	-	-	47,495	-	-	8,243	4,131	4,131	565	562	3,004	86%	7%
Corporate and Investment Banking															
Corporates	14	81,334	432	-	80,880	-	-	22	-	-	-	-	-	-	-
Sovereign	13	44,392	-	-	44,392	-	-	-	-	-	-	-	-	-	-
Banks	13	15,538	15,538	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount		215,465	15,970	-	185,321	-	-	9,508	4,666	4,666	792	567	3,307	83%	2%
Less: Interest in suspense	14	(567)													
Less: Total expected credit losses for loans and advances	13,14	(6,478)													
Net carrying amount of loans and advances measured at amortised cost		208,420													
Financial investments measured at amortised cost															
Sovereign	15	89,279	-	-	89,279	-	-	-	-						
Gross carrying amount		89,279	-	-	89,279	-	-	-	-						
Less: total expected credit loss for financial investments	15	(185)													
Net carrying amount of financial investments measured at amortised cost		89,094													
Financial investments at fair value through OCI															
Sovereign		11,330	-	-	11,330	-	-	-	-						
Gross carrying amount		11,330	-	-	11,330	-	-	-	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	28	177													
Total financial investment at fair value through OCI	15	11,507													

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2019 Consolidated	Note	Gross Carrying amount
		MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	41	14,263
Guarantees	41	96,666
Irrevocable unutilised facilities	41	263
Total exposure to off-balance sheet credit risk		111,192
Expected credit losses for off-balance sheet exposures	26	(180)
Net carrying amount of off-balance sheet exposures		111,012
Total exposure to credit risk on financial assets subject to an expected credit loss		420,033
Add the following other banking activities exposures:		
Cash and balances held with the Central Bank	8	22,870
Derivative assets	9	601
Trading assets	11	722
Pledged assets	12	-
Other financial assets	17	3,442
Total exposure to credit risk		447,668

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

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

At 31 December 2020 Separate	Note	Gross Carrying amount	SB 1 - 12		SB 13 - 20		SB 21 - 25		Default	Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Interest in suspense on default exposures	Balance sheet expected credit loss on default exposures	Gross default coverage	Non-performing exposures
			Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3						
		MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	%	%
Loans and advances at amortised cost															
Personal and Business Banking:															
Mortgage loans	14	6,073	-	-	5,604	-	-	342	127	127	35	4	88	72%	2%
Vehicle and asset finance	14	11,740	-	-	11,643	-	-	-	97	97	1	-	96	99%	1%
Other loans and advances	14	80,873	-	-	55,311	-	17,499	6,032	2,031	2,031	9	148	1,874	100%	3%
Corporate and Investment Banking:															
Corporates	14	73,611	17,755	-	53,139	2,477	-	240	-	-	-	-	-	-	-
Sovereign	13	22,989	-	-	22,989	-	-	-	-	-	-	-	-	-	-
Banks	13	59,520	59,520	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount		254,806	77,275	-	148,686	2,477	17,499	6,614	2,255	2,255	45	152	2,058	98%	1%
Less: Interest in suspense	14	(152)													
Less: Total expected credit losses for loans and advances	13,14	(6,704)													
Net carrying amount of loans and advances measured at amortised cost		247,950													
Financial investments measured at amortised cost															
Sovereign	15	136,800	-	-	136,800	-	-	-	-						
Gross carrying amount		136,800	-	-	136,800	-	-	-	-						
Less: total expected credit loss for financial investments	15	(372)													
Net carrying amount of financial investments measured at amortised cost		136,428													
Financial investments at fair value through OCI															
Sovereign		5,904	-	-	5,904	-	-	-	-						
Gross carrying amount		5,904	-	-	5,904	-	-	-	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	28	170													
Total financial investment at fair value through OCI	15	6,074													

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2020 Separate	Note	Gross Carrying amount
		MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	41	18,056
Guarantees	41	125,465
Irrevocable unutilised facilities	41	14,936
Total exposure to off-balance sheet credit risk		158,457
Expected credit losses for off-balance sheet exposures	26	(274)
Net carrying amount of off-balance sheet exposures		158,183
Total exposure to credit risk on financial assets subject to an expected credit loss		548,635
Add the following other banking activities exposures:		
Cash and balances held with the Central Bank	8	29,353
Derivative assets	9	602
Trading assets	11	3,030
Pledged assets	12	12,928
Other financial assets	17	2,371
Total exposure to credit risk		596,919

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

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

At 31 December 2019 Separate	Note	Gross Carrying amount	SB 1 - 12		SB 13 - 20		SB 21 - 25		Default	Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Interest in suspense on default exposures	Balance sheet expected credit loss on default exposures	Gross default coverage	Non-performing exposures
			Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3						
		MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	%	%
Loans and advances at amortised cost															
Personal Business Banking															
Mortgage loans	14	3,892	-	-	3,482	-	-	358	52	52	9	5	38	82%	1%
Vehicle and asset finance	14	10,440	-	-	9,072	-	-	885	483	483	218	-	265	55%	3%
Other loans and advances	14	59,869	-	-	47,495	-	-	8,243	4,131	4,131	565	562	3,004	86%	5%
Corporate and Investment Banking															
Corporates	14	81,616	432	-	81,162	-	-	22	-	-	-	-	-	-	-
Sovereign	13	44,392	-	-	44,392	-	-	-	-	-	-	-	-	-	-
Banks	13	15,560	15,560	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount		215,769	15,992	-	185,603	-	-	9,508	4,666	4,666	792	567	3,307	83%	2%
Less: Interest in suspense	14	(567)													
Less: Total expected credit losses for loans and advances	13,14	(6,478)													
Net carrying amount of loans and advances measured at amortised cost		208,724													
Financial investments measured at amortised cost															
Sovereign	15	89,279	-	-	89,279	-	-	-	-						
Gross carrying amount		89,279	-	-	89,279	-	-	-	-						
Less: total expected credit loss for financial investments	15	(185)													
Net carrying amount of financial investments measured at amortised cost		89,094													
Financial investments at fair value through OCI															
Sovereign		11,330	-	-	11,330	-	-	-	-						
Gross carrying amount		11,330	-	-	11,330	-	-	-	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	28	177													
Total financial investment at fair value through OCI	15	11,507													

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2019 Separate	Note	Gross Carrying amount MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	41	14,263
Guarantees	41	96,666
Irrevocable unutilised facilities	41	263
Total exposure to off-balance sheet credit risk		111,192
Expected credit losses for off-balance sheet exposures	26	(180)
Net carrying amount of off-balance sheet exposures		111,012
Total exposure to credit risk on financial assets subject to an expected credit loss		420,337
Add the following other banking activities exposures:		
Cash and balances held with the Central Bank	8	22,603
Derivative assets	9	601
Trading assets	11	722
Pledged assets	12	-
Other financial assets	17	3,453
Total exposure to credit risk		447,716

The fair value of collateral that the Group holds relating to loans individually determined to be impaired at 31 December 2020 amounts to **MK45 million** (2019: MK792 million). The collateral consists of securities, mortgages over property and guarantees. The amount of renegotiated loans as at 31 December 2020 was **MK 13,285 million** (2019: MK 1,337 million).

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

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

The Group holds mortgages over property, registered securities and guarantees as collateral within the following classes:	Consolidated and Separate 2020 MKm	2019 MKm
Personal and Business Banking		
- Mortgage lending	**9,752**	9,207
- Installment sales and finance leases	**16,364**	18,573
- Other loans and advances and off-balance sheet items	**65,648**	59,484
Corporate and Investment Banking		
- Corporate lending and off-balance sheet items	**175,054**	150,642
	266,818	237,906
Collateral repossessed		
Residential property	**1,628**	4,233
Commercial property	**2,016**	18,971
Vehicle and asset finance	**80**	258
Other (machinery)	**443**	1,918
	4,167	25,380

Collateral includes:

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

The Group's collateral valuation guidelines outline general requirements covering the valuation of collateral received to mitigate credit risk, specifically related to non-trading limits and exposures and are designed to facilitate a consistent valuation approach to Banking Book Collateral. Credit assessments focus on appropriateness, suitability and recovery of assets proposed and held as collateral. Collateral is regularly verified and treated as a potential loss given default mitigant when there is satisfaction on its value and the Group's legal right to take control and realise such collateral to offset exposures. As at 31 December 2020, guarantees dominated the collateral portfolio in Corporate and Investment Banking and property in Personal and Business Banking.

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

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

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

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

Consolidated	Note	At 31 December 2020 Carrying amount MKm	Offset MKm	Net exposure to credit risk MKm
Cash and balances held with the Central Bank	8	**29,465**	-	**29,465**
Derivative assets	9	**602**	-	**602**
Trading assets	11	**3,030**	-	**3,030**
Pledged assets	12	**12,928**	-	**12,928**
Loans and advances to banks	13	**82,507**	-	**82,507**
Loans and advances to customers	14	**165,445**	**(26)**	**165,419**
Financial investments	15	**142,502**	-	**142,502**
Other assets	17	**2,340**	-	**2,340**
		438,819	**(26)**	**438,793**

4. Risk management (Continued)

(b) Credit risk (continued)

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

At 31 December 2019

Consolidated	Note	Carrying amount MKm	Offset MKm	Net exposure to credit risk MKm
Cash and balances held with the Central Bank	8	22,870	-	22,870
Derivative assets	9	601	-	601
Trading assets	11	722	-	722
Pledged assets	12	-	-	-
Loans and advances to banks	13	59,930	-	59,930
Loans and advances to customers	14	148,490	(26)	148,464
Financial investments	15	100,601	-	100,601
Other assets	17	3,442	-	3,442
		336,656	(26)	336,630

At 31 December 2020

Separate	Note	Carrying amount MKm	Offset MKm	Net exposure to credit risk MKm
Cash and balances held with the Central Bank	8	**29,353**	**-**	**29,353**
Derivative assets	9	**602**	**-**	**602**
Trading assets	11	**3,030**	**-**	**3,030**
Pledged assets	12	**12,928**	**-**	**12,928**
Loans and advances to banks	13	**82,505**	**-**	**82,505**
Loans and advances to customers	14	**165,445**	**(26)**	**165,419**
Financial investments	15	**142,502**	**-**	**142,502**
Other assets	17	**2,371**	**-**	**2,371**
		438,736	**(26)**	**438,710**

At 31 December 2019

Separate	Note	Carrying amount MKm	Offset MKm	Net exposure to credit risk MKm
Cash and balances held with the Central Bank	8	22,603	-	22,603
Derivative assets	9	601	-	601
Trading assets	11	722	-	722
Pledged assets	12	-	-	-
Loans and advances to banks	13	59 952	-	59,952
Loans and advances to customers	14	148,772	(26)	148,746
Financial investments	15	100,601	-	100,601
Other assets	17	3,453	-	3,453
		336,704	(26)	336,678

Impaired loans and advances to customers

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

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

	Consolidated and Separate 2020 MKm	2019 MKm
Impaired loans and advances to customers at 1 January	**4,666**	8,155
Classified as impaired during the year	**1,960**	1,575
Transferred to not impaired during the year	**(1,279)**	(25)
Amount written off	**(3,092)**	(5,039)
Impaired loans and advances to customers at 31 December	**2,255**	4,666

4. Risk management (Continued)

(b) Credit risk (continued)

Credit portfolio characteristics and metrics in terms of IFRS 9

Default

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

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

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

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

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

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

		Consolidated		Separate	
Loans and advances to customers		**2020**	2019	**2020**	2019
	Note	**MKm**	MKm	**MKm**	MKm
Segmental analysis – industry					
Agriculture		**52,321**	65,455	**52,321**	65,455
Construction		**3,833**	2,795	**3,833**	2,795
Energy		**6,598**	893	**6,598**	893
Finance, real estate and other business services		**4,967**	5,053	**4,967**	5,335
Individuals, community, social and personal services		**70,433**	46,564	**70,433**	46,564
Manufacturing		**9,405**	8,209	**9,405**	8,209
Mining		**-**	11	**-**	11
Transport, storage and communication		**11,396**	12,761	**11,396**	12,761
Wholesale		**13,344**	13,794	**13,344**	13,794
	14	**172,297**	155,535	**172,297**	155,817

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

	Consolidated		Separate	
	2020	2019	**2020**	2019
Agriculture	**30%**	42%	**30%**	42%
Construction	**2%**	2%	**2%**	2%
Energy	**4%**	1%	**4%**	1%
Finance, real estate and other business services	**3%**	3%	**3%**	3%
Individuals, community, social and personal services	**41%**	30%	**41%**	30%
Manufacturing	**5%**	5%	**5%**	5%
Mining	**0%**	0%	**0%**	0%
Transport, storage and communication	**7%**	8%	**7%**	8%
Wholesale	**8%**	9%	**8%**	9%
	100%	100%	**100%**	100%

4. Risk management (Continued)

(b) Credit risk (continued)

Industry segmental analysis for stage 3 loans and advances to customers

	Consolidated and Separate	
	2020	2019
	MKm	MKm
Agriculture	**-**	1,235
Construction	**95**	186
Energy	**-**	-
Finance, real estate and other business services	**20**	21
Individuals, community, social and personal services	**1,795**	975
Manufacturing	**1**	35
Mining	**-**	-
Transport, storage and communication	**38**	123
Wholesale	**306**	2,091
	2,255	4,666

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

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

(c) Liquidity risk

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

Management of liquidity risk

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

The table below analyses financial assets and liabilities into relevant maturity rankings based on the remaining period at 31 December 2020 to the contractual maturity date on a discounted basis. All figures are in millions of Malawi Kwacha.

At 31 December 2020		**Up to 1 month**	**1-3 months**	**3-12 months**	**Over 1 Year**	**Undated**	**Total**
Consolidated	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Assets							
Cash and balances held with the Central Bank	8	**29,465**	**-**	**-**	**-**	**-**	**29,465**
Derivative assets	9	**448**	**68**	**86**	**-**	**-**	**602**
Trading assets	11	**6**	**1,740**	**1,284**	**-**	**-**	**3,030**
Pledged assets	12	**-**	**-**	**-**	**12,928**	**-**	**12,928**
Gross loans and advances to banks	13	**82,511**	**-**	**-**	**-**	**-**	**82,511**
Gross loans and advances to customers	14	**35,835**	**13,010**	**33,108**	**90,344**	**-**	**172,297**
Gross Financial investments	15	**12,954**	**19,954**	**38,625**	**71,341**	**30**	**142,904**
Other assets	17	**2,340**	**-**	**-**	**-**	**-**	**2,340**
Total assets		**163,559**	**34,772**	**73,103**	**174,613**	**30**	**446,077**

4. Risk management (Continued)

(c) Liquidity risk (continued)

At 31 December 2020 Consolidated	Note	Up to 1 month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Undated MKm	Total MKm
Liabilities							
Derivative liabilities	9	**35**	**40**	**40**	-	-	**115**
Trading liabilities	21	-	-	-	-	-	-
Deposits and loans from banks	22	**20,065**	**10,246**	-	-	-	**30,311**
Deposits from customers	23	**310,332**	**3,592**	**771**	**61**	-	**314,756**
Other liabilities	24	**14,298**	-	-	-	-	**14,298**
Total liabilities		**344,730**	**13,878**	**811**	**61**	-	**359,480**
On balance sheet liquidity gap		**(181,171)**	**20,894**	**72,292**	**174,552**	**30**	**86,597**
Off balance sheet exposures							
Letters of credit and guarantees	41	**74,441**	**14,213**	**29,001**	**25,866**	-	**143,521**
Unutilised loan commitments	41	**1,852**	**4,899**	**5,344**	**2,841**	-	**14,936**
Total off balance sheet exposures		**76,293**	**19,112**	**34,345**	**28,707**	-	**158,457**
Total liquidity gap (on and off balance sheet)		**(257,464)**	**1,782**	**37,947**	**145,845**	-	**(71,860)**

At 31 December 2019 Consolidated	Note	Up to 1 month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Undated MKm	Total MKm
Assets							
Cash and balances held with the Central Bank	8	22,870	-	-	-	-	22,870
Derivative assets	9	167	347	87	-	-	601
Trading assets	11	2	561	159	-	-	722
Pledged assets	12	-	-	-	-	-	-
Gross loans and advances to banks	13	37,365	-	22,565	-	-	59,930
Gross loans and advances to customers	14	25,906	32,066	26,581	70,982	-	155,535
Gross financial investments	15	6,983	2,933	46,502	44,368	30	100,816
Other assets	17	3,442	-	-	-	-	3,442
Total assets		96,735	35,907	95,894	115,350	30	343,916
Liabilities							
Derivative liabilities	9	161	28	53	-	-	242
Trading liabilities	21	-	-	454	-	-	454
Deposits and loans from banks	22	21,920	479	533	-	-	22,932
Deposits from customers	23	237,877	2,686	1,502	17	-	242,082
Other liabilities	24	10,303	-	-	-	-	10,303
Total liabilities		270,261	3,193	2,542	17	-	276,013
On balance sheet liquidity gap		(173,526)	32,714	93,352	115,333	30	67,903
Off balance sheet exposures							
Letters of credit and guarantees	41	4,252	69,407	18,460	18,810	-	110,929
Unutilised loan commitments	41	-	-	146	117	-	263
Total off balance sheet exposures		4,252	69,407	18,606	18,927	-	111,192
Total liquidity gap (on and off balance sheet)		(177,778)	(36,693)	74,746	96,406	30	(43,289)

4. Risk management (Continued)

(c) Liquidity risk (continued)

At 31 December 2020		Up to 1 month	1-3 months	3 -12 months	Over 1 Year	Undated	Total
Separate	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Assets							
Cash and balances held with the Central Bank	8	29,353	-	-	-	-	29,353
Derivative assets	9	448	68	86	-	-	602
Trading assets	11	6	1,740	1,284	-	-	3,030
Pledged assets	12	-	-	-	12,928	-	12,928
Gross loans and advances to banks	13	82,509	-	-	-	-	82,509
Gross loans and advances to customers	14	35,835	13,010	33,108	90,344	-	172,297
Gross financial investments	15	12,954	19,954	38,625	71,341	30	142,904
Other assets	17	2,371	-	-	-	-	2,371
Total assets		163,476	34,772	73,103	174,613	30	445,994
Liabilities							
Derivative liabilities	9	35	40	40	-	-	115
Trading liabilities	21	-	-	-	-	-	-
Deposits and loans from banks	22	20,065	10,246	-	-	-	30,311
Deposits from customers	23	313,861	3,592	771	61	-	318,285
Other liabilities	24	14,300	-	-	-	-	14,300
Total liabilities		348,261	13,878	811	61	-	363,011
On balance sheet liquidity gap		(184,785)	20,894	72,292	174,552	30	82,983
Off balance sheet exposures							
Letters of credit and guarantees	41	74,441	14,213	29,001	25,866	-	143,521
Unutilised loan commitments	41	1,852	4,899	5,344	2,841	-	14,936
Total off balance sheet exposures		76,293	19,112	34,345	28,707	-	158,457
Total liquidity gap (on and off balance sheet)		(261,078)	1,782	37,947	145,845	30	(75,474)

4. Risk management (Continued)

(c) Liquidity risk (continued)

At 31 December 2019		Up to 1 month	1-3 months	3 -12 months	Over 1 Year	Undated	Total
Separate	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Assets							
Cash and balances held with the Central Bank	8	22,603	-	-	-	-	22,603
Derivative assets	9	167	347	87	-	-	601
Trading assets	11	2	561	159	-	-	722
Pledged assets	12	-	-	-	-	-	-
Gross loans and advances to banks	13	37,387	-	22,565	-	-	59,952
Gross loans and advances to customers	14	26,188	32,066	26,581	70,982	-	155,817
Gross financial investments	15	6,983	2,933	46,502	44,368	30	100,816
Other assets	17	3,453	-	-	-	-	3,453
Total assets		96,783	35,907	95,894	115,350	30	343,964
Liabilities							
Derivative liabilities	9	161	28	53	-	-	242
Trading liabilities	21	-	-	454	-	-	454
Deposits and loans from banks	22	21,912	479	533	-	-	22,924
Deposits from customers	23	240,790	2,686	1,502	17	-	244,995
Other liabilities	24	10,297	-	-	-	-	10,297
Total liabilities		273,160	3,193	2,542	17	-	278,912
On balance sheet liquidity gap		(176,377)	32,714	93,352	115,333	30	65,052
Off balance sheet exposures							
Letters of credit and guarantees	41	4,252	69,407	18,460	18,810	-	110,929
Unutilised loan commitments	41	-	-	146	117	-	263
Total off balance sheet exposures		4,252	69,407	18,606	18,927	-	111,192
Total liquidity gap (on and off balance sheet)		(180,629)	(36,693)	74,746	96,406	30	(46,140)

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

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

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

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

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2020		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing over 1 year	Undated	Gross nominal inflow/(outflow)	Carrying amount
Consolidated	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Non-derivative financial assets									
Cash and balances held with the Central Bank	8	29,465	-	-	-	-	-	29,465	29,465
Trading assets	11	-	6	1,835	1 419	-	-	3,260	3,030
Pledged assets	12	-	-	-	-	15,000	-	15,000	12,928
Gross loans and advances to banks	13	30,910	51,648	-	-	-	-	82,558	82,507
Gross loans and advances to customers	14	27,274	13,145	30,882	11,467	128,159	-	210,927	165,445
Gross financial investments	15	-	13,000	28,115	32,859	75,496	30	149,500	142,532
Other assets	17	2,340	-	-	-	-	-	2,340	2,340
Non-derivative financial liabilities									
Deposits and loans from banks	22	(2,790)	(17,305)	(10,297)	-	-	-	(30,392)	(30,311)
Deposits from customers	23	(304,816)	(5,807)	(4,047)	(378)	(65)	-	(315,113)	(314,756)
Other liabilities	24	-	(14,298)	-	-	-	-	(14,298)	(14,298)
Off balance sheet exposures									
Letters of credit and guarantees	41	-	(74,441)	(28,485)	(14,728)	(25,867)	-	(143,521)	(143,521)
Unutilised loan commitments	41	-	(1,853)	(4,899)	(5,344)	(2,840)	-	(14,936)	(14,936)
Total non-derivative financial instruments		(217,617)	(35,905)	13,104	25,295	189,883	30	(25,210)	(79,575)

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2020		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 1 month but within 12 months	Gross nominal inflow/(outflow)	Carrying amount
Consolidated	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Derivative financial assets							
Derivative assets							
Trading:	9	-	-	-	-	-	602
Inflow		-	24,624	7,480	949	33,053	
Outflow		-	(24,789)	(7,855)	(367)	(33,011)	
Derivatives and trading liabilities							
Trading:	9,21	-	-	-	-	-	(115)
Inflow		-	1,490	2,022	369	3,881	
Outflow		-	(1,541)	(2,372)	(379)	(4,292)	
Total derivative financial instruments		-	(216)	(725)	572	(369)	487

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2019		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing over 1 year	Undated	Gross nominal inflow/(outflow)	Carrying amount
Consolidated	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Non-derivative financial assets									
Cash and balances held with the Central Bank	8	22,870	-	-	-	-	-	22,870	22,870
Trading assets	11	-	2	761	-	-	-	763	722
Pledged assets	12	-	-	-	-	-	-	-	-
Gross loans and advances to banks	13	15,538	21,958	23,719	-	-	-	61,215	59,930
Gross loans and advances to customers	14	6 413	18 565	42 458	17 754	108 541	-	193,731	148,490
Gross financial investments	15	-	7,003	2,996	47,479	49,181	30	106,689	100,631
Other assets	17	3,442	-	-	-	-	-	3,442	3,442
Non-derivative financial liabilities									
Deposits and loans from banks	22	(1,971)	(21,205)	-	-	-	-	(23,176)	(22,932)
Deposits from customers	23	(232,745)	(5,094)	(4,051)	(215)	(19)	-	(242,124)	(242,082)
Other liabilities	24	-	(10,303)	-	-	-	-	(10,303)	(10,303)
Off balance sheet exposures									
Letters of credit and guarantees	41	-	(4,251)	(74,568)	(13,298)	(18,812)	-	(110,929)	(110,929)
Unutilised loan commitments	41	-	-	-	(146)	(117)	-	(263)	(263)
Total non-derivative financial instruments		(186,453)	6,675	(8,685)	51,574	138,774	30	1,915	(50,424)

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2019		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 1 month but within 12 months	Gross nominal inflow/(outflow)	Carrying amount
Consolidated	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Derivative financial assets							
Derivative assets							
Trading:	9	-	-	-	-	-	601
Inflow		-	5,623	21,918	25,727	53,268	
Outflow		-	(5,564)	(21,825)	(25,746)	(53,135)	
Derivatives and trading liabilities							
Trading:	9,21	-	-	-	-	-	(696)
Inflow		-	9,813	5,976	747	16,536	
Outflow		-	(9,934)	(5,977)	(746)	(16,657)	
Total derivative financial instruments		-	(62)	92	(18)	12	(95)

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2020		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing over 1 year	Undated	Gross nominal inflow/(outflow)	Carrying amount
Separate	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Non-derivative financial assets									
Cash and balances held with the Central Bank	8	29,353	-	-	-	-	-	29,353	29,353
Trading assets	11	-	6	1,835	1 419	-	-	3,260	3,030
Pledged assets	12	-	-	-	-	15,000	-	15,000	12,928
Gross loans and advances to banks	13	30,910	51,648	-	-	-	-	82,558	82,505
Gross loans and advances to customers	14	27,274	13,145	30,882	11,467	128,159	-	210,927	165,445
Gross financial investments	15	-	13,000	28,115	32,859	75,496	30	149,500	142,532
Other assets	17	2,371	-	-	-	-	-	2,371	2,371
Non-derivative financial liabilities									
Deposits and loans from banks	22	(2,790)	(17,305)	(10,297)	-	-	-	(30,392)	(30,311)
Deposits from customers	23	(308,344)	(5,807)	(4,047)	(378)	(65)	-	(318,641)	(318,285)
Other liabilities	24	-	(14,300)	-	-	-	-	(14,300)	(14,300)
Off balance sheet exposures									
Letters of credit and guarantees	41	-	(74,441)	(28,485)	(14,728)	(25,867)	-	(143,521)	(143,521)
Unutilised loan commitments	41	-	(1,853)	(4,899)	(5,344)	(2,840)	-	(14,936)	(14,936)
Total non-derivative financial instruments		(221,226)	(35,907)	13,104	25,295	189,883	30	(28,821)	(83,189)

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2020		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 1 month but within 12 months	Gross nominal inflow/(outflow)	Carrying amount
Separate	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Derivative financial assets							
Derivative assets							
Trading:	9	-	-	-	-	-	602
Inflow		-	24,624	7,480	949	33,053	
Outflow		-	(24,789)	(7,855)	(367)	(33,011)	
Derivatives and trading liabilities							
Trading:	9,21	-	-	-	-	-	(115)
Inflow		-	1,490	2,022	369	3,881	
Outflow		-	(1,541)	(2,372)	(379)	(4,292)	
Total derivative financial instruments		-	(216)	(725)	572	(369)	487

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2019		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing over 1 year	Undated	Gross nominal inflow/(outflow)	Carrying amount
Separate	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Non-derivative financial assets									
Cash and balances held with the Central Bank	8	22,603	-	-	-	-	-	22,603	22,603
Trading assets	11	-	2	761	-	-	-	763	722
Pledged assets	12	-	-	-	-	-	-	-	-
Gross loans and advances to banks	13	15,560	21,958	23,719	-	-	-	61,237	59,952
Gross loans and advances to customers	14	6,695	18,565	42,458	17,754	108,541	-	194,013	148,772
Gross financial investments	15	-	7,003	2,996	47,479	49,181	30	106,689	100,631
Other assets	17	3,453	-	-	-	-	-	3,453	3,453
Non-derivative financial liabilities									
Deposits and loans from banks	22	(1,963)	(21,205)	-	-	-	-	(23,168)	(22,924)
Deposits from customers	23	(235,658)	(5,094)	(4,051)	(215)	(19)	-	(245,037)	(244,995)
Other liabilities	24	-	(10,297)	-	-	-	-	(10,297)	(10,297)
Off balance sheet exposures									
Letters of credit and guarantees	41	-	(4 251)	(74,568)	(13,298)	(18,812)	-	(110,929)	(110,929)
Unutilised loan commitments	41	-	-	-	(146)	(117)	-	(263)	(263)
Total non-derivative financial instruments		(189,310)	6,681	(8,685)	51,574	138,774	30	(936)	(53,275)

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2019		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 1 month but within 12 months	Gross nominal inflow/(outflow)	Carrying amount
Separate	Note	MKm	MKm	MKm	MKm	MKm	MKm
Derivative financial assets							
Derivative assets							
Trading:	9	-	-	-	-	-	601
Inflow		-	5,623	21,918	25,727	53,268	
Outflow		-	(5,564)	(21,825)	(25,746)	(53,135)	
Derivatives and trading liabilities							
Trading:	9,21	-	-	-	-	-	(696)
Inflow		-	9,813	5,976	747	16,536	
Outflow		-	(9,934)	(5,977)	(746)	(16,657)	
Total derivative financial instruments		-	(62)	92	(18)	12	(95)

4. Risk management (Continued)

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and other price risk will affect the Group's income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

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

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

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

Exposure to market risks – Trading portfolios

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

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

- A one day holding period assumes it is possible to hedge or dispose off positions within that period. This is considered to be a realistic assumption in almost all the cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 95% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 5% probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature;
- The VaR measure is dependent upon the Group's position and the volatility of market prices; and
- The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

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

(i) Exposure to market risk – Value at Risk

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

Diversified normal VaR exposures (USD'000)

Desk name	High	Min	Average	31-Dec-20	Limit
Bank wide	**127**	**93**	**113**	**125**	**233**
Forex trading	**100**	**67**	**88**	**100**	**115**
Money markets trading	**30**	**29**	**30**	**30**	**175**

Desk name	High	Min	Average	31-Dec-19	Limit
Bank wide	76	15	35	53	281
Forex trading	43	1	21	39	139
Money markets trading	43	6	20	23	225

Stress tests

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

4. Risk management (Continued)

(d) Market risk (continued)

Diversified Stress VaR exposures (USD'000)

Desk name	High	Min	Average	31-Dec-20	Limit
Bank wide	**1,130**	**914**	**1,049**	**1,130**	**3,037**
Forex trading	**510**	**333**	**441**	**510**	**2,824**
Money markets trading	**670**	**644**	**657**	**644**	**2,066**

Desk name	High	Min	Average	31-Dec-19	Limit
Bank wide	993	126	496	548	3,664
Forex trading	748	13	374	463	3,406
Money markets trading	792	122	269	184	1,169

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

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

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

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

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

Sensitivity analysis for each type of market risk

Interest rate risk

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

Consolidated and separate	Increase/(decrease) in basis points	Sensitivity of net interest income MKm
2020		
	350	**3,106**
	(350)	**(3,634)**

Consolidated and separate		
2019		
	350	2,324
	(350)	(1,805)

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

Consolidated and separate	Increase/(decrease) in basis points	Sensitivity of equity MKm
2020		
	350	**(357)**
	(350)	**357**

Consolidated and separate		
2019		
	350	(549)
	(350)	549

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

4. Risk management (Continued)

(d) Market risk (continued)

Interest rate gap analysis

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

Consolidated At 31 December 2020	Note	Up to 1 Month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Non rate sensitive MKm	Total MKm
Assets							
Pledged assets	12	**12,928**	**-**	**-**	**-**	**-**	**12,928**
Gross loans and advances to banks	13	**82,511**	**-**	**-**	**-**	**-**	**82,511**
Gross loans and advances to customers	14	**171,624**	**11**	**44**	**113**	**505**	**172,297**
Gross financial investments	15	**12,486**	**19,257**	**34,031**	**70,169**	**6,961**	**142,904**
Total assets		**279,549**	**19,268**	**34,075**	**70,282**	**7,466**	**410,640**
Liabilities							
Deposits and loans from banks	22	**18,655**	**9,111**	**-**	**-**	**2,545**	**30,311**
Deposits from customers	23	**168,893**	**8,416**	**798**	**6**	**136,643**	**314,756**
Total liabilities		**187,548**	**17,527**	**798**	**6**	**139,188**	**345,067**
Interest sensitivity gap		**92,001**	**1,741**	**33,277**	**70,276**	**(131,722)**	**65,573**

Consolidated At 31 December 2019	Note	Up to 1 Month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Non rate sensitive MKm	Total MKm
Assets							
Pledged assets	12	-	-	-	-	-	-
Gross loans and advances to banks	13	36,841	-	23,089	-	-	59,930
Gross loans and advances to customers	14	146,310	14	3,688	117	5,406	155,535
Gross financial investments	15	6,384	2,792	42,505	40,355	8,780	100,816
Total assets		189,535	2,806	69,282	40,472	14,186	316,281
Liabilities							
Deposits and loans from banks	22	22,059	-	-	-	873	22,932
Deposits from customers	23	115,855	7,329	1,490	17	117,391	242,082
Total liabilities		137,914	7,329	1,490	17	118,264	265,014
Interest sensitivity gap		51,621	(4,523)	67,792	40,455	(104,078)	51,267

Separate At 31 December 2020	Note	Up to 1 Month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Non rate sensitive MKm	Total MKm
Assets							
Pledged assets	12	**12,928**	**-**	**-**	**-**	**-**	**12,928**
Gross loans and advances to banks	13	**82,509**	**-**	**-**	**-**	**-**	**82,509**
Gross loans and advances to customers	14	**171,624**	**11**	**44**	**113**	**505**	**172,297**
Gross financial investments	15	**12,486**	**19,257**	**34,031**	**70,169**	**6,961**	**142,904**
Total assets		**279,547**	**19,268**	**34,075**	**70,282**	**7,466**	**410,638**
Liabilities							
Deposits and loans from banks	22	**18,655**	**9,111**	**-**	**-**	**2,545**	**30,311**
Deposits from customers	23	**172,422**	**8,416**	**798**	**6**	**136,643**	**318,285**
Total liabilities		**191,077**	**17,527**	**798**	**6**	**139,188**	**348,596**
Interest sensitivity gap		**88,470**	**1,741**	**33,277**	**70,276**	**(131,722)**	**62,042**

Separate At 31 December 2019	Note	Up to 1 Month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Non rate sensitive MKm	Total MKm
Assets							
Pledged assets	12	-	-	-	-	-	-
Gross loans and advances to banks	13	36,863	-	23,089	-	-	59,952
Gross loans and advances to customers	14	146,592	14	3,688	117	5,406	155,817
Gross financial investments	15	6,384	2,792	42,505	40,355	8,780	100,816
Total assets		189,839	2,806	69,282	40,472	14,186	316,585
Liabilities							
Deposits and loans from banks	22	22,051	-	-	-	873	22,924
Deposits from customers	23	118,768	7,329	1,490	17	117,391	244,995
Total liabilities		140,819	7,329	1,490	17	118,264	267,919
Interest sensitivity gap		49,020	(4,523)	67,792	40,455	(104,078)	48,666

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

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

4. Risk management (Continued)

(e) Currency risk

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

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

Consolidated
At 31 December 2020

	USD	GBP	Euro	ZAR	Total
Assets					
Cash and balances held with the Central Bank	1,595	26	67	941	2,629
Loans and advances to banks	17,483	1,368	4,925	2,574	26,350
Loans and advances to customers	57,312	-	0	-	57,312
Other assets	277	10	284	3,067	3,638
Derivative assets	20,676	-	-	-	20,676
Total assets	97,343	1,404	5,276	6,582	110,605
Liabilities					
Deposits and loans from banks	12,813	187	277	3	13,280
Deposits from customers	77,482	1,154	4,707	637	83,980
Other liabilities	1,585	31	181	5,938	7,735
Derivative liabilities	-	-	-	-	-
Total liabilities	91,880	1,372	5,165	6,578	104,995
Net position	5,463	32	111	4	5,610

Consolidated
At 31 December 2019

	USD	GBP	Euro	ZAR	Total
Assets					
Cash and balances held with the Central Bank	1,650	37	101	1,162	2,950
Loans and advances to banks	7,201	1,126	4,139	1,765	14,231
Loans and advances to customers	46,740	2	-	182	46,924
Other assets	365	24	-	171	560
Derivative assets	40,686	17	8	1,453	42,164
Total assets	96,642	1,206	4,248	4,733	106,829
Liabilities					
Deposits and loans from banks	22,102	-	-	-	22,102
Deposits from customers	68,491	1,050	3,811	365	73,717
Other liabilities	1,125	131	188	4,226	5,670
Derivative liabilities	267	10	-	100	377
Total liabilities	91,985	1,191	3,999	4,691	101 866
Net position	4,657	15	249	42	4,963

Separate
At 31 December 2020

	USD	GBP	Euro	ZAR	Total
Assets					
Cash and balances held with the Central Bank	1,594	20	63	941	2,618
Loans and advances to banks	17,483	1,368	4,918	2,574	26,343
Loans and advances to customers	57,312	-	-		57,312
Other assets	277	10	284	3,067	3,638
Derivative assets	20,676	-	-	-	20,676
Total assets	97,342	1,398	5,265	6,582	110,587
Liabilities					
Deposits and loans from banks	12,813	187	277	3	13,280
Deposits from customers	77,562	1,180	4,715	638	84,095
Other liabilities	1 585	31	181	5 938	7 735
Derivative liabilities	-	-	-	-	-
Total liabilities	91,960	1,398	5,173	6,579	105,110
Net position	5,382	-	92	3	5,477

4. Risk management (Continued)

(e) Currency risk (continued)

Separate

At 31 December 2019	USD	GBP	Euro	ZAR	Total
Assets					
Cash and balances held with the Central Bank	1,644	31	57	1,082	2,814
Loans and advances to banks	7,201	1,126	4,139	1,765	14,231
Loans and advances to customers	46,740	2	-	182	46,924
Other assets	365	24	-	171	560
Derivative assets	40,686	17	8	1,453	42,164
Total assets	96,636	1,200	4,204	4,653	106,693
Liabilities					
Deposits and loans from banks	22,102	-	-	-	22,102
Deposits from customers	68,491	1,050	3,811	365	73,717
Other liabilities	1,125	131	188	4,226	5,670
Derivative liabilities	267	10	-	100	377
Total liabilities	91,985	1,191	3,999	4,691	101,866
Net position	4,651	9	205	(38)	4,827

Foreign currency sensitivity analysis

The foreign currency risk sensitivity analysis below reflects the expected financial impact in Kwacha equivalent resulting from a **10%** (2019:10%) shock to foreign currency risk exposures, with respect to derivative financial instruments, foreign denominated balances and accruals.

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

All amounts expressed below are in millions of Malawi Kwacha.

Consolidated

At 31 December 2020	USD	GBP	Euro	ZAR	Total
Sensitivity					
Total net long/(short) position	**5,463**	**32**	**111**	**4**	**5,610**
Impact of 10% weakening of the Kwacha on profit or loss	**546**	**3**	**11**	**-**	**560**
Impact of 10% strengthening of the Kwacha on profit or loss	**(546)**	**(3)**	**(11)**	**-**	**(560)**

At 31 December 2019	USD	GBP	Euro	ZAR	Total
Sensitivity					
Total net long/(short) position	4,657	15	249	42	4,963
Impact of 10% weakening of the Kwacha on profit or loss	466	1	25	4	496
Impact of 10% strengthening of the Kwacha on profit or loss	(466)	(1)	(25)	(4)	(496)

4. Risk management (Continued)

(e) Currency risk (continued)

Separate

At 31 December 2020	USD	GBP	Euro	ZAR	Total
Sensitivity					
Total net long/(short) position	**5,382**	**-**	**92**	**3**	**5,477**
Impact of 10% weakening of the Kwacha on profit or loss	**538**	**-**	**9**	**-**	**547**
Impact of 10% strengthening of the Kwacha on profit or loss	**(538)**	**-**	**(9)**	**-**	**(547)**
At 31 December 2019					
Sensitivity					
Total net long/(short) position	4,651	9	205	(38)	4,827
Impact of 10% weakening of the Kwacha on profit or loss	465	1	20	(4)	482
Impact of 10% strengthening of the Kwacha on profit or loss	(465)	(1)	(20)	4	(482)

(f) Operational risks

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

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

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

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

(g) Compliance risk

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

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

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

(1) Statutory requirements

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

i) Liquidity reserve requirement

The Group is required to maintain a liquidity reserve amount with the Reserve Bank of Malawi, in cash and/or with registered discount houses, calculated on a bi weekly basis, of not less than **3.75%** of local and foreign currency deposits (2019: 5.0% of local currency deposits and 3.75% of foreign currency deposits) of the preceding two weeks' average total deposit liabilities. The Group complied with the liquidity reserve requirement in 2020. In the last two weeks of December 2020, the liquidity reserve was **5.8%** (2019: 5.7%) of average customer deposits.

(ii) Capital adequacy requirement

The Group's available capital is required to be a minimum of **15%** (2019: 15%) of risk weighted assets and contingent liabilities. As at 31 December 2020, the Group's available capital was **23.96%** (2019: 22.01%) of its risk weighted assets and contingent liabilities. The Group has complied with this requirement during the year.

4. Risk management (Continued)

(g) Compliance risk (continued)

(1) Statutory requirements (continued)

(iii) Expected credit losses

Expected credit losses in accordance with Reserve Bank of Malawi guidelines amounts to **MK7.5 billion** (2019: MK7.5 billion). The amount of expected credit losses (including interest in suspense) included in the consolidated and separate financial statements in accordance with IFRS 9 is **MK7.5 billion** (2019: MK7.5 billion).

(2) Prudential aspects of the Group's liquidity

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

Liquidity ratio

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

The Group complied with the liquidity ratio requirements in 2020. At 31 December 2020, the Group's liquidity ratio 1 was **62.95%** (2019: 57.98%).

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

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

Capital management

Reserve Bank of Malawi sets and monitors the capital requirements for the Group. In implementing current capital requirements, the Reserve Bank of Malawi requires the Group to maintain a minimum ratio of **15%** (2019:15%) of total capital to risk-weighted assets. The Group's regulatory capital is analysed in two parts:

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

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

	2020 MKm	2019 MKm
Tier 1 capital		
Share capital and share premium	**8,726**	8,726
Retained earnings and other reserves	**80,261**	65,148
Total tier 1 capital	**88,987**	73,874
Tier 2 capital		
Revaluation reserve on property, loan loss reserve less 50% of investment in a subsidiary	**9,529**	7,282
Total tier 2 capital	**9,529**	7,282
Total regulatory capital	**98,516**	81,156
Risk weighted assets	**411,246**	368,654
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**23.96%**	22.01%
Total Tier 1 capital expressed as a percentage of total risk weighted assets	**21.64%**	20.04%

The Group has complied with all capital management requirements during the year ended 31 December 2020.

5. Accounting estimates and judgements

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

Key sources of estimates and uncertainty

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

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

ECL measurement period

For the purpose of determining the ECL:

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

ECL measurement period

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

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

PBB

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

The group also determines an appropriate transfer rate of exposures from stage 1 to stage 2 by taking into account the expected levels of arrears status for similar exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR throughout the life of the exposure and consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

In accordance with Reserve Bank of Malawi guidelines, where a restructure is considered due to COVID-19 related factors, the Group determines whether the exposure is expected to remain in a not overdue status subsequent to the relief period. These restructured exposures are classified as COVID-19 related restructures and assessed monthly as either temporary or permanently distressed. The determination of temporary or permanently distressed is made by assessing various customer, transactional and delinquency (included but not limited to customers that were up to date at 31 March 2020 were deemed to be temporary in nature if expected to remain update to date post the relief and customers experiencing financial distress and in arrears prior to 31 March 2020 were deemed to be permanent in nature) variables to estimate a probability of default (PD). Temporary distressed accounts are classified as stage 1 or stage 2 based on the risk profile and permanently distressed accounts (high risk per the PD estimates) are classified as stage 3.

CIB

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

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

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

Incorporation of forward looking information in ECL measurement

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

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

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

Default

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

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

5. Accounting estimates and judgements (Continued)

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

Default (continued)

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

Write off policy

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

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

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

Curing

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

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

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

A range of base, bullish and bearish forward looking economic expectations were determined, as at 31 December 2020, for inclusion in the Group's forward-looking process and ECL calculation.

Expectations about the Malawi economy

Base Case

As the Malawi agro-based economy is prone to climate-related shocks, weather conditions are assumed to remain favourable over the medium term. Notably, the economy has proven to be more resilient to these shocks over time. However, structural changes in the economy would enable a higher level of growth over the long term. Nonetheless, GDP (gross domestic product) growth will likely gradually approach 5% over the medium term. The uncertainty around the global evolution of the COVID-19 pandemic is a factor that weighs down the economy causing GDP growth to fall to 1.1% in 2020. Tobacco sales are expected to disappoint which would precipitate onshore foreign exchange liquidity pressures.

Inflation is likely to decelerate benefitting from lower food and non-food inflation. The expected strong crop production supports food inflation. Inflation is forecast to average 8.34% year on year (y/y) in 2020 and 9.9% y/y in 2021. As inflation remains well contained, the Reserve Bank of Malawi is likely to keep the policy rate unchanged at 12% for the remainder of 2020 and 2021.

Bull case

In this scenario, weather patterns are assumed to remain favourable, supporting agricultural activities over the medium term. Moreover, a favourable policy environment supports the macroeconomic environment. Overall, relative to the past 10years, this scenario also envisages greater macroeconomic stability and economic prosperity. Compared to the base case, the COVID-19 pandemic will have a limited impact on Malawi's economic growth trajectory with GDP growth dropping slowing to 1.9% y/y in 2020. With the COVID-19 outbreak contained, the long-term economic prospects remain intact. Economic growth is set to exceed 6.6% y/y in 2024. Notwithstanding the underperformance of the tobacco crop during the 2020/21 marketing season, tobacco exports along with other key agricultural exports will recover. This will provide the balance of payments (BOP) with some support. It is likely that there will be a sharp depreciation of the exchange rate before the same stabilises. The trajectory of inflation under this scenario is lower and likely a function of the more stable exchange rate and ample food supply.

Bear case

In the Bear scenario, weather conditions remain favourable and disruptions caused by the COVID-19 pandemic restrains growth in the medium term. Within key sectors of the economy, this disruption would leave a long-lasting damage which will cause very slow economic recovery with GDP only exceeding 4.0% y/y in 2023.

In the near term, the COVID-19 pandemic will have a severe impact on the economic growth trajectory, with GDP growth falling to 0.3% in 2020 and 1.4% in 2021.

Scope for countercyclical fiscal policy to support the economy is limited by the lack of fiscal space. Disruptions in the agricultural sector impacts food supply. Despite a higher pace of currency depreciation, constrained food supply, inflation remains mostly below 12% as lower international oil prices benefit non-food inflation. Export crops underperform and onshore foreign currency liquidity conditions deteriorate giving rise to strong upside pressure on the local currency.

Main macroeconomic factors

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

5. Accounting estimates and judgements (Continued)

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

Main macroeconomic factors (continued)

Macroeconomic factors	Base scenario Next 12 months	Base scenario Remaining forecast period	Bearish scenario Next 12 months	Bearish scenario Remaining forecast period	Bullish scenario Next 12 months	Bullish scenario Remaining forecast period
Inflation rate	9.93	9.37	11.55	10.19	9.33	9.02
Policy rate	12.00	11.17	12.75	14.00	12.00	11.13
3 month treasury bill rate	11.44	8.73	13.64	10.30	11.14	8.23
6 month treasury bill rate	14.90	12.06	17.04	13.70	14.54	11.63
Exchange rate	821.17	916.20	882.75	1023.81	810.67	905.12
Real GDP	2.20	5.23	1.40	3.80	3.20	5.81

1 The remaining forecast period is 2022 to 2024
2 2020 - The scenario weighing is: Base at 50%, Bull at 15% and Bear at 35%
3 2019 - The scenario weighted average is: Base at 55%, Bull at 25% and Bear at 20%

Sensitivity analysis of CIB forward-looking impact on ECL provision

Management assessed and considered the sensitivity of the provision against the forward-looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward-looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting provision for the individual client. Therefore, the impact of forward-looking economic conditions is embedded into the total provision for each CIB client and cannot be stressed or separated out of the overall CIB provision. Thus, a sensitivity analysis of the total CIB provision of MK1,415 million as at 31 December 2020 was performed. This analysis entailed recalculating the total provision, using a 100% weighting of each scenario. The impact of each scenario is MK1,402 million (-0.92% decrease in the total provision) for the Base scenario, MK1,451 million (2.49% increase in total provision) for the Bear scenario and MK1,376 million (2.75% decrease in total provision) for the Bull scenario. The income statement impact of MK482 million for 2020 was assessed by applying the same sensitivity analysis principles mentioned above. The impact for each scenario is MK469 million (decrease of MK13 million) for the Base scenario, MK517 million (increase of MK35 million) for the Bear scenario and MK443 million (decrease of MK39 million) for the Bull scenario.

Sensitivity analysis of PBB allowances for credit losses on non-impaired loans

The following table shows a comparison of the Group's allowances for credit losses on non-impaired exposures under IFRS 9 as at 31 December 2020 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

	2020 MKm	2020 Change of total PBB provision on Loans and advances %	2019 MKm	2019 Change of total PBB provision on Loans and advances %
Forward looking impact on IFRS 9 provision	412		477	
Scenarios				
100% Base	350	-1%	456	0%
100% Bear	554	2%	585	2%
100% Bull	335	-1%	413	-1%

(ii) Determining fair values

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

(iii) Current and deferred tax

The Group is subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The Group and Company recognise provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 38 and note 20, respectively, in the period in which such determination is made.

Uncertain tax positions, which do not meet the probability criteria defined within IFRS, are not provided for but are rather disclosed as contingent liabilities or assets as appropriate. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

(iv) Provisions

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

Provisions for legal claims

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision, management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

(v) Computer software intangible assets

The Group review assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological

5. Accounting estimates and judgements (Continued)

(v) Computer software intangible assets (continued)

developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amounts. The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

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

During the 2020 financial year, the Group conducted an impairment test in line with IAS 36 Impairment of Assets. The intangible assets were tested for impairment and there were no indications of impairment. Therefore, the computer software assets' recoverable values were determined to be equal to their carrying values.

6. Segment reporting

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

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

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

The Group comprises the following main operating segments:

(i) Corporate and Investment Banking (CIB)

Includes the Group's:

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

(ii) Personal and Business Banking (PBB)

- Retail banking – incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, debit cards, consumer loans and mortgages.
- Transactional and lending products - transactions in products associated with the various points of contact channels such as ATMs, Internet, telephone banking and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products.
- Installment sale and finance leases - comprises two main areas, installment finance in the consumer market, mainly vehicles, and secondly, finance of vehicles and equipment in the business market.

(iii) Treasury and Capital Management (TCM)

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

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

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

Operating segments

	CIB		PBB		TCM		Total	
Consolidated	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm	**MKm**	MKm	**MKm**	MKm
Interest income	**28,745**	30,522	**17,053**	12,098	**511**	551	**46,309**	43,171
Interest expense	**(2,995)**	(2,629)	**(2,073)**	(1,633)	**(13)**	(15)	**(5,081)**	(4,277)
Net interest income	**25,750**	27,893	**14,980**	10,465	**498**	536	**41,228**	38,894
Funding income/ (expense)	**(4,371)**	(4,635)	**3,720**	4,778	**214**	(282)	**(437)**	(139)
Fee and Commission income	**3,259**	2,388	**12,388**	11,409	**-**	3	**15,647**	13,800
Fee and commission expense	**-**	-	**(1,364)**	(1,080)	**-**	-	**(1,364)**	(1,080)
Net fee and commission income	**3,259**	2,388	**11,024**	10,329	**-**	3	**14,283**	12,720
Trading income	**11,471**	7,835	**1,088**	1,282	**-**	-	**12,559**	9,117
Other operating income	**-**	-	**9**	50	**-**	3	**9**	53
Other gains and losses on financial instruments	**1,462**	-	**-**	-	**-**	-	**1,462**	-
Operating income	**37,571**	33,481	**30,821**	26,904	**712**	260	**69,104**	60,645
Credit impairment charges	**(286)**	(16)	**(1,343)**	(1,834)	**(5)**	(5)	**(1,634)**	(1,855)
Recovery from insurance policy relating to previously written off exposures	**-**	-	**7,105**	-	**-**	-	**7,105**	-
Income after credit impairments	**37,285**	33,465	**36,583**	25,070	**707**	255	**74,575**	58,790

6. Segment reporting (Continued)

	CIB		PBB		TCM		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Consolidated	**MKm**	MKm	**MKm**	MKm	**MKm**	MKm	**MKm**	MKm
Direct staff costs before allocation	**(2,366)**	(2,674)	**(6,524)**	(5,837)	**(561)**	(506)	**(9,451)**	(9,017)
Direct operating expenses before allocation	**(6,334)**	(5,394)	**(12,013)**	(10,415)	**1,775**	2,217	**(16,572)**	(13,592)
Other operating expenses from enabling functions	**(3,633)**	(3,678)	**(9,012)**	(8,977)	**(107)**	1	**(12,752)**	(12,654)
Total expenditure	**(12,333)**	(11,746)	**(27,549)**	(25,229)	**1,107**	1,712	**(38,775)**	(35,263)
Profit/(loss)before income tax	**24,952**	21,719	**9,034**	(159)	**1,814**	1,967	**35,800**	23,527
Income tax expense	**(8,036)**	(6,595)	**(3,355)**	(239)	**(723)**	(642)	**(12,114)**	(7,476)
Profit for the year	**16,916**	15,124	**5,679**	(398)	**1,091**	1,325	**23,686**	16,051

	CIB		PBB		TCM		Total	
Consolidated	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm	**MKm**	MKm	**MKm**	MKm
Assets								
Cash and balances held with the Central Bank	**15,927**	7,356	**11,087**	12,130	**154**	175	**27,168**	19,661
Derivative assets	**602**	601	**-**	-	**-**	-	**602**	601
Trading assets	**3,030**	722	**-**	-	**-**	-	**3,030**	722
Pledged assets	**12,928**	-	**-**	-	**-**	-	**12,928**	-
Loans and advances to banks	**82,552**	59,930	**(45)**	-	**-**	-	**82,507**	59,930
Loans and advances to customers	**72,703**	80,978	**92,742**	67,504	**-**	-	**165,445**	148,482
Financial investments	**138,257**	95,161	**-**	-	**4,275**	5,470	**142,532**	100,631
Other assets	**155**	3,391	**4,710**	1,647	**2,475**	1,261	**7,340**	6,299
Property and equipment	**150**	142	**13,657**	12,881	**1,533**	446	**15,340**	13,469
Intangible assets	**-**	-	**132**	58	**16,856**	18,034	**16,988**	18,092
Total assets	**326,304**	248,281	**122,283**	94,220	**25,293**	25,386	**473,880**	367,887
Liabilities								
Derivative liabilities	**115**	242	**-**	-	**-**	-	**115**	242
Trading liabilities	**-**	454	**-**	-	**-**	-	**-**	454
Deposits and loans from banks	**29,989**	22,932	**322**	-	**-**	-	**30,311**	22,932
Deposits from customers	**163,680**	116,245	**151,076**	125,837	**-**	-	**314,756**	242,082
Other liabilities	**2,385**	8,739	**4,159**	2,661	**1,109**	354	**7,653**	11,754
Other provisions	**99**	772	**964**	1,896	**674**	943	**1,737**	3,611
Current and deferred tax liabilities	**4,935**	3,987	**3,401**	3,134	**(70)**	-	**8,266**	7,121
Total liabilities	**201,203**	153,371	**159,922**	133,528	**1,713**	1,297	**362,838**	288,196

	CIB		PBB		TCM		Total	
Consolidated	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm	**MKm**	MKm	**MKm**	MKm
Shareholders' equity								
Share capital and premium	**-**	-	**-**	-	**8,726**	8,726	**8,726**	8,726
Retained earnings and reserves	**36,391**	30,952	**35,743**	23,134	**24,862**	15,737	**96,996**	69,823
Funding	**88,710**	63,958	**(73,382)**	(62,442)	**(10,008)**	(374)	**5,320**	1,142
Total shareholders' equity	**125,101**	94,910	**(37,639)**	(39,308)	**23,580**	24,089	**111,042**	79,691
Total equity and liabilities	**326,304**	248,281	**122,283**	94,220	**25,293**	25,386	**473,880**	367,887

Reconciliation of information on reportable segment to IFRS measures

Consolidated	**2020 MKm**	2019 MKm
(i) Revenues		
Total revenues for reportable segments	**69,104**	60,645
Interest income/(expense)	**(18)**	(17)
Interdepartmental funding expense	**437**	139
Other income	**179**	89
Consolidated revenue	**69,702**	60,856
(ii) Profit before tax		
Total profit for reportable segments	**35,800**	23,527
Unallocated amounts*	**(8)**	(155)
Consolidated profit before tax	**35,792**	23,372
(iii) Assets		
Total assets for reportable segments	**473,880**	367,887
Unallocated amounts*	**5,680**	7,229
Consolidated total assets	**479,560**	375,116
(iv) Liabilities		
Total liabilities for reportable segments	**362,838**	288,196
Other unallocated amounts*	**11,001**	(319)
Consolidated total liabilities	**373,839**	287,877

*Unallocated amounts comprises of corporate functions (primarily Head Office units).

Key reporting measures

	CIB		PBB		TCM	
	2020	2019	**2020**	2019	**2020**	2019
Consolidated						
Profit/(loss) after tax (MKm)	**16,916**	15,124	**5,679**	(398)	**1,091**	1,325
Cost to income ratio	**33%**	35%	**89%**	94%	**(155%)**	(658%)
Credit loss ratio (excluding insurance recovery)	**0%**	0%	**1%**	2%	**0%**	0%
Number of employees	**32**	33	**440**	452	**2**	2

7. Accounting classifications and fair values of financial instruments

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

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

(a) Valuation models

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

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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

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

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

Consolidated		**Level 1**	**Level 2**	**Level 3**	**Total**
At 31 December 2020	**Note**	**Mkm**	**Mkm**	**Mkm**	**Mkm**
Assets					
Cash and balances held with the Central Bank	8	**26,050**	**-**	**-**	**26,050**
Derivative assets	9	**-**	**602**	**-**	**602**
Trading assets	11	**-**	**3,030**	**-**	**3,030**
Pledged assets	12	**-**	**12,928**	**-**	**12,928**
Financial investments	15	**-**	**6,074**	**-**	**6,074**
Total		**26,050**	**22,634**	**-**	**48,684**
Liabilities					
Derivative liabilities	9	**-**	**115**	**-**	**115**
Trading liabilities	21	**-**	**-**	**-**	**-**
Total		**-**	**115**	**-**	**115**

Consolidated					
At 31 December 2019					
Assets					
Cash and balances held with the Central Bank	8	22,870	-	-	22,870
Derivative assets	9	-	601	-	601
Trading assets	11	-	722	-	722
Pledged assets	12	-	-	-	-
Financial investments	15	-	11,507	-	11,507
Total		22,870	12,830	-	35,700
Liabilities					
Derivative liabilities	9	-	242	-	242
Trading liabilities	21	-	-	454	454
Total		-	242	454	696

Separate					
At 31 December 2020					
Assets					
Cash and balances held with the Central Bank	8	**25,938**	**-**	**-**	**25,938**
Derivative assets	9	**-**	**602**	**-**	**602**
Trading assets	11	**-**	**3,030**	**-**	**3,030**
Pledged assets	12	**-**	**12,928**	**-**	**12,928**
Financial investments	15	**-**	**6,074**	**-**	**6,074**
Total		**25,938**	**22,634**	**-**	**48,572**
Liabilities					
Derivative liabilities	9	**-**	**115**	**-**	**115**
Trading liabilities	21	**-**	**-**	**-**	**-**
Total		**-**	**115**	**-**	**115**

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

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

Separate At 31 December 2019	Note	Level 1 Mkm	Level 2 Mkm	Level 3 Mkm	Total Mkm
Assets					
Cash and balances held with the Central Bank	8	22,603	-	-	22,603
Derivative assets	9	-	601	-	601
Trading assets	11	-	722	-	722
Pledged assets	12	-	-	-	-
Financial investments	15	-	11,507	-	11,507
Total		22,603	12,830	-	35,433
Liabilities					
Derivative liabilities	9	-	242	-	242
Trading liabilities	21	-	-	454	454
Total		-	242	454	696

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

Consolidated 31 December 2020	Note	Level 1 Mkm	Level 2 Mkm	Level 3 Mkm	Total Mkm
Assets					
Cash and balances held with the Central Bank	8	**3,415**	**-**	**-**	**3,415**
Loans and advances to banks	13	**-**	**82,507**	**-**	**82,507**
Loans and advances to customers	14	**-**	**-**	**165,445**	**165,445**
Financial investments	15	**-**	**136,428**	**30**	**136,458**
Other assets	17	**-**	**-**	**2,340**	**2,340**
Total		**3,415**	**218,935**	**167,815**	**390,165**
Liabilities					
Deposits and loans from banks	22	**2,790**	**27,521**	**-**	**30,311**
Deposits from customers	23	**304,545**	**10,211**	**-**	**314,756**
Other liabilities	24	**-**	**-**	**14,298**	**14,298**
Total		**307,335**	**37,732**	**14,298**	**359,365**

Consolidated At 31 December 2019	Note	Level 1 Mkm	Level 2 Mkm	Level 3 Mkm	Total Mkm
Assets					
Cash and balances held with the Central Bank	8	-	-	-	-
Loans and advances to banks	13	-	59,930	-	59,930
Loans and advances to customers	14	-	-	148,490	148,490
Financial investments	15	-	89,094	30	89,124
Other assets	17	-	-	3,442	3,442
Total		-	149,024	151,962	300,986
Liabilities					
Deposits and loans from banks	22	959	21,973	-	22,932
Deposits from customers	23	232,745	9,337	-	242,082
Other liabilities	24	-	-	10,303	10,303
Total		233,704	31,310	10,303	275,317

Separate At 31 December 2020					
Assets					
Cash and balances held with the Central Bank	8	**3,415**	**-**	**-**	**3,415**
Loans and advances to banks	13	**-**	**82,505**	**-**	**82,505**
Loans and advances to customers	14	**-**	**-**	**165,445**	**165,445**
Financial investments	15	**-**	**136,428**	**30**	**136,458**
Other assets	17	**-**	**-**	**2,371**	**2,371**
Total		**3,415**	**218,933**	**167,846**	**390,194**
Liabilities					
Deposits and loans from banks	22	**2,790**	**27,521**	**-**	**30,311**
Deposits from customers	23	**308,074**	**10,211**	**-**	**318,285**
Other liabilities	24	**-**	**-**	**14,300**	**14,300**
Total		**310,864**	**37,732**	**14,300**	**362,896**

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

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

Separate		Level 1	Level 2	Level 3	Total
At 31 December 2019	**Note**	**Mkm**	**Mkm**	**Mkm**	**Mkm**
Assets					
Cash and balances held with the Central Bank	8	-	-	-	-
Loans and advances to banks	13	-	59,952	-	59,952
Loans and advances to customers	14	-	-	148,772	148,772
Financial investments	15	-	89,094	30	89,124
Other assets	17	-	-	3,453	3,453
Total		-	149,046	152,255	301,301
Liabilities					
Deposits and loans from banks	22	952	21,972	-	22,924
Deposits from customers	23	235,658	9,337	-	244,995
Other liabilities	24	-	-	10,297	10,297
Total		236,610	31,309	10,297	278,216

Level 3 fair value measurements - reconciliation

The following tables provide a reconciliation of the opening to closing balance for all financial liabilities that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Consolidated and Separate	
	2020 MKm	2019 MKm
Balance at 1 January	**454**	444
Sales and settlement	**-**	396
Total losses/(gains) included in profit or loss - trading revenue	**(454)**	(386)
Balance at 31 December	**-**	454

(d) Estimation of fair values

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

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

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

(d) Estimation of fair values (continued)

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

Consolidated	Note	Fair value through profit or loss - default Mkm	Fair value through OCI Mkm	Held for trading Mkm	Amortised cost Mkm	Carrying Amount Mkm	Fair value Mkm
At 31 December 2020							
Assets							
Cash and balances held with the Central Bank	8	26,050	-	-	3,415	29,465	29,465
Derivative assets	9	-	-	602	-	602	602
Trading assets	11	-	-	3,030	-	3,030	3,030
Pledged assets	12	-	12,928	-	-	12,928	12,928
Loans and advances to banks	13	-	-	-	82,507	82,507	82,507
Loans and advances to customers	14	-	-	-	165,445	165,445	165,445
Financial investments	15	30	6,074	-	136,428	142,532	142,532
Other assets	17	2,340	-	-	-	2,340	2,340
Total		28,420	19,002	3,632	387,795	438,849	438,849
Liabilities							
Derivative liabilities	9	-	-	115	-	115	115
Trading liabilities	21	-	-	-	-	-	-
Deposits and loans from banks	22	-	-	-	30,311	30,311	30,311
Deposits from customers	23	-	-	-	314,756	314,756	314,756
Other liabilities	24	-	-	-	14,298	14,298	14,298
Total		-	-	115	359,365	359,480	359,480

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

(d) Estimation of fair values (continued)

Consolidated	Note	Fair value through profit or loss - default Mkm	Fair value through OCI Mkm	Held for trading Mkm	Amortised cost Mkm	Carrying Amount Mkm	Fair value Mkm
At 31 December 2019							
Assets							
Cash and balances held with the Central Bank	8	22,870	-	-	-	22,870	22,870
Derivative assets	9	-	-	601	-	601	601
Trading assets	11	-	-	722	-	722	722
Pledged assets	12	-	-	-	-	-	-
Loans and advances to banks	13	-	-	-	59,930	59,930	59,930
Loans and advances to customers	14	-	-	-	148,490	148,490	148,490
Financial investments	15	30	11,507	-	89,094	100,631	100,631
Other assets	17	3,442	-	-	-	3,442	3,442
Total		26,342	11,507	1,323	297,514	336,686	336,686
Liabilities							
Derivative liabilities	9	-	-	242	-	242	242
Trading liabilities	21	-	-	454	-	454	454
Deposits and loans from banks	22	-	-	-	22,932	22,932	22,932
Deposits from customers	23	-	-	-	242,082	242,082	242,082
Other liabilities	24	-	-	-	10,303	10,303	10,303
Total		-	-	696	275,317	276,013	276,013

Separate	Note	Fair value through profit or loss - default Mkm	Fair value through OCI Mkm	Held for trading Mkm	Amortised cost Mkm	Carrying Amount Mkm	Fair value Mkm
At 31 December 2020							
Assets							
Cash and balances held with Central Bank	8	**25,938**	**-**	**-**	**3,415**	**29,353**	**29,353**
Derivative assets	9	**-**	**-**	**602**	**-**	**602**	**602**
Trading assets	11	**-**	**-**	**3,030**	**-**	**3,030**	**3,030**
Pledged assets	12	**-**	**12,928**	**-**	**-**	**12,928**	**12,928**
Loans and advances to banks	13	**-**	**-**	**-**	**82,505**	**82,505**	**82,505**
Loans and advances to customers	14	**-**	**-**	**-**	**165,445**	**165,445**	**165,445**
Financial investments	15	**30**	**6,074**	**-**	**136,428**	**142,532**	**142,532**
Other assets	17	**2,371**	**-**	**-**	**-**	**2,371**	**2,371**
Total		**28,339**	**19,002**	**3,632**	**387,793**	**438,766**	**438,766**
Liabilities							
Derivative liabilities	9	**-**	**-**	**115**	**-**	**115**	**115**
Trading liabilities	21	**-**	**-**	**-**	**-**	**-**	**-**
Deposits and loans from banks	22	**-**	**-**	**-**	**30,311**	**30,311**	**30,311**
Deposits from customers	23	**-**	**-**	**-**	**318,285**	**318,285**	**318,285**
Other liabilities	24	**-**	**-**	**-**	**14,300**	**14,300**	**14,300**
Total		**-**	**-**	**115**	**362,896**	**363,011**	**363,011**

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

(d) Estimation of fair values (continued)

Separate		Fair value through profit or loss - default	Fair value through OCI	Held for trading	Amortised cost	Carrying Amount	Fair value
At 31 December 2019	**Note**	**Mkm**	**Mkm**	**Mkm**	**Mkm**	**Mkm**	**Mkm**
Assets							
Cash and balances held with Central Bank	8	22,603	-	-	-	22,603	22,603
Derivative assets	9	-	-	601	-	601	601
Trading assets	11	-	-	722	-	722	722
Pledged assets	12	-	-	-	-	-	-
Loans and advances to banks	13	-	-	-	59,952	59,952	59,952
Loans and advances to customers	14	-	-	-	148,772	148,772	148,772
Financial investments	15	30	11,507	-	89,094	100,631	100,631
Other assets	17	3,453	-	-	-	3,453	3,453
Total		26,086	11,507	1,323	297,818	336,734	336,734
Liabilities							
Derivative liabilities	9	-	-	242	-	242	242
Trading liabilities	21	-	-	454	-	454	454
Deposits and loans from banks	22	-	-	-	22,924	22,924	22,924
Deposits from customers	23	-	-	-	244,995	244,995	244,995
Other liabilities	24	-	-	-	10,297	10,297	10,297
Total		-	-	696	278,216	278,912	278,912

8. Cash and balances held with the Central Bank

See accounting policy in Note 3 (d)

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm
Cash balances	**13,538**	15,514	**13,426**	15,247
Balances with the Reserve Bank of Malawi	**15,927**	7,356	**15 927**	7,356
	29,465	22,870	**29,353**	22,603

Banks are required to maintain a prescribed minimum balance in cash, with the Reserve Bank of Malawi and is not available to finance the Bank's day-to-day activities. The amount is determined as **3.75%** of the average outstanding local and foreign currency customer deposits (2019:3.75% of the average outstanding foreign currency customer deposits and 5% of the average outstanding local currency customer deposits), over liquidity reserve cycle period of two weeks. Balances with the Reserve Bank of Malawi do not earn interest.

Included within balances with Reserve Bank of Malawi of **MK15,927 million** (2019:MK7,356 million) is **MK12,512 million** (2019: MK11,763 million) which relates to liquidity reserving requirements held with the Reserve Bank of Malawi.

9. Derivative assets and liabilities

See accounting policy in Note 3 (e)

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

	Consolidated and Separate			
	2020		2019	
	MKm	**MKm**	MKm	MKm
	Asset	**Liability**	Asset	Liability
Foreign exchange derivatives	**602**	**115**	601	242

At 31 December 2020, **MK Nil** (2019:MK Nil) of derivative assets/liabilities are expected to be recovered more than twelve months after the reporting date.

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

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

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

All derivatives are held-for-trading.

10. Non-current assets held for sale

During 2020, the Group's board approved the disposal of staff houses and pool motor vehicles. The sale is expected to be concluded during 2021. The requirements of IFRS 5 were met during 2020 and based on these, the assets subject to the sale agreement have been separately disclosed as non-current assets held for sale on the statement of financial position. The assets are measured at the lower of the carrying amount and fair value less costs to sell. The fair value less costs to sell is based on an assessment of what management believes a purchaser would value the assets. The property was not impaired at 31 December 2020, the net carrying value of the assets amounted to **MK 366 million** (2019:Nil).

11. Trading assets

See accounting policy in Note 3(f)

Trading assets

	Consolidated and Separate	
	2020	2019
	MKm	MKm
Treasury bills	**3,030**	722
	3,030	722
Sovereign	**3,030**	722
	3,030	722
Comprising:		
Treasury bills	**3,030**	722
	3,030	722

Maturity analysis

The maturities represent periods to contractual redemption of the trading assets recorded.

	2020	2019
Maturing within 1 month	**6**	2
Maturing after 1 month but within 6 months	**1,754**	720
Maturing after 6 months but within 12 months	**1,270**	-
	3,030	722

12. Pledged assets

	Consolidated and Separate				
	Carrying amount of transferred assets	**Carrying amount of associated liabilities**	**Fair value of transferred assets**	**Fair value of associated liabilities**	**Net fair value**
	MKm	**MKm**	**MKm**	**MKm**	**MKm**
Government bond	**12,928**	**(12,765)**	**12,928**	**(12,765)**	**163**

The assets pledged by the Group are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets. These transactions are conducted under terms that are customary to standard repurchase agreements and securities borrowing activities.

At 31 December 2020, **MK 12,928 million** (2019: MK Nil) pledged assets are expected to be recovered more than twelve months after the reporting date.

13. Loans and advances to banks

See accounting policy in Note 3 (h)

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm
Loans and advances to other banks	**53,320**	59,884	**53,318**	59,906
Loans and advances with related banks (Note 44)	**29,191**	46	**29,191**	46
Gross loans and advances to banks	**82,511**	59,930	**82,509**	59,952
Less: Expected credit losses for loans and advances to banks measured at amortised cost	**(4)**	-	**(4)**	-
Balances with banking institutions	**82,507**	59,930	**82,505**	59,952

At 31 December 2020, **MK Nil** (2019: MK Nil) loans and advances to banks are expected to be recovered more than twelve months after the reporting date.

13. Loans and advances to banks (Continued)

Income statement movements

Consolidated and separate	Opening ECL 1 January 2020	Total transfers between stages	ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition	Net ECL raised/ (released)	Other movements	Closing ECL 31 December 2020
	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm
Sovereign									
Stage 1	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Bank									
Stage 1	-	-	4	-	-	-	4	-	4
Total	-	-	4	-	-	-	4	-	4

Loss allowance

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

14. Loans and advances to customers

See accounting policy in Note 3 (h)

	Consolidated 2020	Consolidated 2019	Separate 2020	Separate 2019
	MKm	MKm	MKm	MKm
Loans and advances to staff at amortised cost	7,466	4,513	7,466	4,513
Loans and advances to customers at amortised cost	164,831	151,022	164,831	151,304
Gross loans and advances to customers	172,297	155,535	172,297	155,817
Less: Interest in suspense	(152)	(567)	(152)	(567)
- Expected credit loss for loans and advances to customers measured at amortised cost	(6,700)	(6,478)	(6,700)	(6,478)
Net loans and advances to customers	165,445	148,490	165,445	148,772

At 31 December 2020, **MK 90,344 million** (2019: MK70,982 million) of loans and advances to customers are expected to be recovered more than twelve months after the reporting date.

Gross loans and advances to customers	Consolidated 2020	Consolidated 2019	Separate 2020	Separate 2019
Personal and Business Banking	MKm	MKm	MKm	MKm
Overdrafts	10,318	9,471	10,318	9,471
Term loans	70,555	50,398	70,555	50,398
Vehicle and asset finance	11,740	10,440	11,740	10,440
Mortgages	6,073	3,892	6,073	3,892
	98,686	74,201	98,686	74,201
Corporate and Investment Banking				
Overdrafts	26,429	22,546	26,429	22,828
Term loans	47,137	58,452	47,137	58,452
Vehicle and asset finance	45	336	45	336
	73,611	81,334	73,611	81,616
Total gross loans and advances to customers	172,297	155,535	172,297	155,817

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

Income statement movements

Consolidated and separate	Opening ECL 1 January 2020	Total transfers between stages	ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to recognition	Net ECL rais Net ECL raised/ (released)	Other movements*	Closing ECL 31 December 2020
	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm
Stage 1	1,778	44	1,386	-	(9)	(479)	942	10	2,730
Stage 2	1,392	(172)	639	-	68	(5)	530	(10)	1,912
Stage 3*	3,875	128	1,720	-	-	-	1,848	(3,513)	2,210
Total	7,045	-	3,745	-	59	(484)	3,320	(3,513)	6,852

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

14. Loans and advances to customers (Continued)

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

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

Consolidated and separate	Opening ECL 1 January 2020 Mkm	Transfers between stages (To)/ from stage 1 Mkm	From/(to) stage 2 Mkm	From/(to) stage 3 Mkm	Total Mkm	Net ECL raised/ (released) Mkm	TVM Unwind and IIS movements Mkm	Impaired accounts written off Mkm	Other movements* Mkm	Closing ECL 31 December 2020 Mkm
Mortgage										
Stage 1	14	-	-	-	-	18	-	-	-	32
Stage 2	71	-	-	(2)	(2)	2	-	-	-	73
Stage 3*	39	-	-	2	2	187	4	(13)	1	218
Total	124	-	-	-	-	207	4	(13)	1	323
Vehicle and asset finance										
Stage 1	178	-	31	-	31	106	-	-	-	284
Stage 2	56	-	(31)	(1)	(32)	246	-	-	-	302
Stage 3*	265	-	-	1	1	(170)	-	(329)	-	(234)
Total	499	-	-	-	-	182	-	(329)	-	352
Corporate										
Stage 1	622	-	(22)	-	(22)	83	-	-	10	715
Stage 2	15	22	-	-	22	180	-	-	(10)	185
Stage 3*	-	-	-	-	-	-	-	-	-	-
Total	637	22	(22)	-	-	263	-	-	-	900
Other loans										
Stage 1	964	-	95	(60)	35	735	-	-	-	1,699
Stage 2	1,250	(95)	-	(65)	(160)	102	-	-	-	1,352
Stage 3*	3,571	60	-	65	125	1,831	148	(2,750)	(574)	2,226
Total	5,785	(35)	95	(60)	-	2,668	148	(2,750)	(574)	5,277
Total										
Stage 1	1,778	-	104	(60)	44	942	-	-	10	2,730
Stage 2	1,392	(73)	(31)	(68)	(172)	530	-	-	(10)	1,912
Stage 3*	3,875	60	-	68	128	1,848	152	(3,092)	(573)	2,210
Total	7,045	(13)	73	(60)	-	3,320	152	(3,092)	(573)	6,852

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

14. Loans and advances to customers (Continued)

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

Changes in gross exposures relating to changes in ECL (consolidated and separate)

Changes in gross exposures relating to changes in ECL (consolidated and separate)
The below is an explanation of significant changes in the gross carrying amount on financial instruments used to determine the changes in ECL:

- The ECL on new exposures raised of **MK3,745million** (2019: MK1,494 million) primarily relates to the growth in gross carrying amount of:
  - CIB overdrafts of **MK26,429 million** (2019: MK22,546 million)
  - PBB term loans of **MK70,555 million** (2019: MK50,398 million)
  - PBB mortgages of **MK6,073 million** (2019: MK3,892 million)

Loss allowance

Net impairments raised less recoveries of amounts written off in previous years equals income statement impairment charge (refer to credit impairment charges note 34.1)

The Group's policy is to transfer opening balances based on the ECL stage at the end of the reporting period. Therefore, exposures can be transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period. Furthermore, the expected credit loss recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the column "ECL on new exposure raised" based on the exposures ECL stage as at the end of the reporting period.

Below is an explanation of significant changes in the gross carrying amount on financial instruments used to determine the changes in ECL

The ECL on new exposures raised/(released) primarily relates to the growth in the gross carrying amount as stated above.

Subsequent changes in ECL were driven by:

- Impact on the measurement of ECL due to changes in PDs, EADs and LGD in the period arising from regular refreshing of inputs to models.
- Impact on the measurement of ECL due to changes made to models and assumptions.
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.

14.2 Modifications on loans and advances to customers measured at amortised cost

Year ended 31 December 2020	Consolidated and Separate
Stage 2	**MKm**
Gross amortised cost before modification	**451**
Net modification gain or (loss)	**(2)**

Year ended 31 December 2019	Consolidated and Separate
Stage 2	MKm
Gross amortised cost before modification	-
Net modification gain or (loss)	-

The gross carrying amount for modifications during the reporting year that resulted in no economic gain or loss (i.e no net economic gain or loss) is **MK12,834 million** (2019: MK1,337 million).

PBB clients with an exposure of MK5,381 million as well as CIB clients with exposure totalling MK 7,453 million qualified for COVID-19 relief, including increased liquidity facilities, loan restructuring, covenant relaxations and payment holidays.

Vehicle and asset finance

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

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

	Consolidated and Separate	
Gross investment in vehicle and asset finance:	**2020 MKm**	2019 MKm
Not later than one year	**1 541**	1,237
Later than one year but less than five years	**12,841**	11,735
Later than five years	**106**	340
	14,488	13,312
Unearned future finance income on vehicle and asset finance	**(2,703)**	(2,536)
Net investment in finance leases	**11,785**	10,776
The net investment in vehicle and asset finance is analysed as follows:		
Not later than one year	**1,453**	1,178
Later than one year but less than five years	**10,263**	9,381
Later than five years	**69**	217
	11,785	10,776

15. Financial investments

See accounting policy in Note 3 (g)

	Consolidated and Separate	
	2020 MKm	2019 MKm
Gross debt financial investments measured at amortised cost	**136,800**	89,279
Less: Expected credit losses for debt financial investments measured at amortised cost (note 15.1)	**(372)**	(185)
Net debt financial investments measured at amortised cost	**136,428**	89,094
Financial investments measured at fair value through profit or loss	**30**	30
Debt financial investments measured at fair value through OCI	**6,074**	11,507
	142,532	100,631

At 31 December 2020 **MK71,341 million** (2019: MK44,368 million) of financial investments are expected to be recovered more than twelve months after the reporting date.

15. Financial investments (continued)

Financial investments by category	Consolidated and Separate 2020 MKm	2019 MKm
Net debt financial investments measured at amortised cost		
Treasury bills and bonds	**136,428**	89,094
Financial investments measured at fair value through profit or loss		
Equity investment in National Switch Limited	**30**	30
Debt financial investments measured at fair value through OCI		
Treasury bills and bonds	**6,074**	11,507

15.1 Reconciliation of expected credit losses for debt financial investments measured at amortised cost

Income statement movements

Consolidated and Separate	Opening ECL 1 January 2020 MKm	Total transfers between stages MKm	ECL on new exposure raised MKm	Subsequent changes in ECL MKm	Change in ECL due to derecognition MKm	Net ECL rais Net ECL raised/ (released) MKm	Other movements MKm	Closing ECL 31 December 2020 MKm
Sovereign								
Stage 1	185	-	369	-	(185)	184	3	372
Total	185	-	369	-	(185)	184	3	372

Loss allowance

The ECL on new exposures raised primarily relates to the growth in the gross carrying amount of financial investments.

15.2 Reconciliation of expected credit losses for debt financial investments measured at measured at fair value through OCI

OCI movements

Consolidated and Separate	Opening ECL 1 January 2020 MKm	Total transfers between stages MKm	ECL on new exposure raised MKm	Change in ECL due to modifications MKm	Subsequent changes in ECL MKm	Change in ECL due to derecognition MKm	Net ECL rais Net ECL raised/ (released) MKm	Other movements MKm	Closing ECL 31 December 2020 MKm
Sovereign									
Stage 1	19	-	-	-	(3)	-	(3)	(1)	15
Total	19	-	-	-	(3)	-	(3)	(1)	15

16. Investment in subsidiary

See accounting policy in Note 3 (a)

	Separate 2020 MKm	2019 MKm
Investment in Standard Bank Bureau De Change Limited	**100**	100

Standard Bank PLC owns 100% of the shares in Standard Bank Bureau De Change Limited and Standard Bank Nominees Limited. Investments in subsidiaries are measured at cost in the separate financial statements.

The principal place of business for Standard Bank Bureau De Change Limited and Standard Bank Nominees Limited is Malawi.

17. Other assets

See accounting policy in Note 3 (c)

	Consolidated 2020 MKm	2019 MKm	Separate 2020 MKm	2019 MKm
Financial assets				
Remittances in transit*	**1,677**	2,491	**1,677**	2,491
Sundry receivables**	**663**	951	**694**	962
	2,340	3,442	**2,371**	3,453
Non financial assets				
Inventory***	**67**	134	**67**	134
Staff loan employee benefits***	**3,375**	2,260	**3,375**	2,260
Prepayments: other ***	**1,652**	953	**1,651**	953
	5,094	3,347	**5,093**	3,347
Balance at 31 December	**7,434**	6,789	**7,464**	6,800

* Included within items in transit are unpaid cheques and in transit remittances.
** Included in sundry receivables are government scheme cheques due for collection, VISA/Mastercard chargeback transactions and other sundry receivables.
*** Inventory, staff loan employee benefits and prepayments: other are not included in the analysis of credit, liquidity and market risk under the Risk management section and Accounting classifications and fair values of financial instruments section.

At 31 December 2020, **MK Nil** (2019: MK Nil) other assets are receivable more than twelve months after the reporting date.

18. Property, equipment and right-of-use assets

See accounting policy in Note 3 (i) and (j)

Consolidated and Separate	Freehold land and buildings	Leasehold land and buildings	Motor vehicles, computers, fixtures and fittings	Work in progress	Right of use assets	Total
Cost or valuation	MKm	MKm	MKm	MKm	MKm	MKm
Balance at 1 January 2020	**4,884**	**5,638**	**12,682**	**1,635**	**887**	**25,726**
Additions during the year	**176**	**-**	**1,153**	**123**	**298**	**1,750**
Revaluation during the year	**461**	**1,215**	**-**	**-**	**-**	**1,676**
Assets held for sale	**(395)**	**-**	**(177)**	**-**	**-**	**(572)**
Transfers during the year	**-**	**942**	**554**	**(1,496)**	**-**	**-**
Disposals/Terminations during the year	**-**	**-**	**(964)**	**(58)**	**(157)**	**(1,179)**
Balance at 31 December 2020	**5,126**	**7,795**	**13,248**	**204**	**1,028**	**27,401**
Balance at 1 January 2019	4,856	5,900	11,826	288	594	23,464
Additions during the year	28	-	1,712	1,615	294	3,649
Revaluation reversal during the year	-	(266)	-	-	-	(266)
Transfers during the year	-	27	241	(268)	-	-
Disposals during the year	-	(23)	(1,097)	-	(1)	(1,121)
Balance at 31 December 2019	4,884	5,638	12,682	1,635	887	25,726
Accumulated depreciation						
Balance at 1 January 2020	**179**	**1,040**	**7,249**	**-**	**267**	**8,735**
Depreciation charge for the year	**83**	**482**	**1,923**	**-**	**294**	**2,782**
Eliminated on revaluation	**(230)**	**(1,085)**		**-**	**-**	**(1,315)**
Assets held for sale	**(33)**	**-**	**(173)**	**-**	**-**	**(206)**
Transfers during the year	**1**	**-**	**(1)**	**-**	**-**	**-**
Eliminated on disposal	**-**	**-**	**(693)**	**-**	**(165)**	**(858)**
Balance at 31 December 2020	**-**	**437**	**8,305**	**-**	**396**	**9,138**

Consolidated and Separate	Freehold land and buildings	Leasehold land and buildings	Motor vehicles, computers, fixtures and fittings	Work in progress	Right of use assets	Total
Accumulated depreciation	MKm	MKm	MKm	MKm	MKm	MKm
Balance at 1 January 2019	75	590	6,360	-	-	7,025
Depreciation charge for the year	104	450	1,911	-	268	2,733
Eliminated on disposal	-	-	(1,022)	-	(1)	(1,023)
Balance at 31 December 2019	179	1,040	7,249	-	267	8,735
Carrying amount						
At 31 December 2020	**5,126**	**7,358**	**4,943**	**204**	**632**	**18,263**
At 31 December 2019	4,705	4,598	5,433	1,635	620	16,991

Eris Properties Malawi Limited independent valuers, valued land and buildings at 31 December 2020. Land and buildings were revalued by Ellen Chapinduka Nyasulu MBA, MSc RE, BA, Post grad Cert. Val, MSIM. Valuations were made on the basis of the open market value. The carrying values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to revaluation reserves and this reserve is not distributable until realised.

A register of freehold land and buildings is available for inspection at the registered office of the Company.

At 31 December 2020, **MK18,263 million** (2019: MK16,991 million) property and equipment and right-of-use assets are expected to be realised more than twelve months after the reporting date.

18. Property, equipment and right-of-use assets (continued)

The additions in the property and equipment have resulted in the improvement of the operating capacity of the Group.

The following table analyses property and equipment measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Fair value hierarchy	Level 1	Level 2	Level 3	Total
Consolidated and Separate	**MKm**	**MKm**	**MKm**	**MKm**
At 31 December 2020				
Freehold land and buildings	**-**	**-**	**5,126**	**5,126**
Leasehold land and buildings	**-**	**-**	**7,358**	**7,358**
	-	**-**	**12,484**	**12,484**
At 31 December 2019				
Freehold land and buildings	-	-	4,705	4,705
Leasehold land and buildings	-	-	4,598	4,598
	-	-	9,303	9,303

Level 3 fair value measurements - reconciliation

The following tables provide a reconciliation of the opening to closing balance for freehold and leasehold land and buildings that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Freehold land and buildings	Leasehold land and buildings	Total
	MKm	**MKm**	**MKm**
Opening Balance 1 January 2019	4,781	5,310	10,091
Acquisitions	28	-	28
Disposals	-	(23)	(23)
Reclassification to Inventory	-	-	-
Transfer from WIP	-	27	27
Amounts recognised in profit or loss	-	-	-
Depreciation and impairment	(104)	(450)	(554)
Gains/(losses) recognised in other comprehensive income	-	(266)	(266)
Closing balance 31 December 2019	4,705	4,598	9,303
Opening Balance 1 January 2020	**4,705**	**4,598**	**9,303**
Acquisitions	**176**	**-**	**176**
Disposals	**-**	**-**	**-**
Reclassification to assets held for sale	**(362)**	**-**	**(362)**
Transfer from WIP	**(1)**	**942**	**941**
Amounts recognised in profit or loss			**-**
Depreciation and impairment	**(83)**	**(482)**	**(565)**
Gains/(losses) recognised in other comprehensive income and income statement	**691**	**2,300**	**2,991**
Closing balance 31 December 2020	**5,126**	**7,358**	**12,484**

Valuation techniques used to determine level 3 fair values

The Group obtains independent valuations for its freehold land and buildings (classified as property and equipment) at least every three years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The following was taken into account in the revaluations (valuation inputs) which informs the basis supports the "Value" indicated notwithstanding the "Cost" of investment in the refurbishment project. In coming up with the valuation, the following factors were considered but not limited to;

- Traffic congestions
- Demand for office space compared to retail space
- Rental concessions and escalation holidays due to COVID-19
- Crowd congestion hence compromised security (relating to specific properties)

If the land and buildings were stated on the historical cost basis, the carrying amounts would be as follows:

	Consolidated and Separate	
	2020	2019
	MKm	MKm
Cost	**6,948**	7,238
Accumulated depreciation and impairment losses	**(3,417)**	(3,080)
Net carrying amount	**3,531**	4,158

19. Intangible assets – software

See accounting policy in Note 3 (k)

Cost		
Balance at 1 January	**21,883**	21,823
Additions during the year	**387**	60
Balance at 31 December	**22,270**	21,883
Accumulated amortisation and impairment losses		
Balance at 1 January	**3,791**	2,336
Amortisation during the year	**1,491**	1,455
Balance at 31 December	**5,282**	3,791
Carrying amount	**16,988**	18,092

Intangible asset additions were purchased during the year.

At 31 December 2020, **MK16,988 million** (2019: MK18,092 million) intangible assets are expected to be realised more than twelve months after the reporting date.

20. Deferred tax assets and liabilities

See accounting policy in Note 3 (n)

Analysis of deferred tax assets and liabilities in the consolidated and separate statements of financial position is as follows:

	Deferred tax asset		Deferred tax Liability		Net	
Consolidated	**2020**	2019	**2020**	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm	**MKm**	MKm
Other provisions	**1,991**	1,912	**-**	-	**1,991**	1,912
Impairment charges on loans and advances, financial investments and off-balance sheet items	**1,590**	1,143	**-**	-	**1,590**	1,143
Property and equipment and intangibles	**-**	-	**(4,829)**	(3,931)	**(4,829)**	(3,931)
Fair value adjustments and receivables	**-**	226	**(1,905)**	(3,273)	**(1,905)**	(3,047)
Revaluation reserve	**-**	-	**(1,296)**	(333)	**(1,296)**	(333)
	3,581	3,281	**(8,030)**	(7,537)	**(4,449)**	(4,256)
Separate						
Other provisions	**1,991**	1,912	**-**	-	**1,991**	1,912
Impairment charges on loans and advances, financial investments and off-balance sheet items	**1,593**	1,143	**-**	-	**1,593**	1,143
Property and equipment and intangibles	**-**	-	**(4,829)**	(3,931)	**(4,829)**	(3,931)
Fair value adjustments and receivables	**-**	222	**(1,908)**	(3,273)	**(1,908)**	(3,050)
Revaluation reserve	**-**	-	**(1,296)**	(333)	**(1,296)**	(333)
	3,584	3,277	**(8,033)**	(7,537)	**(4,449)**	(4,259)

Deferred tax is calculated, in full, on all temporary differences under the liability method using the enacted tax rate of **30%** (2019:30%). The movement on the deferred tax account is as follows:

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm
Balance at 1 January	**(4,256)**	(3,015)	**(4,259)**	(3,050)
Profit or loss (Note 38)	**769**	(1,176)	**772**	(1,144)
Movement through OCI	**(962)**	(65)	**(962)**	(65)
Balance at 31 December	**(4,449)**	(4,256)	**(4,449)**	(4,259)

At 31 December 2020, **MK4,449 million** (2019: MK4,256 million) deferred tax liabilities are expected to be settled more than twelve months after the reporting date.

	As at 1 January 2020 MKm	(Charged)/ credited to profit or loss MKm	(Charged)/ credited to equity MKm	As at 31 December 2020 MKm
Consolidated				
Other provisions	1,912	**79**	**-**	**1,991**
Expected credit losses on loans and advances, financial investments and off-balance sheet items	1,143	**447**	**-**	**1,590**
Property and equipment	(3,931)	**(898)**	**-**	**(4,829)**
Fair value adjustments and receivables	(3,047)	**1,141**	**1**	**(1,905)**
Revaluation reserve	(333)	**-**	**(963)**	**(1,296)**
	(4,256)	**769**	**(962)**	**(4,449)**

20. Deferred tax assets and liabilities (Continued)

	As at 1 January 2020 MKm	(Charged)/ credited to profit or loss MKm	(Charged)/ credited to equity MKm	As at 31 December 2020 MKm
Separate				
Other provisions	1,912	**79**	-	**1,991**
Expected credit losses on loans and advances, financial investments and off-balance sheet items	1,143	**450**	-	**1,593**
Property and equipment	(3,931)	**(898)**	-	**(4,829)**
Fair value adjustments and receivables	(3,050)	**1,141**	**1**	**(1,908)**
Revaluation reserve	(333)	-	**(963)**	**(1,296)**
	(4,259)	**772**	**(962)**	**(4,449)**

21. Trading liabilities

See accounting policy in Note 3 (f)

	Consolidated		Separate	
	2020	2019	**2020**	2019
Trading liabilities:	**MKm**	MKm	**MKm**	MKm
Day one gain on foreign currency SWAPs	-	454	-	454

The Group enters into derivative transactions with corporate clients. The transaction price in the market in which these transactions are undertaken may be different from the fair value in the Group's principal market for those instruments, which is the wholesale dealer market.

On initial recognition, the Group estimates the fair values of derivatives transacted with corporate clients using valuation techniques. In many cases, all significant inputs into the valuation techniques are wholly observable – e.g. with reference to information from similar transactions in the wholesale dealer market.

If not all of the inputs are observable – e.g. because there are no observable trades in a similar risk at the trade date – then the Group uses valuation techniques that include unobservable inputs.

22. Deposits and loans from banks

See accounting policy in Note 3 (c)

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm
Balances due to related banks (Note 44)	**15,033**	22,231	**15,033**	22,231
Balances due to other banks	**15,278**	701	**15,278**	693
	30,311	22,932	**30,311**	22,924

Maturity analysis

The maturities represent periods to contractual redemption of the deposit from banks recorded.

Redeemable on demand	**2,790**	959	**2,790**	952
Maturing within 1 month	**17,275**	20,961	**17,275**	20,960
Maturing after 1 month but within 6 months	**10,246**	1,012	**10,246**	1,012
	30,311	22,932	**30,311**	22,924

23. Deposits from customers

See accounting policy in Note 3 (c)

Personal and Business Banking				
Current and demand deposits	**84,476**	68,959	**84,476**	68,959
Savings accounts	**25,112**	22,261	**25,112**	22,261
Fixed deposit accounts	**15,361**	14,356	**15,361**	14,356
Foreign currency deposit accounts	**26,127**	20,261	**26,127**	20,261
	151,076	125,837	**151,076**	125,837
Corporate and Investment Banking				
Current and demand deposits	**59,673**	44,815	**63,202**	47,679
Savings accounts	**2,755**	2,062	**2,755**	2,062
Fixed deposit accounts	**43,188**	14,794	**43,188**	14,794
Foreign currency deposit accounts	**58,064**	54,574	**58,064**	54,623
	163,680	116,245	**167,209**	119,158
Total deposits from customers	**314,756**	242,082	**318,285**	244,995

At 31 December 2020, **MK61 million** (2019: MK17 million) of deposits from customers are expected to be settled more than twelve months after the reporting date.

Included in customer deposits were deposits of **MK934 million** (2019: MK516 million) held as collateral for irrevocable commitments under import letters of credit and guarantees.

Some deposits carry fixed interest rates. Most customer deposits are at variable rate (see note 42).

23. Deposits from customers (continued)

Maturity analysis

The maturities represent periods to contractual redemption of the deposit and current accounts recorded.

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm
Redeemable on demand	**304,545**	232,745	**308,074**	235,658
Maturing within 1 month	**5,787**	5,132	**5,787**	5,132
Maturing after 1 month but within 3 months	**3,592**	2,686	**3,592**	2,686
Maturing after 3 months but within 6 months	**409**	1,297	**409**	1,297
Maturing after 6 months but within 12 months	**362**	205	**362**	205
Maturing after 12 months	**61**	17	**61**	17
	314,756	242,082	**318,285**	224,995

24. Other liabilities

See accounting policy in note 3 (c)

	Consolidated		Separate	
Items in transit	**452**	341	**452**	341
Lease liabilities (Note 24.1)	**716**	580	**716**	580
Trade payables	**120**	57	**120**	57
Accruals	**3,976**	2,980	**3,976**	2,980
Due to Standard Bank of South Africa (Note 44)	**5,158**	2,095	**5,158**	2,095
Contract liabilities -deferred income (Note 24.2)*	**1,411**	1,336	**1,411**	1,336
Unclaimed balances	**2,049**	1,743	**2,049**	1,743
Other**	**1,827**	2,507	**1,829**	2,501
	15,709	11,639	**15,711**	11,633

*Contract liabilities -deferred income of **MK1,411 million** (2019: MK1,336 million) is not included in the analysis of credit, liquidity and market risk under the Risk management section and Accounting classifications and fair values of financial instruments section.

**Included within items in other are cheques in course of collection, credits outstanding and point of sale transactions.

At 31 December 2020, **MK Nil** (2019: MK Nil) other liabilities are payable more than twelve months after the reporting date.

24.1 Reconciliation of lease liabilities

	Consolidated and Separate					
	Balance at 1 January 2020	**Additions**	**Early terminations/ Cancellations**	**Interest expense**	**Payments***	**Balance at 31 December 2020**
	MKm	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Buildings	**580**	**283**	**-**	**77**	**(224)**	**716**
Total	**580**	**283**	**-**	**77**	**(224)**	**716**

*These amounts include the principal lease repayments as disclosed in the statements of cash flows of MK147 million for Consolidated and Separate. The remainder represents interest expense paid during the year.

24.2 Contract liabilities -deferred income

The group has recognised the following liabilities related to contracts with customers	Consolidated and Separate	
	2020	2019
	MKm	MKm
Letters of credit and guarantees	**320**	467
Other - loan commitments/origination	**1,091**	869
Total	**1,411**	1,336

Significant changes in contract liabilities

Contract liabilities in the year increased as a result of growth of the gross carrying amount of loans and advances to customers which resulted in a corresponding increase in loan origination fees during the year, see note 14.Contract liabilities from letters of credit and guarantees decreased during the year as a result of recognition of income during the year.

25. Income tax payable

See accounting policy in Note 3 (n)

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm
Balance at 1 January	**1,941**	408	**1,855**	264
Provisions raised during the year (Note 38)	**12,818**	6,317	**12,511**	6,017
Income tax payments during the year	**(10,592)**	(4,652)	**(10,355)**	(4,296)
Tax credits utilised during the year	**(136)**	(132)	**(125)**	(130)
Balance at 31 December	**4,031**	1,941	**3,886**	1,855

At 31 December 2020, **MK Nil** (2019: MK Nil) income tax is payable more than twelve months after the reporting date.

26. Provisions

See accounting policy in Note 3 (m)

	Consolidated and Separate			
	Performance and deferred bonus	Sundry*	Expected credit loss for off-balance sheet exposures	Total
	MKm	MKm	MKm	MKm
Balance at 1 January 2020	**2,295**	**1,856**	**180**	**4,331**
Provisions raised during the year	**2,134**	**793**	**133**	**3,060**
Provisions released during the year	**(2,296)**	**(588)**	**(39)**	**(2,923)**
Balance at 31 December 2020	**2,133**	**2,061**	**274**	**4,468**

Performance and deferred bonus

A significant portion of the provisions are staff performance based bonuses which are expected to be settled in full by the first quarter of the year 2021. There are no uncertainties relating to the amount and timing of the cash outflows for sundry provisions.

*Included within sundry provisions are severance pay provisions for ex staff and retired employees whose cases are in court, legal provisions for outstanding court cases and sundry provisions.

Reconciliation of expected credit losses for off-balance sheet exposures

	Consolidated and Separate
	MKm
Stage 1 impairments:	
Balance at 1 January 2020	**180**
Impairment loss for the year:	
ECL on new exposure raised	**133**
Subsequent change in ECL	**(1)**
Change in ECL due to derecognition	**(38)**
Net impairments raised	**94**
Other movements	**-**
Balance at 31 December 2020	**274**

Loss allowance

The ECL on new exposures raised primarily relates to the growth in the gross carrying amount of off-balance sheet exposures (see Note 41).

27. (i) Share capital

	Consolidated and Separate	
	2020 MKm	2019 MKm
Issued and fully paid up as at 31 December	**234**	234

At 31 December 2020, the total authorised share capital comprised 240 million ordinary shares of MK1 each (31 December 2019: 240 million ordinary shares of MK1 each).

(ii) Share premium

Issue of shares at a premium at 31 December	**8,492**	8,492

28. Reserves

(i) Revaluation reserve

(i) Revaluation reserve		
Balance at 1 January	**7,347**	7,533
Revaluation surplus during the year	**3,209**	(266)
Deferred tax on revaluation surplus	**(963)**	80
Balance at 31 December	**9,593**	7,347

The revaluation reserve comprises the surplus on revaluation of the Group's land and buildings in accordance with the Group's policy on land and buildings. The carrying values of the properties were adjusted to the revalued amounts and the resultant surplus, net of deferred tax, was credited to revaluation reserves in shareholders' equity and this reserve is not distributable until realised.

28. Reserves (continued)

(ii) Fair value through OCI reserve

	Consolidated and Separate 2020 MKm	2019 MKm
Balance at 1 January	**177**	(151)
Expected credit losses on financial instruments at fair value through OCI	**(3)**	(12)
Net gain/(loss) from changes in fair value	**(5)**	485
Deferred income taxes	**1**	(145)
Balance at 31 December	**170**	**177**

(iii) Retained earnings

	Consolidated 2020 MKm	Consolidated 2019 MKm	Separate 2020 MKm	Separate 2019 MKm
Balance at 31 December	**70,989**	61,211	**68,321**	59,303
Dividends declared and paid	**(7,500)**	(6,101)	**(7,500)**	(6,101)
Profit for the year	**23,743**	15,879	**23,041**	15,119
Balance at 31 December	**87,232**	70,989	**83,862**	68,321

29. Net interest income

See accounting policy in Note 3(p)

	Consolidated 2020 MKm	Consolidated 2019 MKm	Separate 2020 MKm	Separate 2019 MKm
Interest income				
Loans and advances	**25,623**	21,131	**25,623**	21,131
Investment securities	**18,348**	17,322	**18,348**	17,322
Cash and short term funds	**2,338**	4,718	**2,323**	4,710
	46,309	43,171	**46,294**	43,163
Interest expense				
Customer deposits	**5,001**	4,027	**5,022**	4,027
Deposits by banks	**48**	134	**48**	134
Borrowed funds	**47**	133	**47**	133
	5,096	4,294	**5,117**	4 294
Net interest income	**41,213**	38,877	**41,177**	38,869

Total interest income and expense calculated using the effective interest rate method reported above that relate to financial assets or financial liabilities that are not valued at fair value through profit or loss are **MK46,309 million** (2019: MK43,171 million) and **MK5,096 million** (2019: MK4,294 million) respectively.

30. Net fee and commission income

See accounting policy in Note 3 (s)

	Consolidated and Separate 2020 MKm	2019 MKm
Fee and commission income		
Point of representation fees	**1,330**	1,315
Card based commissions	**2,223**	2,039
Electronic banking fees	**1,815**	2,015
Foreign currency service fees	**1,702**	1,718
Documentation and administration fees	**4,513**	3,906
Knowledge based fees	**449**	288
Insurance commission	**926**	694
Penalty based fees	**99**	156
Guarantee fees	**1,623**	1,151
ATM fees	**89**	101
Other	**878**	407
	15,647	13,790
Fee and commission expense		
Interbank transactions	**(1,364)**	(1,080)
Net fee and commission income	**14,283**	12,710

All fee and commission revenue/ (expense) reported above relates to financial assets or liabilities not carried at fair value through profit or loss for the Group and Company.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Consolidated and Separate 2020 MKm	2019 MKm
Revenue recognised that was included in the contract liability balance at the start of the period		
Letters of credit and guarantees	**1,273**	1,382
Other -overdrafts and loan origination (recognised in interest income)	**1,230**	793
	2,503	2,175

Refer to accounting policy in Note 3(s) that describes the types of revenues recognised on a point in time basis and on the overtime basis.

31. Trading income

See accounting policy in Note 3 (t)

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm
Foreign exchange	**11,959**	8,465	**10,871**	7,182
Trading income on debt securities	**600**	652	**600**	652
	12,559	9,117	**11,471**	7,834

32. Other operating income

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm
Sundry income	**185**	152	**241**	216

33. Other gains and losses on financial instruments

See accounting policy in Note 3(g)

	Consolidated and Separate	
	2020	2019
	MKm	MKm
Gains on debt realisation of financial assets measured at fair value through OCI	**1,462**	-

34.1 Credit impairment charges

See accounting policy in Note 3 (g)

Net expected credit losses raised and released		
- Loans and advances to banks (Note 13)	**4**	(133)
- Loans and advances to customers (Note 14)	**3,320**	2,300
- Financial investments (Note 15)	**184**	55
- Letters of credit, bank acceptances and guarantees (Note 26)	**94**	10
Recoveries on loans and advances previously written off	**(1,982)**	(360)
Modification (gains) and losses on distressed financial assets (Note 14)	**2**	-
	1,622	1,872

34.2 Recovery from insurance policy relating to previously written off exposures

	Consolidated	
	2020	2019
	MKm	MKm
Recovery from insurance policy relating to previously written off exposures	**7,105**	-

In 2017, the bank suffered a loss from Cotton Ginners Africa Limited (CGAL) who defaulted on a credit facility amounting to US$11.93 million. This loss incident was largely a result of fraud. The Bank instituted action against CGAL and the Guarantors of the deal in a bid to recover the amounts owed to the Bank and an insurance claim was also pursued by the Bank with Stanbic International Insurance Limited. On 4 February 2020, Stanbic International Insurance Limited accepted the claim and committed to settle US$9.6 million. Therefore, a recovery of MK7,105 million (at the date of exchange) was recognised in the year 2020.

35. Staff costs

	Consolidated and Separate	
	2020	2019
	MKm	MKm
Salaries and allowances	**14,693**	13,822
Share options scheme	**-**	(3)
Retirement benefit costs	**1,309**	1,215
	16,002	15,034

36. Depreciation and amortisation

See accounting policy in Note 3(i) and (k)

Depreciation (Note 18)	**2,782**	2,733
Amortisation of intangible assets (Note 19)	**1,491**	1,455
	4,273	4,188

37. Other operating expenses

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm
Franchise fees	**2,125**	1,718	**2,125**	1,718
Auditor's remuneration and fees for other services	**198**	187	**198**	187
Motor vehicle and fuel costs	**183**	198	**183**	198
Software and IT costs	**4,744**	4,104	**4,744**	4,104
Communication costs	**987**	817	**987**	817
Travel and entertainment expenses	**619**	906	**619**	906
Recurrent expenditure on property and equipment	**1,095**	903	**1,095**	903
Marketing and advertising expenses	**603**	690	**603**	690
Stationery and printing expenses	**212**	153	**212**	153
Training expenses	**221**	349	**221**	349
Insurance and security costs	**2,709**	2,460	**2,709**	2,460
Premises expenses	**277**	267	**277**	267
Professional fees	**564**	437	**508**	437
Indirect taxes	**2,260**	1,985	**2,260**	1,974
Operational risk losses	**366**	162	**366**	151
Administration and membership fees	**108**	115	**108**	115
Commission paid	**319**	263	**319**	148
Coverage expenses	**318**	(226)	**318**	(226)
Other expenses	**1,210**	902	**1,210**	904
	19,118	16,390	**19,062**	16,255

38. Income tax expense

See accounting policy in Note 3(n)

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	Mkm
See accounting policy in Note 3(n)				
Current tax @ 30% (2019: 30%) - Current	**12,818**	6,317	**12,511**	6,017
Deferred tax (Note 20)	**(769)**	1,176	**(772)**	1,144
	12,049	7,493	**11,739**	7,161

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	Mkm
Profit before income tax expense	**35,792**	23,372	**34,780**	22,280
Tax calculated at the statutory tax rate of 30%	**10,738**	7,012	**10,434**	6,684
Tax effect of:				
Expenses not deductible for tax purposes	**1,386**	693	**1,380**	689
Non-taxable income for tax purposes	**(75)**	(212)	**(75)**	(212)
Total income tax expense in profit or loss	**12,049**	7,493	**11,739**	7,161

39. Earnings per share

See accounting policy in Note 3(u)

Net profit attributable to equity holders (MKm)	**23,743**	15,879	**23,041**	15,119
Weighted average number of ordinary shares in issue (millions)	**234**	234	**234**	234
Basic earnings per share (expressed in MK per share)	**101.47**	67.86	**98.47**	64.61
Diluted earnings per share (expressed in MK per share)	**101.47**	67.86	**98.47**	64.61

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

40. Dividends per share

See accounting policy in Note 3(o)

Interim dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. The directors resolved to pay a second interim dividend of **MK12.78** (2019:Nil) per ordinary share representing **MK3 billion** (2019:Nil) and proposed a final dividend in respect of the year ended 31 December 2020 of **MK21.31** (2019: MK21.31) per ordinary share representing **MK5 billion** (2019: MK5 billion).

An interim dividend of **MK10.65** (2019: MK8.95) per ordinary share representing **MK2.5 billion** (2019: MK2.1 billion) was paid in the year and therefore total dividend for the year is **MK44.74** per share (2019: MK30.26), amounting to a total of **MK10.5 billion** (2019: MK7.1 billion).

41. Unrecognised financial instruments, contingent liabilities and commitments

a) Legal proceedings

There are a number of legal proceedings outstanding against the Group as at 31 December 2020. The defence against these claims and litigation costs are estimated to cost **MK1,493 million** (2019: MK1,023 million). Management is accordingly satisfied that the legal proceedings currently pending against the Group should not have a material adverse effect on the Group's consolidated financial position and the directors are satisfied that the Group has adequate provisions in place to meet claims that may succeed.

b) Capital commitments and contingent liabilities

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

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

	Consolidated and Separate	
	2020	2019
	MKm	MKm
Contingent liabilities		
Acceptances and letters of credit	**18,056**	14,263
Guarantees and performance bonds	**125,465**	96,666
	143,521	110,929

	Consolidated and Separate	
	2020	2019
	MKm	MKm
Commitments		
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**48,066**	26,678
Authorised but not yet contracted capital commitments on property and equipment	**1,048**	537
	49,114	27,215

Included in undrawn formal stand-by facilities, credit lines and other commitments to lend are irrevocable commitments amounting to **MK14,936 million** (2019: MK263 million).

c) Malawi Revenue Authority (MRA) tax audit

MRA conducted a transfer pricing audit covering the years 2012 to 2019 and issued a preliminary letter of findings. In its preliminary letter of findings, MRA intended to disallow franchise fees which were deemed not to be at arm's length as per Section 127A of the Taxation Act. MRA believes that an appropriate mark up on the actual cost of services rendered will be the ideal remuneration as opposed to the current franchise arrangement.

The Group had several engagements with MRA during the year. In its subsequent report, MRA was of the view was that the bank needs to justify its benchmark study due to the fact that the comparable used in the benchmarking process while in the financial industry were not specific to the banking sector.

As at the time of issue of the report, the Group had submitted further information as requested by the regulator.

d) Operating lease commitments

The future minimum payments under non-cancellable operating leases are as follows:

	Consolidated and Separate	
	2020	2019
	MKm	MKm
Low value assets and short-term leases (IFRS 16)		
Within 1 year	**3**	29
	3	29

42. Effective interest rates of financial assets and financial liabilities

The effective interest rates for the principal financial assets and liabilities at 31 December were in the following ranges:

Consolidated and Separate	2020 In MK	2020 In US$
Assets		
Government securities	12.51%-16.20%	-
Deposits with banking institutions	9.84%-18.61%	0.01%-0.39%
Loans and advances to customers	12.7% - 26.30%	4.73% - 10.0%
Liabilities		
Customer deposits	0.1% -13.25%	0.1% - 4.0%

Consolidated and Separate	2019 In MK	2019 In US$
Assets		
Government securities	15.73% - 16.21%	-
Deposits with banking institutions	9.75%-14.42%	1.92% - 2.68%
Loans and advances to customers	14.06% - 20.60%	4.73% - 8.81%
Liabilities		
Customer deposits	0.04%-7.31%	0.06%-0.45%

43. Statement of cash flows notes:

43.1 Adjusted for non-cash items included in the income statement

	Consolidated		Separate	
	2020	2019	**2020**	2019
	MKm	MKm	**MKm**	MKm
Armotisation of intangibles (note 36)	**1,491**	1,455	**1,491**	1,455
Depreciation of property and equipment and ROU (note 36)	**2,782**	2,733	**2,782**	2,733
Expected credit losses (note 34.1)	**3,602**	2,232	**3,602**	2,232
Modification loss on distressed financial assets (note 34.1)	**2**	-	**2**	-
Other gains and losses on financial instruments (note 33)	**(1,462)**	-	**(1,462)**	-
Loss on sale of property and equipment	**317**	39	**317**	39
Revaluation loss on property and equipment	**217**	-	**217**	-
Fair value adjustments to derivatives assets	**(1)**	(232)	**(1)**	(232)
Fair value adjustments to derivatives liabilities	**(127)**	82	**(127)**	82
Fair value adjustments to trading liabilities	**(453)**	10	**(453)**	10
Fair value adjustments to trading assets	**6**	16	**6**	16
Spread provision adjustment	**56**	(31)	**56**	(32)
Interest income	**(46,309)**	(43,171)	**(46,294)**	(43,163)
Interest expense	**5,096**	4,294	**5,117**	4,294
	(34,783)	(32,573)	**(34,747)**	(32,566)

43.2 Increase in income-earning assets

	Consolidated		Separate	
	2020	2019*	**2020**	2019*
	MKm	MKm	**MKm**	MKm
Trading assets	**(2,327)**	10,504	**(2,327)**	10,504
Pledged assets	**(12,928)**	-	**(12,928)**	-
Financial investments	**(44,139)**	(11,626)	**(44,139)**	(11,626)
Loans and advances to banks	**(20,618)**	15,881	**(20,596)**	15,794
Loans and advances to customers	**(18,857)**	(38,042)	**(18,575)**	(37,702)
Other assets	**(289)**	(932)	**(293)**	(912)
	(99,158)	(24,215)	**(98,858)**	(23,942)

43.3 Increase in deposits and other liabilities

	Consolidated 2020	Consolidated 2019*	Separate 2020	Separate 2019*
Deposits and loans from banks	**6,472**	(11,711)	**6,480**	(11,723)
Deposits from customers	**68,527**	12,148	**69,143**	12,486
Other liabilities	**3,945**	4,186	**3,952**	4,182
	78,944	4,623	**79,575**	4,945

43.4 Analysis of cash and cash equivalents as shown in the statement of cash flows

	Consolidated 2020	Consolidated 2019*	Separate 2020	Separate 2019*
Cash and balances with Reserve Bank of Malawi (note 8)	**29,465**	22,870	**29,353**	22,603
Less: Balances with banks overdrawn	**(267)**	-	**(267)**	-
	29,198	22,870	**29,086**	22,603

For the purposes of the cash flow statements, cash and cash equivalents comprise balances with Reserve Bank of Malawi less balances with banks overdrawn.

*Statement of cashflows for 2019 has been restated to align with Standard Bank Group Policy, refer to note 3(y).

44. Related party transactions

The Group is controlled by Stanbic Africa Holdings Ltd, a Bank incorporated in the United Kingdom. The ultimate parent company of the Group is Standard Bank Group Limited, incorporated in the Republic of South Africa. There are other companies which are related to Standard Bank PLC through common shareholdings.

In the normal course of business, a number of banking transactions are entered into with related parties. These include loans, deposits and foreign currency transactions. The parent company also provides professional and technical consultancy services for which it charges agreed rates. The outstanding balances at the year end and related expense and income for the year are as follows:

	Separate	
	2020	2019
	MKm	MKm
Balances due from related parties		
Derivative assets		
Standard Bank of South Africa – Fellow subsidiary	**79**	105
Loans and advances to banks		
Standard Bank of South Africa – Fellow subsidiary	**581**	43
Standard Bank Mauritius – Fellow subsidiary	**28,610**	-
Stanbic Kenya – Fellow subsidiary	**-**	3
Balances due from related banks (Note 13)	**29,191**	46
Loans and advances to customers		
Balances due from directors and other key management personnel	**995**	790
Balances due from other related parties	**37**	327
	1,032	1,117
Other assets		
Balance due from Standard Bank Bureau De Change Limited - subsidiary	**31**	12
Balance due from Standard Bank of South Africa – Fellow subsidiary	**88**	132
	119	144
Interest income earned from related banks	**43**	273
Trading income from related banks	**2**	59
Franchise fees earned from Standard Bank Bureau De Change Limited	**56**	64

The amounts due from related party banks relate to nostro accounts and are not secured.

The amounts due from related party banks are at market related interest rates and are short term in nature.

The loans issued to directors are repayable over two years and are granted at market related interest rates and are secured by the asset being purchased. The loans issued to key management personnel follow staff loans policy.

No stage 3 expected credit losses have been recorded against balances with related parties outstanding during the year.

	Separate	
	2020	2019
	MKm	MKm
Balances due to related parties		
Deposits from customers		
Balances due to directors and other key management personnel	**85**	92
Balances due to other related parties	**5,447**	4,047
Standard Bank Bureau De Change Limited -Subsidiary	**3,529**	2,913
	9,061	7,052
Deposits and loans from banks		
Standard Bank of South Africa – Fellow subsidiary	**2,316**	3,577
Stanbic Zimbabwe – Fellow subsidiary	**1**	3
Stanbic Zambia – Fellow subsidiary	**10**	-
Standard Bank of South Africa Isle of Man Branch - Fellow subsidiary	**12,706**	18,651
Balances due to related party banks (Note 22)	**15,033**	22,231
Other liabilities		
Standard Bank of South Africa - Fellow subsidiary (Note 24)	**5,158**	2,095
Balances due to related parties	**5,158**	2,095
Derivative liabilities		
Standard Bank of South Africa – Fellow subsidiary	**115**	171
Contingencies		
Letter of guarantee – Standard Bank of South Africa – Fellow subsidiary	**5 001**	846
Letter of guarantee – Stanbic Botswana – Fellow subsidiary	**3,729**	-
	8,730	846
Key management compensation		
Salaries and other short-term benefits	**1,133**	1,263
Contributions to defined contribution plans	**143**	160
Share options	**-**	(3)
	1,276	1,420

44. Related party transactions (Continued)

	Separate	
	2020	2019
	MKm	MKm
Interest expense to related banks	**335**	622
Staff costs paid to related banks	**24**	14
Training cost to related banks	**3**	-
Franchise fees – Standard Bank of South Africa (Note 37)	**2,125**	1,718
Information technology fees and other services- Standard Bank of South Africa	**3,078**	2,033
Dividends paid - Stanbic Africa Holdings Limited	**4,513**	3,672
Directors remuneration		
Non-executive directors – fees	**46**	39
Non-executive directors – expenses	**49**	46
Executive directors salaries and other short-term benefits	**425**	376
	520	461

A listing of members of the Board of Directors is shown on first page of the directors' report.

The fees for the Directors for 2020 are as detailed below:

Dr. R Harawa	MK3.1million
Mr. R K Phiri	MK5.2million
Mr. A A Chioko	MK5.2million
Mr. J Patel	MK5.2million
Mr. A J W Chinula	MK5.2million
N.R Kanyongolo PhD	MK6.0million
Mrs. C Mtonda	MK5.2million
Mr. S Ulemu	MK5.2million
Mr. D Pinto	MK5.2million

45. Inflation and exchange rates

The foreign currencies affecting most the operations of the Group are United States Dollar, British Pound and South African Rand. The average of selling and buying exchange i.e. rate at year end of these currencies and the country's national index price which presents inflation rate were as follows:

	2020	2019	2018
United States Dollar (USD)	**773.11**	738.87	733.69
Sterling Pound (GBP)	**1,054.99**	976.05	938.76
South African Rand (ZAR)	**52.69**	52.75	50.99
Inflation rates as at 31 December (%)	**7.6**	11.5	9.9

As at the date of approval of the consolidated and separate financial statements, the exchange rates were as follows:

United States Dollar (USD)	**787.31**
Sterling Pound (GBP)	**1111.49**
South African Rand (ZAR)	**53.92**

46. Subsequent events

Subsequent to the reporting date, nothing has occurred requiring adjustments to and/or disclosure in the consolidated and separate financial statements.

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Tel: +265(0)1840166
Fax: +265(0)1844406
Email: sbmw.limbe@standardbank.co.mw

Luchenza Service Centre
P.O Box 154 Limbe
Tel: +265(0)1476448
Fax: +265(0)1476078
Email: sbmw.luchenza@standardbank.co.mw

Mangochi Service Centre
P0 Box 106 Mangochi
Tel: +265(0)1594377
Fax: +265(0)1594764
Email: sbmw.mangochgstandardbank.co.mw

Mponela Sevice Centre
P0 Box 109 Mponela
Tel: +265 (0) 1 286 382
Fax: +265 (0) 1 286 381
Email: sbmw.mponela@standardbank.co.mw

Mwanza Service Centre
P0 Box 1297 Blantyre
Tel: +265(0)1432341
Fax: +265(0)1432351
Email: sbmw.mwanzah@standarcibank_camw

Mzimba Service Centre
P.O Box 138 Mzimba
Tel: +265(0)1342400
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Email: sbmw.mzimba@standardbank.co.mw

Mzuzu Branch
P.O Box 104 Mzuzu
Tel: +265(0)132366
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Nchalo Service Centre
P.O Box 30050, Blantyre 3
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Email: sbmw.nchalo@standardbank.co.mw

Ntcheu Service Centre
P.O Box 302 Zomba
Tel: +265(0)1235455
Fax: +265(0)1235332
Email: sbmw.ntcheu@standardbank.co.mw

Salima Branch
P0 Box 62 Salima.
Tel: +265(0)1262544
Fax: +265(0)1262024
Email: sbmw.salima@standardbank.co.mw

Zomba Branch
P0 Box 302 Zomba
Tel: +265(0)1524144
Fax: +265(0)1524088
Email: sbmw.zomba@standardbank.co.mw

Head Office Switchboard

Airtel_ +265(0)9999015100
TNM_ +265(0)310005100
MTL_ +265(0)1785100

Regional Office Switchboard*

Airtel_ +265(0)9999015600
TNM_ +265(0)310005600
MTL_ +265(0)1785600

IT HelpDesk*

Airtel_ +265(0)9999015264
TNM_ +265(0)310005264
MTL_ +265(0)1785264

Customer Contact Centre Numbers

Personal banking 247 – toll free

Airtel_ +265(0)9999015001
TNM_ +265(0)885920001
MTL_ +265(0)1785001

Business Banking 242

Airtel_ +265(0)9999015002
TNM_ +265(0)885920002
MTL_ +265(0)1785002

Corporate Banking 248

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Footprint / in Malawi