Standard Bank

www.standardbank.co.mw

STANDARD BANK PLC

Annual Report for the year ended 31 December 2023

Standard Bank

STANDARD BANK PLC

ANNUAL REPORT

for the year ended 31 December 2023

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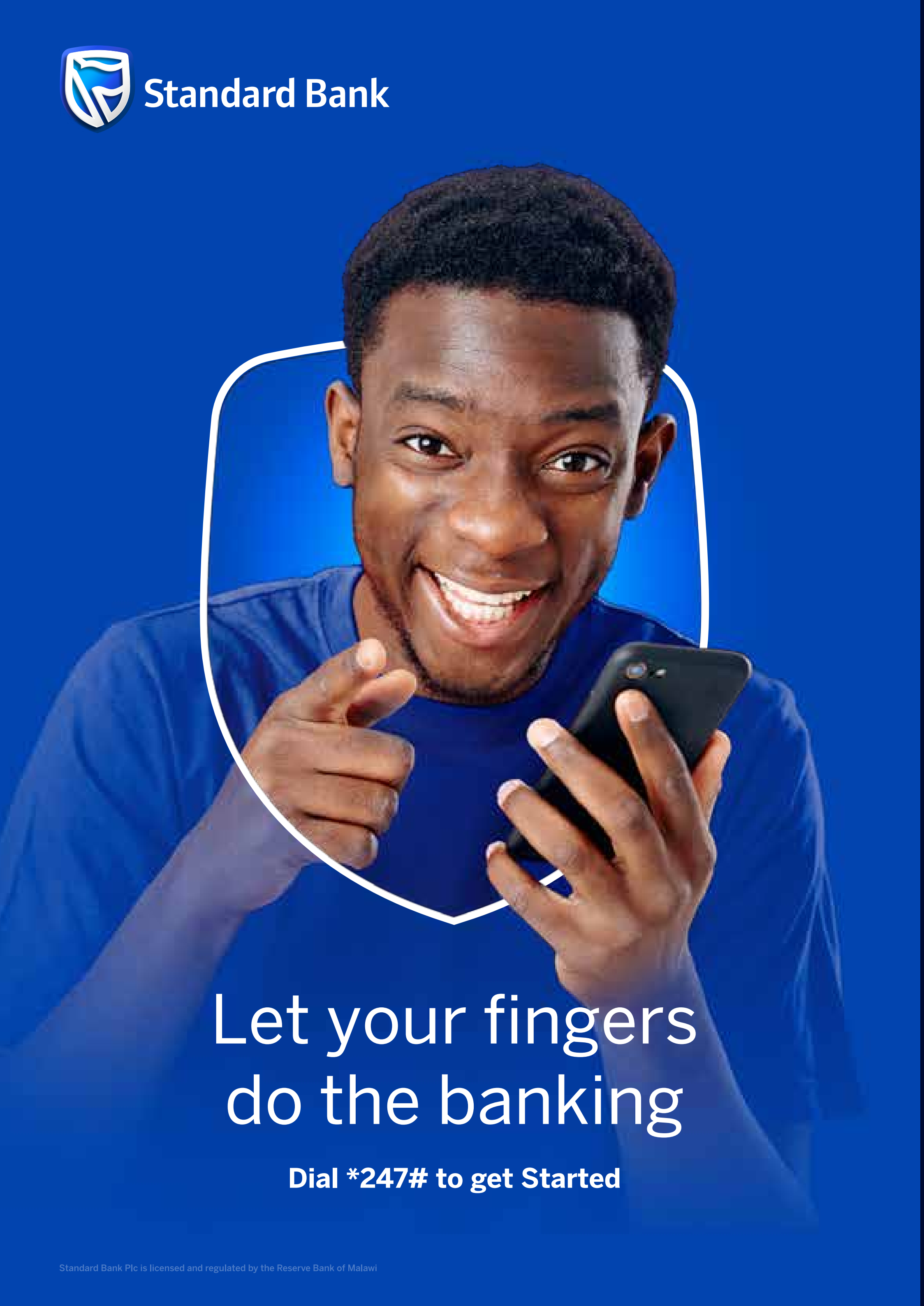
BRAND
2023 M.E.A.
INNOVATIVE IDEA OF THE YEAR
Awarded by Institute of Marketing in Malawi
Standard Bank Plc is licensed and regulated by the Reserve Bank of Malawi



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

Our Performance

CHAIRPERSON'S AND CHIEF EXECUTIVE'S REPORT

Mr. C. Kapanga
Chairperson

Mr. P. Madinga
Chief Executive

Economic Overview

The domestic economy is forecast to have grown by 1.5% in 2023 (2022: 0.9%); the slow growth being a result of a mix of challenges which dampened the level of economic activities across all sectors. The country experienced prolonged electricity power cuts at the beginning of 2023 and adverse weather conditions (Cyclone Freddy in the southern part as well as a drought in the northern part). This was compounded by foreign exchange shortages and high farm input costs. Headline inflation increased materially in the year and averaged 28.8% (2022: 21%). The rise in inflation rate was due to food price pressures, utility tariff hikes and a weakening Kwacha which eventually got devalued by a staggering 44% in November 2023. The Kwacha closed the year trading at MK1,698.79/US$, from MK1,034.67/US$ at the close of 2022. The Policy rate was adjusted twice in the year to close at 24% (2022: 18%) as authorities strived to contain inflation. The climax for the year and on a positive note, amid public debt pressures, was the return of the International Monetary Fund's (IMF's) 4-year Extended Credit Facility (ECF) programme worth US$174 million.

Performance

The Group continued to operate in a challenging operating environment due to foreign currency demand and supply imbalances and high inflation rate. In November 2023, the Reserve Bank of Malawi (RBM) devalued the Malawi Kwacha by 44% against the US Dollar which also affected the clearing prices of other major trading currencies. Despite the challenges in the operating environment, the Group showcased resilience, achieving growth in its balance sheet and higher profitability compared to the previous year.

The Group's profit after tax of MK52.5 billion was 34% above prior year. Total revenue grew by 57% year on year driven by growth in both net interest income and non-interest revenue. Net interest income grew by 60% year on year driven by a 6.3% upward adjustment of the base lending rate and increase in loans and advances to customers which grew by 25% year on year. The growth in interest earning assets was as a result of growth in deposits from customers which also grew by 33% year on year.

Non-interest revenue grew by 51% year on year. Net fees and commissions grew by 22% year on year driven by increase in transaction volumes. Trading revenue grew by 69% year on year buoyed by higher trading volumes.

Credit impairments were 112% up on prior year due to growth in the customer loan book which resulted in increase of performing related credit impairments as well as downgrades of some customers whose cash flows were affected by the tough economic environment. In addition, credit impairments also grew as a result of deteriorating macroeconomic factors which in turn impacted forward looking credit impairment drivers. The Group will continue its efforts to recover previously written off loans as well as focus on prudent risk taking and management.

Operating costs were 31% up on prior year impacted by increase in prices of goods and services as well as the impact of the 44% devaluation of the Kwacha which negatively impacted foreign currency denominated costs and also resulted in a one off exchange loss on the Group's foreign currency denominated liabilities. Our continued focus on ensuring secure platforms, automation and digitisation in line with strategy resulted into an increase in information technology related costs. We are on course to localise the core banking system in 2024 which will lead to enhanced customer experience and streamlined operations. The Group continues to focus on cost and process optimisation initiatives in order to achieve operational efficiency. As a result of higher revenue base and lower cost growth, the cost to income ratio reduced from 48% in prior year to 40% in the current year.

Earnings per share for the year increased from MK167.53 in 2022 to MK224.44 in 2023.

Strategy

The Bank's strategy is underpinned on our purpose which is, 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, changing lives of our people and the communities that we operate in.

To achieve our aspiration, we focus on Client Centricity where we promise to deliver value while driving digitisation to our clients. We offer the full range of an integrated suite of end-to-end management of wealth and banking solutions to businesses, institutions, individuals, and corporates. As a Group we are organised along three main business units: Personal and Private Banking (PPB), Business and Commercial Banking (BCB) and Corporate and Investment Banking (CIB).

The business units and corporate enabling functions work as an integrated whole to enable our business unit led strategy and service our client's financial needs in a seamless way. We understand that as a Group 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. Following the excellent execution of our strategy, the banking business was crowned Bank of the Year in Malawi for the second year running; 2023 Innovators in Finance - SME category both by Global finance; 1st place in quality, productivity, Innovation category by ECAM; Best Bank for CSR in Malawi plus Best Bank for Digital Solutions in Malawi by Euromoney Awards; and SBG Ubora Marketing Awards-acknowledging our social, economic, and environmental impact.

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 for the 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

Economic headwinds are likely going to continue mainly driven by unfavourable rate movements given the intention by authorities to keep the exchange rate more flexible. Adverse weather conditions will lower crop production and weigh down national income growth. Headline inflation may ease on the back of base effects emanating from food and foreign exchange markets. On the back of the IMF's ECF programme, the economy may see increased levels of foreign currency inflows for direct budgetary support and projects which will help anchor the exchange rate. Still, the economy critically needs to boost its capacity to generate more export earnings.

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 2023. We also thank our customers for their continued support without whom we would have not achieved this good result.

Mr. C. Kapanga
Chairperson

23 February 2024

Mr. P Madinga
Chief Executive

Awards

OUR EFFORTS IN DRIVING MALAWI'S GROWTH WERE RECOGNISED WITH THE BANK AWARDED FOR:

- **2023 Global Finance Winner**

  Top Innovations in Finance, SME category Phuka Incubator Hub

- **Global Finance**

  Best Bank of the Year in Malawi 2023

- **Euromoney**

  Best Bank for Digital Solutions in Malawi 2023

  Best Bank for CSR in Malawi 2023

- **Institute of Marketing in Malawi**

  Innovative Idea of the Year – Kenyatta Road Deal Profiling (Poetry)

  Local Marketing Campaign of the Year Brand – Be More Race

- **EMEA Finance**

  Best Investment Bank in Malawi

- **Employers' Consultative Association of Malawi (ECAM)**

  1st Place in Quality, Productivity Innovation Category

OUR SOCIAL-ECONOMIC AND ENVIRONMENTAL IMPACT

Our core purpose is to drive the growth of Malawi. We play our part in creating a sustainable future for all by serving our communities through impactful projects that change lives and move us closer to a brighter future.

Our Sustainability Approach

Standard Bank PLC is a purpose driven organization that aims to drive Malawi's growth. As a member of the Standard Bank Group, we are signatories to the United Nations Principles for Responsible Banking (UN PRB) and are committed to ensuring that our strategy is consistent with and contributes to society's needs and priorities, as expressed by the United Nations Sustainable Development Goals (UN SDGs), the Paris Agreement, the African Union's Agenda 2063, and sustainable banking frameworks.

We achieve our purpose by working through the seven focus areas of our Social, Economic, and Environmental (SEE) framework. This framework guides and enables us to deliver substantive impact in our market. The areas of focus are financial Inclusion; job creation and enterprise development; infrastructure; trade and investment; climate change and sustainable finance; education and health.

Our Approach to Corporate Social Investments

We pledge 1% of our net profit after tax to Social, Economic and Environmental (SEE) initiatives. To view our 2023 Sustainability Report, visit: www.standardbank.co.mw

All initiatives are screened and selected by our Corporate Social Investments Committee and Country Leadership Council.

Here are some of the key highlights:

Financial Inclusion

In 2023, Unayo facilitated more than 3,000 disbursements valued at over MK10 billion. Unayo disbursed funds to over 153,000 beneficiaries, majority being in rural and peri-urban areas. Allowing more Malawians to access financial services and most for the first time. Through Unayo, Standard Bank has been able to support various partners in the non-governmental organization/not-for-profit sector, international development partners, Government agencies and multinationals. While empowering Malawians from all walks of life to become active in the financial services economy.

OUR FLAGSHIP PROJECT: HEALTH

Zomba Central Hospital Ward Expansion

We are expanding and renovating the Maternity High Dependency Unit (HDU) at Zomba Central Hospital (ZCH) with a MK90 million contribution towards construction. The hospital is one of the two public tertiary hospitals in the Southern Region in Malawi. It caters for a catchment population of 4.6 million people and received patients from 35 health centres from six districts. The hospital conducts an average of 630 deliveries per month with some of those cases developing into life threatening complications requiring urgent intervention and close monitoring. Women who develop these cases are supported in the HDU that provides advanced care to the mother. Our initiative will go towards increasing space to facilitate improved access to quality healthcare for patients.

Youth, Women and Sustainable Development

Malawi Film Festival: Standard Bank partnered with Film Association of Malawi (FAMA) to host the second annual Malawi Film Festival under the theme: "Unveiling the Untold Stories of Malawi" with a sponsorship of MK5 million. 124 young people attended the Film Festival workshops and FAMA screened a total of 29 films of which 23 were produced in Malawi.

Education

Standard Bank – Press Trust Merit Scholarship Fund: The four-year scholarship fund concluded in 2023 with 63 students (88% of the initial 2020 cohort) completing their Malawi School Certificate Education (MSCE) exams with 100% pass rate. The Group invested MK29.8 million towards the Standard Bank - Press Trust Merit Scholarship in 2023.

Support for Needy University Students: We contributed MK20 million towards the Malawi University of Science and Technology (MUST) Endowment Fund that supports needy students and development of school infrastructure. The 2023 contribution brings our allocation to MK40 million over the 2 years (since 2022).

Health and Disaster Response

Supporting survivors of Tropical Cyclone Freddy: We supported the relief efforts by Malawi Redcross Society with MK90 million used to finance rescue missions and support in re-allocation of people to safety camps. The funds provided by Standard Bank were allocated to the five most heavily affected districts of Blantyre, Chikwawa, Phalombe, Thyolo and Chiradzulu. We provided relief to 2,060 households with an estimated reach of 10,000 people.

Cholera Response: We contributed MK30 million to the Presidential Taskforce of COVID-19 and Cholera to support the activities around mitigation and prevention particularly with the disasters spurred because of Cyclone Freddy.

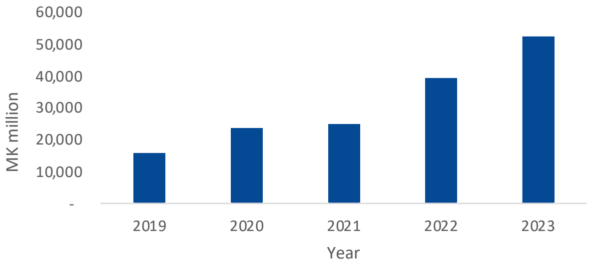
Review of Performance

PROFIT
AFTER TAX
MK52.5 billion

↑ 34%

24%	CAPITAL ADEQUACY RATIO	↑ 1%
27%	RETURN ON EQUITY (ROE)	
40%	COST TO INCOME RATIO	↓ 8%
MK294bn	LOANS AND ADVANCES TO CUSTOMERS	↑ 25%
MK791bn	DEPOSITS FROM CUSTOMERS	↑ 33%

5 Year Trend of Profit After Tax



Arranged and financed pre-export and trade facilities totaling
US$75 million
for the Tobacco and Petroleum sectors.

Our Business Structure

CORPORATE AND INVESTMENT BANKING (CIB)	PERSONAL AND PRIVATE BANKING (PPB)	BUSINESS AND COMMERCIAL BANKING (BCB)
Provides corporate and investment banking services to government, parastatals, larger corporates, financial institutions and international counterparties.	PPB segment is responsible for the end-to-end lifecycle of clients. PPB serves individual clients by enabling their daily lives through the provision of relevant solutions throughout their life journeys.	The BCB segment provides broad based client solutions for a wide spectrum of small and medium sized businesses as well as large commercial enterprises. Our client coverage support extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enable their growth.

Board of Directors

COMMITTEE MEMBERSHIPS

🟩 Board Credit
🟨 Board Human Capital
🟧 Board Innovation and Technology
🟥 Board Risk
🟪 Board Audit
⬡ Committee Chairperson

GENDER ♀ 7 / ♂ 9 /

① Christopher Kapanga ^{64}

Chairperson

QUALIFICATIONS
Master of Business Administration

APPOINTED AS DIRECTOR February 2023

APPOINTED AS BOARD CHAIRPERSON June 2023

② Ngeyi Ruth Kanyongolo PhD ^{54}

Chairperson

QUALIFICATIONS
PhD in Law (Warwick)

APPOINTED April 2013
RETIRED June 2023

③ Phillip Madinga ^{52}

Executive Director

QUALIFICATIONS
Master of Business Administration

APPOINTED June 2021

④ Norah Nsanja ACG ^{39}

Company Secretary

QUALIFICATIONS
Associate, the Chartered Governance Institute; Msc Finance and Financial Law

APPOINTED June 2019

⑨ Gladson Kuyeri ^{53}

Director

QUALIFICATIONS
Master of Communications Management

COMMITTEES 🟥⬡ 🟧

APPOINTED June 2022

⑩ Christina Chithila ^{50}

Director

QUALIFICATIONS
Master of Business Administration

COMMITTEES 🟪

APPOINTED June 2023

⑪ Maziko Sauti-Phiri ^{61}

Director

QUALIFICATIONS
Master of Laws

COMMITTEES 🟥 🟨

APPOINTED June 2023

⑫ Catherine Mtonda ^{62}

Director

QUALIFICATIONS
Master of Business Administration

COMMITTEES 🟪⬡

APPOINTED April 2013
RETIRED June 2023

⑤ Alex Mkandawire ^{61}

Director

QUALIFICATIONS
Fellow Member of the Association of Chartered Certified Accountants

COMMITTEES 🟪⬡

APPOINTED June 2021

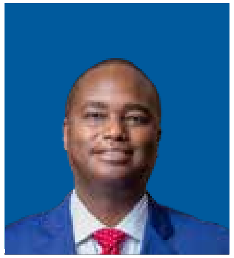
⑥ Sharon Taylor ^{55}

Director

QUALIFICATIONS
Bachelor of Commerce

COMMITTEES 🟨

APPOINTED June 2020



⑦ Patrick Mweheire ^{53}

Executive Director

QUALIFICATIONS
Master of Business Administration

COMMITTEES 🟩

APPOINTED June 2022

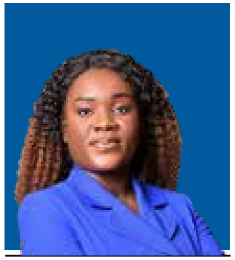
⑧ Alan Chinula SC ^{66}

Director

QUALIFICATIONS
LL.B Honours

COMMITTEES 🟨 🟥

APPOINTED April 2013
RETIRED June 2023



⑬ Rachel Sibande PhD ^{37}

Director

QUALIFICATIONS
PhD in Computer Science

COMMITTEES 🟩⬡ 🟨 🟧

APPOINTED June 2021

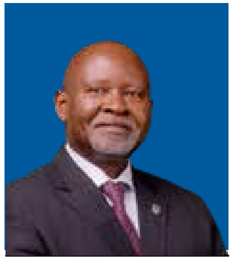
⑭ David Pinto ^{50}

Director

QUALIFICATIONS
BCom Management Finance

COMMITTEES 🟧⬡ 🟥

APPOINTED May 2017



⑮ Shadreck Ulemu ^{64}

Director

QUALIFICATIONS
Master of Electronic Engineering

COMMITTEES 🟨⬡ 🟩

APPOINTED May 2017

⑯ Margareth Chirwa ^{43}

Director

QUALIFICATIONS
Fellow Member of the Chartered Certified Accountants

COMMITTEES 🟪

APPOINTED June 2022

Country Leadership Council

GENDER 4/ 10/

① **Phillip Madinga** ^{52}
Chief Executive

Qualifications
Master of Business Administration

Joined
January 2020

② **John Mhone** ^{40}
Chief Financial and Value Management Officer

Qualifications
Master of Business Administration, Fellow Member of the Association of Chartered Certified Accountants

Joined
October 2009

③ **Frank Chantaya** ^{47}
Head, Corporate and Investment Banking

Qualifications
Master of Business Administration

Joined
April 2008

④ **Mc Lewen Sikwese** ^{37}
Head, Global Markets

Qualifications
MSc. Finance, Economic Policy

Joined
September 2016
up to September 2023

⑤ **Norah Nsanja ACG** ^{39}
Head, Legal and Governance

Qualifications
Associate, Governance Institute; LLB (hons) Mw. Msc Finance and Financial Law

Joined
May 2012

⑥ **Daniel Mbozi** ^{52}
Head, Finacle Project

Qualifications
Chartered Management Accountant

Joined
May 2004

⑦ **Nyambura Chege** ^{43}
Head, Brand and Marketing

Qualifications
Master of Business Administration

Joined
November 2021

⑧ **Kondwani Mlilima** ^{50}
Chief Risk Officer

Qualifications
Master of Arts Economics

Joined
October 2002

⑨ **Ewen Hiwa** ^{42}
Head, Client Coverage

Qualifications
Master of Business Administration

Joined
September 2021

⑩ **Charity Mughogho** ^{53}
Head, Personal and Private Banking

Qualifications
Master of Science in Strategic Management

Joined
December 1995

⑪ **Frank Zulu** ^{42}
Acting Head, Operations and Real Estate Services

Qualifications
Master of Business Administration, Fellow Member of the Association of Chartered Certified Accountants

Joined
July 2009

⑫ **Zandile Tembo** ^{41}
Head, People and Culture

Qualifications
Master of Business Administration

Joined
February 2017

⑬ **Graham Chipande** ^{37}
Head, Business and Commercial Banking

Qualifications
Master of Business Administration

Joined
September 2008

⑭ **William Nuka** ^{59}
Chief Information Officer

Qualifications
Bachelor of Science in Electrical Engineering

Joined
January 2000

Statement of Corporate Governance

CODES AND REGULATIONS

The Group complies with applicable legislation, regulations, standards and codes. The Board of Directors monitors compliance through 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 two executive 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, Information Technology 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 Leadership Council 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 Leadership Council, where the strategy is deliberated and the Board's input into the strategy is provided to executive management for inclusion into the Group'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	23-Feb-23	24-May-23	4-Aug-2023	01-Dec-23
Mr. C. Kapanga*** (Chairperson)	N/A	√	√	√
N.R. Kanyongolo, PhD*** (Chairperson retired)	√	√	N/A	N/A
Mrs. C. Mtonda*** (retired)	√	√	N/A	N/A
Mr. A. Chinula, SC*** (retired)	√	√	N/A	N/A
Mrs. C. A. Chithila***	N/A	N/A	√	√
Mrs. M. Chirwa**	√	√	√	√
Mr. A. Mkandawire**	√	√	√	√
Mr. M. Sauti Phiri***	N/A	N/A	√	√
Mr. P. Mweheire*	√	√	√	√
Mr. P. Madinga*	√	√	√	√
Mr. S. Ulemu***	√	√	√	√
Mr. D. Pinto***	√	√	A	√
Mrs. S. Taylor**	√	√	√	√
R. Sibande, PhD***	√	√	√	√
Mr. G. Kuyeri***	√	√	√	√

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

*** = Independent 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 IFRS Accounting Standards. 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;
- Monitor compliance with the Financial Services Act, Companies Act, Banking Act and the 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:

Mrs. C. Mtonda - Chairperson (up to 22nd June 2023)

Mr. A Mkandawire - Chairperson (from 22nd June 2023)

Mrs. M.A Chirwa - Member

Mrs. C Chithila - Member (from 22nd June 2023)

The committee met four times during the year.

Board Audit Committee – Meeting attendance

Member	20-Feb-23	23-May-23	3-Aug-23	29-Nov-23
Mrs. C. Mtonda	√	√	N/A	N/A
Mr. A. Mkandawire	√	√	√	√
Mrs. M.A. Chirwa	√	√	√	√
Mrs. C. Chithila	N/A	N/A	√	√

Board Audit Committee (continued)

Key

√ = Attended the meeting

N/A = Not applicable as the Director was not part of the Board at the time

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:

R. Sibande, PhD	- Chairperson
Mr. P. Mweheire	- Member
Mr. S. Ulemu	- Member

The committee met four times during the year.

Board Credit Committee – Meeting attendance

Member	20-Feb-23	22-May-23	1-Aug-23	29-Nov-23
R. Sibande PhD	√	√	√	√
Mr. S. Ulemu	√	√	√	√
Mr. P. Mweheire	√	√	√	A

Key

√ = Attended the meeting

A = Apology

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, environmental, social and governance 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	- Chairperson (Up to 22nd June 2023)
Mr. G. Kuyeri	- Chairperson (From 22nd June 2023)
Mr. D. Pinto	- Member
Mr. M. Sauti Phiri	- Member (From 22nd June 2023)

The committee met four times during the year.

Board Risk Committee - Meeting attendance

Member	20-Feb-23	22-May-23	1-Aug-2023	30-Nov-23
Mr. A. Chinula, SC	√	√	N/A	N/A
Mr. D. Pinto	√	√	A	√
Mr. G. Kuyeri	√	√	√	√
Mr. M.C. Sauti Phiri	N/A	N/A	√	√

Key

√ = Attended the meeting

A = Apology

N/A = Not applicable as the Director was not part of the Board at the time

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. S. Ulemu	- Chairperson
Mr. A. Chinula, SC	- Member (Up to 22nd June 2023)
Mrs. S. Taylor	- Member
R. Sibande, PhD	- Member
Mr. M. Sauti Phiri	- Member (From 22nd June 2023)

The committee met four times during the year.

Board Human Capital Committee - Meeting attendance

Member	21-Feb-23	22-May-23	2-Aug-23	30-Nov-23
Mr. S. Ulemu	√	√	√	√
Mr. A. Chinula, SC	√	√	N/A	N/A
Mrs. S. Taylor	A	√	√	√
R. Sibande, PhD	√	√	√	√
Mr. M.C. Sauti Phiri	N/A	N/A	√	√

Key

√ = Attended the meeting

A = Apology

N/A = Not applicable as the Director was not part of the Committee at the time

Board Technology and Information Committee

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	- Chairperson
R. Sibande, PhD	- Member
Mr. G. Kuyeri	- Member

The committee met four times during the year.

Member	21-Feb-23	23-May-23	2-Aug-23	30-Nov-23
Mr. D. Pinto	√	√	A	√
R. Sibande, PhD	√	√	√	√
Mr. G. Kuyeri	√	√	√	√

Key

√ = Attended the meeting

A = Apology

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.

Management Committees (continued)

Business and Commercial Banking (BCB)/ Personal and Private Banking (PPB) Credit Committee and CIB Credit Committee

The two Credit Committees are senior management credit decision-making committees with defined delegated authority as determined by the Board through the Board Credit Committee from time to time. The purpose of the two Credit Committees is to:

- Exercise responsibility for the independent assessment, approval, review and monitoring of all credit risk assets relating to the bank's business in the BCB/PPB space as well as in the CIB space;
- Ensure that the credit portfolios in the BCB/PPB space as well as in the CIB space are maintained within the risk appetite set by the Board Credit Committee;
- Ensure that the origination and management of the assets in the two portfolios is done in terms of the Standard Bank Group Credit Standard and any other guidance given to it by the Group's Credit Governance Committees from time to time.

For purposes of complying with its duties and responsibilities, the two Credit Committees have the right to delegate responsibilities to sub-committees and/or individuals within clearly defined mandates and delegated authorities. The two committees are chaired by the Head of Credit and hold regular meetings to consider applications for facilities.

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 and Value Management Officer, the Chief Risk Officer, the Head Treasury and Capital Markets and the Departmental Heads for Global Markets, Corporate and Investment Banking, Personal and Private Banking, Business and Commercial Banking, Operations, Transactional Products Services and Investment Banking.

Change Risk Committee (CRC)

The CRC meet as and when required to facilitate the introduction of new (and amendments to) products, services, businesses, channels, legal entities, systems or processes in a coordinated and effective manner that is consistent with the Group's overall strategic, business, and risk management focus. It ensures that significant risks that could arise from the introduction or amendment of businesses, products or services, channels, systems and processes are properly identified and appropriately addressed by the relevant parties (i.e., risk owners and risk-type heads) prior to implementation. The committee is chaired by the Chief Financial and Value Management Officer.

Risk Management Committee (RMC)

The Risk, Legal and Compliance teams provide the day-to-day oversight on compliance and management of risk and promotes the risk/compliance culture across the bank. The RMC is responsible to create and maintain the operational risk, legal risk, IT risk, fraud risk, and compliance practices across the bank and to ensure that controls are in place to manage them. This committee also extends its mandate through some forums to discharge critical operational responsibilities e.g., the High-Risk Committee. The Compliance, Legal and Risk teams work with business units and enabling functions to embed the risk management disciplines and maintain objectivity by being independent of operations. The heads of Risk, Compliance and Legal have dual reporting lines to the Chief Executive and Regional/SBG heads of Risk, Legal and Compliance. The heads also have unfettered access to the relevant board committees. The committee is chaired by the Chief Executive and meets at least monthly.

People Governance Committee (PGOVCO)

The People and Culture team provides the day-to-day oversight on people governance across the Group. The PGOVCO is responsible for providing guidance, overseeing and driving the bank's people and human resource strategy. It aims to improve the people management capability and maturity of the organisation. It also engenders consistency, efficiency and effectiveness of the people management process across the bank. The committee is chaired by the Chief Executive and meets at least monthly.

Innovation and Technology Committee (ITC)

The ITC provides governance and oversight on all matters relating to IT Strategy, Planning, IT investments, value delivery, human resources, performance management, technology risk and security, project approval and prioritization. It is mandated to discuss, assess, analyse and devise solutions and where relevant monitor compliance relating to IT strategy, IT risk, structures, governance standard, framework, methodologies and policies. It ensures that the Information Technology Strategy (ITS) is fit for purpose and adequately adopted by all business units and corporate functions. It also considers key information and technology risk exposures, material incidents, risk mitigation against the desired levels of information and technology risk appetite/tolerance. It adjudicates on differences of opinion and makes rulings on matters escalated by the sub-committees and/or interested parties. The ITC delegates responsibilities to sub-committees and/or individuals within clearly defined mandates and delegated authorities. It provides strategic oversight to ensure the IT strategy is aligned to the Group's strategy and objectives are being met and considers applications for exceptions against governance documentation. This committee is chaired by the Chief Executive and meets at least monthly.

Bid Review Committee (BRC)

The Bid Review Committee (formerly Internal Procurement Committee) meets on a monthly basis, is comprised permanent members being the Chief Risk Officer (the Chairperson), Chief Financial and Value Management Officer, Head Personal and Private Banking, Head Corporate and Investment Banking, Head Business and Commercial Banking, Chief Information Officer, Head Operations and Real Estate, Head Legal and Governance and Procurement Manager. Respective business heads are also called upon as subject matter expert when required depending on the items on the agenda. The purpose of the BRC is to ensure that procurement strategies and recommendations are systematic and in line with business priorities, commercial standards and ethical principles before making commitments to suppliers. The committee meets monthly.

Country Leadership Council (CLC)

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. The Company Secretary acts as the Group's compliance officer in line with the Malawi Stock Exchange Listing Requirements. All directors have access to the services of the Company Secretary. All issues to do with the Group's governance matters should be addressed to the Company Secretary, Norah Nsanja, ACG, by sending an email to Norah.Nsanja@standardbank.co.mw.

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' roles are to appoint the Board of Directors and the external auditors. These roles are 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. The Group's report to society (SEE report) available on www.standardbank.co.mw details the social, economic and environmental initiatives undertaken by the Group in 2023.

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 support 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.

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.
- The reward strategy that serves to support the development of an engaged, high-performing and diverse employee population, who deliver outstanding business performance.
- Maintaining competitive remuneration in line with our markets, trends and required statutory obligations.
- Reward for performance.
- Appropriate balance Fixed and variable remuneration Short- and long-term incentives 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 of a fixed cash portion (Basic Pay and Car Allowance), 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, 2023. Currently, NICO Pension Services Company and NICO Asset Managers are the Fund administrators and Fund managers respectively.

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 provided seasonal and long-term financing to the agricultural, power and infrastructure, telecommunications, and media sectors.
- The Group provided corporate customers with host-to-host solutions via digital channels in order to reduce manual transactions and increase efficiencies in their businesses.
- The Group provided off-balance-sheet solutions to the manufacturing and oil and gas sectors to enable the procurement of strategic commodities.
- The Group continued to issue guarantees in the construction sector to meet the demand from our clients.

GROUP SNAPSHOT

	2023	2022
Points of representation	**27**	27
ATMs	**88**	94
Cash deposit machines	**11**	11
POS devices	**2,015**	1,561
Headcount	**802**	789

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 Private Banking (PPB) and Business and Commercial Banking (BCB) 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 Workplace 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.

Graduate Development Programme

The Group runs a Graduate Development Programme. The programme has offered an opportunity to some top performing university graduates who were yet to start their careers and wished to pursue a career in banking as well as those graduates who had been working with the Group for not more than two years. The main objective of the programme is for the successful participants to gain the knowledge, unique skills, authority and confidence necessary to operate successfully within the Group.

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

Standard Bank PLC supports the health sector in the hope of improving access and quality of health care for all citizens. Each year, the Group identifies areas of need within the sector and supports with philanthropic donations that help alleviate identified challenges.

In 2023, the Group's largest philanthropic donations were in the sector of Health. The Group supported relief efforts in the wake of Cyclone Freddy disasters and the Cholera outbreak. It collectively donated MK120 million towards rescue and relocation efforts by Malawi Red Cross Society and worked with The Presidential Taskforce for COVID-19 and Cholera to support awareness and mitigation activities with the Ministry of Health. Further to this, the Group started a MK90 million project at Zomba Central Hospital that intends to increase the capacity of the High Dependency Unit (HDU) at the Maternity Ward. Additional donations were made in the year that included the purchase of hospital equipment for Beit Cure International Hospital worth MK4.5 million and Queen Elizabeth Central Hospital worth MK5.6 million. The Group also supported the Breast Cancer Awareness walk conducted by Think Pink Malawi with MK5 million to fund the awareness campaign and pay for medical bills incurred by patients suffering from Breast and/or Cervical cancer.

Towards the end of the year, the Group spread festive cheer to patients and medical practitioners in three district hospitals namely: Mzimba District Hospital, Dedza District Hospital and Bwaila Hospital (Lilongwe). The donations included food and non-food stuff that added up to MK4.4 million. A further MK1.1 million was donated to Lions Club of Bwaila to support the Children's ward at Bwaila Hospital in Lilongwe.

Education

Education is one of the key areas that the Group supports in the development of Malawi. Our belief is that by improving the teaching and learning conditions for students, we set them on a course for success to be future leaders.

Aligned with this cause, the Group supported access to education by providing financing for students at Tertiary and Secondary levels. At Secondary School level, 63 students completed their Malawi School Certificate Exams (MSCE) certification at 100% pass rate following the Group's contribution of MK29.8 million towards the Standard Bank – Press Trust Merit Scholarship. At Tertiary level, the Group contributed MK20 million towards the Malawi University of Science and Technology (MUST) Endowment Fund – a sustainable student scholarship fund administered by the university. Further support to the education sector was rendered with a donation of teaching and learning materials worth MK10 million as proceeds from the Group's Annual Marathon, Standard Bank - Be More Race. The materials were donated to Lumbuli Education District in Mulanje, one of the areas heavily affected by Cyclone Freddy and suffering an acute shortage of learning materials from the floods in the district.

The Group's scaled up its own initiatives in mentorship by conducting several career guidance and financial literacy sessions throughout the year. It hosted its annual girl child mentorship programme – "Bring a Girl Child to Work" which reached out to 150 girls (50% more girls than 2022) across the five districts of Salima, Ntcheu, Kasungu, Mzuzu and Zomba. The Group further advanced financial and digital literacy by collaborating with organisations such as the UNFPA Safe Spaces programme with a contribution of MK17 million; and Reserve Bank of Malawi (RBM) and Bankers Association of Malawi (BAM) reaching out to over 1,090 secondary school students during the Malawi Savings Week and BAM 60 Minutes with the CEO, consecutively.

At Group branch level, we took an active step in 2023 in regard to education support with our Blantyre Branch by donating 63 PVC Mattresses to MUDI Girls CDSS and Limbe Branch sponsoring 50 students through the Mary's Meals School Feeding programme.

Financial Inclusion

Unayo is a secure digital platform launched in Malawi during the month of September 2021 and powered by Standard Bank. Unayo supports sending or receiving of money between individuals, with Unayo merchants acting as an agent of the Bank. These agents range from street vendors, general dealers to supermarkets and large corporations.

In 2023 the Group celebrated 2 years of operating Unayo platform and advancing financial inclusion by providing financial services to the unbanked and underbanked. In 2023 alone, Unayo made disbursements to over 153,000 beneficiaries, majority being in rural and peri-urban areas. Unayo showcased significant growth by facilitating payments for companies that engage with the largely rural population. The platform also introduced the "Kutakata" loan advance service that enabled merchants to take airtime loans and repay after the sales of the airtime. Since the launch of Kutakata, airtime sales by the Group have grown by 20% in volume and 27% in value.

Aside from this, the Group has also evolved its products to ensure they address the populations that are in need. In December, the Group launched the Nurses and Midwives proposition that allows for the medical practitioners registered with Nurses and Midwives council to access discounted rates on their loans. This offering aims to enable them to access funds that improve the various areas of their lives whilst they serve the country in the health field.

Youth and Sustainable Development

The Group's commitment to Youth, Women and Sustainable Development is amplified by investment in our community through various initiatives. An important initiative in this area is Phuka Incubator Hub that supports SMEs run by young people through intensive workshop sessions in business development. In 2023, the Group focused its cohort on Agribusiness entrepreneurs as one of key growth areas identified by Malawi Vision 2063. The 2023 cohort was implemented in partnership with Synergy Labs and Centre for Agricultural Transformation (CAT) and hosted 70 entrepreneurs. Secondly, the Group sponsored the second edition of Malawi Film Festival hosted by Film Association of Malawi (FAMA) with MK5 million. The film festival highlighted progress made in the Film industry in the past year and showcased Malawi's job creation potential for young people within the sector.

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.

CLIMATE-RELATED EMERGING RISKS

The Group's activities give rise to climate-related risks and opportunities, both in respect of the Group's own operations and in respect of its lending to customers.

Climate-related risks and opportunities are considered qualitatively material to the Group due to investor and other stakeholder expectations, as well as the nature of the Group's activities. Such activities include the Group's own business operations, and its lending to customers that operate in sectors that are vulnerable to physical and transition risks.

In terms of physical risk, the impact of higher frequency and intensity of physical hazards such as droughts, floods, heat and water stress and others, could impair the business assets and operations of the Group's borrowers, leading to lower asset values, poorer credit quality and higher defaults, provisions and write-offs.

Regarding transition risk, the Group and the customers it transacts with, may face increases in risks associated with policy and legal changes, technological developments and market demand and supply dynamics. The Group and its customers may be exposed to higher costs associated with mitigation and adaptation strategies designed to manage the transition to a lower carbon economy. In the case of the Group's customers, such costs may affect the value of the group's financial assets and potentially lead to lower credit quality and higher credit impairments.

IMPACT OF COVID-19, THE RUSSIA-UKRAINE AND ISRAEL-HAMAS CONFLICT

Malawi, like many economies across the globe, continues to adjust to the adverse impacts of the Russia-Ukraine war and the tailings of COVID-19 pandemic effects. The Group successfully responded to regulatory changes which were aimed at protecting incomes and cashflows of the banked population. The Israel-Hamas war is a sad development with the potential to significantly disrupt international trade and the flow of capital; however, we remain optimistic that peace will return to that region in time.

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
African 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 **MK52.5 billion** (2022: MK39.2 billion) has been added to retained earnings. A first interim dividend of **MK5 billion** (2022: MK5 billion) was paid in March 2024 representing **MK21.31** (2022: MK21.31) per ordinary share. The directors resolved to pay a second interim dividend of **MK7.5 billion** (2022: MK3 billion) representing **MK31.96** (2022: MK12.78) per ordinary share. The directors recommend a final dividend of **MK12.9 billion** (2022: MK12 billion) representing **MK54.97** (2022: MK51.14) 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:

N.R. Kanyongolo, PhD*	- Chairperson up to 22nd June 2023
Mr. C. Kapanga*	- Chairperson from 22nd June 2023
Mr. A.J.W. Chinula, SC*	- Up to 22nd June 2023
Mrs. C. Mtonda*	- Up to 22nd June 2023
Mr. S. Ulemu*	- All year
Mr. D. Pinto***	- All year
Mr. P. Madinga*	- All Year
Mrs. S. Taylor**	- All year
Mr. A. Mkandawire*	- All year
R. Sibande, PhD *	- All year
Mr. P. Mweheire****	- All Year
Mrs. M.A. Chirwa*	- All Year
Mr. G. Kuyeri*	- All Year
Mr M. Sauti Phiri*	- From 22nd June 2023
Mrs C. Chithila *	- From 22nd June 2023
Mrs. N. Nsanja*	- All Year

*	Malawian
**	South African
***	Portuguese
****	Uganda

Directors interest

Director C. Kapanga held 16,734 shares in the Bank as at 31 December 2023.

Shareholding analysis

The shareholders of the Group as at 31 December 2023 were as below:

Stanbic Africa Holdings Limited	**60.18%**
NICO Life Insurance Company Limited	**17.10%**
Old Mutual Life Assurance Company Limited	**6.34%**
Press Trust	**2.32%**
Magetsi Pension Fund	**1.09%**
National Investment Trust	**1.02%**
Public	**11.95%**
Total	**100.00%**

Auditors

The Group's auditors, PricewaterhouseCoopers, have concluded their tenure in office. A resolution to appoint new auditors for the year ending 31 December 2024 will be proposed at the forthcoming Annual General Meeting.

Mr. C. Kapanga
Chairperson

Mr. A Mkandawire
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 2023, 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 IFRS Accounting 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 IFRS Accounting Standards 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 **23 February 2024** and are signed on its behalf.

By order of the Board

Mr. C. Kapanga
Chairperson

Mr. A. Mkandawire
Director

OUR PEOPLE

INTERNATIONAL WOMEN'S DAY

The Group celebrated International Women's Day with the rest of the world under the theme: "DigitALL: Innovation and Technology for Gender Equality". The Group leveraged on the theme by profiling various female staff members that are tech and innovation champions and further positioning our internal initiatives that amplify and actualize gender equality and inclusion in the workplace.

GRADUATE TRAINEE PROGRAM

The Group enrolled 10 individuals into the Regional Graduate Program with a focus of enabling them to gain future skills requirements and contribute towards building the future skills pipeline as well leadership within the Eastern region.

HOW WE ENGAGED OUR PEOPLE IN 2023

Our staff members participated in several community impact and personal development initiatives;

CHARACTER FIRST

As an extension to the HEART campaign aimed at promoting healthy working relationships, the Group launched the Character First program, a program that seeks to create a workforce that takes responsibility of their personal character growth and build the right behaviors that reflect the Group's core values. Through this, 49-character traits were introduced.

49 Character Champions and 48 Influencers were identified across the Group and were enrolled in a 2-day training session.

INTERNATIONAL YOUTH DAY

The theme for International Youth Day 2023 centred on engaging youth for a sustainable future under the theme: "Green Skills for Youth". The day featured a client testimonial, a Green Skills workshop with 162 staff in attendance and thought leadership pieces on social media and television program on alternative renewable energy financing solutions offered by the Group. The concept and initiatives were profiled and nominated for Standard Bank Group Ubora Marketing Awards.

SUPPORT INITIATIVE FOR WOMEN - LEADERSHIP DEVELOPMENT PROGRAMME

The Group continues to run the Women Leadership Development programme that was launched in 2021. This program aims to increase female representation at all levels of the Group as part of the Diversity and Inclusion drive through a modular program and individual learning and development pathways that includes coaching and mentoring. It further aims at building in our women a strong self-belief and confidence to build the right networks for both personal, professional success and development. In 2023, 197 women graduated from the programme. In total, 248 women have graduated from this programme.

Promotion gender equity is not just an ethical obligation but a strategic imperative for the Group. It is an ongoing commitment that reflects the Group's dedication to maximizing the potential of all its members, regardless of gender. From these programmes, we have 62 females across the Group that are legible successors for various managerial positions which represents approximately 44% of the managerial positions across the Group.

SUPPORT INITIATIVE FOR MEN - BARBERSHOP TOOLKIT

Embarking upon the noble endeavour of enhancing men's holistic well-being, the Group has launched a distinguished men's wellness program called the Men's Barbershop. The aim of this initiative is to provide a deeper understanding of the value and importance of authentic masculinity and the vital role men have with family, work, and the society.

OUR SPONSORSHIPS

MALAWI INVESTMENT FORUM

The Group contributed MK50 million to the Government through the Ministry of Trade to finance the inaugural Malawi Investment Forum (MIF) hosted in Johannesburg in May 2023. This was done in alignment with the Group's initiative to promote and stimulate dialogue on trade policy while helping create markets for Malawian products.

KUMBALI LIVE

To promote the arts and culture space, the Group made a MK30 million sponsorship towards the inaugural Kumbali Live event that took place on 11th November 2023. The event featured iconic performances from local and international artists and hosted over 500+ people and over 150 Standard Bank clients in a special VIP hosting section.

INTRA AFRICA TRADE FAIR

As a way of enhancing the small and medium entreprise agenda in the country which is aligned to MW2063, we sponsored 3 enterprises to gain visibility of their products on a larger scale at the intra africa trade fair that took place in Cairo, Egypt. Through this, our SMEs managed to acquire leads that can potentially earn them export opportunities.

OUR EVENTS

BE MORE RACE

The Group hosted its annual Be More Race half marathon event under the theme LEVEL UP. The race attracted over 2,000 participants. The funds raised from the race amounting to MK10 million were used to purchase 3,750 textbooks and donated to Limbuli Education District in Mulanje for learners in primary schools.

ZAMBIA MUSIC FESTIVAL

We hosted 21 clients to an all expense paid trip to Zambia to experience the Zambia music festival that was headlined by an American based artist, Neyo. The clients were also taken to Chaminuka game reserve and a tour of Lusaka city. This was done to appreciate the business they have given the Group over the years.

WINE AND BRAAI PAIRING

We hosted over 30 clients for a bespoke Wine and Braai event. The engagement was aimed at strengthening the existing relationships and fostering conversations about future partnerships. The event was a full 7 course and wine pairing experience delivered by professionals Chiefs and a certificated sommelier.

MALAWI LEADERS ROUND TABLE

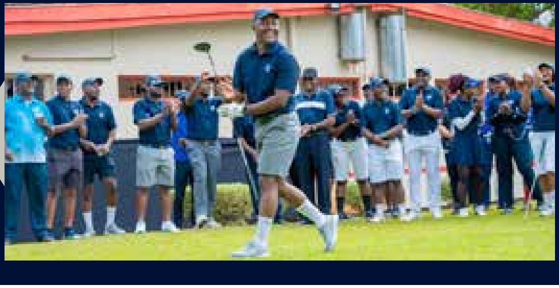
In our "We believe in Malawi" series under the theme "Roadmap to Malawi's growth", we brought together various leaders from Government, Donor Community, Private Sector, Policy Makers to discuss the future of the Nation in an effort to solve for the economic outlook. The Bespoke round table, passed resolutions that the various policy makers are implementing.

CHINESE ECONOMIC FORUM

We hosted an economic forum for our Chinese clients to discuss the challenges and opportunities that arise from the current economic environment, and to share insights and best practices from different sectors and regions. We brought experts from the Industrial Commercial Bank of China who are our strategic partners to share insights on how to navigate the economic challenges.

BE MORE GOLF

The Group hosted the Be More Golf Tournament in Lilongwe where about 100 golfers participated in a competitive tournament. Beyond the competitive aspect, the tournament provided a platform for leading car dealers, Small and Medium Enterprises and Ministry of Tourism to showcase their products and services.



Standard Bank

ZABWINO ZISAKUPHONYENI

If you are a licensed nurse or midwife, get discounted rates on loans tailored for all your needs

Get an affordable loan

- With low interest rate
- 48hr Approval Process
- Open to New and Existing Account holders

How to Qualify

- Offer available to all licensed nurses or midwives with paid up annual subscription
- Must receive salary through Standard Bank Account
- Good account history/conduct

Visit your nearest Standard Bank Branch or call 247 for more information.

Standard Bank Plc is licensed and regulated by the Reserve Bank of Malawi

Terms and Conditions Apply

Committed to Malawi's Growth

Awarded by Euromoney Awards for Excellence

Best Bank of the year 2023, Malawi – Global Finance

Top Innovation in Finance, SME Category for Fhuka Incubator Hub, Malawi

1st place in the Quality, Productivity, & Innovation category ECAM

Standard Bank Plc is licensed and regulated by the Reserve Bank of Malawi.

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 2023, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards 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 194 comprise:

- the consolidated and separate statements of financial position as at 31 December 2023;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of 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, including material accounting policy information.

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.

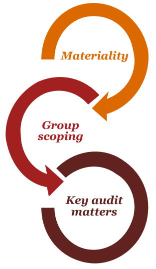
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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** MWK5,287,400,000, which represents 5% of the consolidated profit before 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 (ECL) on Corporate & Investment Banking (CIB) loans and advances; and • ECL on Personal and Private Banking (PPB) and Business and Commercial Banking (BCB) loans and advances.

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.

PricewaterhouseCoopers, Top Floor, Mercantile House, Area 13, P O Box 30379, Lilongwe, Malawi
T: +265 (0)1 773 799, F: +265 (0) 1 772 573, www.pwc.com/za
Andrew Vere - Partner
A list of partners names is available for inspection at the partnership principal business address above.
VAT reg.no. 30843660

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	*MWK5,287,400,000*
How we determined it	*5% of consolidated profit before tax expense.*
Rationale for the materiality benchmark applied	*We chose profit before tax 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 96% of the consolidated profit before income tax expense for the year ended 31 December 2023 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. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on Corporate & Investment Banking (CIB) loans and advances *Refer to the notes: 12 & 13 - Loans and advances, 32 - Credit impairment charges, 4(b) - Credit risk, 3(g) – Financial assets and liabilities and 5 - Accounting estimates and judgements.*	
As of 31 December 2023; the Group reported total gross loans and advances to banks and customers of MWK359 544 000 000 and recognised an ECL of MWK2 398 000 000 against these loans and advances, the Bank reported total gross loans and advances to banks and customers of MWK359 351 000 000 and recognised an ECL of MWK2 398 000 000 against these loans and advances.	We performed the following procedures on the ECL, with the assistance of our economic, credit and actuarial experts: **Evaluation of SICR** We selected a sample of counterparties and assessed their assigned credit rating by: • Testing the inputs into the credit rating systems against the financial information obtained from the counterparty and the Group's 25-point master rating scale; and • Assessing management's assumptions made during the credit risk rating process for reasonability, by obtaining an understanding of the counterparty and industry factors, performing an independent review of the counterparty and comparing the results to those used by management. No exceptions were noted.

Key audit matter	How our audit addressed the key audit matter
We considered the expected credit losses (“ECL”) assessment for CIB exposures to be a matter of most significance to our current year audit due to: • the magnitude of CIB exposures in relation to the consolidated and separate financial statements, • the level of subjective judgement applied by management in determining ECL and the related disclosures in the consolidated and separate financial statements, and • the effect that the ECL on CIB exposures has on the Group’s credit risk management processes and operations. The ECL of CIB exposures is estimated on a facility basis per counterparty. The key areas of significant management judgement in determining the ECL remains inherently high and includes: • Evaluation of Significant Increase in Credit Risk (“SICR”); • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement; and • Assessment of the input assumptions applied to estimate the probability of default (“PD”), exposure at default (“EAD”) and loss given default (“LGD”) within the ECL measurement. **Evaluation of SICR** For CIB exposures, SICR is largely driven through the movement in credit ratings assigned to clients on origination and reporting date, based on the Group’s 25-point master rating scale to quantify credit risk for each exposure. **Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement** Macro-economic expectations are incorporated in CIB’s counterparty ratings to reflect the Group’s expectation of future economic and business conditions. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** 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 facility level per counterparty.	We selected a sample of Stage 1 and Stage 2 exposures and assessed whether the stage classification of these exposures, since the origination date of these exposures, were appropriate in terms of the Group’s accounting policy for SICR. These procedures included the inspection of credit risk ratings at reporting date relative to origination date. No exceptions were noted. We performed a review of all counterparties which moved between the stages during the current year in order to ensure that the movements between the stages were in line with the credit policy and the testing performed on the counterparty. No exceptions were noted. We selected a sample of performing counterparties and performed the following procedures to determine if the counterparties’ credit risk increased from origination: • compared the credit rating on inception of the facility to the credit rating as at the reporting date; • for any significant downgrades in the credit rating as per the policy, ensured that the counterparty is correctly classified in Stage 2 for impairment purposes; • for any deviations from the above credit policy, assessed the reasonability of this based on our knowledge of the group and industry norms. Based on our procedures performed, no exceptions were noted. **Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement** We selected a sample of counterparties and assessed the incorporation of forward-looking information into their assigned credit risk rating. This was performed through obtaining an understanding of the forward-looking information which was considered for the counterparty and evaluated this for reasonability against management’s expectation and other industry factors for the SICR assessment and ECL measurement. Based on our procedures performed, this was found to be reasonable. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** With the assistance of our internal experts, we assessed the input assumptions applied within the PD, EAD and LGD models (including forward looking information) in compliance with the requirements of IFRS 9 Financial Instruments (IFRS 9), noting no exceptions. In addition, our procedures included assessing the appropriateness of the models through reperformance and validation procedures. These were found to be reasonable. We obtained an understanding and tested the relevant controls relating to the approval of credit facilities, subsequent monitoring and remediation of exposures, key system reconciliations and collateral management. We assessed the appropriateness of the ECL related disclosures for CIB loans and advances in the consolidated and separate financial statements in accordance with IFRS 9. No exceptions were noted.

Key audit matter	How our audit addressed the key audit matter
ECL on Personal and Private Banking and Business and Commercial Banking (PPB and BCB) loans and advances *Refer to the notes: 12 & 13 - Loans and advances, 32 - Credit impairment charges, 4(b) - Credit risk, 3(g) – Financial assets and liabilities and 5 - Accounting estimates and judgements.*	
As of 31 December 2023, the Group and Bank reported total gross loans and advances to customers of MWK192 718 000 000 and recognised an ECL of MWK14 770 000 000 against these loans and advances. The ECL for PPB & BCB loans and advances (exposures) is material to the consolidated and separate financial statements in terms of their magnitude, the level of subjective judgement applied by management in determining ECL and the related disclosures in the consolidated and separate financial statements, and the effect that the ECL has on the impairment of loans and advances and on the Group’s credit risk management processes and operations. This has resulted in this matter being considered a matter of most significance in the audit of the consolidated and separate financial statements. A significant portion of the ECL on PPB & BCB loans and advances is calculated on a portfolio basis. For Stage 3 exposures in certain portfolios, management assesses the recoverability of those exposures individually. The ECL on PPB & BCB loans and advances also includes making management judgement to include overlays to adjust for identified risk. For PPB & BCB, the key areas of significant management judgement within the ECL calculation include: • Evaluation of SICR; • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement; • Assessment of the ECL raised for individual exposures; and • Assessment of the input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement. **Evaluation of SICR** The Group determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due, (“DPD”), to Stage 2. 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. **Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement.** Forward-looking economic expectations are included in the ECL 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 judgement to predict the outcomes based on the Group’s macro-economic outlook expectations.	We performed the following procedures on the ECL, with the assistance of our credit and actuarial experts, considering the impact of COVID-19 **Evaluation of SICR** Management provided us with a quantitative assessment of the Group’s calculation of the impact of SICR against the requirements of IFRS 9. With the assistance of our internal modelling specialists, we performed an independent recalculation of the resultant ECL for a sample of portfolios. Our internal modelling specialists tested the assumptions and calculations used in the ECL models. Based on our procedures performed, these were found to be reasonable. We evaluated the reasonableness of behavioural scores used to assess the SICR against the Group’s accounting policies. These were found to be reasonable. We evaluated whether the Group has appropriately classified exposures in Stages 1, 2 and 3 by considering the Group’s credit reviews, aging of the customer and arrears status. No exceptions were noted. We performed sensitivity analyses to determine the impact of change in credit risk on the ECL recognised. Our analyses were consistent with those calculated by management. **Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement** We assessed the design and implementation of and tested the operating effectiveness of key controls focusing on the: • Generation and approval of the base case economic scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios. We also evaluated the governance processes that have been put in place to review and approve the economic scenarios used in the determination of the forward-looking impact. With the assistance of our internal economic specialists, we assessed both the base case and alternative scenarios generated, including the probability weights applied. Based on our procedures performed, these were found to be reasonable. We evaluated the appropriateness of forward-looking economic expectations included in the ECL by comparing to independent industry data. These were found to be reasonable.

Key audit matter	How our audit addressed the key audit matter
Assessment of ECL raised for individual exposures Impairment is assessed on individual exposures 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 value of the underlying collateral. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** The ECL is calculated using statistical models which incorporate observable data, assumptions and estimates relating to historical default experience and the loss experience given default; and timing and amount of forecasted cash flows related to the exposures.	We evaluated the appropriateness of forward-looking economic expectations included in the ECL by comparing to independent industry data. These were found to be reasonable. We evaluated management's forward-looking information models to assess whether the macro-economic inputs are appropriately incorporated into the ECL models. We made use of our internal modelling specialists to assess the linkage of the forecasted macroeconomic factors based on the generated scenarios, to the ECL. Based on our procedures performed, these were found to be reasonable. **Assessment of ECL raised for individual exposures** Where ECL has been raised for individual exposures, we considered the impairment indicators, uncertainties and assumptions made by management in their assessment of the recoverability of the exposure. For a sample of Stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. Based on our procedures performed, these were found to be reasonable. For collateral held, we inspected legal agreements and other relevant documentation to confirm the existence and legal right to the collateral. No exceptions were noted. The collateral valuation techniques applied by management were assessed against the Group's valuation guidelines, noting no exceptions guidelines, noting no exceptions. **Input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement** 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, noting no inconsistencies. In addition, our procedures included assessing the appropriateness of the statistical models by reperformance and validation procedures. We also tested a sample of the data used in the models for accuracy. Based on our procedures performed, these were found to be reasonable. We assessed the appropriateness of the ECL related disclosures for PPB & BCB in the consolidated and separate financial statements in accordance with IFRS 9. No exceptions were noted.

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 2023", 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 2023", 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 IFRS Accounting 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

14 March 2024

Statements of Financial Position

As at 31 December 2023

		Consolidated		Separate	
	Note	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm
Assets					
Cash and balances held with the Central Bank	8	**152,232**	56,385	**152,118**	56,199
Derivative assets	9	**798**	1,467	**798**	1,467
Non-current assets held-for-sale	10	**-**	584	**-**	584
Trading assets	11	**22,644**	120	**22,644**	120
Loans and advances to banks	12	**239,739**	131,454	**239,546**	131,189
Loans and advances to customers	13	**294,300**	235,845	**294,300**	235,845
Financial investments	14	**335,019**	352,645	**335,019**	352,645
Investment in subsidiaries	15	**-**	-	**100**	100
Other assets	16	**25,989**	14,962	**26,030**	15,002
Property, equipment and right-of-use assets	17	**29,102**	21,907	**29,102**	21,907
Intangible assets	18	**12,693**	13,979	**12,693**	13,979
Total assets		**1,112,516**	829,348	**1,112,350**	829,037
Liabilities					
Derivative liabilities	9	**1,617**	218	**1,617**	218
Deposits and loans from banks	20	**21,569**	20,962	**21,569**	20,962
Deposits from customers	21	**790,639**	593,006	**797,124**	597,753
Other liabilities	22	**52,109**	40,596	**52,110**	40,591
Income tax payable	23	**29,619**	10,565	**29,433**	10,133
Provisions	24	**21,102**	7,807	**21,102**	7,807
Deferred tax liabilities	19	**2,044**	8,142	**2,045**	8,141
Total liabilities		**918,699**	681,296	**925,000**	685,605
Equity					
Share capital	25	**234**	234	**234**	234
Share premium	25	**8,492**	8,492	**8,492**	8,492
Revaluation reserve	26	**17,723**	12,437	**17,723**	12,437
Fair value through OCI reserve	26	**345**	386	**345**	386
Retained earnings	26	**167,023**	126,503	**160,556**	121,883
Total equity		**193,817**	148,052	**187,350**	143,432
Total liabilities and equity		**1,112,516**	829,348	**1,112,350**	829,037

These financial statements were approved for issue by the Board of Directors on 23 February 2024 and were signed on its behalf by:

Mr. C. Kapanga
Chairperson

Mr. A. Mkandawire
Director

Income Statements

For the year ended 31 December 2023

		Consolidated		Separate	
	Note	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm
Interest income	27	**132,384**	85,297	**132,373**	85,321
Interest expense	27	**(9,549)**	(8,645)	**(9,616)**	(8,719)
Net interest income	27	**122,835**	76,652	**122,757**	76,602
Fee and commission income	28	**29,125**	22,778	**29,125**	22,778
Fee and commission expense	28	**(5,483)**	(3,390)	**(5,483)**	(3,390)
Net fee and commission income	28	**23,642**	19,388	**23,642**	19,388
Trading income	29	**52,914**	31,227	**50,112**	29,033
Other operating income	30	**600**	608	**701**	1,720
Other gains on financial instruments	31	**430**	110	**430**	110
Total operating income		**200,421**	127,985	**197,642**	126,853
Credit impairment charges	32	**(15,108)**	(7,122)	**(15,108)**	(7,122)
Income after credit impairment charges		**185,313**	120,863	**182,534**	119,731
Staff costs	33	**(32,031)**	(23,332)	**(32,031)**	(23,332)
Depreciation and amortisation	34	**(5,362)**	(4,305)	**(5,362)**	(4,305)
Other operating expenses	35	**(42,221)**	(33,170)	**(42,081)**	(33,115)
Total expenditure		**(79,614)**	(60,807)	**(79,474)**	(60,752)
Profit before equity accounted earnings and income tax expense		**105,699**	60,056	**103,060**	58,979
Share of post-tax profit from joint venture	36	**49**	-	**49**	-
Profit before income tax expense		**105,748**	60,056	**103,109**	58,979
Income tax expense	37	**(53,228)**	(20,854)	**(52,436)**	(20,231)
Profit for the year attributable to ordinary shareholders		**52,520**	39,202	**50,673**	38,748
Earnings per share					
Basic and diluted (MK per share)	38	**224.44**	167.53	**216.55**	165.59

Statements of Other Comprehensive Income

For the year ended 31 December 2023

	Consolidated		Separate	
	2023 MKm	2022 MKm	**2023 MKm**	2022 MKm
Profit for the year	**52,520**	39,202	**50,673**	38,748
Items that will not be reclassified to profit or loss				
Net revaluation gain on property and equipment	**5,286**	1,719	**5,286**	1,719
Items that may be reclassified subsequently to profit or loss				
Net change in expected credit losses	**19**	(76)	**19**	(76)
Net change in debt financial assets measured at fair value through other comprehensive income (OCI)	**(60)**	148	**(60)**	148
	(41)	72	**(41)**	72
Total comprehensive income for the year attributable to ordinary shareholders	**57,765**	40,993	**55,918**	40,539

Statements of Changes in Equity

For the year ended 31 December 2023

	Share capital	Share premium	Fair value through OCI reserve	Revaluation reserve	Retained earnings	Total
Consolidated	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
2023						
Balance at 1 January 2023	**234**	**8,492**	**386**	**12,437**	**126,503**	**148,052**
Profit for the year	-	-	-	-	**52,520**	**52,520**
Other comprehensive income						
Net revaluation gain on property and equipment	-	-	-	**5,286**	-	**5,286**
Change in fair value of financial assets at fair value through OCI net of tax	-	-	**(41)**	-	-	**(41)**
Total comprehensive income for the year	-	-	**(41)**	**5,286**	**52,520**	**57,765**
Transactions with owners of the company						
Dividend declared and paid	-	-	-	-	**(12,000)**	**(12,000)**
Total transactions with owners of the company	-	-	-	-	**(12,000)**	**(12,000)**
Balance at 31 December 2023	**234**	**8,492**	**345**	**17,723**	**167,023**	**193,817**

Statements of Changes in Equity

For the year ended 31 December 2023

Consolidated 2022	Share capital MKm	Share premium MKm	Fair value through OCI reserve MKm	Revaluation reserve MKm	Retained earnings MKm	Total MKm
Balance at 1 January 2022	234	8,492	314	10,718	97,301	117,059
Profit for the year	-	-	-	-	39,202	39,202
Other comprehensive income						
Net revaluation gain on property and equipment	-	-	-	1,719	-	1,719
Change in fair value of financial assets at fair value through OCI net of tax	-	-	72	-	-	72
Total comprehensive income for the year	-	-	72	1,719	39,202	40,993
Transactions with owners of the company						
Dividend declared and paid	-	-	-	-	(10,000)	(10,000)
Total transactions with owners of the company	-	-	-	-	(10,000)	(10,000)
Balance at 31 December 2022	234	8,492	386	12,437	126,503	148,052

Separate 2023	Share capital MKm	Share premium MKm	Fair value through OCI reserve MKm	Revaluation reserve MKm	Retained earnings MKm	Total MKm
Balance at 1 January 2023	**234**	**8,492**	**386**	**12,437**	**121,883**	**143,432**
Profit for the year	**-**	**-**	**-**	**-**	**50,673**	**50,673**
Other comprehensive income						
Net revaluation gain on property and equipment	**-**	**-**	**-**	**5,286**	**-**	**5,286**
Change in fair value of financial assets at fair value through OCI net of tax	**-**	**-**	**(41)**	**-**	**-**	**(41)**
Total comprehensive income for the year	**-**	**-**	**(41)**	**5,286**	**50,673**	**55,918**
Transactions with owners of the company						
Dividend declared and paid	**-**	**-**	**-**	**-**	**(12,000)**	**(12,000)**
Total transactions with owners of the company	**-**	**-**	**-**	**-**	**(12,000)**	**(12,000)**
Balance at 31 December 2023	**234**	**8,492**	**345**	**17,723**	**160,556**	**187,350**

Statements of Changes in Equity

For the year ended 31 December 2023

Separate 2022	Share capital MKm	Share premium MKm	Fair value through OCI reserve MKm	Revaluation reserve MKm	Retained earnings MKm	Total MKm
Balance at 1 January 2022	234	8,492	314	10,718	93,135	112,893
Profit for the year	-	-	-	-	38,748	38,748
Other comprehensive income						
Net revaluation gain on property and equipment	-	-	-	1,719	-	1,719
Change in fair value of financial assets at fair value through OCI, net of tax	-	-	72	-	-	72
Total comprehensive income for the year	-	-	72	1,719	38,748	40,539
Transactions with owners of the company						
Dividend declared and paid	-	-	-	-	(10,000)	(10,000)
Total transactions with owners of the company	-	-	-	-	(10,000)	(10,000)
Balance at 31 December 2022	234	8,492	386	12,437	121,883	143,432

Statements of Cash Flows

For the year ended 31 December 2023

	Note	Consolidated 2023 MKm	Consolidated 2022 MKm	Separate 2023 MKm	Separate 2022 MKm
Cash flows from operating activities					
Profit before income tax expense		**105,748**	60,056	**103,109**	58,979
Adjustment for non-cash items included within the income statement	42.1	**(100,056)**	(66,244)	**(99,978)**	(67,194)
Increase in income-earning and other assets	42.2	**(103,281)**	(153,402)	**(103,328)**	(153,186)
Increase in deposits and other liabilities	42.3	**134,310**	136,966	**136,054**	137,427
Interest paid		**(9,687)**	(9,036)	**(9,754)**	(9,110)
Interest received		**119,974**	73,440	**119,963**	73,464
Dividend received		**-**	-	**-**	1,000
Income tax paid	23	**(37,573)**	(16,054)	**(36,559)**	(15,775)
Net cash generated from operating activities		**109,435**	25,726	**109,507**	25,605
Cash flows from investing activities					
Capital expenditure on property, equipment and intangible assets	17, 18	**(7,771)**	(3,593)	**(7,771)**	(3,593)
Proceeds from sale of property and equipment		**37**	253	**37**	253
Net cash used in investing activities		**(7,734)**	(3,340)	**(7,734)**	(3,340)
Cash flows from financing activities					
Principal lease repayments	22.1	**(458)**	(319)	**(458)**	(319)
Dividend declared and paid		**(8,237)**	(8,190)	**(8,237)**	(8,190)
Net cash used in financing activities		**(8,695)**	(8,509)	**(8,695)**	(8,509)
Net increase in cash and cash equivalents		**93,006**	13,877	**93,078**	13,756
Cash and cash equivalents at the beginning of the year		**56,385**	41,407	**56,199**	41,342
Effects of exchange rate changes		**2,841**	1,101	**2,841**	1,101
Cash and cash equivalents at the end of the year	42.4	**152,232**	56,385	**152,118**	56,199

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2023

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** (2022: 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 IFRS Accounting Standards 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 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.

IFRS 17 Insurance Contracts (IFRS 17) replaced 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. An entity may re-assess its classification and designation of financial instruments under IFRS 9 Financial Instruments (IFRS 9), on adoption of IFRS 17. The standard is effective for annual periods starting on or after 1 January 2023 and is required to be retrospectively applied. IFRS 17 did not have an impact on the group's annual financial statements.

(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 and separate financial statements. Unrealized losses are eliminated in the same way as unrealized 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

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 however 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.

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.

(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. Derivatives are carried at fair value through profit or loss. 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. Trading financial instruments are carried at fair value through profit or loss.

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

Initial measurement

A financial asset or financial liability is measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Financial instruments are recognised (derecognised) on the date the Group commits to purchase or sell the instruments (trade date accounting).

Financial assets

Nature

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.

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.

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.

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.

3. Significant accounting policies (Continued)

(g) Financial assets and financial liabilities (continued)

Financial assets (continued)

Impairment (continued)

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.

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.

(g) Financial assets and financial liabilities (continued)

Financial assets (continued)

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

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. Held-for-trading instruments are designated to be measured at fair value through profit or loss.

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.

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.

Derecognition and modification of financial assets and liabilities.

Financial assets and liabilities are derecognised in the following instances:

	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.	

(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.

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of the software, from the date it is available for use. The estimated useful life of software is between three to fifteen years.

The carrying amount of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount exceeds its recoverable amount.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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 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.

3. Significant accounting policies (Continued)

(l) Leases (continued)

Lease liabilities (continued)

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. 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.

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. The Group uses the incremental borrowing rate in calculating the interest expense on lease liabilities.

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.

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.

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 scheme are held in separate trustee administered fund, which is funded by contributions from both the Group and employees.

The Group's contributions to the defined contribution scheme are recognised in the income statement in the year to which they relate.

(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 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) Joint Ventures

Joint ventures are initially measured at cost and subsequently accounted for using the equity method at an amount that reflects the Group's share of the net assets of the joint venture (including goodwill). Equity accounting is applied from the date on which the entity becomes a joint ventures up to the date on which the Group ceases to have significant influence or joint control.

Equity accounting of losses is restricted to the interests in these entities, including unsecured receivables or other commitments, unless the Group has an obligation or has made payments on behalf of the associates or joint ventures. Additional interests acquired in associates form part of the equity accounted investment to the extent that they give rise to current access to returns associated with an ownership interest.

(y) 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 2023 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 10 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.

The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.

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

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

The first 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. The impact on the annual financial statements has not yet been fully determined, however not expected to have a significant impact on the group.

The second amendment to IAS 1 requires a company to classify debt as non-current only if the company can avoid settling the debt in the 12 months after the reporting date. However, a company's ability to do so is often subject to complying with covenants. For example, a company might have long-term debt that could become repayable within 12 months if the company fails to comply with covenants in that 12-month period.

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements and the aim of the amendments therefore is to improve the information companies provide about long-term debt with covenants. The amendments will be applied retrospectively and are not expected to have a material impact on the group's financial statements.

IAS 1 Presentation of Financial Statements (amendments) is effective 1 January 2024.

(iii) IFRS 16 Leases (narrow scope amendments)

The amendments add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. IFRS 16 had not previously specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in IFRS 16, thereby supporting the consistent application of the standard. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction. The amendments will be applied retrospectively and are not expected to have a material impact on the group's financial statements.

IFRS 16 Leases (narrow scope amendments) is effective 1 January 2024

(iv) IAS 21 Exchange Rates (amendments)

The International Accounting Standards Board (IASB) issued 'Lack of Exchangeability' to require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. These amendments will assist companies and investors by addressing a matter not previously covered in the accounting requirements for the effects of changes in foreign exchange rates. The amendments will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

IAS 21 Exchange Rates (amendments) is effective 1 January 2025.

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(h).

(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 Private Banking, Business and Commercial Banking and Corporate and Investment Banking credit policies cover the entire credit risk management process within the Group. These policies 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.

Refer to note 5 Accounting estimates and judgements - expected credit loss (ECL) on financial assets for details on the Groups rating scale.

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 2023 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															
PPB and BCB															
Mortgage loans	13	7,630	-	-	5,643	-	-	1,697	290	290	38	12	240	87%	4%
Vehicle and asset finance	13	11,175	-	-	9,223	-	-	887	1,065	1,065	137	183	745	87%	10%
Overdrafts	13	16,127	-	-	14,789	-	-	845	493	493	174	69	250	65%	3%
Term Loans	13	157,786	-	-	130,024	-	-	19,791	7,971	7,971	910	791	6,270	89%	5%
CIB															
Corporates	13	119,681	7,370	-	83,071	16,515	12,563	162	-	-	-	-	-	-	-
Banks	12	239,863	-	-	-	-	239,863	-	-	-	-	-	-	-	-
Gross carrying amount		552,262	7,370	-	242,750	16,515	252,426	23,382	9,819	9,819	1,259	1,055	7,505	87%	2%
Less: Interest in suspense	13	(1,055)													
Less: Total expected credit losses for loans and advances	12,13	(17,168)													
Net carrying amount of loans and advances measured at amortised cost		534,039													
Financial investments measured at amortised cost															
Sovereign	14	343,339	-	-	-	-	200,928	142,411	-						
Gross carrying amount		343,339	-	-	-	-	200,928	142,411	-						
Less: total expected credit loss for financial investments	14	(9,154)													
Net carrying amount of financial investments measured at amortised cost		334,185													
Financial investments at fair value through OCI															
Sovereign		329	-	-	-	-	-	329	-						
Gross carrying amount		329	-	-	-	-	-	329	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	26	345													
Total financial investment at fair value through OCI	14	674													

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2023 Consolidated	Note	Gross Carrying amount
		MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	40	21,208
Guarantees	40	84,442
Irrevocable unutilised facilities	40	-
Total exposure to off-balance sheet credit risk		105,650
Expected credit losses for off-balance sheet exposures	24	(1,642)
Net carrying amount of off-balance sheet exposures		104,008
Total exposure to credit risk on financial assets subject to an expected credit loss		972,906
Add the following other banking activities exposures not subject to ECL:		
Cash and balances held with the Central Bank	8	152,232
Derivative assets	9	798
Trading assets	11	22,644
Other financial assets	16	10,894
Total exposure to credit risk		1,159,474

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 2022 **Consolidated**			**SB 1 - 12**		**SB 13 - 20**		**SB 21 - 25**		**Default**						
	Note	**Gross Carrying amount**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 3**	**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**
		MKm	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**%**	**%**
Loans and advances at amortised cost															
PPB and BCB															
Mortgage loans	13	6,778	5,644	-	-	-	-	1,005	129	129	13	17	99	90%	2%
Vehicle and asset finance	13	11,484	-	-	9,362	-	-	1,967	155	155	-	9	146	100%	1%
Overdrafts	13	12,187	-	-	11,309	-	-	776	102	102	-	17	85	100%	1%
Term loans	13	126,904	-	-	111,098	-	-	9,736	6,070	6,070	72	845	5,153	99%	5%
CIB															
Corporates	13	92,875	5,298	-	87,122	4	451	-	-	-	-	-	-	-	-
Banks	12	131,460	-	-	131,460	-	-	-	-	-	-	-	-	-	-
Gross carrying amount		381,688	10,942	-	350,351	4	451	13,484	6,456	6,456	85	888	5,483	99%	2%
Less: Interest in suspense	13	(888)													
Less: Total expected credit losses for loans and advances	12,13	(13,501)													
Net carrying amount of loans and advances measured at amortised cost		367,299													
Financial investments measured at amortised cost															
Sovereign	14	353,946	-	-	353,946	-	-	-	-						
Gross carrying amount		353,946	-	-	353,946	-	-	-	-						
Less: total expected credit loss for financial investments	14	(2,097)													
Net carrying amount of financial investments measured at amortised cost		351,849													
Financial investments at fair value through OCI															
Sovereign		299	-	-	299	-	-	-	-						
Gross carrying amount		299	-	-	299	-	-	-	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	26	386													
Total financial investment at fair value through OCI	14	685													

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2022 Consolidated	Note	Gross Carrying amount
		MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	40	19,288
Guarantees	40	117,194
Irrevocable unutilised facilities	40	155
Total exposure to off-balance sheet credit risk		136,637
Expected credit losses for off-balance sheet exposures	24	(231)
Net carrying amount of off-balance sheet exposures		136,406
Total exposure to credit risk on financial assets subject to an expected credit loss		856,239
Add the following other banking activities exposures not subject to ECL:		
Cash and balances held with the Central Bank	8	56,385
Derivative assets	9	1,467
Trading assets	11	120
Pledged assets	12	-
Other financial assets	16	1,692
Total exposure to credit risk		915,903

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.

			SB 1 - 12		SB 13 - 20		SB 21 - 25		Default						
At 31 December 2023 **Separate**	**Note**	**Gross Carrying amount**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 3**	**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**
		MKm	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**%**	**%**
Loans and advances at amortised cost															
PPB and BCB															
Mortgage loans	13	7,630	-	-	5,643	-	-	1,697	290	290	38	12	240	87%	4%
Vehicle and asset finance	13	11,175	-	-	9,223	-	-	887	1,065	1,065	137	183	745	87%	10%
Overdrafts	13	16,127	-	-	14,789	-	-	845	493	493	174	69	250	65%	3%
Term Loans	13	157,786	-	-	130,024	-	-	19,791	7,971	7,971	910	791	6,270	89%	5%
CIB															
Corporates	13	119,681	7,370	-	83,071	16,515	12,563	162	-	-	-	-	-	-	-
Banks	12	239,670	-	-	-	-	239,670	-	-	-	-	-	-	-	-
Gross carrying amount		552,069	7,370	-	242,750	16,515	252,233	23,382	9,819	9,819	1,259	1,055	7,505	87%	2%
Less: Interest in suspense	13	(1,055)													
Less: Total expected credit losses for loans and advances	12,13	(17,168)													
Net carrying amount of loans and advances measured at amortised cost		533,846													
Financial investments measured at amortised cost															
Sovereign	14	343,339	-	-	-	-	200,928	142,411	-						
Gross carrying amount		343,339	-	-	-	-	200,928	142,411	-						
Less: total expected credit loss for financial investments	14	(9,154)													
Net carrying amount of financial investments measured at amortised cost		334,185													
Financial investments at fair value through OCI															
Sovereign		329	-	-	-	-	-	329	-						
Gross carrying amount		329	-	-	-	-	-	329	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	26	345													
Total financial investment at fair value through OCI	14	674													

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2023 Separate	Note	Gross Carrying amount
		MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	40	21,208
Guarantees	40	84,442
Irrevocable unutilised facilities	40	-
Total exposure to off-balance sheet credit risk		105,650
Expected credit losses for off-balance sheet exposures	24	(1,642)
Net carrying amount of off-balance sheet exposures		104,008
Total exposure to credit risk on financial assets subject to an expected credit loss		972,713
Add the following other banking activities exposures not subject to ECL:		
Cash and balances held with the Central Bank	8	152,118
Derivative assets	9	798
Trading assets	11	22,644
Other financial assets	16	10,935
Total exposure to credit risk		1,159,208

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 2022 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															
PPB and BCB															
Mortgage loans	13	6,778	5,644	-	-	-	-	1,005	129	129	13	17	99	90%	2%
Vehicle and asset finance	13	11,484	-	-	9,362	-	-	1,967	155	155	-	9	146	100%	1%
Overdrafts	13	12,187	-	-	11,309	-	-	776	102	102	-	17	85	100%	1%
Term loans	13	126,904	-	-	111,098	-	-	9,736	6,070	6,070	72	845	5,153	99%	5%
CIB															
Corporates	13	92,875	5,298	-	87,122	4	451	-	-	-	-	-	-	-	-
Banks	12	131,195	-	-	131,195	-	-	-	-	-	-	-	-	-	-
Gross carrying amount		381,423	10,942	-	350,086	4	451	13,484	6,456	6,456	85	888	5,483	85%	2%
Less: Interest in suspense	13	(888)													
Less: Total expected credit losses for loans and advances	12,13	(13,501)													
Net carrying amount of loans and advances measured at amortised cost		367,034													
Financial investments measured at amortised cost															
Sovereign	14	353,946	-	-	353,946	-	-	-	-						
Gross carrying amount		353,946	-	-	353,946	-	-	-	-						
Less: total expected credit loss for financial investments	14	(2,097)													
Net carrying amount of financial investments measured at amortised cost		351,849													
Financial investments at fair value through OCI															
Sovereign		299	-	-	299	-	-	-	-						
Gross carrying amount		299	-	-	299	-	-	-	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	26	386													
Total financial investment at fair value through OCI	14	685													

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2022 Separate	Note	Gross Carrying amount
		MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	40	19,288
Guarantees	40	117,194
Irrevocable unutilised facilities	40	155
Total exposure to off-balance sheet credit risk		136,637
Expected credit losses for off-balance sheet exposures	24	(231)
Net carrying amount of off-balance sheet exposures		136,406
Total exposure to credit risk on financial assets subject to an expected credit loss		855,974
Add the following other banking activities exposures:		
Cash and balances held with the Central Bank	8	56,199
Derivative assets	9	1,467
Trading assets	11	120
Other financial assets	16	1,732
Total exposure to credit risk		915,492

The fair value of collateral that the Group holds relating to loans individually determined to be impaired at 31 December 2023 amounts to **MK1,259 million** (2022: MK85 million). The collateral consists of securities, mortgages over property and guarantees. The gross carrying amount for modifications during the reporting period that resulted in no economic gain or loss was **MK16,859 million** (2022: MK 17,588 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 2023 MKm	 2022 MKm
Personal and Private Banking and Business and Commercial Banking		
- Mortgage lending	**17,805**	15,818
- Installment sales and finance leases	**25,490**	29,372
- Other loans and advances and off-balance sheet items	**126,084**	105,693
Corporate and Investment Banking		
- Corporate lending and off-balance sheet items	**158,205**	192,643
	327,584	343,526
Collateral demanded		
Residential property	**2,011**	119
Commercial property	**2,710**	1,459
Vehicle and asset finance	**1,154**	184
Other (machinery)	**35**	-
	5,910	1,762

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 2023, guarantees dominated the collateral portfolio in CIB and property in PPB and BCB.

The unsecured loans and advances in PPB and BCB were comprised mostly of the personal loan segment.

There have 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:

		At 31 December 2023		
Consolidated	**Note**	**Carrying amount MKm**	**Offset MKm**	**Net exposure to credit risk MKm**
Cash and balances held with the Central Bank	8	**152,232**	**-**	**152,232**
Derivative assets	9	**798**	**-**	**798**
Trading assets	11	**22,644**	**-**	**22,644**
Loans and advances to banks	12	**239,739**	**-**	**239,739**
Loans and advances to customers	13	**294,300**	**(926)**	**293,374**
Financial investments	14	**334,859**	**-**	**334,859**
Other assets	16	**10,894**	**-**	**10,894**
		1,055,466	**(926)**	**1,054,540**

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 2022		
Consolidated	**Note**	**Carrying amount MKm**	**Offset MKm**	**Net exposure to credit risk MKm**
Cash and balances held with the Central Bank	8	56,385	-	56,385
Derivative assets	9	1,467	-	1,467
Trading assets	11	120	-	120
Loans and advances to banks	12	131,454	-	131,454
Loans and advances to customers	13	235,845	(884)	234,961
Financial investments	14	352,534	-	352,534
Other assets	16	1,692	-	1,692
		779,497	(884)	778,613

		At 31 December 2023		
Separate	**Note**	**Carrying amount MKm**	**Offset MKm**	**Net exposure to credit risk MKm**
Cash and balances held with the Central Bank	8	**152,118**	**-**	**152,118**
Derivative assets	9	**798**	**-**	**798**
Trading assets	11	**22,644**	**-**	**22,644**
Loans and advances to banks	12	**239,546**	**-**	**239,546**
Loans and advances to customers	13	**294,300**	**(926)**	**293,374**
Financial investments	14	**334,859**	**-**	**334,859**
Other assets	16	**10,935**	**-**	**10,935**
		1,055,200	**(926)**	**1,054,274**

		At 31 December 2022		
Separate	**Note**	**Carrying amount MKm**	**Offset MKm**	**Net exposure to credit risk MKm**
Cash and balances held with the Central Bank	8	56,199	-	56,199
Derivative assets	9	1,467	-	1,467
Trading assets	11	120	-	120
Loans and advances to banks	12	131,189	-	131,189
Loans and advances to customers	13	235,845	(884)	234,961
Financial investments	14	352,534	-	352,534
Other assets	16	1,732	-	1,732
		779,086	(884)	778,202

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	
	2023 MKm	2022 MKm
Impaired loans and advances to customers at 1 January	**6,456**	4,214
Classified as impaired during the year	**8,929**	5,562
Transferred to not impaired during the year	**(1,168)**	(973)
Amount written off	**(4,398)**	(2,347)
Impaired loans and advances to customers at 31 December	**9,819**	6,456

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 and Separate	
Loans and advances to customers		**2023**	2022
	Note	**MKm**	MKm
Segmental analysis – industry			
Agriculture		**86,554**	63,029
Construction		**8,134**	9,043
Energy		**7,381**	5,252
Finance, real estate and other business services		**5,917**	6,367
Individuals, community, social and personal services		**122,319**	100,047
Manufacturing		**9,086**	9,394
Transport, storage and communication		**39,402**	31,422
Wholesale		**33,606**	25,674
	13	**312,399**	250,228

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

	Consolidated and Separate	
	2023	2022
Agriculture	**28%**	25%
Construction	**3%**	3%
Energy	**2%**	2%
Finance, real estate and other business services	**2%**	3%
Individuals, community, social and personal services	**39%**	40%
Manufacturing	**3%**	4%
Transport, storage and communication	**13%**	13%
Wholesale	**10%**	10%
	100%	100%

4. Risk management (Continued)

(b) Credit risk (continued)

Industry segmental analysis for stage 3 loans and advances to customers

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Agriculture	**103**	25
Construction	**1,662**	214
Energy	**124**	-
Finance, real estate and other business services	**56**	1
Individuals, community, social and personal services	**4,805**	5,406
Manufacturing	**862**	-
Mining	**-**	-
Transport, storage and communication	**614**	170
Wholesale	**1,593**	640
	9,819	6,456

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.

Structural liquidity risk management

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. Structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of balance sheet items in order to highlight potential risks within the company's defined liquidity risk thresholds. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis with active management intervention if potential limit breaches are evidenced. The behaviourally adjusted cumulative liquidity mismatch remains within the Group's liquidity risk appetite.

Maturity analysis of financial assets and liabilities by contractual maturity

The table below analyses financial assets and liabilities into relevant maturity rankings based on the remaining period at 31 December 2023 to the contractual maturity date on a discounted basis.

At 31 December 2023		**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	**152,232**	**-**	**-**	**-**	**-**	**152,232**
Derivative assets	9	**209**	**589**	**-**	**-**	**-**	**798**
Trading assets	11	**-**	**22,644**	**-**	**-**	**-**	**22,644**
Gross loans and advances to banks	12	**213,857**	**26,006**	**-**	**-**	**-**	**239,863**
Gross loans and advances to customers	13	**40,861**	**22,578**	**66,618**	**182,342**	**-**	**312,399**
Gross financial Investments	14	**70,037**	**207,934**	**51,520**	**14,522**	**160**	**344,173**
Other assets	16	**10,894**	**-**	**-**	**-**	**-**	**10,894**
Total assets		**488,090**	**279,751**	**118,138**	**196,864**	**160**	**1,083,003**

4. Risk management (Continued)

(c) Liquidity risk (continued)

At 31 December 2023		Up to 1 month	1-3 months	3-12 months	Over 1 Year	Undated	Total
Consolidated	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Liabilities							
Derivative liabilities	9	**1,617**	**-**	**-**	**-**	**-**	**1,617**
Deposits and loans from banks	20	**21,569**	**-**	**-**	**-**	**-**	**21,569**
Deposits from customers	21	**789,784**	**204**	**48**	**603**	**-**	**790,639**
Other liabilities	22	**49,545**	**5**	**22**	**208**	**-**	**49,780**
Total liabilities		**862,515**	**209**	**70**	**811**	**-**	**863,605**
On balance sheet liquidity gap		**(374,425)**	**279,542**	**118,068**	**196,053**	**160**	**219,398**
Off balance sheet exposures							
Letters of credit and guarantees	40	**13,179**	**9,983**	**46,118**	**36,370**	**-**	**105,650**
Total off balance sheet exposures		**13,179**	**9,983**	**46,118**	**36,370**	**-**	**105,650**
Total liquidity gap (on and off balance sheet)		**(387,604)**	**269,559**	**71,950**	**159,683**	**160**	**113,748**

At 31 December 2022		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	56,385	-	-	-	-	56,385
Derivative assets	9	592	695	180	-	-	1,467
Trading assets	11	117	-	3	-	-	120
Gross loans and advances to banks	12	131,460	-	-	-	-	131,460
Gross loans and advances to customers	13	23,204	45,745	38,917	142,362	-	250,228
Gross financial investments	14	32,009	85,598	94,608	142,416	111	354,742
Other assets	16	1,692	-	-	-	-	1,692
Total assets		245,459	132,038	133,708	284,778	111	796,094
Liabilities							
Derivative liabilities	9	218	-	-	-	-	218
Deposits and loans from banks	20	20,962	-	-	-	-	20,962
Deposits from customers	21	560,336	31,351	1,283	36	-	593,006
Other liabilities	22	37,613	53	239	162	-	38,067
Total liabilities		619,129	31,404	1,522	198	-	652,253
On balance sheet liquidity gap		(373,670)	100,634	132,186	284,580	111	143,841
Off balance sheet exposures							
Letters of credit and guarantees	40	18,024	22,541	71,610	24,307	-	136,482
Unutilised loan commitments	40	12	-	143	-	-	155
Total off balance sheet exposures		18,036	22,541	71,753	24,307	-	136,637
Total liquidity gap (on and off balance sheet)		(391,706)	78,093	60,433	260,273	111	7,204

4. Risk management (Continued)

(c) Liquidity risk (continued)

At 31 December 2023		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	152,118	-	-	-	-	152,118
Derivative assets	9	209	589	-	-	-	798
Trading assets	11	-	22,644	-	-	-	22,644
Gross loans and advances to banks	12	213,664	26,006	-	-	-	239,670
Gross loans and advances to customers	13	40,861	22,578	66,618	182,342	-	312,399
Gross financial investments	14	70,037	207,934	51,520	14,522	160	344,173
Other assets	16	10,935	-	-	-	-	10,935
Total assets		487,824	279,751	118,138	196,864	160	1,082,737
Liabilities							
Derivative liabilities	9	1,617	-	-	-	-	1,617
Deposits and loans from banks	20	21,569	-	-	-	-	21,569
Deposits from customers	21	796,269	204	48	603	-	797,124
Other liabilities	22	49,546	5	22	208	-	49,781
Total liabilities		869,001	209	70	811	-	870,091
On balance sheet liquidity gap		(381,177)	279,542	118,068	196,053	160	212,646
Off balance sheet exposures							
Letters of credit and guarantees	40	13,179	9,983	46,118	36,370	-	105,650
Total off balance sheet exposures		13,179	9,983	46,118	36,370	-	105,650
Total liquidity gap (on and off balance sheet)		(394,356)	269,559	71,950	159,683	160	106,996

4. Risk management (Continued)

(c) Liquidity risk (continued)

At 31 December 2022		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	56,199	-	-	-	-	56,199
Derivative assets	9	592	695	180	-	-	1,467
Trading assets	11	117	-	3	-	-	120
Gross loans and advances to banks	12	131,195	-	-	-	-	131,195
Gross loans and advances to customers	13	23,204	45,745	38,917	142,362	-	250,228
Gross financial investments	14	32,009	85,598	94,608	142,416	111	354,742
Other assets	16	1,732	-	-	-	-	1,732
Total assets		245,048	132,038	133,708	284,778	111	795,683
Liabilities							
Derivative liabilities	9	218	-	-	-	-	218
Deposits and loans from banks	20	20,962	-	-	-	-	20,962
Deposits from customers	21	565,083	31,351	1,283	36	-	597,753
Other liabilities	22	37,608	53	239	162	-	38,062
Total liabilities		623,871	31,404	1,522	198	-	656,995
On balance sheet liquidity gap		(378,823)	100,634	132,186	284,580	111	138,688
Off balance sheet exposures							
Letters of credit and guarantees	40	18,024	22,541	71,610	24,307	-	136,482
Unutilised loan commitments	40	12	-	143	-	-	155
Total off balance sheet exposures		18,036	22,541	71,753	24,307	-	136,637
Total liquidity gap (on and off balance sheet)		(396,859)	78,093	60,433	260,273	111	2,051

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 2023		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	152,232	-	-	-	-	-	152,232	152,232
Trading assets	11	-	-	23,197	-	-	-	23,197	22,644
Gross loans and advances to banks	12	103,876	110,452	27,132	-	-	-	241,460	239,739
Gross loans and advances to customers	13	10,427	44,279	52,782	45,223	294,047	-	446,758	294,300
Gross financial investments	14	-	69,702	242,482	25,822	14,848	160	353,014	335,019
Other assets	16	-	10,894	-	-	-	-	10,894	10,894
Non-derivative financial liabilities									
Deposits and loans from banks	20	(21,570)	-	-	-	-	-	(21,570)	(21,569)
Deposits from customers	21	(796,791)	(108)	(223)	(35)	(637)	-	(797,794)	(790,639)
Other liabilities	22	-	(49,545)	(12)	(15)	(208)	-	(49,780)	(49,780)
Off balance sheet exposures									
Letters of credit and guarantees	40	-	(13,179)	(27,863)	(28,238)	(36,370)	-	(105,650)	(105,650)
Total non-derivative financial instruments		(551,826)	172,495	317,495	42,757	271,680	160	252,761	87,190

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 2023		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 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	-	-	-	-	-	798
Inflow		-	6,970	14,849	-	21,819	-
Outflow		-	(6,746)	(14,107)	-	(20,853)	-
Derivatives and trading liabilities							
Trading:	9	-	-	-	-	-	(1,617)
Inflow		-	4,748	-	-	4,748	-
Outflow		-	(6,355)	-	-	(6,355)	-
Total derivative financial instruments		-	(1,383)	742	-	(641)	(819)

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 2022		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	56,385	-	-	-	-	-	56,385	56,385
Trading assets	11	-	117	3	-	-	-	120	120
Gross loans and advances to banks	12	58,357	73,309	-	-	-		131,666	131,454
Gross loans and advances to customers	13	8,710	28,059	90,907	20,375	147,129	-	295,180	235,845
Gross financial investments	14	-	32,041	140,900	46,471	151,031	111	370,554	352,645
Other assets	16	-	1,692	-	-	-	-	1,692	1,692
Non-derivative financial liabilities									
Deposits and loans from banks	20	(19,189)	(1,797)	-	-	-	-	(20,986)	(20,962)
Deposits from customers	21	(495,824)	(75,036)	(32,207)	(766)	(43)	-	(603,876)	(593,006)
Other liabilities	22	-	(37,613)	(133)	(159)	(162)	-	(38,067)	(38,067)
Off balance sheet exposures									
Letters of credit and guarantees	40	-	(18,024)	(38,708)	(55,443)	(24,307)	-	(136,482)	(136,482)
Unutilised loan commitments	40	-	(12)	-	(143)	-	-	(155)	(155)
Total non-derivative financial instruments		(391,561)	2,736	160,762	10,335	273,648	111	56,031	(10,531)

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 2022		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 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	-	-	-	-	-	1,467
Inflow		-	11,877	11,212	(7,000)	30,089	-
Outflow		-	(12,299)	(10,481)	6,991	(29,771)	-
Derivatives and trading liabilities							
Trading:	9	-	-	-	-	-	(218)
Inflow		-	9,460	-	-	9,460	-
Outflow		-	(9,536)	-	-	(9,536)	-
Total derivative financial instruments		-	(498)	731	9	242	1,249

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 2023		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	152,118	-	-	-	-	-	152,118	152,118
Trading assets	11	-	-	23,197	-	-	-	23,197	22,644
Gross loans and advances to banks	12	103,683	110,452	27,132	-	-	-	241,267	239,546
Gross loans and advances to customers	13	10,427	44,279	52,782	45,223	294,047	-	446,758	294,300
Gross financial investments	14	-	69,702	242,482	25,822	14,848	160	353,014	335,019
Other assets	16	-	10,935	-	-	-	-	10,935	10,935
Non-derivative financial liabilities									
Deposits and loans from banks	20	(21,570)	-	-	-	-	-	(21,570)	(21,569)
Deposits from customers	21	(803,276)	(108)	(223)	(35)	(637)	-	(804,279)	(797,124)
Other liabilities	22	-	(49,546)	(12)	(15)	(208)	-	(49,781)	(49,781)
Off balance sheet exposures									
Letters of credit and guarantees	40	-	(13,179)	(27,863)	(28,238)	(36,370)	-	(105,650)	(105,650)
Total non-derivative financial instruments		(558,618)	172,535	317,495	42,757	271,680	160	246,009	80,438

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 2023		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 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	-	-	-	-	-	**798**
Inflow		-	**6,970**	**14,849**	-	**21,819**	-
Outflow		-	**(6,746)**	**(14,107)**	-	**(20,853)**	-
Derivatives and trading liabilities							
Trading:	9	-	-	-	-	-	**(1,617)**
Inflow		-	**4,748**	-	-	**4,748**	-
Outflow		-	**(6,355)**	-	-	**(6,355)**	-
Total derivative financial instruments		-	**(1,383)**	**742**	-	**(641)**	**(819)**

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 2022		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	56,199	-	-	-	-	-	56,199	56,199
Trading assets	11	-	117	3	-	-	-	120	120
Gross loans and advances to banks	12	58,092	73,309	-	-	-		131,401	131,189
Gross loans and advances to customers	13	8,710	28,059	90,907	20,375	147,129	-	295,180	235,845
Gross financial investments	14	-	32,041	140,900	46,471	151,031	111	370,554	352,645
Other assets	16	-	1,732	-	-	-	-	1,732	1,732
Non-derivative financial liabilities									
Deposits and loans from banks	20	(19,189)	(1,797)	-	-	-	-	(20,986)	(20,962)
Deposits from customers	21	(500,571)	(75,036)	(32,207)	(766)	(43)	-	(608,623)	(597,753)
Other liabilities	22	-	(37,608)	(133)	(159)	(162)	-	(38,062)	(38,062)
Off balance sheet exposures									
Letters of credit and guarantees	40	-	(18,024)	(38,708)	(55,443)	(24,307)	-	(136,482)	(136,482)
Unutilised loan commitments	40	-	(12)	-	(143)	-	-	(155)	(155)
Total non-derivative financial instruments		(396,759)	2,781	160,762	10,335	273,648	111	50,878	(15,684)

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 2022		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 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	-	-	-	-	-	1,467
Inflow		-	11,877	11,212	7,000	30,089	-
Outflow		-	(12,299)	(10,481)	(6,991)	(29,771)	-
Derivatives and trading liabilities							
Trading:	9	-	-	-	-	-	(218)
Inflow		-	9,460	-	-	9,460	-
Outflow		-	(9,536)	-	-	(9,536)	-
Total derivative financial instruments		-	(498)	731	(9)	242	1,249

(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 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-23	Limit
Bank wide	**143**	**60**	**91**	**63**	**168**
Forex trading	**144**	**60**	**90**	**62**	**115**
Money markets trading	**20**	**0.2**	**7**	**2**	**80**

Desk name	High	Min	Average	31-Dec-22	Limit
Bank wide	151	8	65	110	276
Forex trading	151	3	63	110	190
Money markets trading	8	0	2	0.2	131

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-23	Limit
Bank wide *	**879**	**377**	**581**	**467**	**2,266**
Forex trading	**876**	**382**	**560**	**469**	**1,467**
Money markets trading	**848**	**9**	**281**	**48**	**1,090**

Desk name	High	Min	Average	31-Dec-22	Limit
Bank wide *	2,076	120	799	673	3,714
Forex trading	676	12	361	673	2,404
Money markets trading	2,075	0.2	576	13	1,787

* = combined represents VAR for forex trading and money markets trading

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.

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
2023		
	350	**16,987**
	(350)	**(14,011)**

Consolidated and separate

2022		
	350	4,841
	(350)	(5,537)

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
2023		
	350	**(7)**
	(350)	**7**

Consolidated and separate

2022		
	350	(10)
	(350)	10

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 2023**	**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							
Gross loans and advances to banks	12	**239,848**	**-**	**-**	**-**	**15**	**239,863**
Gross loans and advances to customers	13	**287,906**	**-**	**-**	**-**	**24,493**	**312,399**
Gross financial investments	14	**247,799**	**26,359**	**34,002**	**68**	**35,945**	**344,173**
Total assets		**775,553**	**26,359**	**34,002**	**68**	**60,453**	**896,435**
Liabilities							
Deposits and loans from banks	20	**-**	**-**	**-**	**1,327**	**20,242**	**21,569**
Deposits from customers	21	**423,737**	**1,980**	**1,063**	**4,655**	**359,204**	**790,639**
Total liabilities		**423,737**	**1,980**	**1,063**	**5,982**	**379,446**	**812,208**
Interest sensitivity gap		**351,816**	**24,379**	**32,939**	**(5,914)**	**(318,993)**	**84,227**

Consolidated **At 31 December 2022**							
Assets							
Gross loans and advances to banks	12	110,454	20,739	-	-	267	131,460
Gross loans and advances to customers	13	237,808	-	-	-	12,420	250,228
Gross financial investments	14	29,345	79,061	89,164	130,341	26,831	354,742
Total assets		377,607	99,800	89,164	130,341	39,518	736,430
Liabilities							
Deposits and loans from banks	20	6,982	-	-	1,772	12,208	20,962
Deposits from customers	21	305,162	29,942	-	6	257,896	593,006
Total liabilities		312,144	29,942	-	1,778	270,104	613,968
Interest sensitivity gap		65,463	69,858	89,164	128,563	(230,586)	122,462

Separate **At 31 December 2023**	**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							
Gross loans and advances to banks	12	**239,655**	**-**	**-**	**-**	**15**	**239,670**
Gross loans and advances to customers	13	**287,906**	**-**	**-**	**-**	**24,493**	**312,399**
Gross financial investments	14	**247,799**	**26,359**	**34,002**	**68**	**35,945**	**344,173**
Total assets		**775,360**	**26,359**	**34,002**	**68**	**60,453**	**896,242**
Liabilities							
Deposits and loans from banks	20	**-**	**-**	**-**	**1,327**	**20,242**	**21,569**
Deposits from customers	21	**430,222**	**1,980**	**1,063**	**4,655**	**359,204**	**797,124**
Total liabilities		**430,222**	**1,980**	**1,063**	**5,982**	**379,446**	**818,693**
Interest sensitivity gap		**345,138**	**24,379**	**32,939**	**(5,914)**	**(318,993)**	**77,549**

Separate **At 31 December 2022**							
Assets							
Gross loans and advances to banks	12	110,454	20,739	-	-	2	131,195
Gross loans and advances to customers	13	237 808	-	-	-	12,420	250,228
Gross financial investments	14	29,345	79,061	89,164	130,341	26,831	354,742
Total assets		377,607	99,800	89,164	130,341	39,253	736,165
Liabilities							
Deposits and loans from banks	20	6,982	-	-	1,772	12,208	20,962
Deposits from customers	21	308,629	29,942	-	6	259,176	597,753
Total liabilities		315,611	29,942	-	1,778	271,384	618,715
Interest sensitivity gap		61,996	69,858	89,164	128,563	(232,131)	117,450

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 2023

	USD	GBP	Euro	ZAR	Total
Assets					
Cash and balances held with the Central Bank	**6,956**	**42**	**604**	**30**	**7,632**
Loans and advances to banks	**174,663**	**9,049**	**12,050**	**5,385**	**201,147**
Loans and advances to customers	**53,808**	**4**	**2,022**	**1,621**	**57,455**
Other assets	**1,490**	**178**	**1,831**	**6,044**	**9,543**
Derivative assets	**9,955**	**-**	**-**	**-**	**9,955**
Total assets	**246,872**	**9,273**	**16,507**	**13,080**	**285,732**
Liabilities					
Deposits and loans from banks	**11,677**	**-**	**2,016**	**1,631**	**15,324**
Deposits from customers	**182,913**	**8,751**	**-**	**600**	**192,264**
Other liabilities	**39,648**	**483**	**14,474**	**10,769**	**65,374**
Total liabilities	**234,238**	**9,234**	**16,490**	**13,000**	**272,962**
Net position	**12,634**	**39**	**17**	**80**	**12,770**

Consolidated
At 31 December 2022

	USD	GBP	Euro	ZAR	Total
Assets					
Cash and balances held with the Central Bank	3,453	26	55	11	3,545
Loans and advances to banks	30,550	3,169	14,181	9,981	57,881
Loans and advances to customers	38,694	-	2,750	-	41,444
Other assets	493	121	109	3,255	3,978
Derivative assets	77,454	-	-	-	77,454
Total assets	150,644	3,316	17,095	13,247	184,302
Liabilities					
Deposits and loans from banks	9,009	-	2,034	926	11,969
Deposits from customers	93,613	2,891	13,273	634	110,411
Other liabilities	37,567	389	1,720	11,608	51,284
Total liabilities	140,189	3,280	17,027	13,168	173,664
Net position	10,455	36	68	79	10,638

Separate
At 31 December 2023

Assets					
Cash and balances held with the Central Bank	**6,953**	**41**	**601**	**27**	**7,622**
Loans and advances to banks	**174,663**	**9,049**	**12,050**	**5,385**	**201,147**
Loans and advances to customers	**53,808**	**4**	**2,022**	**1,621**	**57,455**
Other assets	**1,490**	**178**	**1,831**	**6,044**	**9,543**
Derivative assets	**9,955**	**-**	**-**	**-**	**9,955**
Total assets	**246,869**	**9,272**	**16,504**	**13,077**	**285,722**
Liabilities					
Deposits and loans from banks	**11,677**	**-**	**2,023**	**1,631**	**15,331**
Deposits from customers	**184,557**	**8,753**	**-**	**600**	**193,910**
Other liabilities	**39,648**	**483**	**14,474**	**10,769**	**65,374**
Total liabilities	**235,882**	**9,236**	**16,497**	**13,000**	**274,615**
Net position	**10,987**	**36**	**7**	**77**	**11,107**

4. Risk management (Continued)

(e) Currency risk (continued)

Separate

At 31 December 2022	USD	GBP	Euro	ZAR	Total
Assets					
Cash and balances held with the Central Bank	3,423	24	54	9	3,510
Loans and advances to banks	30,550	3,169	14,181	9,981	57,881
Loans and advances to customers	38,694	-	2,750	-	41,444
Other assets	493	121	109	3,255	3,978
Derivative assets	77,454	-	-	-	77,454
Total assets	150,614	3,314	17,094	13,245	184,267
Liabilities					
Deposits and loans from banks	9,009	-	2,034	926	11,969
Deposits from customers	94,520	2,917	13,336	637	111,410
Other liabilities	37,567	389	1,720	11,608	51,284
Total liabilities	141,096	3,306	17,090	13,171	174,663
Net position	9,518	8	4	74	9,604

Foreign currency sensitivity analysis

The foreign currency risk sensitivity analysis below reflects the expected financial impact in Kwacha equivalent resulting from a **10%** (2022:10%) 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 2023	**USD**	**GBP**	**Euro**	**ZAR**	**Total**
Sensitivity					
Total net long/(short) position	**12,634**	**39**	**17**	**80**	**12,770**
Impact of 10% weakening of the Kwacha on profit or loss	**1,263**	**4**	**2**	**8**	**1,277**
Impact of 10% strengthening of the Kwacha on profit or loss	**(1,263)**	**(4)**	**(2)**	**(8)**	**(1,277)**

At 31 December 2022

Sensitivity					
Total net long/(short) position	10,455	36	68	79	10,638
Impact of 10% weakening of the Kwacha on profit or loss	1,046	4	7	8	1,065
Impact of 10% strengthening of the Kwacha on profit or loss	(1,046)	(4)	(7)	(8)	(1,065)

4. Risk management (Continued)

(e) Currency risk (continued)

Separate

At 31 December 2023	**USD**	**GBP**	**Euro**	**ZAR**	**Total**
Sensitivity					
Total net long/(short) position	**10,987**	**36**	**7**	**77**	**11,107**
Impact of 10% weakening of the Kwacha on profit or loss	**1,099**	**4**	**1**	**8**	**1,111**
Impact of 10% strengthening of the Kwacha on profit or loss	**(1,099)**	**(4)**	**(1)**	**(8)**	**(1,111)**

At 31 December 2022					
Sensitivity					
Total net long/(short) position	9,518	8	4	74	9,604
Impact of 10% weakening of the Kwacha on profit or loss	952	1	-	7	960
Impact of 10% strengthening of the Kwacha on profit or loss	(952)	(1)	-	(7)	(960)

(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.

Operational risk disclosures are not within the scope of IFRS 7 as such the information in the section is unaudited.

(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 biweekly basis, of not less than **7.75%** of local and **3.75%** of foreign currency deposits (2022: 3.75% of local currency deposits and foreign currency deposits) of the preceding two weeks' average total deposit liabilities. The Group complied with the liquidity reserve requirement in 2023. In the last two weeks of December 2023, the liquidity reserve was **16.29%** (2022: 6.02%) of average customer deposits.

(ii) Capital adequacy requirement

The Group's available capital is required to be a minimum of **15%** (2022: 15%) of risk weighted assets and contingent liabilities. As at 31 December 2023, the Group's available capital was **23.62%** (2022: 23.12%) 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 **MK29 billion** (2022: MK16.7 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 **MK29 billion** (2022: MK16.7 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 2023. At 31 December 2023, the Group's liquidity ratio was **67.64%** (2022: 45.13%).

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%** (2022:15%) 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.

The calculations of both the above ratios is shown below:

	2023 MKm	2022 MKm
Tier 1 capital		
Share capital and share premium	**8,726**	8,726
Retained earnings and other reserves	**142,690**	115,550
Total tier 1 capital	**151,416**	124,276
Tier 2 capital		
Revaluation reserve on property, loan loss reserve less 50% of investment in a subsidiary	**17,593**	12,332
Total tier 2 capital	**17,593**	12,332
Total regulatory capital	**169,009**	136,608
Risk weighted assets	**715,389**	590,782
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**23.62%**	23.12%
Total Tier 1 capital expressed as a percentage of total risk weighted assets	**21.17%**	21.04%

The Group has complied with all capital management requirements during the year ended 31 December 2023.

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 PPB and BCB 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

PPB and BCB

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.

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

For PPB and BCB 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).

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.

5. Accounting estimates and judgements (Continued)

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

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 PPB and BCB 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 2023, for inclusion in the Group's forward-looking process and ECL calculation.

Expectations about the Malawi economy

Base Case

The economy will be hampered by high inflation, unpredictable exchange rates (after a 25% and 44% increase in the USD/MWK pair in May 2022 and November 2023, respectively), and sluggish growth in 2023-2024. Cyclone Freddy hit the country in early 2023, wreaking havoc and impeding growth in the short to medium term.

There have been several unexpected negative risks, likely to cause real GDP growth to average 1.7% in 2023 and 2.0% in 2024. Into H2:23, the World Meteorological Organisation projected El Niño weather pattens. The agricultural sector is especially vulnerable to El Niño effects, and Malawi, which relies primarily on rain-fed agriculture (about 90%), may experience lengthy droughts during the El Niño times. This will diminish crop yields and raise food prices, putting the country's food security and poverty levels at risk and a knock-on effect on the rest of the economy due to reliance largely on agriculture for jobs and exports.

In recent years, as the country's debt levels have climbed amid increased borrowing to finance development projects and address budget deficits, Malawi government has experienced issues in controlling its domestic debt. This has raised concerns about the country's debt sustainability and the risks of a debt crisis.

Malawi obtained an extended credit facility (ECF) program from the IMF and is working to restructure its external debt. There is additional support likely to boost FX reserves, such as USD60mn World Bank Trade Finance Facility, USD217mn World Bank package, USD250mn World Bank Agricultural Commercialization Project, EUR70mn European Union (EU) budget support, USD30mn African Development Bank budget support, and USD6mn International Fund for Agricultural Development budget support.

In this scenario, the Malawi government put in place a variety of initiatives targeted at improving debt management and lowering the country's debt levels. Measures to improve tax collection, strengthen fiscal discipline, and improve debt sustainability do work in this scenario due to the presence of the IMF.

Local currency debt restructuring is avoided. Post the devaluation of the Kwacha to MK1,700/US$, the IMF seems supportive of a more flexible exchange rate causing a stepped-up depreciation in the short to medium term. The Reserve Bank of Malawi (RBM) appears to be supporting the adjustment with a restrictive monetary policy stance. Expected depreciation may have a severe impact on the cost of living. It will result in a huge increase in the prices of imported products such as fuel, food, and medicine, which have a severe impact on household purchasing power.

This, in turn, may lead to higher inflation and lower consumer confidence, both of which will have a negative economic repercussion. While it may aid in resolving the balance of payments issue and stimulating exports, it will have a substantial detrimental impact on the cost of living and the Monetary Policy Committee (MPC) would act by hiking the policy rate even further. Inflation may be sticky above the MPC's medium-term inflation target is 5.0 ± 2 for most of the forecast period.

Bull case

The positive growth outlook for Malawi is predicated on a more robust reform momentum under this scenario. The health of Malawi's public finances would significantly improve as the government successfully enact significant fiscal reforms.

The bull case forecasts a stronger economic recovery, with GDP growth driven by meaningful improvements to electricity production with a positive slipover impact on other sectors.

In this case, there are more donor inflows supporting stronger economic development. Current transfers help to enhance the BOP position. This, paired with increased external borrowings, would increase FX reserves. Ample FX reserves would provide the RBM with scope to supply the onshore market with FX thus, keeping the market liquid.

The inflation trajectory is lower than in the base case. Non-food inflation is under control, thanks to a more stable exchange rate and plentiful food supply. As the economy recovers and output gaps close, the MPC will be more confident in cutting the policy rate.

In this scenario, the stronger economic recovery supports an improvement in state finances.

Bear case

A more bearish scenario would entail minimal fiscal consolidation progress in the upcoming years. Investor confidence in Malawian policymakers would be damaged if the IMF decided to stop providing financial assistance to Malawi due to a lackluster reform movement and large spending overruns.

Under this scenario, Malawi would be shut out on external funding and foreign aid, and therefore foreign direct investment (FDI) would decline. It is highly likely that Malawian authorities would turn to unconventional economic policies, such as the monetisation of budget deficits, in light of the country's severe financing constraints. High inflation would become the norm, depressing consumer demand.

Externally, shocks related to geopolitics would affect the outlook. An increasingly competitive and fragmented global geopolitical landscape is made more complex by the Israel-Hamas conflict. Onshore FX liquidity circumstances deteriorate, and the currency faces significant upward pressure.

The inflation trajectory is higher than in the base case. A faster rate of currency depreciation contributes to a rise in headline inflation, with food inflation rising as the adverse weather conditions disrupt food supplies. The MPC raises the policy rate at a faster pace than under base which has an impact on the recovery.

However, the second-round inflationary pressures caused by fuel price increases may be long-lasting. Despite the fact that the exchange rate has been corrected, further unanticipated factors present an upside risk to non-food inflation.

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 below.

	Base scenario		Bearish scenario		Bullish scenario	
2023 **Macroeconomic factors**	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**
Inflation rate	**31.53**	**16.38**	**34.77**	**20.88**	**27.75**	**12.63**
Policy rate	**26.50**	**18.46**	**28.50**	**20.46**	**24.50**	**16.46**
3 month treasury bill rate	**17.20**	**12.49**	**20.20**	**15.49**	**15.20**	**10.49**
6 month treasury bill rate	**20.50**	**15.79**	**23.50**	**18.79**	**18.50**	**13.79**
Exchange rate	**2,211.90**	**2,894.71**	**2,230.49**	**3,337.42**	**1,830.08**	**1,982.75**
Real GDP	**2.00**	**3.87**	**1.50**	**3.20**	**2.65**	**4.52**

1 The remaining forecast period is 2025 to 2027.
2 2024 - The scenario weighing is: Base at 50%, Bull at 5% and Bear at 45%
3 2023 - The scenario weighing is: Base at 50%, Bull at 10% and Bear at 40%

5. Accounting estimates and judgements (Continued)

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

Main macroeconomic factors (continued)

2022	Base scenario		Bearish scenario		Bullish scenario	
Macroeconomic factors	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Inflation rate	19.43	8.23	31.10	14.28	19.03	7.90
Policy rate	17.00	13.08	23.50	16.13	16.75	12.08
3 month treasury bill rate	11.90	7.98	18.40	11.03	11.65	6.98
6 month treasury bill rate	16.50	12.58	23.00	15.63	16.25	11.58
Exchange rate	1,277.54	1,579.08	1,323.48	1,628.11	1,119.73	1,230.08
Real GDP	3.0	5.47	2.9	3.1	3.7	6.15

1 The remaining forecast period is 2024 to 2026
2 2022 - The scenario weighing is: Base at 50%, Bull at 10% and Bear at 40%
3 2021 - The scenario weighing is: Base at 50%, Bull at 15% and Bear at 35%

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 and scenarios. It should be noted that CIB impairment methodology is based primarily on client specific risk metrics, and that the incorporation of forward-looking macro-economic information is only a single component and/or driver of reported expected credit losses. Therefore, this sensitivity analysis should in no way be viewed as the total sensitivity inherent within the CIB ECL provision.

Rating reviews of each client are performed at least annually, and 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 client and cannot be stressed or separated out of the overall provision.

Sensitivity analysis of PPB and BCB 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 2023 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

	2023		2022	
	Change of total PPB and BCB provisions on loans and advances		Change of total PPB and BCB provisions on loans and advances	
	MKm	%	MKm	%
Forward looking impact on IFRS 9 provision	**2,377**		2,612	
Scenarios				
100% Base	**2,237**	**(6%)**	2,407	(8%)
100% Bear	**2,816**	**18%**	3,142	20%
100% Bull	**1,551**	**(35%)**	1,708	(35%)

(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 in the period in which such determination is made.

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) IFRIC 23 – Uncertain Tax Positions

The Group has a continuing matter on transfer pricing tax audit covering the years 2015 and 2016 with the Malawi Revenue Authority (MRA). In the audit report, MRA disallowed 52% of the franchise fees on the basis that it was not at arm's length as per Section 127A of the Taxation Act. The Group appealed against the determination to the Commissioner General who rejected the appeal and alluded to disallowing the entire (100%) franchise fees. As per applicable tax procedures, the Group logged an appeal to the Special Arbitrator against both determinations. As at 31st December, 2023, the Commissioner General had not yet responded to the Special Arbitrator.

The Group has IFRIC 23 provisions for both years under audit and subsequent years as well on the understanding that the audit findings would be extended to the other years should the case be concluded in MRA's favour. The Group is holding a provision of **MK14,134 million** (2022:MK4,310) as at 31 December 2023 based on the expected value approach under IFRIC 23.

(v) 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

5. Accounting estimates and judgements (Continued)

(v) Provisions (continued)

Provisions for legal claims (continued)

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.

(vi) 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 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 2023 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 trading and corporate finance activities, central treasury, loans, deposits and other transactions and balances with corporate customers.

- 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 Private Banking (PPB)

PPB client segment is responsible for the end-to-end lifecycle of clients. PPB services individual clients. We enable our clients' daily lives by providing relevant solutions throughout their life journeys.

(iii) Business and Commercial Banking (BCB)

The BCB segment provide broad based client solutions for a wide spectrum of small and medium sized businesses as well as large commercial enterprises. Our client coverage support extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enabler their growth.

(iv) 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.

(v) Client segments

The client segments are responsible for designing and executing the client value proposition strategy. Client segments own the client relationship and create multi-product customer experiences to address life events distributed through our client engagement platforms.

(vii) Structural changes

During 2023, the Group has made significant structural changes to better serve its clients. Our operating model is client led and structured around our business units, previously referred to as segments, namely: Personal & Private Banking (PPB), Business & Commercial Banking (BCB) and Corporate & Investment Banking (CIB). Central and other will remain and house group hedging activities, unallocated capital, liquidity earnings and central costs.

Business unit reporting evolves to reflect changes in reporting responsibility for individual cost centres and divisions across the group. The business unit results have been adjusted and comparative periods restated accordingly.

Operating segments

	CIB		BCB		PPB		TCM		Total	
Consolidated	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm	**MKm**	MKm	**MKm**	MKm	**MKm**	MKm
Interest income	**90,296**	56,607	**11,635**	8,709	**30,478**	19,677	**-**	304	**132,409**	85,297
Interest expense	**(7,029)**	(6,352)	**(997)**	(1,090)	**(1,520)**	(1,198)	**-**	-	**(9,546)**	(8,640)
Net interest income	**83,267**	50,255	**10,638**	7,619	**28,958**	18,479	**-**	304	**122,863**	76,657
Funding income/ (expense)	**(14,821)**	(11,368)	**13,531**	11,105	**(2,359)**	(2,629)	**5,520**	3,458	**1,871**	566
Fee and commission income	**5,585**	5,446	**4,540**	4,097	**16,240**	11,501	**-**	-	**26,365**	21,044
Fee and commission expense	**-**	-	**(1,557)**	(1,092)	**(3,926)**	(2,298)	**-**	-	**(5,483)**	(3,390)
Net fee and commission income	**5,585**	5,446	**2,983**	3,005	**12,314**	9,203	**-**	-	**20,882**	17,654
Trading income	**50,112**	29,033	**-**	-	**2,802**	2,194	**-**	-	**52,914**	31,227
Other operating income	**86**	(1)	**20**	196	**491**	441	**-**	-	**597**	636
Other gains and losses on financial instruments	**430**	112	**-**	-	**-**	-	**-**	(2)	**430**	110
Inter-segment attribution revenue	**-**	-	**2,164**	2,860	**2,897**	2,517	**-**	-	**5,061**	5,377
Operating income	**124,659**	73,477	**29,336**	24,785	**45,103**	30,205	**5,520**	3,760	**204,618**	132,227
Credit impairment charges	**(9,253)**	(1,671)	**(2,155)**	(1,656)	**(3,700)**	(3,795)	**-**	-	**(15,108)**	(7,122)
Income after credit impairments	**115,406**	71,806	**27,181**	23,129	**41,403**	26,410	**5,520**	3,760	**189,510**	125,105

6. Segment reporting (Continued)

	CIB		BCB		PPB		TCM		Total	
Consolidated	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm
Direct staff costs before allocation	**(5,226)**	(3,991)	**(2,236)**	(1,808)	**(14,285)**	(9,214)	**-**	-	**(21,747)**	(15,013)
Direct operating expenses before allocation	**(8,538)**	(6,229)	**(4,520)**	(3,806)	**(22,166)**	(18,013)	**-**	-	**(35,224)**	(28,048)
Other operating expenses from enabling functions	**(12,731)**	(9,383)	**(18,965)**	(13,814)	**9,428**	6,385	**-**	-	**(22,268)**	(16,812)
Total expenditure	**(26,495)**	(19,603)	**(25,721)**	(19,428)	**(27,023)**	(20,842)	**-**	-	**(79,239)**	(59,873)
Inter-segment attribution expense	**(3,804)**	(4,756)	**-**	-	**-**	-	**-**	-	**(3,804)**	(4,756)
Profit before income tax	**85,107**	47,447	**1,460**	3,701	**14,380**	5,568	**5,520**	3,760	**106,467**	60,476
Income tax expense	**(37,565)**	(16,205)	**(3,849)**	(1,277)	**(9,753)**	(2,190)	**(2,144)**	(1,118)	**(53,311)**	(20,790)
Profit for the year	**47,542**	31,242	**(2,389)**	2,424	**4,627**	3,378	**3,376**	2,642	**53,156**	39,686

	CIB		BCB		PPB		TCM		Total	
Consolidated	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm
Assets										
Cash and balances held with the Central Bank	**123,772**	42,592	**-**	-	**22,109**	9,208	**-**	-	**145,881**	51,800
Derivative assets	**798**	1,467	**-**	-	**-**	-	**-**	-	**798**	1,467
Trading assets	**22,644**	120	**-**	-	**-**	-	**-**	-	**22,644**	120
Loans and advances to banks	**239,739**	131,454	**-**	-	**-**	-	**-**	-	**239,739**	131,454
Loans and advances to customers	**117,065**	91,959	**69,275**	55,415	**107,960**	88,471	**-**	-	**294,300**	235,845
Financial investments	**334,708**	352,383	**-**	-	**-**	-	**151**	151	**334,859**	352,534
Other assets	**11,166**	4,163	**1,674**	313	**775**	13,010	**-**	-	**13,615**	17,486
Current and deferred tax assets	**2,013**	1,959	**813**	806	**508**	679	**-**	-	**3,334**	3,444
Property, equipment and right-of-use assets	**(73)**	74	**704**	751	**12,797**	7,402	**-**	-	**13,428**	8,227
Non-current asset held-for-sale	**-**	-	**-**	-	**-**	584	**-**	-	**-**	584
Investment in subsidiaries	**-**	-	**-**	-	**-**	-	**100**	100	**100**	100
Intangible assets	**-**	-	**-**	-	**12,693**	13,979	**-**	-	**12,693**	13,979
Total assets	**851,832**	626,171	**72,466**	57,285	**156,842**	133,333	**251**	251	**1,081,391**	817,040
Liabilities										
Derivative liabilities	**1,617**	218	**-**	-	**-**	-	**-**	-	**1,617**	218
Deposits and loans from banks	**18,731**	18,928	**2,838**	2,034	**-**	-	**-**	-	**21,569**	20,962
Deposits from customers	**466,660**	362,687	**207,755**	144,997	**116,224**	85,322	**-**	-	**790,639**	593,006
Other liabilities and provisions	**38,434**	25,745	**10,865**	7,562	**22,981**	7,260	**-**	-	**72,280**	40,567
Current and deferred tax liabilities	**17,846**	11,265	**6,088**	3,006	**16,995**	13,780	**(366)**	(366)	**40,563**	27,685
Total liabilities	**543,288**	418,843	**227,546**	157,599	**156,200**	106,362	**(366)**	(366)	**926,668**	682,438

	CIB		BCB		PPB		TCM		Total	
Consolidated	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm	**2023 MKm**	2022 MKm
Shareholders' equity										
Share capital and premium	**-**	-	**-**	-	**-**	-	**8,726**	8,726	**8,726**	8,726
Retained earnings and reserves	**66,257**	38,060	**19,257**	14,613	**40,756**	33,480	**42,099**	42,496	**168,369**	128,649
Funding	**242,287**	169,268	**(174,337)**	(114,927)	**(40,114)**	(6,509)	**(50,208)**	(50,605)	**(22,372)**	(2,773)
Total shareholders' equity	**308,544**	207,328	**(155,080)**	(100,314)	**642**	26,971	**617**	617	**154,723**	134,602
Total equity and liabilities	**851,832**	626,171	**72,466**	57,285	**156,842**	133,333	**251**	251	**1,081,391**	817,040

Reconciliation of information on reportable segments to IFRS measures

Consolidated	**2023 MKm**	2022 MKm
(i) Revenues		
Total revenues for reportable segments	**204,618**	132,227
Interest expense	**(28)**	(5)
Interdepartmental funding expense	**(6,932)**	(5,943)
Other income	**2,763**	1,706
Consolidated revenue	**200,421**	127,985
(ii) Profit before tax		
Total profit for reportable segments	**106,467**	60,476
Unallocated amounts*	**(719)**	(420)
Consolidated profit before tax	**105,748**	60,056
(iii) Assets		
Total assets for reportable segments	**1,081,391**	817,040
Unallocated amounts*	**31,125**	12,308
Consolidated total assets	**1,112,516**	829,348
(iv) Liabilities		
Total liabilities for reportable segments	**926,668**	682,438
Other unallocated amounts*	**(7,969)**	(1,142)
Consolidated total liabilities	**918,699**	681,296

*Unallocated amounts comprise of corporate functions (primarily head office units).

Key reporting measures

	CIB		BCB		PPB		TCM	
Consolidated	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Profit after tax (MKm)	**47,542**	31,242	**(2,389)**	2,424	**4,627**	3,378	**3,376**	2,642
Cost to income ratio	**21%**	27%	**88%**	78%	**60%**	69%	**-**	-
Number of employees	**57**	59	**53**	49	**459**	455	**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 **At 31 December 2023**	**Note**	**Level 1** **Mkm**	**Level 2** **Mkm**	**Level 3** **Mkm**	**Total** **Mkm**
Assets					
Cash and balances held with the Central Bank	8	**81,598**	**-**	**-**	**81,598**
Derivative assets	9	**-**	**798**	**-**	**798**
Trading assets	11	**-**	**22,644**	**-**	**22,644**
Financial investments	14	**-**	**674**	**-**	**674**
Total		**81,598**	**24,116**	**-**	**105,714**
Liabilities					
Derivative liabilities	9	**-**	**1,617**	**-**	**1,617**
Total		**-**	**1,617**	**-**	**1,617**

Consolidated

At 31 December 2022

Assets					
Cash and balances held with the Central Bank	8	40,255	-	-	40,255
Derivative assets	9	-	1,467	-	1,467
Trading assets	11	-	120	-	120
Financial investments	14	-	685	-	685
Total		40,255	2,272	-	42,527
Liabilities					
Derivative liabilities	9	-	218	-	218
Total		-	218	-	218

Separate

At 31 December 2023

Assets					
Cash and balances held with the Central Bank	8	**81,484**	**-**	**-**	**81,484**
Derivative assets	9	**-**	**798**	**-**	**798**
Trading assets	11	**-**	**22,644**	**-**	**22,644**
Financial investments	14	**-**	**674**	**-**	**674**
Total		**81,484**	**24,116**	**-**	**105,600**
Liabilities					
Derivative liabilities	9	**-**	**1,617**	**-**	**1,617**
Total		**-**	**1,617**	**-**	**1,617**

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 2022**	**Note**	**Level 1** **Mkm**	**Level 2** **Mkm**	**Level 3** **Mkm**	**Total** **Mkm**
Assets					
Cash and balances held with the Central Bank	8	40,069	-	-	40,069
Derivative assets	9	-	1,467	-	1,467
Trading assets	11	-	120	-	120
Financial investments	14	-	685	-	685
Total		40,069	2,272	-	42,341
Liabilities					
Derivative liabilities	9	-	218	-	218
Total		-	218	-	218

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

Consolidated **31 December 2023**	**Note**	**Level 1** **Mkm**	**Level 2** **Mkm**	**Level 3** **Mkm**	**Total** **Mkm**
Assets					
Cash and balances held with the Central Bank	8	**70,634**	**-**	**-**	**70,634**
Loans and advances to banks	12	**-**	**239,739**	**-**	**239,739**
Loans and advances to customers	13	**-**	**-**	**294,300**	**294,300**
Financial investments	14	**-**	**334,185**	**160**	**334,345**
Other assets	16	**-**	**-**	**10,894**	**10,894**
Total		**70,634**	**573,924**	**305,354**	**949,912**
Liabilities					
Deposits and loans from banks	20	**21,569**	**-**	**-**	**21,569**
Deposits from customers	21	**789,676**	**963**	**-**	**790,639**
Other liabilities	22	**-**	**-**	**49,780**	**49,780**
Total		**811,245**	**963**	**49,780**	**861,988**

Consolidated **At 31 December 2022**	**Note**	**Level 1** **Mkm**	**Level 2** **Mkm**	**Level 3** **Mkm**	**Total** **Mkm**
Assets					
Cash and balances held with the Central Bank	8	16,130	-	-	16,130
Loans and advances to banks	12	-	131,454	-	131,454
Loans and advances to customers	13	-	-	235,845	235,845
Financial investments	14	-	351,849	111	351,960
Other assets	16	-	-	1,692	1,692
Total		16,130	483,303	237,648	737,081
Liabilities					
Deposits and loans from banks	20	19,189	1,773	-	20,962
Deposits from customers	21	490,276	102,730	-	593,006
Other liabilities	22	-	-	38,067	38,067
Total		509,465	104,503	38,067	652,035

Separate **At 31 December 2023**					
Assets					
Cash and balances held with the Central Bank	8	**70,634**	**-**	**-**	**70,634**
Loans and advances to banks	12	**-**	**239,546**	**-**	**239,546**
Loans and advances to customers	13	**-**	**-**	**294,300**	**294,300**
Financial investments	14	**-**	**334,185**	**160**	**334,345**
Other assets	16	**-**	**-**	**10,935**	**10,935**
Total		**70,634**	**573,731**	**305,395**	**949,760**
Liabilities					
Deposits and loans from banks	20	**21,569**	**-**	**-**	**21,569**
Deposits from customers	21	**796,161**	**963**	**-**	**797,124**
Other liabilities	22	**-**	**-**	**49,781**	**49,781**
Total		**817,730**	**963**	**49,781**	**868,474**

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

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

Separate At 31 December 2022	Note	Level 1 Mkm	Level 2 Mkm	Level 3 Mkm	Total Mkm
Assets					
Cash and balances held with the Central Bank	8	16,130	-	-	16,130
Loans and advances to banks	12	-	131,189	-	131,189
Loans and advances to customers	13	-	-	235,845	235,845
Financial investments	14	-	351,849	111	351,960
Other assets	16	-	-	1,732	1,732
Total		16,130	483,038	237,688	736,856
Liabilities					
Deposits and loans from banks	20	19,189	1,773	-	20,962
Deposits from customers	21	495,023	102,730	-	597,753
Other liabilities	22	-	-	38,062	38,062
Total		514,212	104,503	38,062	656,777

(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		
Trading assets and liabilities comprise instruments which are part of the Group's underlying trading activities. These instruments primarily include sovereign and corporate debt	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)

Item and description	Valuation technique	Main inputs and assumptions
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

Item and description	Valuation technique	Main inputs and assumptions
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 2023							
Assets							
Cash and balances held with the Central Bank	8	**81,598**	**-**	**-**	**70,634**	**152,232**	**152,232**
Derivative assets	9	**-**	**-**	**798**	**-**	**798**	**798**
Trading assets	11	**-**	**-**	**22,644**	**-**	**22,644**	**22,644**
Loans and advances to banks	12	**-**	**-**	**-**	**239,739**	**239,739**	**239,739**
Loans and advances to customers	13	**-**	**-**	**-**	**294,300**	**294,300**	**294,300**
Financial investments	14	**160**	**674**	**-**	**334,185**	**335,019**	**333,659**
Other assets	16	**10,894**	**-**	**-**	**-**	**10,894**	**10,894**
Total		**92,652**	**674**	**23,442**	**938,858**	**1,055,626**	**1,054,266**
Liabilities							
Derivative liabilities	9	**-**	**-**	**1,617**	**-**	**1,617**	**1,617**
Deposits and loans from banks	20	**-**	**-**	**-**	**21,569**	**21,569**	**21,569**
Deposits from customers	21	**-**	**-**	**-**	**790,639**	**790,639**	**790,639**
Other liabilities	22	**-**	**-**	**-**	**49,780**	**49,780**	**49,780**
Total		**-**	**-**	**1,617**	**861,988**	**863,605**	**863,605**

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	Fair value through OCI	Held for trading	Amortised cost	Carrying Amount	Fair value
		Mkm	Mkm	Mkm	Mkm	Mkm	Mkm
At 31 December 2022							
Assets							
Cash and balances held with the Central Bank	8	40,255	-	-	16,130	56,385	56,385
Derivative assets	9	-	-	1,467	-	1,467	1,467
Trading assets	11	-	-	120	-	120	120
Loans and advances to banks	12	-	-	-	131,454	131,454	131,454
Loans and advances to customers	13	-	-	-	235,845	235,845	235,845
Financial investments	14	111	685	-	351,849	352,645	349,397
Other assets	16	1,692	-	-	-	1,692	1,692
Total		42,058	685	1,587	735,278	779,608	776,360
Liabilities							
Derivative liabilities	9	-	-	218	-	218	218
Deposits and loans from banks	20	-	-	-	20,962	20,962	20,962
Deposits from customers	21	-	-	-	593,006	593,006	593,006
Other liabilities	22	-	-	-	38,067	38,067	38,067
Total		-	-	218	652,035	652,253	652,253

Separate	Note	Fair value through profit or loss - default	Fair value through OCI	Held for trading	Amortised cost	Carrying Amount	Fair value
At 31 December 2023		Mkm	Mkm	Mkm	Mkm	Mkm	Mkm
Assets							
Cash and balances held with Central Bank	8	**81,484**	**-**	**-**	**70,634**	**152,118**	**152,118**
Derivative assets	9	**-**	**-**	**798**	**-**	**798**	**798**
Trading assets	11	**-**	**-**	**22,644**	**-**	**22,644**	**22,644**
Loans and advances to banks	12	**-**	**-**	**-**	**239,546**	**239,546**	**239,546**
Loans and advances to customers	13	**-**	**-**	**-**	**294,300**	**294,300**	**294,300**
Financial investments	14	**160**	**674**	**-**	**334,185**	**335,019**	**333,659**
Other assets	16	**10,935**	**-**	**-**	**-**	**10,935**	**10,935**
Total		**92,579**	**674**	**23,442**	**938,665**	**1,055,360**	**1,054,000**
Liabilities							
Derivative liabilities	9	**-**	**-**	**1,617**	**-**	**1,617**	**1,617**
Deposits and loans from banks	20	**-**	**-**	**-**	**21,569**	**21,569**	**21,569**
Deposits from customers	21	**-**	**-**	**-**	**797,124**	**797,124**	**797,124**
Other liabilities	22	**-**	**-**	**-**	**49,781**	**49,781**	**49,781**
Total		**-**	**-**	**1,617**	**868,474**	**870,091**	**870,091**

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

(d) Estimation of fair values (continued)

Separate At 31 December 2022	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
Assets							
Cash and balances held with Central Bank	8	40,069	-	-	16,130	56,199	56,199
Derivative assets	9	-	-	1,467	-	1,467	1,467
Trading assets	11	-	-	120	-	120	120
Loans and advances to banks	12	-	-	-	131,189	131,189	131,189
Loans and advances to customers	13	-	-	-	235,845	235,845	235,845
Financial investments	14	111	685	-	351,849	352,645	349,397
Other assets	16	1,732	-	-	-	1,732	1,732
Total		41,912	685	1,587	735,013	779,197	775,949
Liabilities							
Derivative liabilities	9	-	-	218	-	218	218
Deposits and loans from banks	20	-	-	-	20,962	20,962	20,962
Deposits from customers	21	-	-	-	597,753	597,753	597,753
Other liabilities	22	-	-	-	38,062	38,062	38,062
Total		-	-	218	656,777	656,995	656,995

8. Cash and balances held with the Central Bank

See accounting policy in Note 3 (d)

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Cash balances	**28,460**	20,137	**28,346**	19,951
Balances with the Reserve Bank of Malawi	**123,772**	36,248	**123,772**	36,248
	152,232	56,385	**152,118**	56,199

Included within balances with Reserve Bank of Malawi of **MK123,772 million** (2022: MK36,248 million) is **MK53,138 million** (2022: MK20,118 million) that primarily comprises of liquidity reserving requirement held with the Reserve Bank of Malawi and is available for use by the Group subject to certain restrictions and limitations. These balances are primarily held at FVTPL. The balance at amortised cost is regarded as having a low probability of default, therefore the ECL is insignificant.

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			
	2023		2022	
	MKm	**MKm**	MKm	MKm
	Asset	**Liability**	Asset	Liability
Foreign exchange derivatives	**798**	**1,617**	1,467	218

At 31 December 2023, **MK Nil** (2022: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 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 2021, the Group's board approved the disposal of a property. The requirements of IFRS 5 were met during 2021 and based on these, the asset had been included in non-current assets held for sale on the statement of financial position. The asset was measured at the lower of the carrying amount and fair value less costs to sell. The fair value less costs to sell was based on an assessment of what management believes a purchaser would value the assets.

During 2023, all properties that were held for sale were reclassified to property and equipment as they no longer met the criteria of held for sale.

The properties were not impaired at the time of the reclassification, the total net carrying value of the reclassified assets amounted to **MK571 million**. The carrying value of assets held for sale as at 31 December 2022 was MK584 million.

11. Trading assets

See accounting policy in Note 3(f)

Trading assets	Consolidated and Separate	
	2023	2022
	MKm	MKm
Treasury bills	**22,644**	120
	22,644	120
Comprising:		
Treasury bills	**22,644**	120
	22,644	120

At 31 December 2023, **MK Nil** (2022:MK Nil) of trading assets are expected to be recovered more than twelve months after the reporting date.

12. Loans and advances to banks

See accounting policy in Note 3 (h)

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Loans and advances to other banks	**111,523**	57,801	**111,330**	57,536
Loans and advances with related banks (Note 43)	**128,340**	73,659	**128,340**	73,659
Gross loans and advances to banks	**239,863**	131,460	**239,670**	131,195
Less: Expected credit losses for loans and advances to banks measured at amortised cost	**(124)**	(6)	**(124)**	(6)
Net balances with banking institutions	**239,739**	131,454	**239,546**	131,189

At 31 December 2023 **MK Nil** (2022: MK Nil) loans and advances to banks are expected to be recovered more than twelve months after the reporting date.

12.1 Impairment losses on loans and advances to banks measured at amortised cost

Income statement movements

Consolidated and separate	Opening ECL 1 January 2023	Total transfers between stages	ECL on new exposures 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 2023
	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm
Bank									
Stage 1	**6**	**-**	**8**	**-**	**111**	**(4)**	**115**	**3**	**124**
Total	**6**	**-**	**8**	**-**	**111**	**(4)**	**115**	**3**	**124**

Consolidated and separate	Opening ECL 1 January 2022	Total transfers between stages	ECL on new exposures 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 2022
	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm
Bank									
Stage 1	3	-	1	-	2	-	3	-	6
Total	3	-	1	-	2	-	3	-	6

Loss allowance

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

Loans and advances are analysed as follows:	Gross loans and advances to banks		Expected credit loss (ECL) excluding interest in suspense	
Consolidated	**2023**	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Loans and advances to banks: Corporate and Investment Banking (Note 12)	**239,863**	131,460	**124**	6
Separate				
Loans and advances to banks: Corporate and Investment Banking (Note 12)	**239,670**	131,195	**124**	6

13. Loans and advances to customers

See accounting policy in Note 3 (h)

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Loans and advances to staff at amortised cost	**8,518**	7,628
Loans and advances to customers at amortised cost	**303,881**	242,600
Gross loans and advances to customers	**312,399**	250,228
Less: Interest in suspense	**(1,055)**	(888)
- Expected credit loss for loans and advances to customers measured at amortised cost	**(17,044)**	(13,495)
Net loans and advances to customers	**294,300**	235,845

At 31 December 2023, **MK294,047 million** (2022: MK147,129 million) of loans and advances to customers are expected to be recovered more than twelve months after the reporting date.

13. Loans and advances to customers (Continued)

Gross loans and advances to customers Personal and Private Banking and Business and Commercial Banking	**Consolidated and Separate**	
	2023	2022
	MKm	MKm
Overdrafts	**16,127**	12,187
Term loans	**157,786**	126,904
Vehicle and asset finance	**11,175**	11,484
Mortgages	**7,630**	6,778
	192,718	157,353
Corporate and Investment Banking		
Overdrafts	**30,231**	15,833
Term loans	**89,444**	77,028
Vehicle and asset finance	**6**	14
	119,681	92,875
Total gross loans and advances to customers	**312,399**	250,228

Gross Loans and advances to customers are analysed as follows:	**Gross loans and advances to customers**		**Expected credit loss (ECL) excluding interest in suspense**	
Category	**2023** **MKm**	2022 MKm	**2023** **MKm**	2022 MKm
Loans and advances to customers				
Personal and Private Banking and Business and Commercial	**192,718**	157,353	**14,770**	12,579
Corporate and Investment Banking	**119,681**	92,875	**2,274**	916
Total	**312,399**	250,228	**17,044**	13,495

Vehicle and asset finance

Leases entered into are at market 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	
	2023	2022
Gross investment in vehicle and asset finance:	**MKm**	MKm
Not later than one year	**4,486**	2,370
Later than one year but less than five years	**9,708**	12,272
	14,194	14,642
Unearned future finance income on vehicle and asset finance	**(3,013)**	(3,144)
Net investment in finance leases	**11,181**	11,498
The net investment in vehicle and asset finance is analysed as follows:		
Not later than one year	**2,178**	2,214
Later than one year but less than five years	**9,003**	9,284
	11,181	11,498

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

			Income statement movements						
	Opening ECL 1 January 2023	**Total transfers between stages**	**ECL on new exposure raised**	**Change in ECL due to modifi-cations**	**Sub-sequent changes in ECL**	**Change in ECL due to recog-nition**	**Net ECL rais Net ECL raised/ (released)**	**Other move-ments***	**Closing ECL 31 December 2023**
Consolidated and separate	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Stage 1	**3,690**	**(5,912)**	**1,982**	**-**	**4,258**	**(779)**	**(451)**	**271**	**3,510**
Stage 2	**4,322**	**(65)**	**2,461**	**-**	**(686)**	**(3)**	**1,707**	**-**	**6,029**
Stage 3*	**6,371**	**5,977**	**484**	**-**	**(22)**	**-**	**6,439**	**(4,250)**	**8,560**
Total	**14,383**	**-**	**4,927**	**-**	**3,550**	**(782)**	**7,695**	**(3,979)**	**18,099**

			Income statement movements						
	Opening ECL 1 January 2022	**Total transfers between stages**	**ECL on new exposure raised**	**Change in ECL due to modifi-cations**	**Sub-sequent changes in ECL**	**Change in ECL due to recog-nition**	**Net ECL rais Net ECL raised/ (released)**	**Other move-ments***	**Closing ECL 31 December 2022**
Consolidated and separate	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Stage 1	3,566	(2,823)	4,738	-	(1,360)	(459)	96	28	3,690
Stage 2	2,421	(1,181)	3,892	-	(748)	(62)	1,901	-	4,322
Stage 3*	4,105	4,004	160	-	-	-	4,164	(1,898)	6,371
Total	10,092	-	8,790	-	(2,108)	(521)	6,161	(1,870)	14,383

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

13. Loans and advances to customers (Continued)

13.2 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:

		Transfers between stages								
	Opening ECL 1 January 2023	(To)/ from stage 1	From/(to) stage 2	From/(to) stage 3	Total	Net ECL raised/ (released)	TVM Unwind and IIS movements	Impaired accounts written off	Other movements*	Closing ECL 31 December 2023
Consolidated and separate	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Mortgage										
Stage 1	10	-	(31)	(111)	(142)	181	-	-	-	49
Stage 2	115	31	-	(44)	(13)	(39)	-	-	-	63
Stage 3*	109	111	44	-	155	31	-	(38)	5	262
Total	234	142	13	(155)	-	173	-	(38)	5	374
Vehicle and asset finance										
Stage 1	146	-	(76)	(649)	(725)	666	-	-	-	87
Stage 2	902	76	-	(46)	30	(605)	-	-	-	327
Stage 3*	122	649	46	-	695	(23)	-	(47)	180	927
Total	1,170	725	(30)	(695)	-	38	-	(47)	180	1,341
Corporate										
Stage 1	915	-	(206)	-	(206)	184	-	-	270	1,163
Stage 2	1	206	-	-	206	903	-	-	1	1,111
Stage 3*	-	-	-	-	-	-	-	-	-	-
Total	916	206	(206)	-	-	1,087	-	-	271	2,274
Overdraft										
Stage 1	139	-	(7)	(215)	(222)	170	-	-	-	87
Stage 2	352	7	-	(78)	(71)	(42)	-	-	-	239
Stage 3*	105	215	78	-	293	(92)	-	(49)	61	318
Total	596	222	71	(293)	-	36	-	(49)	61	644
Term										
Stage 1	2,480	-	(822)	(3,795)	(4,617)	4,260	-	-	1	2,124
Stage 2	2,952	822	-	(1,039)	(217)	1,555	-	-	(1)	4,289
Stage 3*	6,035	3,795	1,039	-	4,834	546	-	(4,264)	(98)	7,053
Total	11,467	4,617	217	(4,834)	-	6,361	-	(4,264)	(98)	13,466
Total										
Stage 1	3,690	-	(1,142)	(4,770)	(5,912)	5,461	-	-	271	3,510
Stage 2	4,322	1,142	-	(1,207)	(65)	1,772	-	-	-	6,029
Stage 3*	6,371	4,770	1,207	-	5,977	462	-	(4,398)	148	8,560
Total	14,383	5,912	65	(5,977)	-	7,695	-	(4,398)	419	18,099

* Other movement includes interest in suspense in the year.

13. Loans and advances to customers (Continued)

13.2 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:

		Transfers between stages								
Consolidated and separate	Opening ECL 1 January 2022 Mkm	(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 2022 Mkm
Mortgage										
Stage 1	21	-	(7)	(3)	(10)	(65)	-	-	54	10
Stage 2	82	7	-	(4)	3	(25)	-	-	58	115
Stage 3*	126	3	4	-	7	(31)	-	(12)	26	109
Total	229	10	(3)	(7)	-	(121)	-	(12)	138	234
Vehicle and asset finance										
Stage 1	214	-	(21)	(33)	(54)	(6)	-	-	(62)	146
Stage 2	287	21	-	(43)	(22)	724	-	-	(109)	902
Stage 3*	15	33	43	-	76	24	-	(89)	172	122
Total	516	54	22	(76)	-	742	-	(89)	1	1,170
Corporate										
Stage 1	663	-	-	-	-	224	-	-	28	915
Stage 2	63	-	-	-	-	(62)	-	-	-	1
Stage 3*	-	-	-	-	-	-	-	-	-	-
Total	726	-	-	-	-	162	-	-	28	916
Overdraft										
Stage 1	345	-	(37)	(34)	(71)	(214)	-	-	8	139
Stage 2	211	37	-	(25)	12	141	-	-	-	352
Stage 3*	190	34	25	-	59	58	-	(161)	18	105
Total	746	71	(12)	(59)	-	(15)	-	(161)	26	596
Term										
Stage 1	2,323	-	(433)	(2,255)	(2,688)	157	-	-	-	2,480
Stage 2	1,778	433	-	(1,607)	(1,174)	1,123	-	-	51	2,952
Stage 3*	3,774	2,255	1,607	-	3,862	4,113	-	(2,085)	233	6,035
Total	7,875	2,688	1,174	(3,862)	-	5,393	-	(2,085)	284	11,467
Total										
Stage 1	3,566	-	(498)	(2,325)	(2,823)	96	-	-	28	3,690
Stage 2	2,421	498	-	(1,679)	(1,181)	1,901	-	-	-	4,322
Stage 3*	4,105	2,325	1,679	-	4,004	4,164	-	(2,347)	449	6,371
Total	10,092	2,823	1,181	(4,004)	-	6,161	-	(2,347)	477	14,383

* Other movement includes interest in suspense in the year.

13. Loans and advances to customers (Continued)

13.1 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 net ECL on exposures raised of **MK7,965 million** (2022: MK6,161 million) primarily relates to the growth in gross carrying amount of:
    - CIB term loans of **MK12,416 million** and overdrafts of **MK14,398 million.**
    - PPB and BCB term loans of **MK30,882 million** and overdrafts of **MK3,940 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 32)

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.
- Deteriorating country macroeconomic factors.

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

	Consolidated and Separate
Year ended 31 December 2023	
Stage 2	**MKm**
Gross amortised cost before modification	**1,045**
Net modification gain	**62**

Year ended 31 December 2022	
Stage 2	
Gross amortised cost before modification	125
Net modification loss	(3)

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 **MK16,859 million** (2022: MK17,588 million).

PPB and BCB clients with an exposure of **MK17,901 million** (2022: MK17,558 million) as well as CIB clients with exposure totalling **Nil** (2022: Nil) qualified for increased liquidity facilities, loan restructuring, covenant relaxations and payment holidays.

14. Financial investments

See accounting policy in Note 3 (g)

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Gross debt financial investments measured at amortised cost	**343,339**	353,946
Less: Expected credit losses for debt financial investments measured at amortised cost (note 14.1)	**(9,154)**	(2,097)
Net debt financial investments measured at amortised cost	**334,185**	351,849
Financial investments measured at fair value through profit or loss	**160**	111
Debt financial investments measured at fair value through OCI	**674**	685
	335,019	352,645

At 31 December 2023 **MK14,848 million** (2022: MK151,031 million) of financial investments are expected to be recovered more than twelve months after the reporting date.

	Consolidated and Separate	
Financial investments by category	**2023**	2022
	MKm	MKm
Net debt financial investments measured at amortised cost		
Treasury bills and bonds	**334,185**	351,849
Financial investments measured at fair value through profit or loss		
Equity investment in National Switch Limited (note 36)	**160**	111
Debt financial investments measured at fair value through OCI		
Treasury bills and bonds	**674**	685

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

				Income statement movements				
Consolidated and Separate	**Opening ECL 1 January 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 raised/ (released) MKm**	**Other movements MKm**	**Closing ECL 31 December MKm**
2023								
Sovereign								
Stage 1	**2,097**	**(722)**	**5,377**	**(1,494)**	**(1,533)**	**1,628**	**-**	**3,725**
Stage 2	**-**	**722**	**1,739**	**2,986**	**(19)**	**5,428**	**1**	**5,429**
Total	**2,097**	**-**	**7,116**	**1,492**	**(1,552)**	**7,056**	**1**	**9,154**
2022								
Sovereign								
Stage 1	570	-	1,327	333	(135)	1,525	2	2,097
Total	570	-	1,327	333	(135)	1,525	2	2,097

14. Financial investments (Continued)

Loss allowance

The ECL on new exposures raised primarily relates to the impact of deteriorating macroeconomic factors which in turn impacted forward looking credit impairment drivers.

14.2 Reconciliation of FVOCI reserve movements

Consolidated and Separate	1 January MKm	Net change in fair value MKm	Realised fair value adjustments and reversal to profit or loss MKm	Net expected credit loss (released)/ raised during the period MKm	31 December MKm
2023					
Sovereign	**386**	**(60)**	**-**	**19**	**345**
Total	**386**	**(60)**	**-**	**19**	**345**
2022					
Sovereign	314	148	-	(76)	386
Total	314	148	-	(76)	386

15. Investment in subsidiary

See accounting policy in Note 3 (a)

	Separate	
	2023	2022
	MKm	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.

16. Other assets

See accounting policy in Note 3 (c) and 7 (d)

	Consolidated		Separate	
	2023	2022	**2023**	2022
Financial assets	**MKm**	MKm	**MKm**	MKm
Remittances in transit*	**4,649**	-	**4,649**	-
Sundry receivables**	**6,245**	1,692	**6,286**	1,732
	10,894	1,692	**10,935**	1,732
Non financial assets				
Inventory***	**60**	47	**60**	47
Staff loan employee benefits***	**13,584**	11,350	**13,584**	11,350
Prepayments: other ***	**1,451**	1,873	**1,451**	1,873
	15,095	13,270	**15,095**	13,270
Total Balance at 31 December	**25,989**	14,962	**26,030**	15,002

The following table discloses the maturity analysis for the company's non financial assets on a contractual discounted basis.

	Consolidated			Separate		
	Less than 12 months after reporting period MKm	More than 12 months after reporting period MKm	Total MKm	Less than 12 months after reporting period MKm	More than 12 months after reporting period MKm	Total MKm
2023						
Non financial assets						
Inventory***	**60**	**-**	**60**	**60**	**-**	**60**
Staff loan employee benefits***	**2,916**	**10,668**	**13,584**	**2,916**	**10,668**	**13,584**
Prepayments: other***	**1,420**	**31**	**1,451**	**1,420**	**31**	**1,451**
Total	**4,396**	**10,699**	**15,095**	**4,396**	**10,699**	**15,095**
2022						
Non financial assets						
Inventory***	47	-	47	47	-	47
Staff loan employee benefits***	2,030	9,320	11,350	2,030	9,320	11,350
Prepayments: other***	1,873	-	1,873	1,873	-	1,873
Total	3,950	9,320	13,270	3,950	9,320	13,270

* 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.

17. 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
	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm
Cost or valuation								
Balance at 1 January 2023	**6,159**	**9,933**	**1,495**	**7,667**	**7,075**	**179**	**1,399**	**33,907**
Additions during the year	**460**	**104**	**435**	**5,482**	**758**	**288**	**214**	**7,741**
Revaluation during the year	**725**	**1,200**	**-**	**-**	**-**	**-**	**-**	**1,925**
Transfers during the year	**3**	**-**	**-**	**133**	**34**	**(170)**	**-**	**-**
Non-current assets held-for-sale	**598**	**-**	**-**	**-**	**-**	**-**	**-**	**598**
Disposals/terminations during the year	**(14)**	**-**	**-**	**(40)**	**(140)**	**(14)**	**-**	**(208)**
Balance at 31 December 2023	**7,931**	**11,237**	**1,930**	**13,242**	**7,727**	**283**	**1,613**	**43,963**
Balance at 1 January 2022	5,420	8,434	1,158	6,158	5,949	289	1,163	28,571
Additions during the year	10	233	377	1,475	1,365	133	236	3,829
Revaluation during the year	729	1,204	-	-	-	-	-	1,933
Transfers during the year	-	63	-	155	25	(243)	-	-
Non-current assets held-for-sale	-	(1)	-	-	-	-	-	(1)
Disposals/terminations during the year	-	-	(40)	(121)	(264)	-	-	(425)
Balance at 31 December 2022	6,159	9,933	1,495	7,667	7,075	179	1,399	33,907
Accumulated depreciation								
Balance at 1 January 2023	**-**	**616**	**865**	**4,959**	**4,517**	**-**	**1,043**	**12,000**
Depreciation charge for the year	**228**	**709**	**244**	**1,487**	**877**	**-**	**287**	**3,832**
Transfers during the year	**-**	**-**	**-**	**2**	**(2)**	**-**	**-**	**-**
Non-current assets held-for-sale	**27**	**-**	**-**	**-**	**-**	**-**	**-**	**27**
Revaluation during the year	**(252)**	**(594)**	**-**	**-**	**-**	**-**	**-**	**(846)**
Disposals/terminations during the year	**(3)**	**-**	**-**	**(38)**	**(111)**	**-**	**-**	**(152)**
Balance at 31 December 2023	**-**	**731**	**1,109**	**6,410**	**5,281**	**-**	**1,330**	**14,861**

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
	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm
Accumulated depreciation								
Balance at 1 January 2022	-	508	754	4,170	3,943	-	752	10,127
Depreciation charge for the year	173	463	149	906	811	-	289	2,791
Transfers during the year	-	-	-	-	-	-	2	2
Non-current assets held-for-sale	-	-	-	-	-	-	-	-
Revaluation during the year	(173)	(355)	-	-	-	-	-	(528)
Disposals/terminations during the year	-	-	(38)	(117)	(237)	-	-	(392)
Balance at 31 December 2022	-	616	865	4,959	4,517	-	1,043	12,000
Carrying amount **At 31 December 2023**	**7,931**	**10,506**	**821**	**6,832**	**2,446**	**283**	**283**	**29,102**
At 31 December 2022	6,159	9,317	630	2,708	2,558	179	356	21,907

Brick & Mortar Limited independent valuers, valued land and buildings at 31 December 2023. Land and buildings were revalued by Joshua Mabvuto Beka Mkuziwaduka BSc. Land Mgmt. (Est.), Dip, Cert. Land Admin, 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 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 2023, **MK25,024 million** (2022: MK19,766 million) property and equipment and right of use assets are expected to be realised more than twelve months after the reporting date.

17. Property, equipment and right-of-use assets (Continued)

The additions in the property and equipment have resulted in the maintaining 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 **Consolidated and Separate**	**Level 1** **MKm**	**Level 2** **MKm**	**Level 3** **MKm**	**Total** **MKm**
At 31 December 2023				
Freehold land and buildings	**-**	**-**	**7,931**	**7,931**
Leasehold land and buildings	**-**	**-**	**10,506**	**10,506**
	-	**-**	**18,437**	**18,437**
At 31 December 2022				
Freehold land and buildings	-	-	6,159	6,159
Leasehold land and buildings	-	-	9,317	9,317
	-	-	15,476	15,476

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 **MKm**	**Leasehold land and buildings** **MKm**	**Total** **MKm**
Opening Balance 1 January 2023	**6,159**	**9,317**	**15,476**
Acquisitions	**460**	**104**	**564**
Disposals	**(14)**	**-**	**(14)**
Transfers from non-current assets held-for-sale	**598**	**-**	**598**
Transfer from WIP	**3**	**-**	**3**
Amounts recognised in profit or loss			
Depreciation and impairment	**(228)**	**(709)**	**(937)**
Non-current assets held-for-sale	**(27)**	**-**	**(27)**
Disposals/terminations during the year	**3**	**-**	**3**
Gains recognised in other comprehensive income	**977**	**1,794**	**2,771**
Closing balance 31 December 2023	**7,931**	**10,506**	**18,437**
Opening Balance 1 January 2022	5,420	7,926	13,346
Acquisitions	10	233	243
Disposals	-	-	-
Non-current assets held-for-sale	-	(1)	(1)
Transfer from WIP	-	63	63
Amounts recognised in profit or loss			
Depreciation and impairment	(173)	(463)	(636)
Gains recognised in other comprehensive income and income statement	902	1,559	2,461
Closing balance 31 December 2022	6,159	9,317	15,476

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;
- Crowd congestion hence compromised security (relating to specific properties).

Valuation techniques and significant unobservable inputs

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Discounted cash flows: The valuation model considers the present value of net cashflows to be generated from the property taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cashflows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the building and its location, tenant quality and lease terms.	Rental per square metre – **MK6,500 to MK15,000** (2022: MK4,000 to MK12,000) Vacancy rate - **6% to 22%** (2022: 5% to 20%) Yield - **9% to 14%** (2022: 9% to 11%) Outgoings – **20% to 35%** (2022: 15% to 30%) Construction cost per square metre – **US$1,500.00 to US$2,000.00** (2022: US$1,000.00) Inflation – **28.8%** (2022:21%)	The estimated fair value would increase (decrease) if : - Expected market rental growth were higher (lower); - Void periods were shorter (longer); - The occupancy rate was higher (lower); - Rent free periods were shorter (longer) or; - The risk adjusted discount rate were lower (higher).

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

	Consolidated and Separate	
	2023 **MKm**	2022 MKm
Cost	**8,803**	7,405
Accumulated depreciation and impairment losses	**(4,513)**	(4,008)
Net carrying amount	**4,290**	3,397

18. Intangible assets – software

See accounting policy in Note 3 (k)

	Consolidated and Separate	
	2023	2022
Cost	**MKm**	MKm
Balance at 1 January	**22,290**	22,290
Additions during the year	**244**	-
Balance at 31 December	**22,534**	22,290
Accumulated amortisation		
Balance at 1 January	**8,311**	6,797
Amortisation during the year	**1,530**	1,514
Balance at 31 December	**9,841**	8,311
Carrying amount	**12,693**	13,979

At 31 December 2023 **MK11,134 million** (2022: MK12,465 million) intangible assets are expected to be realised more than twelve months after the reporting date.

19. Deferred tax assets and liabilities

See accounting policy in Note 3 (n)

In April 2023, the Malawi Parliament approved a change in income tax rates applicable to companies registered under the Banking Act. The change saw banks being taxed at 30% for taxable profits up to MK10 billion and 40% for taxable profits above MK10 billion from a flat 30% on all taxable profits.

The bank foresees to realise the temporary differences at the highest rate of 40% since its profit before tax is forecasted to stay above the lower bracket of MK10 billion. Deferred tax has therefore been calculated at 40%.

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	**2023**	2022	**2023**	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm	**MKm**	MKm
Other provisions	**6,138**	3,510	**-**	-	**6,138**	3,510
Expected credit losses on loans and advances, financial investments and off-balance sheet items	**11,615**	3,104	**-**	-	**11,615**	3,104
Property, equipment and intangibles	**-**	-	**(4,680)**	(3,839)	**(4,680)**	(3,839)
Fair value adjustments and receivables	**329**	-	**(15,446)**	(8,403)	**(15,117)**	(8,403)
Revaluation reserve	**-**	-	**-**	(2,514)	**-**	(2,514)
	18,082	6,614	**(20,126)**	(14,756)	**(2,044)**	(8,142)

	Deferred tax asset		Deferred tax Liability		Net	
Separate	**2023**	2022	**2023**	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm	**MKm**	MKm
Other provisions	**6,138**	3,510	**-**	-	**6,138**	3,510
Expected credit losses on loans and advances, financial investments and off-balance sheet items	**11,615**	3,104	**-**	-	**11,615**	3,104
Property, equipment and intangibles	**-**	-	**(4,680)**	(3,839)	**(4,680)**	(3,839)
Fair value adjustments and receivables	**328**	-	**(15,446)**	(8,402)	**(15,118)**	(8,402)
Revaluation reserve	**-**	-	**-**	(2,514)	**-**	(2,514)
	18,081	6,614	**(20,126)**	(14,755)	**(2,045)**	(8,141)

Deferred tax is calculated, in full, on all temporary differences under the liability method using the enacted tax rate of **40%** (2022:30%). The movement on the deferred tax account is as follows:

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Balance at 1 January	**(8,142)**	(6,190)	**(8,141)**	(6,191)
Profit or loss (Note 37)	**3,637**	(1,152)	**3,635**	(1,150)
Movement through OCI	**2,461**	(800)	**2,461**	(800)
Balance at 31 December	**(2,044)**	(8,142)	**(2,045)**	(8,141)

Deferred tax assets and liabilities, deferred tax credit/ (charge) in the profit or loss, and deferred tax (charge)/credit on revaluation reserve in equity are attributable to the following items:

Consolidated	**As at 1 January 2023 at 30% MKm**	**(Charged) /credited to profit or loss MKm**	**(Charged) /credited to equity MKm**	**As at 31 December 2023 at 30% MKm**	**Tax rate change to profit or loss MKm**	**Tax rate change to equity MKm**	**As at 31 December 2023 MKm**
Other provisions	**3,510**	**1,094**	**-**	**4,604**	**1,534**	**-**	**6,138**
Expected credit losses on loans and advances, financial investments and off-balance sheet items	**3,104**	**5,607**	**-**	**8,711**	**2,904**	**-**	**11,615**
Property, equipment and intangibles	**(3,839)**	**(835)**	**-**	**(4,674)**	**(6)**	**-**	**(4,680)**
Fair value adjustments and receivables	**(8,403)**	**(2,936)**	**2**	**(11,337)**	**(3,725)**	**(55)**	**(15,117)**
Revaluation reserve	**(2,514)**	**-**	**2,514**	**-**	**-**	**-**	**-**
	(8,142)	**2,930**	**2,516**	**(2,696)**	**707**	**(55)**	**(2,044)**

19. Deferred tax assets and liabilities (Continued)

Deferred tax assets and liabilities, deferred tax credit/ (charge) in the profit or loss, and deferred tax (charge)/credit on revaluation reserve in equity are attributable to the following items:

Separate	As at 1 January 2023 at 30% MKm	(Charged) /credited to profit or loss MKm	(Charged) /credited to equity MKm	As at 31 December 2023 at 30% MKm	Tax rate change to profit or loss MKm	Tax rate change to equity MKm	As at 31 December 2023 MKm
Other provisions	3,510	1,094	-	4,604	1,534	-	6,138
Expected credit losses on loans and advances, financial investments and off-balance sheet items	3,104	5,607	-	8,711	2,904	-	11,615
Property, equipment and intangibles	(3,839)	(835)	-	(4,674)	(6)	-	(4,680)
Fair value adjustments and receivables	(8,402)	(2,938)	2	(11,338)	(3,725)	(55)	(15,118)
Revaluation reserve	(2,514)	-	2 514	-	-	-	-
	(8,141)	2,928	2,516	(2,697)	707	(55)	(2,045)

	As at 1 January 2022 MKm	(Charged)/ credited to profit or loss MKm	(Charged)/ credited to equity MKm	As at 31 December 2022 MKm
Consolidated				
Other provisions	2,604	906	-	3,510
Expected credit losses on loans and advances, financial investments and off-balance sheet items	2,087	1 017	-	3,104
Property, equipment and intangibles	(4,343)	504	-	(3,839)
Fair value adjustments and receivables	(4,760)	(3,579)	(64)	(8,403)
Revaluation reserve	(1,778)	-	(736)	(2,514)
	(6,190)	(1,152)	(800)	(8,142)
Separate				
Other provisions	2,604	906	-	3,510
Expected credit losses on loans and advances, financial investments and off-balance sheet items	2,090	1,014	-	3,104
Property, equipment and intangibles	(4,343)	504	-	(3,839)
Fair value adjustments and receivables	(4,764)	(3,574)	(64)	(8,402)
Revaluation reserve	(1,778)	-	(736)	(2,514)
	(6,191)	(1,150)	(800)	(8,141)

20. Deposits and loans from banks

See accounting policy in Note 3 (c) and (g)

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Balances due to related banks (Note 43)	**14,257**	13,632
Balances due to other banks	**7,312**	7,330
	21,569	20,962

At 31 December 2023, **MK Nil** (2022: MK Nil) of deposits and loans from banks are expected to be settled more than twelve months after the reporting date.

21. Deposits from customers

See accounting policy in Note 3 (c) and (g)

	Consolidated		Separate	
	2023	2022	**2023**	2022
Personal and Private Banking	**MKm**	MKm	**MKm**	MKm
Current and demand deposits	**120,867**	90,135	**120,867**	90,135
Savings accounts	**6,411**	5,164	**6,411**	5,164
Fixed deposit accounts	**20,201**	19,231	**20,201**	19,231
Foreign currency deposit accounts	**60,276**	30,467	**60,276**	30,467
	207,755	144,997	**207,755**	144,997
Business and Commercial Banking				
Current and demand deposits	**58,964**	42,303	**58,964**	42,303
Savings accounts	**33,540**	27,269	**33,540**	27,269
Fixed deposit accounts	**5,794**	5,675	**5,794**	5,675
Foreign currency deposit accounts	**17,926**	10,075	**17,926**	10,074
	116,224	85,322	**116,224**	85,321
Corporate and Investment Banking				
Current and demand deposits	**233,913**	144,924	**240,398**	149,671
Savings accounts	**136**	3,007	**136**	3,007
Fixed deposit accounts	**104,588**	143,185	**104,588**	143,185
Foreign currency deposit accounts	**128,023**	71,571	**128,023**	71,572
	466,660	362,687	**473,145**	367,435
Total deposits from customers	**790,639**	593,006	**797,124**	597,753

At 31 December 2023, **MK637 million** (2022: MK43 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 **MK4,742 million** (2022: MK1,145 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 41).

22. Other liabilities

See accounting policy in note 3 (c)

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Financial liabilities				
Items in transit	**1,044**	1,213	**1,044**	1,213
Lease liabilities (Note 22.1)	**237**	481	**237**	481
Trade payables	**66**	12	**66**	12
Accruals	**8,905**	4,218	**8,906**	4,213
Due to Standard Bank of South Africa (Note 43)	**23,846**	23,191	**23,846**	23,191
Unclaimed balances	**3,509**	2,159	**3,509**	2,159
Other**	**12,173**	6,793	**12,173**	6,793
	49,780	38,067	**49,781**	38,062
Non financial liabilities				
Contract liabilities -deferred income (Note 22.2)*	**2,329**	2,529	**2,329**	2,529
	52,109	40,596	**52,110**	40,591

*Contract liabilities - At 31 December 2023, **MK1,872 million** (2022: MK Nil) contract liabilities were maturing more than twelve months after the reporting date.

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

22.1 Reconciliation of lease liabilities

	Consolidated and Separate					
	Balance at 1 January	**Additions**	**Early terminations/ Cancellations**	**Interest expense**	**Payments***	**Balance at 31 December**
	MKm	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
2023						
Buildings	**481**	**214**	**-**	**69**	**(527)**	**237**
Total	**481**	**214**	**-**	**69**	**(527)**	**237**
2022						
Buildings	565	235	-	66	(385)	481
Total	565	235	-	66	(385)	481

*These amounts include the principal lease repayments as disclosed in the statements of cash flows of **MK458 million** (2022:MK319 million) for Consolidated and Separate. The remainder represents interest expense paid during the year.

Maturity analysis of lease liabilities

The following table presents minimum lease payments in relation to non-cancellable operating leases where the Group is a lessee.

	Consolidated and Separate			
	Within 1 year	**Greater than 1 year but less than 5 years**	**More than 5 years**	**Total**
	MKm	**MKm**	**MKm**	**MKm**
2023				
Buildings	**29**	**208**	**-**	**237**
2022				
Buildings	319	162	-	481

22.2 Contract liabilities -deferred income

The group has recognised the following liabilities related to contracts with customers

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Letters of credit and guarantees	**397**	557
Other - loan commitments/origination	**1,932**	1,972
Total	**2,329**	2,529

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.

23. Income tax payable

See accounting policy in Note 3 (n)

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Balance at 1 January	**10,565**	7,151	**10,133**	7,058
Provisions raised during the year (Note 37)	**56,865**	19,702	**56,071**	19,081
Income tax payments during the year	**(37,573)**	(16,054)	**(36,559)**	(15,775)
Tax credits utilised during the year	**(238)**	(234)	**(212)**	(231)
Balance at 31 December	**29,619**	10,565	**29,433**	10,133

At 31 December 2023, **MK Nil** (2022: MK Nil) income tax is payable more than twelve months after the reporting date.

24. 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 2023	**3,606**	**3,970**	**231**	**7,807**
Provisions raised during the year	**5,468**	**11,715**	**1,451**	**18,634**
Provisions released during the year	**(3,512)**	**(1,787)**	**(40)**	**(5,339)**
Balance at 31 December 2023	**5,562**	**13,898**	**1,642**	**21,102**
Balance at 1 January 2022	2,382	3,108	328	5,818
Provisions raised during the year	3,869	1,503	72	5,444
Provisions released during the year	(2,645)	(641)	(169)	(3,455)
Balance at 31 December 2022	3,606	3,970	231	7,807

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 2024.

*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 2023	**231**
Impairment loss for the year:	
ECL on new exposure raised	**954**
Subsequent change in ECL	**23**
Change in ECL due to derecognition	**(40)**
Net impairments raised	**937**
Other movements	**474**
Balance at 31 December 2023	**1,642**

	Consolidated and Separate
	MKm
Stage 1 impairments:	
Balance at 1 January 2022	328
Impairment loss for the year:	
ECL on new exposure released	(109)
Subsequent change in ECL	48
Change in ECL due to derecognition	(60)
Net impairments raised	(121)
Other movements	24
Balance at 31 December 2022	231

Loss allowance

The ECL on new exposures raised primarily relates to off-balance sheet exposures originated during the year. (see Note 40).

25. (i) Share capital

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Issued and fully paid up as at 31 December	**234**	234

At 31 December 2023 the total authorised share capital comprised **240 million** ordinary shares of **MK1 each** (2022: 240 million ordinary shares of MK1 each).

(ii) Share premium

Issue of shares at a premium at 31 December	**8,492**	8,492

26. Reserves

(i) Revaluation reserve

Balance at 1 January	**12,437**	10,718
Revaluation gain during the year	**2,772**	2,455
Deferred tax reversal/(charge) on revaluation	**2,514**	(736)
Balance at 31 December	**17,723**	12,437

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.

26. Reserves (Continued)

(ii) Fair value through OCI reserve

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Balance at 1 January	**386**	314
Expected credit losses on financial instruments at fair value through OCI	**19**	(76)
Net movement from changes in fair value	**(7)**	212
Deferred income taxes	**(53)**	(64)
Balance at 31 December	**345**	386

(iii) Retained earnings

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Balance at 31 December	**126,503**	97,301	**121,883**	93,135
Dividends declared and paid	**(12,000)**	(10,000)	**(12,000)**	(10,000)
Profit for the year	**52,520**	39,202	**50,673**	38,748
Balance at 31 December	**167,023**	126,503	**160,556**	121,883

27. Net interest income

See accounting policy in Note 3(p)

Interest income				
Loans and advances	**69,616**	41,397	**69,616**	41,397
Financial investments – FVTOCI	**27**	1,301	**27**	1,301
Financial investments – Amortised cost	**61,465**	42,187	**61,465**	42,187
Cash and short term funds	**1,276**	412	**1,265**	436
	132,384	85,297	**132,373**	85,321
Interest expense				
Customer deposits	**9,480**	8,553	**9,547**	8,627
Deposits by banks	**-**	13	**-**	13
Interest on lease liabilities	**69**	66	**69**	66
Borrowed funds	**-**	13	**-**	13
	9,549	8,645	**9,616**	8,719
Net interest income	**122,835**	76,652	**122,757**	76,602

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 **MK132,384 million** (2022: MK85,297 million) and **MK9,549 million** (2022: MK8,645 million) respectively.

28. Net fee and commission income

See accounting policy in Note 3 (s)

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Fee and commission income		
Point of representation fees	**2,206**	1,848
Card based commissions	**4,450**	3,619
Electronic banking fees	**2,672**	2,299
Foreign currency service fees	**6,356**	4,184
Documentation and administration fees	**4,978**	4,545
Knowledge based fees	**234**	629
Insurance commission	**2,759**	1,747
Penalty based fees	**131**	102
Guarantee fees	**1,521**	1,380
ATM fees	**72**	94
Custody fees	**325**	431
Other	**3,421**	1,900
	29,125	22,778
Fee and commission expense		
Interbank transactions	**(5,483)**	(3,390)
Net fee and commission income	**23,642**	19,388

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	
	2023	2022
Revenue recognised that was included in the contract liability balance at the start of the period	**MKm**	MKm
Letters of credit and guarantees	**373**	301
Other -overdrafts and loan origination (recognised in interest income)	**1,267**	1,239
	1,640	1,540

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.

29. Trading income

See accounting policy in Note 3 (t)

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Foreign exchange	**47,537**	28,655	**44,735**	26,461
Trading income on debt securities	**5,377**	2,572	**5,377**	2,572
	52,914	31,227	**50,112**	29,033

30. Other operating income

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Sundry income	**600**	608	**701**	720
Dividend income	**-**	-	**-**	1,000
	600	608	**701**	1,720

Sundry income includes rental income for leased properties and franchise fees billed to subsidiary entity.

31. Other gains and losses on financial instruments

See accounting policy in Note 3(g)

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Gains on debt realisation of financial assets measured at fair value through OCI	**430**	110

32. Credit impairment charges

See accounting policy in Note 3 (g)

Net expected credit losses raised and released		
- Loans and advances to banks (Note 12)	**115**	3
- Loans and advances to customers (Note 13)	**7,695**	6,161
- Financial investments (Note 14)	**7,075**	1,449
- Letters of credit, bank acceptances and guarantees (Note 24)	**937**	(121)
- Recoveries on loans and advances previously written off	**(652)**	(373)
- Modification (gains) and losses on distressed financial assets (Note 13)	**(62)**	3
	15,108	7,122

33. Staff costs

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Salaries and allowances	**29,710**	21,468
Retirement benefit costs	**2,321**	1,864
	32,031	23,332

34. Depreciation and amortisation

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

Depreciation (Note 17)	**3,832**	2,791
Amortisation of intangible assets (Note 18)	**1,530**	1,514
	5,362	4,305

35. Other operating expenses

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Franchise fees	5,899	3,778	5,899	3,778
Auditor's remuneration and fees for other services	394	329	394	329
Motor vehicle and fuel costs	377	322	377	322
Software, IT costs and other services	10,488	8,349	10,488	8,349
Communication costs	2,015	1,596	2,015	1,596
Travel and entertainment expenses	2,109	1,238	2,109	1,238
Recurrent expenditure on property and equipment	1,835	1,532	1,835	1,532
Marketing and advertising expenses	1,538	1,320	1,538	1,320
Stationery and printing expenses	303	248	303	248
Training expenses	491	384	491	384
Insurance and security costs	4,503	3,762	4,503	3,762
Premises expenses	470	314	470	314
Professional fees	1,480	1,367	1,432	1,367
Indirect taxes	5,450	3,804	5,450	3,804
Operational risk losses	318	908	318	908
Administration and membership fees	132	166	132	166
Commission paid	302	251	233	203
Coverage expenses	531	522	531	522
Foreign exchange differences	2,134	1,963	2,134	1,974
Other expenses	1,452	1,017	1,429	999
	42,221	33,170	42,081	33,115

36. Interest in joint venture

See accounting policy in Note 3(x)

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Carrying value at the beginning of the year	111	30
Additions	-	81
Share of post-tax profit for the year	49	-
Carrying value at the end of the year (refer to note 14)	160	111

There are no significant restrictions on the ability of the joint venture to transfer funds to the group in the form of cash or dividends or repayments of loans and advances.

37. Income tax expense

See accounting policy in Note 3(n)

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	Mkm
Current tax	56,865	19,702	56,071	19,081
Deferred tax (Note 19)	(3,637)	1,152	(3,635)	1,150
	53,228	20,854	52,436	20,231

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	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	Mkm
Profit before income tax expense	105,748	60,056	103,109	58,979
Tax calculated at the statutory tax rate of 30% up to MK10 billion and 40% for the excess (2022: 30%)	41,036	18,017	40,244	17,694
Tax effect of:				
Expenses not deductible for tax purposes	13,397	3,279	13,397	2,979
Non-taxable income for tax purposes	(3,026)	(442)	(3,026)	(442)
Effect of change in tax rates	1,821	-	1,821	-
Total income tax expense in profit or loss	53,228	20,854	52,436	20,231

38. Earnings per share

See accounting policy in Note 3(u)

Net profit attributable to equity holders (MKm)	52,520	39,202	50,673	38,748
Weighted average number of ordinary shares in issue (millions)	234	234	234	234
Basic earnings per share (expressed in MK per share)	224.44	167.53	216.55	165.59
Diluted earnings per share (expressed in MK per share)	224.44	167.53	216.55	165.59

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.

39. 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 recommend a final dividend in respect of the year ended 31 December 2023 of **MK54.97** (2022: MK51.14) per ordinary share representing **MK12.9 billion** (2022: MK12 billion).

A first interim dividend of **MK21.31** (2022: MK21.31) per ordinary share representing **MK5 billion** (2022: MK5 billion) was paid in March 2024. The directors resolved to pay a second interim dividend of **MK7.5 billion** (2022: MK3 billion) representing **MK31.96** (2022: MK12.87) per ordinary share. Therefore, total dividend for the year is **MK108.24** per share (2022: MK85.32), amounting to a total of **MK25.4 billion** (2022: MK20 billion).

40. 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 2023. 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	
	2023	2022
	MKm	MKm
Contingent liabilities		
Acceptances and letters of credit	**21,208**	19,288
Guarantees and performance bonds	**84,442**	117,194
	105,650	136,482

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Commitments		
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**22,783**	26,945
Authorised but not yet contracted capital commitments on property and equipment	**1,211**	2,801
	23,994	29,746

Included in undrawn formal stand-by facilities, credit lines and other commitments to lend are irrevocable commitments amounting to **MK Nil** (2022: MK155 million).

c) Operating lease commitments

The future minimum payments under non-cancellable operating leases are as follows:

	Consolidated and Separate	
	2023	2022
	MKm	MKm
Low value assets and short-term leases (IFRS 16)		
Within 1 year	**-**	-
	-	-

41. 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	**2023**	
	In MK	**In US$**
Assets		
Government securities	**13.99% - 26.80%**	**-**
Deposits with banking institutions	**23.25% - 26.50%**	**5.26% - 5.3%**
Loans and advances to customers	**15.00% - 34.60%**	**3.89% - 14.67%**
Liabilities		
Customer deposits	**0.0% - 11.70%**	**0.10% - 5.15%**

Consolidated and Separate	2022	
	In MK	In US$
Assets		
Government securities	13.99% - 26.80%	-
Deposits with banking institutions	15%	4.13% - 4.70%
Loans and advances to customers	14.10% - 29.30%	3.89% - 13.71%
Liabilities		
Customer deposits	0.10% - 13.50%	0.10% - 4.0%

42. Statement of cash flows notes:

42.1 Adjustment for non-cash items included in the income statement

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Armotisation of intangibles (note 34)	**1,530**	1,514	**1,530**	1,514
Depreciation of property and equipment and ROU (note 34)	**3,832**	2,791	**3,832**	2,791
Expected credit losses (note 32)	**15,822**	7,492	**15,822**	7,492
Modification loss on distressed financial assets (note 32)	**(62)**	3	**(62)**	3
Other gains on financial instruments (note 31)	**(430)**	(110)	**(430)**	(110)
Loss/(gain) on sale of property and equipment	**21**	(78)	**21**	(78)
Share of profit from joint venture	**(49)**	-	**(49)**	-
Fair value adjustments to derivatives assets	**669**	(1,235)	**669**	(1,235)
Fair value adjustments to derivatives liabilities	**1,399**	157	**1,399**	157
Fair value adjustments to trading assets	**30**	(15)	**30**	(15)
Spread profit adjustments	**17**	(111)	**17**	(111)
Interest income (note 27)	**(132,384)**	(85,297)	**(132,373)**	(85,321)
Interest expense (note 27)	**9,549**	8,645	**9,616**	8,719
Dividend income (note 30)	**-**	-	**-**	(1,000)
	(100,056)	(66,244)	**(99,978)**	(67,194)

42.2 Increase in income-earning and other assets

	Consolidated		Separate	
	2023	2022	**2023**	2022
	MKm	MKm	**MKm**	MKm
Trading assets	**(19,729)**	17,462	**(19,729)**	17,462
Pledged assets	**-**	40,599	**-**	40,599
Financial investments	**20,100**	(164,743)	**20,100**	(164,743)
Loans and advances to banks	**(29,137)**	(11,015)	**(29,209)**	(11,015)
Loans and advances to customers	**(42,641)**	(25,933)	**(42,641)**	(25,933)
Other assets	**(31,874)**	(9,772)	**(31,849)**	(9,556)
	(103,281)	(153,402)	**(103,328)**	(153,186)

42.3 Increase in deposits and other liabilities

Deposits and loans from banks	**106**	(39,997)	**106**	(39,997)
Deposits from customers	**120,768**	166,678	**122,506**	167,138
Other liabilities	**13,436**	10,285	**13,442**	10,286
	134,310	136,966	**136,054**	137,427

42.4 Analysis of cash and cash equivalents as shown in the statement of cash flows

Cash and balances with Reserve Bank of Malawi (note 8)	**152,232**	56,385	**152,118**	56,199

For the purposes of the cash flow statements, cash and cash equivalents comprise balances with Reserve Bank of Malawi.

43. 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 market rates. The outstanding balances at the year end and related expense and income for the year are as follows:

	Separate	
	2023	2022
	MKm	MKm
Balances due from related parties		
Derivative assets		
Standard Bank of South Africa – Fellow subsidiary	**149**	448
Loans and advances to banks		
Standard Bank of South Africa – Fellow subsidiary	**26,370**	3,146
Stanbic Bank Kenya - Fellow subsidiary	**4**	-
Standard Bank Mauritius – Fellow subsidiary	**101,966**	70,513
Balances due from related banks (Note 12)	**128,340**	73,659
Loans and advances to customers		
Balances due from directors and other key management personnel	**1,758**	1,659
Balances due from other related parties	**3,300**	76
	5,058	1,735
Other assets		
Balance due from Standard Bank Bureau De Change Limited - subsidiary	**41**	40
Balance due from Stanbic Bank Zambia – Fellow subsidiary	**6**	-
Balance due from Standard Bank of South Africa – Fellow subsidiary	**406**	143
	453	183
Interest income earned from related banks	**5,576**	1,090
Trading income from related banks	**299**	312
Franchise fees earned from Standard Bank Bureau De Change Limited	**101**	112

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	
	2023	2022
	MKm	MKm
Balances due to related parties		
Deposits from customers		
Balances due to directors and other key management personnel	**373**	98
Balances due to other related parties	**9,113**	4,794
Standard Bank Bureau De Change Limited -Subsidiary	**6,485**	4,747
	15,971	9,639
Deposits and loans from banks		
Standard Bank of South Africa – Fellow subsidiary	**14,195**	13,627
Industrial and Commercial Bank of China	**32**	-
Stanbic Zimbabwe – Fellow subsidiary	**2**	3
Stanbic Zambia – Fellow subsidiary	**28**	2
Balances due to related party banks (Note 20)	**14,257**	13,632
Other liabilities		
Standard Bank of South Africa - Fellow subsidiary (Note 22)	**23,846**	23,191
Balances due to related parties	**23,846**	23,191
Provisions		
Standard Bank of South Africa – Fellow subsidiary	**5,906**	-
Contingencies		
Letter of guarantee – Standard Bank of South Africa – Fellow subsidiary	**6,869**	12,167
Liberty General Insurance Company Ltd	**1**	-
Letter of guarantee – Industrial and Commercial Bank of China	**2,388**	7,544
	9,258	19,711
Key management compensation		
Salaries and other short-term benefits	**2,518**	2,001
Contributions to defined contribution plans	**271**	202
	2,789	2,203

43. Related party transactions (Continued)

	Separate	
	2023	2022
	MKm	MKm
Staff costs paid to related banks	**4**	2
Training cost to related banks	**-**	32
Franchise fees – Standard Bank of South Africa (Note 35)	**5,899**	3,778
Information technology fees and other services- Standard Bank of South Africa	**4,935**	5,302
Dividends paid - Stanbic Africa Holdings Limited	**7,222**	6,018
Directors remuneration		
Non-executive directors – fees	**93**	76
Non-executive directors – expenses	**167**	96
Executive director's salaries and other short-term benefits	**441**	341
	701	513

A listing of members of the Board of Directors is shown on first page of the directors' report.

The fees for the Directors for 2023 are as detailed below:

Mr. C. Kapanga	MK9.0million
N.R. Kanyongolo, PhD	MK5.9million
Mr. M.Sauti Phiri	MK5.1million
Mrs. C. Chithila	MK5.1million
Mr. A. J. W. Chinula, SC	MK4.6million
Mrs. C. Mtonda	MK4.6million
Mr. S. Ulemu	MK9.7million
Mr. D. Pinto	MK9.7million
R. Sibande, PhD	MK9.7million
Mr. A. Mkandawire	MK9.7million
Mr. G. Kuyeri	MK9.7million
Mrs. M.A. Chirwa	MK9.7million

44. 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:

	2023	2022	2021
United States Dollar (USD)	**1,697.98**	1,034.67	819.44
Sterling Pound (GBP)	**2,224.30**	1,282.60	1,107.35
South African Rand (ZAR)	**94.17**	62.69	51.30
Inflation rates as at 31 December (%)	**34.5**	25.4	11.5

As at the date of approval of the consolidated and separate financial statements, the exchange rates were as follows:

United States Dollar (USD)	**1,699.22**
Sterling Pound (GBP)	**2,217.41**
South African Rand (ZAR)	**75.28**

45. Subsequent events

Subsequent to the reporting date, nothing has occurred requiring adjustments to and/or disclosure in the consolidated and separate financial statements.

Standard Bank

CONTACTS FOR BRANCHES AND SERVICE CENTRES

Balaka Service Centre
P O Box 306, Balaka
Tel: +265 1 552 422
Email:Oscar.kambwembwe@standardbank.co.mw

Blantyre Branch
P O Box 1279, Blantyre
Tel: +265 1 820 222
Email:kumbukani.mulauzi@standardbank.co.mw

Bwaila Service Centre
P O Box 26, Lilongwe
Tel: +265 1 724 616
Email: Harrison.Kabondo@standardbank.co.mw

Capital City Branch
P O Box 30386, Lilongwe
Tel: +265 1 770 998
Email: Emmanuel.Banda@standardbank.co.mw

Corporate Banking Centre
P O Box 1353, Blantyre 3
Tel: +265 1 670 802
Email: Rhoda.Tukula@standardbank.co.mw

City Mall Service Centre
P O Box 522, Lilongwe 3
Tel: +265 1 754 601
Email: Merina.chibwana@standardbank.co.mw

Chichiri Service Centre
P O Box 32070, Blantyre 3
Tel: +265 1 878 170
Email: Merina.Chibwana@standardbank.co.mw

Dedza Service Centre
P O Box 5, Dedza
Tel: +265 1 223 346
Email: Richard.chande@standardbank.co.mw

Dwangwa Service Centre
P O Box 62, Dwangwa
Tel: 265 1 295 255
Email: Yewo.Mtonga@standardbank.co.mw

Ginnery Corner Branch
P O Box 1111
Tel: 265 1 871 255
Email: Rita.Chimalizeni@standardbank.co.mw

Gateway Mall Service Centre
P O Box 552, Lilongwe
Tel: 0310005419/0310005458
Email: Andrew.mamiwa@standardbank.co.mw

Kanengo Service Centre
P O Box 40137
Tel: 265 1 711 772
Email:Patrick.Kamtambo@standardbank.co.mw

Karonga Service Centre
P O Box 44, Karonga
Tel: 265 1 362 455
Email: Phelire.nthara@standardbank.co.mw

Kasungu Service Centre
P O Box 100, Kasungu
Tel: 265 1 253 257
Email: Canaan.Thindwa@standardbank.co.mw

Lilongwe Branch
P O Box 552, Lilongwe
Tel: 265 1 755 277
Email: Faith.Mwandidya@standardbank.co.mw

Limbe Branch
P O Box 5091, Limbe
Tel: 265 1 840 166
Email: Dyson.Mmina@standardbank.co.mw

Luchenza Service Centre
P O Box 154, Limbe
Tel: 265 1 476 448
Email:Patience.khembo@standardbank.co.mw

Mangochi Service Centre
P O Box 106, Mangochi
Tel: +265 (0) 1 594 377
Email:Bernard.nkhoma@standardbank.co.mw

Mwanza Service Centre
P O Box 158, Mwanza
Tel: 265 1 432 341
Email: Yona.Kalonda@standardbank.co.mw

Mzimba Service Centre
P O Box 138, Mzimba
Tel: 265 1 342 500
Email: John.Ingainga@standardbank.co.mw

Mponela Service Centre
P O Box 109, Mponela
Tel: 265 1 286 422
Email: Nelson.Salima@standardbank.co.mw

Mzuzu Branch
P O Box 104, Mzuzu
Tel: 265 1 312 366
Email: Joseph.Moyo@standardbank.co.mw

Mzuzu Digital Centre
P O Box 104, Mzuzu
Tel: 0310005718
Email: Patrick.mwalilino@standardbank.co.mw

Ntcheu Service Centre
P O Box 312, Ntcheu
Tel: 265 1 235 455
Email: Juliana.mulimi@standardbank.co.mw

Salima Service Centre
P O Box 26, Salima
Tel: 265 1 262 544
Email: Clarence.Ngwalangwa@standardbank.co.mw

Zomba Branch
P O Box 302, Zomba
Tel: 265 1 524 144
Email: Humphreys.Chiwaula@standardbank.co.mw

Nchalo Service Centre
P O Box 30050, Blantyre 3.
Tel: 265 1 424 417
Email: Emmanuel.makwakwa@standardbank.co.mw

CUSTOMER CONTACT CENTRE NUMBERS

Personal Banking 247-toll free
Airtel- +265(0)9999015001
TNM- +265 (0)885920001

Business Banking 242
Airtel- +265(0)9999015002
TNM- +265 (0)885920002

Corporate Banking 248
Airtel- +265(0)9999015003
TNM- +265 (0)885920003

Footprint in Malawi