

NICO HOLDINGS PLC

ANNUAL CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2025

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
Directors' report	1 - 27
Directors' responsibility statement	28
Certificate of the actuary	29
Independent auditor's report	30 - 35
Consolidated and separate statements of financial position	36
Consolidated and separate statements of comprehensive income	37
Consolidated and separate statements of changes in equity	38 - 41
Consolidated and separate statements of cash flows	42
Notes to the financial statements	43 – 217

LIST OF ABBREVIATIONS

Insurance contracts

BEL	Best Estimate Liability
CSM	Contractual service margin
DPF	Discretionary participation features
FCF	Fulfilment cash flows
GMM	General measurement model
LIC	Liability for incurred claims
LRC	Liability for remaining coverage
PAA	Premium allocation approach
VFA	Variable fee approach

Financial instruments

AC	Amortised cost
EAD	Exposure at default
ECL	Expected credit loss
EIR	Effective interest rate
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
LGD	Loss given default
PD	Probability of default
SPPI	Solely payments of principal and interest
SICR	Significant increase in credit risk

OTHER ACRONYMS

IFRS	International Financial Reporting Standards as issued by International Accounting Standards Board
OCI	Other comprehensive income
SASB	Sustainability Accounting Standards Board
IASB	International Accounting Standards Board

IDENTIFICATION OF FINANCIAL STATEMENTS

Group and Company Annual Financial Statements

Consolidated and Separate Annual Financial Statements

NICO HOLDINGS PLC
DIRECTORS' REPORT

For the year ended 31 December 2025

The directors are pleased to present their report together with the audited consolidated and separate financial statements of NICO Holdings Plc. (the Group and the Company) for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES OF THE GROUP

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

<u>Composition of the NICO Group</u>	<u>% Holding</u>		<u>Nature of primary activities</u>
	2025	2024	
<u>Parent Company</u>			
NICO Holdings Plc. (Company)			Investment holding
<u>Subsidiaries</u>			
NICO Insurance (Zambia) Limited*	100.00	51.00	Non-Life / Short-term / General Insurance
NICO General Insurance Company Limited	51.00	51.00	Non-Life / Short-term / General Insurance
NICO Life Insurance Company Limited	51.00	51.00	Life insurance / Long-term insurance
NICO Pension Services Limited	51.00	51.00	Pension administration
NICO Capital Limited	100.00	100.00	Corporate finance Advisory
NBS Bank Plc.	51.00	51.00	Banking
NICO Technologies Limited	100.00	100.00	Information technology
NICO Asset Managers Limited	100.00	100.00	Asset management
Group Fabricators & Manufacturers Limited	100.00	100.00	Property holding
<u>Associate</u>			
Blantyre Hotels Plc.***	20.95	20.95	Hotels
Sanlam Mozambique Vida Companhia de Seguros, SA**	34.30	34.30	Life insurance and pension administration
<u>Joint Venture</u>			
Eris Properties (Malawi) Limited	50.00	50.00	Property management and development

All entities are incorporated in Malawi except:

- * Incorporated in Zambia
- ** Incorporated in Mozambique

REGISTERED OFFICE

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

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

*** Refer to note 1.1 to the financial statements.

FINANCIAL PERFORMANCE

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Reversal of deferred tax liability on listed equities

In preparing the Group's financial statements for the year ended 31 December 2025, the Board applied judgement in determining the appropriate accounting treatment relating to Capital Gains Tax (CGT) on listed shares. CGT was enacted on 30 December 2025 and, in accordance with IAS 12 Income Taxes, a deferred tax provision was initially recognised at the reporting date.

Subsequent to year-end, the Government announced on 27 February 2026 its intention to withdraw CGT and replace it with a 2% final withholding tax on the gross proceeds from the sale of listed shares. While this change had not yet been substantively enacted at the date of approval of the financial statements, the Board considered the announcement to provide clear evidence of the direction of tax policy and the practical non-crystallisation of the CGT liability.

The Board assessed that retaining the deferred tax provision would result in the recognition of a material liability that is not expected to crystallise in practice, thereby understating profit, equity, and policyholder returns, particularly within the Group's life insurance operations. Had the Group recognised the deferred tax on unrealised gains from listed equities, Profit for the year and total comprehensive income for the year would have been understated by K43 billion, deferred tax liabilities would have been overstated by K187 billion, Insurance contract liabilities would have been understated by K144 billion, total equity attributable to equity holders of the company would have been understated by K22 billion, and equity attributable to non-controlling interest would have been understated by K21 billion. As a result of this CGT reversal, profit share attributable to staff as disclosed in note 21 to the financial statements has increased by K681 million.

In this context, the Board concluded that the strict application of the requirements of IAS 10 Events after the Reporting Period would not result in a fair presentation of the Group's financial position. Accordingly, the Board applied the fair presentation principles in IAS 1 Presentation of Financial Statements, which recognise that, in rare circumstances, departure from a specific requirement may be necessary to avoid misleading financial statements.

The Group's external auditors have taken a different view, concluding that the CGT repeal after the reporting date constitutes a non-adjusting event and that the deferred tax provision should therefore be retained as at 31 December 2025. As a result of this difference in interpretation, the auditors have issued a qualified audit opinion.

CORPORATE GOVERNANCE

The Group is committed to upholding the highest standards of corporate governance in line with the Malawi Code II: Code of Best Practice in Corporate Governance in Malawi ("the Malawi Code" or "the Code"). The Board has formally adopted the Malawi Code and periodically assesses the Group's compliance with its principles and provisions. In addition, the Board remains committed to complying with all applicable laws and regulatory requirements.

The Group operates within a clearly defined governance framework, which is reviewed periodically to ensure that it continues to support effective oversight and accountability by the Board. The Board and its subcommittees operate under formally approved Board Charter and Terms of Reference, respectively, which incorporate the key requirements set out in applicable corporate governance instruments. All Board subcommittees are chaired by Non-Executive Directors.

The Company Secretary plays a central role in supporting sound corporate governance practices. The Board, its subcommittees, and individual directors have access to the advice and services of the Company Secretary to assist them in properly discharging their responsibilities and ensuring that the Group operates in compliance with applicable laws, regulations, and corporate governance standards.

PROFIT

The profit for the year attributable to the owners of the Company of K167.83 billion (2024: K72.01 billion restated) has been added to retained earnings.

NICO HOLDINGS PLC
DIRECTORS' REPORT

For the year ended 31 December 2025

DIVIDEND

During the year, the Company paid a first interim dividend relating to the year 2025 of K6 258 million at K6 per share (2024: K3 129 million at K3.00 per share). The Company also paid a second interim dividend relating to 2025 profits of K6 258 million at K6 per share (2024: K3 129 million at K3.00 per share). The Board of Directors at its meeting of 20 March 2026 resolved to pay a third interim dividend relating to 2025 profits of K20 860 million at K20 per share (2024: K10 430 million at K10.00 per share). The directors will be recommending a final dividend of K8 344 million at K8 per share (2024: K4 172 million at K4.00 per share) at the forthcoming Annual General Meeting. The total dividend relating to 2025 profits has been proposed to be K41 722 million at K40 per share (2024 actual: K20 860 million at K20.00 per share). In terms of actual dividend declared the Company declared a total of K27 119 million in the year 2025 (2024: K12 516 million).

HUMAN CAPITAL

Staff complement for the Group stood at 1 476 as at 31 December 2025 (2024: 1 284). Human resource remains a major and key factor to the success of the Group. The Group, therefore, remains committed to professionalism by developing staff to their full potential. The Group has maintained staff development programs through training both locally and internationally.

BOARD OF DIRECTORS AND SECRETARY

Dr. Elias Ngalande	-	Chairman – Independent and Non-executive Director
Mr. Sangwani Hara	-	Non-executive Director
Ms. Catherine Lesetedi	-	Non-executive Director
Mr. Robert Mdeza	-	Independent and Non-executive Director
Dr. Candida Nakhumwa	-	Independent and Non-executive Director
Ms. Natasha Nsamala	-	Independent and Non-executive Director
Mr. Robert Scharar	-	Non-executive Director
Ms Doreen Chanje	-	Independent and Non -executive Director
Mr Gavin Downard	-	Non Executive director (up to 14 th April 2025)
Mr Mugove Nyimo	-	Non Executive Director (from 14 th April 2025)
Mr. Vizenge Kumwenda	-	Group Managing Director
Ms. Angela Kandani	-	Company Secretary

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

At the Annual General Meeting of the company, one third of the directors (excluding executive directors) or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office and can be re-elected if they are available.

SHAREHOLDING STRUCTURE

	<u>2025</u> %	<u>2024</u> %
Africap LLC (American)	27.91	27.91
Botswana Insurance Holdings Limited (Botswana)	25.10	25.10
NICO Company Employees Share Ownership Scheme (Malawian and Foreign)	0.62	0.62
General Public (Malawian and Foreign)	<u>46.37</u>	<u>46.37</u>
	<u>100.00</u>	<u>100.00</u>

BOARD MEETINGS

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

The Board met six times in the year.

Main Board meetings - Meeting Attendance

Members	27 Mar 25	5-Jun-25	29-Aug-25	2-Oct-25	10- Nov-25	3 Dec 25
Dr. Elias Ngalande (Chairman)	√	√	√	√	√	√
Mr. Sangwani Hara	√	√	√	√	√	√
Mr. Vizenge Kumwenda	√	√	√	√	√	√
Ms. Catherine Lesetedi	√	√	√	√	A	A
Dr. Candida Nakhumwa	√	√	√	√	√	√
Mr. Robert Scharar	√	√	√	√	√	√
Mr. Robert Mdeza	√	√	A	√	√	√
Ms. Natasha Nsamala	√	√	√	√	√	√
Ms. Doreen Chanje	√	√	√	√	√	√
Mr. Gavin Downard	A	N/A	N/A	N/A	N/A	N/A
Mr. Mugove Nyimo	N/A	√	√	√	√	√

Key:

√ = Attendance

A = Apology

N/A= Not Applicable

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

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

Ms. Natasha Nsamala	Chairperson
Mr. Sangwani Hara	Member
Mr. Robert Mdeza	Member

AUDIT COMMITTEE (Continued)

The committee met five times during the year.

Audit Committee- Meeting Attendance

Member	25 Mar 25	16 Apr 25	27- May-25	26-Aug -25	26- Nov- 25
Mr. Sangwani Hara	√	√	√	√	√
Ms. Natasha Nsamala	√	√	√	√	√
Mr. Robert Mdeza	√	√	√	√	√

Key:
 √ = Attendance
 A = Apology

GROUP HUMAN RESOURCE COMMITTEE

The Group Human Resources Committee is an independent Board Committee for oversight on Groupwide HR matters. The committee also reviews candidates for Board Appointments at individual Company and Group level. The committee consists of twelve non-executive Directors. The committee meets at least four times in a year and ad hoc meetings are arranged where necessary.

The members of the Group Human Resources Committee are:

Ms. Doreen Chanje	Chairperson
Mr. Chifundo Chimwaza *	Member (from 20 th March 2025)
Mr. Robert Mdeza	Member
Dr. Candida Nakhumwa	Member
Mr. Robert Scharar	Member
Ms. Violette Santhe	Member (up to November 2025)
Mr. Isaac Songea	Member
Mr. Tayemu Masikini*	Member
Mr. Warren Schultze	Member
Ms. Phyles Kachingwe	Member
Mr. Sam Mwale *	Member (from 20 th November 2025)
Mr. Vizenge Kumwenda	Member

*Mr Chifundo Chimwaza is a Director on the NICO Asset Managers Limited (NAML) Board and sits on the Group HR Committee representing NAML interests. Mr Sam Mwale is a director on the NICO General Board and was appointed to the Committee replacing Director Violette Santhe. Mr. Isaac Songea is a NICO Life director, Mr. Tayemu Masikini is a NICO Technologies Limited Director, Ms Phyles Kanchingwe is a NICO Pensions Director and Mr. Warren Schultze is a Director on the Eris Properties Board. Each of these sits on the Committee representing the interests of the companies on which they serve.

GROUP HUMAN RESOURCE COMMITTEE (Continued)

The committee met five times during the year.

Group Human Resources Committee - Meeting Attendance

Members	20-Mar-25	20-May-25	11-Jul-25	22-Aug-25	20-Nov – 25
Mr. Robert Scharar	√	A	√	√	√
Ms. Doreen Chanje	√	√	√	√	√
Mr. Chifundo Chimwaza	√	√	√	√	√
Mr. Robert Mdeza	√	√	√	√	√
Dr. Candida Nakhumwa	√	√	√	√	√
Mr. Isaac Songea	√	√	√	√	√
Mr. Vizenge Kumwenda	√	√	√	√	√
Mr. Warren Schultze	A	√	√	√	√
Mr. Tayemu Masikini	√	√	√	√	√
Ms. Violette Santhe	√	√	√	√	N/A
Ms. Phyles Kachingwe	√	√	√	√	√
Mr. Sam Mwale	N/A	N/A	N/A	N/A	√

Key:

√ = Attendance
 A = Apology
 N/A = Not Applicable

EXECUTIVE APPOINTMENTS AND NOMINATIONS COMMITTEE

This is a Sub-committee of the Group HR Committee whose main objectives are to advise the board on the appointments terminations, and succession planning of Executives in the Group, to provide oversight and ensure effectiveness of performance reviews for Executives and to review and advise the NICO Holdings Board on the remuneration of Executives, and Executive Directors.

The Committee met five times in the year.

COMMITTEE MEMBERSHIP

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

Executive Appointments and Nominations Committee-Meeting Attendance

Members	14-Mar-25	24-Apr-25	15- May-25	19-Aug-25	19-Nov-25
Mrs. Doreen Chanje	√	√	√	√	√
Mr. Robert Scharar	√	√	√	√	√
Mr. Robert Mdeza	√	√	√	√	√
Dr. Candida Nakhumwa	√	√	√	√	√

Key:

√ = Attendance
 A = Apology

GROUP RISK COMMITTEE

The Group Risk Committee is responsible for overseeing risk management in the Group and providing direction on matters of risk for the Group. It consists of ten Non-Executive Directors. The composition of the committee is as follows:

Ms. Catherine Lesetedi*	Chairperson
Dr. Candida Nakhumwa	Member
Mr. Robert Scharar	Member
Mr. Chifundo Chiundira	Member (up to April 2025)
Dr. Davies Lanjesi	Member (from April 2025)
Mr. Tayemu Masikini*	Member
Ms. Meg Kajiyanike	Member
Mr. Haig Ndzige	Member
Mr. Warren Schultze	Member
Mr. Innocent Kalua	Member

The committee met six times during the year.

Group Risk Committee- Meeting Attendance

Members	10-Mar-25	23-Apr-25	12 -May -25	13 -Aug- 25	5-sept-25	12-Nov-25
Mr. Robert Scharar	√	√	√	√	√	√
Dr. Candida Nakhumwa	√	√	A	√	√	√
Ms. Catherine Lesetedi	A	√	√	√	A	A
Mr. Chifundo Chiundira	√	N/A	N/A	N/A	N/A	N/A
Dr Davies Lanjesi	√	√	√	√	√	√
Mr. Tayemu Masikini	√	√	√	√	√	√
Ms Meg Kajiyanike	A	√	√	√	√	√
Mr Haig Ndzinge	√	A	√	√	√	√
Mr Innocent Kalua	√	√	√	√	√	√
Mr Warren Schultze	√	√	A	√	A	√

Key:
√ = Attendance
A = Apology
N/A= Not Applicable

GROUP RISK COMMITTEE (Continued)

* Dr Davies Lanjesi was appointed to the Committee to replace Mr Chifundo Chiundira as the NICO Asset Managers representative on the Committee. Ms Catherine Lesetedi is a director on NICO Holdings Plc and NICO Life Company Limited, Mr Tayemu Masikini is a director on NICO Technologies, Ms Meg Kajiyanike is an NBS Bank plc Director, Mr Haig Ndzinge represents NICO Pensions, Mr Innocent Kalua represents NICO General, DR Nakhumwa and Mr Scharar represent NICO Holdings, and Mr Warren Schultze represents Eris Properties.

NICO HOLDINGS INVESTMENT COMMITTEE

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

The Committee met eight times in the year.

NICO HOLDINGS PLC
DIRECTORS' REPORT (Continued)
For the year ended 31 December 2025

COMMITTEE MEMBERSHIP

Mr. Sangwani Hara	Chairman
Dr Elias Ngalande	Member
Ms Catherine Lesetedi	Member
Mr Gavin Downard	Member (up to April 2025)
Mr Mugove Nyimo	Member (from April 2025)

NICO Holdings Investment Committee- Meeting Attendance

Members	4-Feb-25	13-Mar-25	30-Apr-25	10-May-25	12-Sept-25	30-Sept-25	21-Nov-25	10-Dec-25
Dr Elias Ngalande	√	√	√	√	√	√	√	√
Ms. Catherine Lesetedi	√	A	√	√	A	A	A	A
Mr. Sangwani Hara	√	√	√	√	√	√	√	√
Mr Gavin Downard	√	√	N/A	N/A	N/A	N/A	N/A	N/A
Mr Mugove Nyimo	N/A	N/A	√	√	√	√	√	√

Key:

√ = Attendance

A = Apology

N/A= Not Applicable

BOARD EVALUATION

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

DIRECTORS' INTERESTS IN NICO HOLDINGS PLC

Mr. Sangwani Hara directly held shares in the Company.

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

	Number of shares: Opening balance	Number of shares: Closing balance
CAM NOMINEES/ SANGWANI HARA	7 272 136	600 000
SANGWANI JUDGE HARA	500 000	500 000
SANGWANI JUDGE HARA	20 272	20 272
SANGWANI JUDGE HARA	19 435	19 435
NAML/ SANGWANI HARA	4 000 000	10 934 906
TOTAL	11 811 843	12 074 613

DIRECTORS' INTERESTS IN NICO HOLDINGS PLC (Continued)

BUY			
Name	Date	Price	Shares bought in 2025
NAML/ SANGWANI HARA	23/09/2025	FOP	6 672 136
NAML/ SANGWANI HARA	30/05/2025	776.41	126 214
NAML/ SANGWANI HARA	29/05/2025	776.42	435 950
NAML/ SANGWANI HARA	30/05/2025	776.40	786
TOTAL SHARES BOUGHT			7 235 086

SELL			
Name	Date	Price	Shares bought in 2025
CAM NOMINEES/ SANGWANI HARA	23/09/2025	FOP	6 672 136
NAML/ SANGWANI HARA	01/10/2025	1 739.85	8 141
NAML/ SANGWANI HARA	02/10/2025	1 739.83	70 595
NAML/ SANGWANI HARA	07/10/2025	1 739.77	19 756
NAML/ SANGWANI HARA	15/09/2025	1 739.99	141
NAML/ SANGWANI HARA	23/09/2025	1 739.89	23 022
NAML/ SANGWANI HARA	24/09/2025	1 739.89	32 854
NAML/ SANGWANI HARA	25/09/2025	1 739.89	46 652
NAML/ SANGWANI HARA	26/09/2025	1 739.88	34 160
NAML/ SANGWANI HARA	29/09/2025	1 739.85	21 595
NAML/ SANGWANI HARA	30/09/2025	1 739.85	43 264
TOTAL SHARES BOUGHT			6 972 316

Mrs. Natasha Nsamala directly held shares in the company.

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

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

	Number of shares: Opening balance	Number of shares: Closing balance
J & J Nsamala Trust	125 000	1 201 859
CAM Nom J & J Nsamala Trust	12 457 961	11 081 102
Ubuntu Limited	377 252	393 159
CAM NOM Natasha Nsamala	38 303	38 303
Natasha Nelia Nsamala	5 000	5 000
TOTAL	13 003 516	12 719 423

DIRECTORS' INTERESTS IN NICO HOLDINGS PLC (Continued)

BUY			
Name	Date	Price	Shares Bought in 2025
J & J Nsamala Trust	11/02/2025	FOP	1 376 859
NAML Ubuntu Limited	25/04/2025	776.71	15 907
TOTAL SHARES BOUGHT			1 392 766

SELL			
Name	Date	Price	Shares Bought in 2025
CAM Nom J & J Nsamala Trust	11/02/2025	FOP	1 376 859
J & J Nsamala Trust	18/09/2025	1 739.93	50 588
J & J Nsamala Trust	19/09/2025	1 739.91	6 409
J & J Nsamala Trust	22/09/2025	1 739.91	115 010
J & J Nsamala Trust	23/09/2025	1 739.89	27 993
J & J Nsamala Trust	02/10/2025	1 739.80	35 000
J & J Nsamala Trust	03/10/2025	1 739.80	32 459
J & J Nsamala Trust	06/10/2025	1 739.78	11 973
J & J Nsamala Trust	07/10/2025	1 739.77	20 568
TOTAL SHARES BOUGHT			1 676 859

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

	Number of shares: Opening balance	Number of shares: Closing balance
CONTINENTAL ASSET MANAGERS NOMINEES A/C WOP V J TRUST	42 346 173	42 346 173
WOP VJ TRUST	7 958 969	7 958 969
NAML WOP VJ TRUST	1 000 000	1 000 000
TOTAL	51 305 142	51 305 142

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

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

DIRECTORS' INTERESTS IN NICO HOLDINGS PLC (Continued)

Mrs. Angela Kandani indirectly held shares through NICO Asset Managers (NAML).

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Angela Kandani	10 000	45 500
TOTAL	10 000	45 500

BUY			
Name	Date	Price	Shares Bought in 2025
NAML Angela Kandani	22/05/2025	776.46	12 500
NAML Angela Kandani	12/11/2025	1 739.80	23 000
TOTAL SHARES BOUGHT			35 500

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

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

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

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

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

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

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

REGISTER OF INTEREST

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

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

Key persons in NICO Holdings plc

Louis Sibande

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Jerandi Trust	1 108 010	1 388 010
TOTAL	1 108 010	1 388 010

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
NAML Jerandi Trust – Louis Sibande	27/11/2025	1 739.97	280 000
TOTAL SHARES BOUGHT			280 000

Thokozile Kuwali Tusalifye Mushani

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Thokozile Kuwali	-	50 000
Thokozile Kuwali ITF Juanita Wawomba Mushani	-	1 948
Thokozile Kuwali Tusalifye Mushani	1 492	3 882
Thokozile Margaret Kuwali	-	14 203
TOTAL	1 492	70 033

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
NAML Thokozile Kuwali	03/10/2025	1 739.80	10 000
NAML Thokozile Kuwali	29/10/2025	1 739.83	40 000
Thokozile Kuwali ITF Juanita Wawomba Mushani	10/10/2025	1 739.73	1 948
Thokozile Kuwali Tusalifye Mushani	30/09/2025	1 739.84	941
Thokozile Kuwali Tusalifye Mushani	30/09/2025	1 739.85	1 449
Thokozile Margaret Kuwali	22/09/2025	1 739.97	14 203
TOTAL SHARES BOUGHT			68 541

Key persons in NICO Asset Managers Limited

Daniel Dunga

	Number of shares: Opening balance	Number of shares: Closing balance
Daniel Dunga	-	10 500
CAM NOM Daniel Dunga	-	-
TOTAL	-	10 500

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
CAM NOM Daniel Dunga	10/04/2025	FOP	7 000
Daniel Dunga	23/09/2025	FOP	3 500
Daniel Dunga	09/10/2025	FOP	7 000
TOTAL			17 500

SELL			
Name	Date	Price	Shares sold in 2025
CAM NOM Daniel Dunga	09/10/2025	FOP	7 000

Memory Chipembere

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Memory Chipembere	-	-
TOTAL	-	-

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
NAML Memory Chipembere	14/03/2025	776.44	6 000
NAML Memory Chipembere	23/05/2025	FOP	5 100
TOTAL			11 100

SELL			
Name	Date	Price	Shares sold in 2025
NAML Memory Chipembere	30/10/2025	1 739.78	11 100

Key persons in NICO Asset Managers Limited (Continued)

Harold Ngoma

	Number of shares: Opening balance	Number of shares: Closing balance
Harold Trywell Ngoma	12 668	156 956
NAML Harold Trywell Ngoma	63 370	63 370
Chimwazga Ngoma Trust	69 758	69 758
TOTAL	145 796	290 084

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
Harold Trywell Ngoma	23/10/2025	1 739.80	35 486
Harold Trywell Ngoma	29/10/2025	1 739.83	21 326
Harold Trywell Ngoma	25/11/2025	1 739.87	4 004
Harold Trywell Ngoma	27/11/2025	1 739.98	57 472
Harold Trywell Ngoma	03/12/2025	FOP	26 000
NAML Harold Trywell Ngoma	21/05/2025	776.53	26 000
TOTAL			170 288

SELL			
Name	Date	Price	Shares sold in 2025
NAML Harold Trywell Ngoma	03/10/2025	FOP	26 000

Tumusime Msimuko

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Tumusime Msimuko	50 000	120 000
Kondwani & Tumusime Msimuko	-	22 723
TOTAL	50 000	142 723

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
Kondwani & Tumusime Msimuko	27/11/2025	1 739.99	22 723
NAML Tumusime Msimuko	30/04/2025	776.68	55 000
NAML Tumusime Msimuko	23/10/2025	1 739.79	15 000
TOTAL SHARES BOUGHT			92 723

Key persons in NICO Asset Managers Limited (Continued)

Chikondi Gomani

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Chikondi Gomani	-	7 500
TOTAL	-	7 500

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
NAML Chikondi Gomani	18/09/2025	FOP	7 500
NAML Chikondi Gomani	22/10/2025	FOP	7 500
TOTAL			15 000

SELL			
Name	Date	Price	Shares sold in 2025
NAML Chikondi Gomani	19/09/2025	1 739.92	5 000
NAML Chikondi Gomani	18/11/2025	1 739.81	2 500
TOTAL			7 500

Key persons in NBS Bank

Temwani Simwaka

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

Shadrack Chikusilo

	Number of shares: Opening balance	Number of shares: Closing balance
CAM Nominees Shadrack Chikusilo	89 862	-
NAML Shadrack Chikusilo	30 000	204 862
TOTAL	119 862	204 862

Key persons in NBS Bank (Continued)

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
NAML Shadrick Chikusilo	16/10/2025	1 739.68	28 917
NAML Shadrick Chikusilo	16/10/2025	1 739.69	56 083
NAML Shadrick Chikusilo	24/10/2025	FOP	89 862
TOTAL SHARES BOUGHT			174 862

SELL			
Name	Date	Price	Shares sold in 2025
CAM Nominees Shadrick Chikusilo	24/10/2025	FOP	89 862
TOTAL			89 862

Chinga Chaguluka

	Number of shares: Opening balance	Number of shares: Closing balance
Chinga Chaguluka	-	5 112
NAML Chinga Chaguluka	6 335	6 335
TOTAL	6 335	11 447

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
Chinga Chaguluka	27/10/2025	1 739.82	2 272
Chinga Chaguluka	28/10/2025	1 739.99	2 840
TOTAL SHARES BOUGHT			5 112

Vitumbiko Gubuduza

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

Transactions during the period

SELL			
Name	Date	Price	Shares sold in 2025
NAML Vitumbiko Gubuduza	26/08/2025	FOP	10 000
TOTAL			10 000

Key persons in NBS Bank (Continued)

Happy Phiri

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Happy Phiri	-	8 522
TOTAL	-	8 522

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
NAML Happy Phiri	17/10/2025	1 739.68	8 522
TOTAL			8 522

Key Persons in NICO Life

Wise Chigudu

	Number of shares: Opening balance	Number of shares: Closing balance
Wise Simbarashe Chigudu	-	11 362
NAML Wise Chigudu	-	41 475
TOTAL	-	52 837

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
Wise Simbarashe Chigudu	06/10/2025	1 739.76	11 362
NAML Wise Chigudu	03/11/2025	1 739.80	41 475
TOTAL			52 837

Key Persons in NICO Life (Continued)

Victoria Zigowa

	Number of shares: Opening balance	Number of shares: Closing balance
Victoria Zigowa	130 000	130 000
Victoria Chimwemwe Kusimika Zigowa	-	6 835
TOTAL	130 000	136 835

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
Victoria Chimwemwe Kusimika Zigowa	15/09/2025	1 739.97	6 835
TOTAL			6 835

Chimwemwe Kanyenda

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Chimwemwe Kanyenda	-	133 900
TOTAL	-	133 900

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
NAML Chimwemwe Kanyenda	13/05/2025	776.61	19 000
NAML Chimwemwe Kanyenda	31/10/2025	1 739.79	114 900
TOTAL			133 900

Key Persons in NICO Pensions

Gerald Chima

	Number of shares: Opening balance	Number of shares: Closing balance
Gerald Chima	143 008	143 008
NAML Gerald Chima	45 000	75 000
TOTAL	188 008	218 008

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
NAML Gerald Chima	13/05/2025	776.61	30 000
TOTAL SHARES BOUGHT			30 000

Ellen Mkumpha

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Ellen Mkumpha	12 500	20 080
TOTAL	12 500	20 080

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
NAML Ellen Mkumpha	30/05/2025	776.41	1 980
NAML Ellen Mkumpha	09/09/2025	1 740.00	5 600
TOTAL			7 580

Key Persons in NICO General

Donbell Mandala

	Number of shares: Opening balance	Number of shares: Closing balance
Donbell Mandala	50 000	50 000
Donbell Sitingawawo Mandala	-	12 724
TOTAL	50 000	62 724

Key Persons in NICO General (Continued)

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
Donbell Sitingawawo Mandala	10/04/2025	776.78	12 724
TOTAL			12 724

Zalimba Makawa

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Zalimba & Lydia Makawa	3 800	4 750
TOTAL	3 800	4 750

Transactions during the period

BUY			
Name	Date	Price	Shares bought in 2025
NAML Zalimba & Lydia Makawa	16/10/2025	1 739.69	950
TOTAL			950

DIRECTORS' REMUNERATION

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

		<u>2025</u> K'000	<u>2024</u> K'000
Directors' remuneration	- Executive (note 11.4)	1 183 112	905 142
	- Non- executive (note 11.4)	870 266	487 374

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2025

CONTRACT WITH THE GROUP MANAGING DIRECTOR

The Group engages some of its Executives on a contract basis. Performance is continually reviewed, and renewal of contracts is based on satisfactory performance. In 2022, the Board approved renewal of the contract for the Group Managing Director for a five year period. Six months' notice is required for termination and there is no predetermined compensation on termination.

EXTERNAL AUDITORS

A resolution is to be proposed at the forthcoming Annual General Meeting to re-appoint Deloitte as auditors in respect of the audit of the consolidated and separate financial statements for the year ending 31 December 2026.

ADDITIONAL INFORMATION ON INDIVIDUAL COMPANIES

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

BOARD OF DIRECTORS

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

NBS Bank plc

Name	Position
Mr. Vizenge Kumwenda	Chairman and Non-Executive Director
M. Kudakwashe Mukushi	Non-Executive Director (up to March 2025)
Mr. Chifundo Chiundira	Non-Executive Director
Mr. Harrison. B. Kalua	Independent Non-Executive Director
Mr. James. Masumbu	Independent Non-Executive Director
Mr. Emmanuel.M. Banda	Independent Non-Executive Director
Ms. Roselyn Mkweza	Independent Non-Executive Director
Ms. Meg Kajiyanike	Independent Non-Executive Director
Mr. Paul Guta	Independent Non-Executive Director
Mr. Nkondola Uka	Independent Non-Executive Director
Mr. Marsha. Machika	Company Secretary

NICO Life Insurance Company Limited

Mr. Vizenge M Kumwenda	Board Chairperson and Non-Executive Director
Ms. Catherine Lesetedi	Non-executive Director
Ms. Daisy Kambalame	Independent Non-executive Director
Mr. Ryan Scharar	Non-executive Director
Mr. John Melrose	Independent Non-executive Director
Mr. Isaac Songea	Independent Non-executive Director
Mr. Jarryd Semple	Non-executive Director
Mr. Innocent Kalua	Independent (from Aug 2025)
Mr. Waki Mushani	Independent (from Aug 2025)
Mr. Mayamiko Tembo	Company Secretary

BOARD OF DIRECTORS (Continued)

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

NICO General Insurance Limited

Mr. Chifundo Chiundira	Board Chairperson and Non-Executive Director
Mr. Harold Bijoux	Non-executive Director
Mr. Maxwell Chilikhuma	Independent Non-executive Director
Mr. Innocent Kalua	Independent Non-executive Director
Mrs. Violette Santhe	Independent Non-executive Director
Mr. Samson Mwale	Independent Non-executive Director
Mr Tinashe Garapo	Non-Executive Director (from Nov 2025)
Mr. Mayamiko Tembo	Company Secretary

NICO Insurance (Zambia) Limited

Mr. Felix Mlusu	Chairman and Non-executive Director
Mr. Vizenge Kumwenda	Non-executive Director
Ms. Mirriam Chiyaba	Independent Non-executive Director (up to 30 th September 2025)
Ms Mildred Mutesa	Independent Non-executive Director (from December 2025)
Dr. Tukiya Kankasa-Mabula	Independent Non-executive Director
Mr. Tinashe Garapo	Non-executive Director
Ms. Inutu Zaloumis	Non-executive Director
Wilson & Cornhill Advocates	Company Secretary

NICO Asset Managers Limited

Mrs. R Petatchere	Chairperson and Independent Non-executive Director
Mr. C. Chiundira	Non-Executive Director
Mr. W. Chirwa	Independent and Non – Executive Director (up to December 2025)
Mr. R. Scharar	Non-Executive Director
Ms Chipiliro Kauka	Independent Non- Executive Director
Mr F Dalo	Non–Executive Director (from October 2025)
Mr. C. Chimwaza	Independent and Non – Executive Director
Mr. M. Hara	Independent and Non – Executive Director
Dr. D. Lanjesi	Independent and Non – Executive Director
Mrs. M. Chipembere	Company Secretary

NICO Technologies Limited

Mr Eric Chapola	Chairman
Mr Wise Chigudu	Non-executive Director
Mr Tayemu Masikini	Independent and Non-Executive Director
Mr. Kwanele Ngwenya	Non-Executive Director (up to September 2025)
Ms Temwani Simwaka	Non-Executive Director (from September 2025)
Mr. Donbell Mandala	Non-Executive Director
Ms. Emily Kwatani	Independent and Non-Executive Director
Mr. Gerald Chima	Non-Executive Director
Ms. Angela Kandani	Company Secretary

NICO HOLDINGS PLC
DIRECTORS' REPORT (Continued)
For the year ended 31 December 2025

BOARD OF DIRECTORS (Continued)

NICO Pensions Limited

Mr. Chifundo Chiundira	Chairman and Non-executive Director
Ms. Phyles Kachingwe	Independent and Non-Executive Director
Mr. Haig Ndzinge	Non-Executive Director
Mr. Jonathan Kara	Independent and Non-Executive Director
Ms. Debbie Phiri	Independent and Non-Executive Director (from August 2025)
Mr. Mayamiko Tembo	Company Secretary

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

NICO Capital Limited

Dr. Nyovani Madise	Chairperson and Independent Non-executive Director
Dr. Elias Ngalande	Non-executive Director
Mr. Robert Scharar	Non-Executive Director
Mr. Fungai Ruwende	Independent non – Executive Director
Ms. Zandile Shaba	Independent non- Executive Director
Ms. Angela Kandani	Company Secretary

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

Name of Company	<u>2025</u> K 000	<u>2024</u> K 000
1 NICO Holdings plc	213 624	76 558
2 NBS Bank plc	126 060	66 240
3 NICO Life Insurance Limited	95 000	62 659
4 NICO General Insurance Limited	143 648	91 578
5 NICO General Insurance (Zambia) Limited	126 427	52 529
6 NICO Asset Managers Limited	114 645	82 312
7 NICO Technologies Limited	18 064	9 819
8 NICO Pension Services Limited	30 236	32 664
9 NICO Capital Limited	<u>47 101</u>	<u>16 894</u>
Total	<u><u>914 805</u></u>	<u><u>491 253</u></u>

EXTERNAL AUDITOR'S REMUNERATION

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

Name of Company	<u>2025</u> K 000	<u>2024</u> K 000
1 NICO Holdings plc	411 437	183 343
2 NBS Bank plc	354 000	336 255
3 NICO Life Insurance Limited	487 000	241 813
4 NICO General Insurance Limited	178 349	299 533
5 NICO General Insurance (Zambia) Limited	174 939	187 820
6 NICO Asset Managers Limited	60 970	48 975
7 NICO Technologies Limited	27 175	23 625
8 NICO Pension Services Limited	26 449	17 113
9 NICO Capital Limited	<u>26 402</u>	<u>23 792</u>
Total	<u><u>1 746 721</u></u>	<u><u>1 362 269</u></u>

BOARD OF DIRECTORS (Continued)

DONATIONS

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

Name of Company	<u>2025</u> K 000	<u>2024</u> K 000
1 NICO Holdings plc	158 870	-
2 NBS Bank plc	2 260 140	961 032
3 NICO Life Insurance Limited	156 045	74 500
4 NICO Insurance (Zambia) Limited	18 195	16 441
5 NICO Asset Managers Limited	88 069	101 998
6 NICO Pensions Services Limited	27 865	-
7 NICO Technologies Limited	33 438	4 850
8 NICO General Insurance Limited	61 803	48 667
9 NICO Capital Limited	5 573	4 097
Total	<u>2 809 998</u>	<u>1 211 585</u>

DIRECTORS' INTERESTS IN NBS BANK PLC

Mr. Sangwani Hara directly held shares in NBS Bank plc. Mr. Sangwani Hara indirectly held shares in NBS Bank plc through Continental Asset Management (CAM) Nominees and also indirectly held shares through NICO Asset Managers (NAML).

	Number of shares: Opening balance	Number of shares: Closing balance
SANGWANI HARA	105 876	105 876
CAM NOMINEES/ SANGWANI HARA	5 411 194	11 343 014
NAML/ SANGWANI HARA	6 541 705	2 609 885
TOTAL	12 058 775	14 058 775

BUY			
Name	Date	Price	Shares Bought in 2025
NAML/ SANGWANI HARA	29/05/2025	325.00	2 000 000
NAML/ SANGWANI HARA	23/09/2025	FOP	2 801 309
TOTAL SHARES BOUGHT			4 801 309

SELL			
Name	Date	Price	Shares Sold in 2025
CAM NOMINEES/ SANGWANI HARA	23/09/2025	FOP	2 801 309
TOTAL			2 801 309

NICO HOLDINGS PLC
DIRECTORS' REPORT (Continued)
For the year ended 31 December 2025

BOARD OF DIRECTORS (Continued)

DIRECTORS' INTERESTS IN NBS BANK PLC (Continued)

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

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

Mrs. Angela Kandani indirectly held shares in NBS Bank.

	Number of shares: Opening balance	Number of shares: Closing balance
NAML Angela Kandani	30 000	72 500
TOTAL	30 000	72 500

BUY			
Name	Date	Price	Shares Bought in 2025
NAML Angela Kandani	22/05/2025	341.49	87 500
NAML Angela Kandani	12/11/2025	1 022.05	45 000
TOTAL SHARES BOUGHT			132 500

SELL			
Name	Date	Price	Shares Sold in 2025
NAML Angela Kandani	18/11/2025	1 014.71	39 826
NAML Angela Kandani	19/11/2025	1 010.98	5 174
NAML Angela Kandani	20/11/2025	1 009.99	45 000
TOTAL			90 000

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

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

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

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

Transactions during the period were as follows:

	Number of shares: Opening balance	Number of shares: Closing balance
Natasha Nsamala	65 989	65 989
CAM Nom Natasha Nsamala	94 900	144 900
J & J Nsamala Trust	3 672 611	3 298 129
CAM Nom J & J Nsamala Trust	26 590 365	27 912 834
NAML J & J Nsamala Trust	29 400 768	34 992 316
NAML Ubuntu Limited	1 535 575	1 372 536
TOTAL	61 360 208	67 786 704

NICO HOLDINGS PLC
DIRECTORS' REPORT (Continued)
For the year ended 31 December 2025

BUY			
Name	Date	Price	Shares Bought in 2025
CAM Nom Natasha Nsamala	14/04/2025	341.49	50 000
CAM Nom J & J Nsamala Trust	16/04/2025	344.00	1 322 469
NAML J & J Nsamala Trust	16/04/2025	344.80	5 591 548
NAML Ubuntu Limited	23/05/2025	341.00	86 961
TOTAL SHARES BOUGHT			7 050 978

SELL			
Name	Date	Price	Shares Sold in 2025
J & J Nsamala Trust	01/10/2025	1 024.41	42 547
J & J Nsamala Trust	7/10/2025	1 024.05	39 982
J & J Nsamala Trust	8/10/2025	1 023.94	28 164
J & J Nsamala Trust	9/10/2025	1 023.89	16 079
J & J Nsamala Trust	23/10/2025	1 023.13	79 557
J & J Nsamala Trust	27/10/2025	1 023.11	19 425
J & J Nsamala Trust	29/10/2025	1 023.03	28 984
J & J Nsamala Trust	30/10/2025	1 022.95	67 852
J & J Nsamala Trust	31/10/2025	1 022.90	3 000
J & J Nsamala Trust	19/11/2025	1 010.99	48 892
NAML Ubuntu Limited	04/09/2025	1 024.90	58 740
NAML Ubuntu Limited	05/09/2025	1 024.85	81 094
NAML Ubuntu Limited	08/09/2025	1 024.83	44 004
NAML Ubuntu Limited	09/09/2025	1 024.83	66 162
TOTAL SHARES BOUGHT			624 482

WOP V J Trust held shares in NBS Bank Plc. The Trust belongs to Mr. V Kumwenda and his family who are also the beneficiaries. 10 000 023 of these shares are on account of Continental Asset Management Nominees. There were no transactions for buying and selling of NBS plc shares during the year.

	Number of shares: Opening balance	Number of shares: Closing balance
CAM NOMINEES A/C WOP V J TRUST	21 219 064	21 219 064
WOP VJ TRUST	-	-
TOTAL	21 219 064	21 219 064

DIRECTORS' INTERESTS IN ICON PLC

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

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

DIRECTORS' INTERESTS IN ICON PROPERTIES PLC (Continued)

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

	Number of shares: Opening balance	Number of shares: Closing balance
DR Teddie & Candida Nakhumwa	230 000	230 000
TOTAL	230 000	230 000

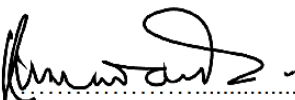
Ubuntu Limited held shares in ICON Properties plc. Mrs. Natasha Nsamala is a shareholder and Director in Ubuntu Limited. There were no transactions for buying and selling of ICON plc shares during the year.

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

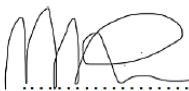
WOP VJ Trust indirectly held shares in ICON Properties plc. The Trust belongs to Mr. V Kumwenda and his family who are also the beneficiaries. 22 858 000 of these shares are on account of Continental Asset Management Nominees. There were no transactions for buying and selling of ICON plc shares during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

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

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



DIRECTOR
MR. VIZENGE KUMWENDA



DIRECTOR
MRS. NATASHA NSAMALA

NICO HOLDINGS PLC
DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 December 2025

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of NICO Holdings Plc., comprising the consolidated and separate statements of financial position as at 31 December 2025 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements which include a summary of material accounting policy information and other explanatory notes, in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of Companies Act, 2013. In addition, the directors are responsible for preparing the directors' report.

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

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

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

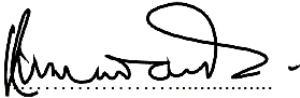
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and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

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

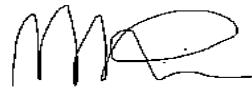
The external auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of Companies Act, 2013.

Approval of Consolidated and Separate financial statements

The consolidated and separate financial statements of NICO Holdings Plc. as identified in the first paragraph, were approved by the Board of Directors on ...March 2026. The Company's shareholders do not have the power to amend the financial statements after issue. These financial statements were signed on its behalf by:



.....
DIRECTOR
MR. VIZENGE KUMWENDA



.....
DIRECTOR
MRS. NATASHA NSAMALA



INDEPENDENT ACTUARIES & CONSULTANTS

Certificate of the Actuary

I hereby certify that to the best of my knowledge and belief and based on the audited financials for the year ended 31 December 2025, that the liabilities under unmaturred individual life, funeral, deposit administration and group life insurance policies issued by NICO Life Insurance Company Limited do not exceed the amount of the life insurance fund as at 31 December 2025.

A handwritten signature in black ink, appearing to read 'Edwin Splinter', is written in a cursive style.

Edwin Splinter
Appointed Actuary
Fellow of the Actuarial Society of South Africa
19 February 2026

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

Qualified Opinion on the consolidated financial statements and separate financial statements

We have audited the consolidated and separate financial statements of NICO Holdings Plc (the Group and Company), set out on pages 36 to 217 which comprise the consolidated and separate statements of financial position as at 31 December 2025, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity, and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated and separate financial statements give a true and fair view, of the consolidated and separate financial position of NICO Holdings Plc as at 31 December 2025, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM), and the requirements of the Companies Act, 2013.

Basis for Qualified Opinion on Consolidated Financial Statements and Separate Financial Statements

The Group has not fully applied the requirements of IAS 12 *Income Taxes*. Consequently, deferred tax arising from unrealised gains on listed shares has not been recognised in the consolidated financial statements.

Based on the information available in the Group's accounting records, had the Group recognised deferred tax on the unrealised gains from listed shares, the following line items in the financial statements would have been impacted:

Consolidated Statement of Financial Position

- Deferred tax liabilities would have increased by K187 billion to K225 billion;
- Insurance contract liabilities would have decreased by K144 billion to K1 669 billion;
- The bonus accrual, included in other payables, would have decreased by K681 million to K21 419 million;
- Total equity attributable to equity holders of the Company would have decreased by K22 billion to K278 billion;
- Equity attributable to non-controlling interest would have decreased by K21 billion to K224 billion; and
- Retained earnings would have decreased by K22 billion to K255 billion.



Basis for Qualified Opinion on Consolidated Financial Statements and Separate Financial Statements (Continued)

Consolidated Statements of Comprehensive Income

- Insurance revenue would have increased by K144 billion to K321 billion;
- The staff bonus, included in staff costs, would have decreased by K681 million, reducing staff costs to K90 918 million;
- Income tax expense would have increased by K187 billion to K335 billion;
- As a result of the above, profit before tax would have increased by K144 billion to K616 billion whilst profit for the year would have decreased by K43 billion to K280 billion. The profit for the year attributable to non-controlling interests and owners of the parent company would have decreased by K21 billion to K134 billion and K22 billion to K146 billion, respectively.

Consolidated Statements of Cash Flows – Operating Activities

- Profit before tax would have decreased by K144 billion to K616 billion; and
- Changes in operating liabilities would have decreased by K144 billion to K1 282 billion.

Solvency Margin

- As a result of the changes above, solvency ratio for NICO Life Insurance Company Limited (note 42.3.3) would have decreased by 33% to 115%.

Impact on the separate financial statements

Had the group complied with IAS 12 requirements, the bonus accrual included in other payables in the separate statement of financial position would have decreased by K681 million to K2 319 million. Correspondingly, staff costs in the statement of comprehensive income would have decreased by K681 million to K6 784 million. Consequently, profit for the year would have increased by K681 million to K43 954 million. In the statements of cash flows, profit before tax would have increased by K681 million to K48 363 million.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's* responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to performing audits of financial statements of public interest entities in Malawi. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

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

Key audit matters (Continued)

Key audit matter	How the matter was addressed during the audit
<p>The valuation of life and general insurance contract and liabilities as at 31 December 2025 (Consolidated Financial Statements)</p> <p>The Group's insurance contract liabilities as at 31 December 2025 amounting to K1.8 trillion, as disclosed in note 27 to the financial statements, represent a significant portion of its total liabilities.</p> <p>Life business Insurance contract liabilities are determined in accordance with IFRS 17 <i>Insurance Contracts</i> (IFRS 17).</p> <p>The insurance contract liabilities are associated with significant uncertainties requiring the use of expert judgment embedded within complex actuarial models relying on subjective assumptions relating to future events. With key areas of judgement being determination of fulfilment cash flows, discounting, risk adjustment for non-financial risk and determination of the contractual service margin.</p> <p>Key assumptions include mortality, persistency and economic assumptions may have a significant impact on the valuation of the present value of future cash flows.</p> <p>The actuarial valuations are based on complex models/methodologies and other computations designed for which inadequate assumptions and or inaccurate input data may be used.</p> <p>The Best Estimate Liability, Risk Adjustment and Contractual Service Margin are impacted by assumption changes to the present value of future cash flows for future coverage that influences the release of the Contractual Service Margin in the current year and future periods.</p> <p>General business The insurance contract liabilities are associated with significant uncertainties requiring the use of expert judgment embedded within complex actuarial models relying on subjective assumptions relating to future events.</p> <p>Key assumptions include incurred but not reported claims, outstanding losses which may have a significant impact on the valuation of the insurance liabilities.</p> <p>The actuarial valuations are based on complex models/methodologies and other computations designed for which inadequate assumptions and or inaccurate input data may be used.</p> <p>The Best Estimate Liability, Risk Adjustment, Liability for Remaining Coverage and Liability for Incurred claims are impacted by assumption changes that may have an impact on the insurance liability.</p> <p>The Best Estimate Liability, Risk Adjustment, Loss Component and Deferred Acquisition Costs (DAC) are impacted by assumption changes that may have an impact on the insurance liability.</p> <p>Accordingly, given the complexity and judgement involved, we have determined the valuation of insurance contract liabilities as a key audit matter.</p>	<p>Life business Our procedures included:</p> <ul style="list-style-type: none"> ➤ Obtained an understanding and evaluated the design and implementation of management's controls over the significant estimates and assumptions used in the determination of the Group's insurance contract Liabilities including model data inputs; and ➤ We assessed the qualifications, professional competence and independence of management actuary. <p>With the support of Deloitte actuarial specialists, considered whether the associated disclosures are compliant with IFRS17 and further performed the following procedures:</p> <ul style="list-style-type: none"> ➤ Challenged and assessed the key inputs, judgements and assumptions used in the valuation models, such as estimated cash flows, growth rates, discount rates and significant unobservable inputs, and assessed the valuation methodologies against current market practice and industry standards; ➤ Reviewed management analysis of various liability components which include Best Estimate Liability, Risk Adjustment, and Liability for Remaining Coverage; ➤ Independently recalculated the best estimate liability and risk adjustment for sampled portfolios measured under general measurement model and compared our recalculation to the Group's results within reasonable range; ➤ Performed tests to ensure the complete and accurate transfer of policyholder data from policy administration systems to the actuarial systems, leveraging management's key reconciliation controls where applicable; and ➤ Performed testing of the completeness and accuracy of data used in the calculation of the insurance liabilities balances to underlying source systems on a sample basis. <p>General business Our procedures included:</p> <ul style="list-style-type: none"> ➤ Obtained an understanding and evaluated the design and implementation of management's controls over the significant estimates and assumptions used in the determination of the Group's insurance contract liabilities, including model data inputs. <p>With the support of Deloitte actuarial specialists, considered whether the associated disclosures are compliant with IFRS 17 and further performed the following procedures:</p> <ul style="list-style-type: none"> ➤ Reviewed management analysis of various liability components which include Liability for Incurred Claims, Risk Adjustment, and Liabilities for Remaining Coverage; ➤ Independently recalculated the Liability for Remaining Coverage, Liability for Incurred Claims and Risk Adjustment for all portfolios which are measured under Premium Allocation Approach model and compared our recalculation to the Group's results for reasonable ranges; ➤ Performed tests to ensure the completeness and accuracy of data used by our specialists in determining these estimates; and ➤ Considered whether the financial statements disclosures are compliant with IFRS 17 insurance contracts accounting policies. <p>The insurance contract liabilities are within reasonable range and appropriate disclosures in accordance with the provisions of IFRS17 have been made.</p>

Key audit matters (Continued)

Key audit matter	How the matter was addressed during the audit
<p>Determination of Expected Credit Losses for Loans and Advances (Consolidated Financial Statements)</p> <p><i>NBS Bank Plc.</i> Staging of loans and advances is a significant component in determining the Expected Credit Losses (ECL) as such inaccurate staging would have a significant impact on ECL output. The Bank is exposed to a loans and advances book of K369 billion as at 31 December 2025 as disclosed under note 7 to the financial statements, which is subjected to Expected Credit Loss model to determine estimated provisions.</p> <p>The following categories of loans and advances were determined to be significant in the Group’s staging of loans and advances:</p> <p>a) The Bank’s large exposure loans and advances The Bank’s large exposure loans and advances contribute 21% of the Bank’s loans and advances included in note 7 to the financial statements.</p> <p>b) <u>Stage 1 loans</u> The Bank’s loans are concentrated under stage 1 which contribute 97% of the gross loan amount. The migration of loans and advances from stage 1 to stage 2 or 3 depends on both qualitative and quantitative factors.</p> <p>c) <u>Stage 2 and 3 loans</u> Stage 2 and 3 loans contribute 3% of the gross loan amount. The rate of provision in these stages is higher than in Stage 1 and in particular Stage 3 loan provision is mostly at more than 90% of the facility balances.</p> <p>We focused on staging of loans and advances due to the fact that ECL is a significant management estimate based on subjective assumptions and inputs used in the Expected Credit Loss model used to determine the estimated provisions. The Group has recorded a total Expected Credit Loss of K19 billion as at 31 December 2025.</p> <p>We also considered possibilities of contagion risk, which is also referred to as systemic risk whereby the financial difficulties in one or more facilities would spill over to a large number of other facilities in the same group. This would have an effect in the determination of the ECL.</p> <p>We therefore considered this to be a key audit matter.</p>	<ul style="list-style-type: none"> • We reviewed the design and implementation of controls around ECLs; • We obtained an understanding of the Group's criteria for Significant Increase in Credit Risk (SICR) from the Group’s accounting policy and IFRS9 <i>Financial Instruments</i> (IFRS9) Model Methodology documentation; • We assessed management's staging of loans and advances criteria for appropriateness and completeness against the requirements of IFRS9 and other relevant regulatory guidance; and • We tested accuracy and completeness of data used in staging through the use of Data analytics. <p>Large exposure loans and advances We reviewed all large exposure loans and advances as per Financial Services (Large Exposures and Credit Concentration Limits for Banks) Directive 2015 and checked if they had been correctly staged based on the Group’s accounting policy and IFRS 9 requirements.</p> <p>Stage 1, 2 and 3 loans</p> <ul style="list-style-type: none"> • We sampled through the stages of loans and advances; and • Reviewed whether an exposure currently classified in a particular stage was appropriately classified so and did not meet any SICR criteria to transfer to different Stage. <p>Our work on staging for large exposure loans and other loans did not identify any significant issues. We found that the staging carried out by the Bank which was used in determining Expected Credit Losses against loans and advances was appropriate and complied with IFRS9 requirements.</p>

Key audit matters (Continued)

Key Audit Matter	How the matter was addressed during the audit
<p>Valuation Of Treasury Notes (Consolidated Financial Statements)</p> <p>As included in note 14 to the financial statements, the value of investments in treasury notes (Government securities) amounting to K150 billion has been considered to be an area where significant judgements were applied.</p> <p>In determining the value of investments in treasury notes, management applies judgement and assumptions to calculate the investment's fair value.</p> <p>The determination of the value of investments in treasury notes was considered a matter of utmost significance to our current year audit due to significant judgements and estimates made in determining the risk factors and yield curve.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of management's process to calculate the value of investment in treasury notes; • Tested the design and implementation of controls over the valuation of investment in treasury notes; • Tested the accuracy and completeness of underlying data inputs used in the valuation calculation; and • Involved Deloitte valuation specialists to: <ul style="list-style-type: none"> - review discount rates applicable to Malawi treasury notes; - review the risk factors a reasonable market participant would consider including, changes in credit, liquidity and other risk factors; and - re-perform the computation of the fair value of selected treasury notes based on the projected future cash flows and the discount rate valuation method against the requirements of IFRS13 <i>Fair Value Measurement</i>. <p>Based on the work done, the judgements and assumptions used in the valuation of investments in Government securities <i>Fair value Measurement</i> were appropriate and the disclosures pertaining to the investments in Government Securities were found to be appropriate in terms of the relevant accounting standards.</p>

Other information

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

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

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Directors for the consolidated and separate financial statements

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Chartered Accountants
Christopher Kapenda


Partner

2 April 2026


NICO HOLDINGS PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
As at 31 December 2025

	Notes	2025 K'000	Group 31 Dec 2024 K'000 Restated*	2025 K'000	Company 2024 K'000 Restated*
ASSETS					
Cash and cash equivalents	5	280 137 429	281 852 965	24 042 372	6 652 443
Short-term investments	6.1	11 655 931	7 541 016	-	-
Placements with other financial institutions	6.2	92 666 797	119 975 348	-	-
Loans and advances to customers	7.1	349 932 818	234 941 972	-	-
Income tax recoverable	8.3	-	-	-	931 480
Other receivables	9.1	32,884,076	30 131 429	4 485 796	446 514
Client funds under management	9.2	564 134 547	275 505 701	-	-
Reinsurance contract assets	27	37 234 468	38 582 722	-	-
Inventories	10	1 360 145	649 345	-	-
Amounts due from related parties	11.10	-	-	1 091 047	1 082 889
Investment in subsidiary companies	11.9	-	-	22 623 367	9 211 830
Investment in associate companies	13.1	16 175 345	*14 427 429	16 175 345	*14 427 429
Investment in joint venture	13.2	292 944	368 252	292 944	368 252
Investment in government securities	14	1 051 891 895	753 061 480	-	-
Investment in equity shares	15.5	1 668 664 749	*601 218 205	4 967 021	*3 295 021
Loans and debentures	16	3 485 573	2 248 700	1 753	1 753
Investment properties	17	7 458 641	6 114 080	312 000	246 000
Deferred tax assets	12.1 & 12.6	25 283 346	9 813 333	883 439	536 031
Right-of-use asset	18.1	2 489 520	3 775 319	332 830	2 298
Intangible assets	19	17 300 729	17 675 873	11 899	23 454
Property, plant and equipment	20	44 362 593	31 053 140	374 978	259 526
TOTAL ASSETS		<u>4 207 411 546</u>	<u>2 428 936 309</u>	<u>75 594 791</u>	<u>37 484 920</u>
EQUITY AND LIABILITIES					
<i>Equity</i>					
Issued share capital	25.1	52 152	52 152	52 152	52 152
Share premium	25.2	428 859	428 859	428 859	428 859
Revaluation reserve	25.3	1 834 972	914 719	249 775	-
Other reserves	25.4	20 489 768	*8 777 558	5 612 736	*3 940 736
Retained earnings		276 898 630	143 544 232	42 485 204	26 331 007
Total equity attributable to equity holders of the company		299 704 381	153 717 520	48 828 726	30 752 754
Non-controlling interest	26	245 697 270	120 862 033	-	-
Total equity		<u>545 401 651</u>	<u>274 579 553</u>	<u>48 828 726</u>	<u>30 752 754</u>
<i>Liabilities</i>					
Deposits and customer accounts	23	991 039 767	645 470 912	-	-
Trade and other payables	21	236 179 636	305 605 809	11 895 285	6 239 425
Client fund payables	22	493 508 661	236 895 299	-	-
Amounts due to group companies	11.11	-	-	30 090	15 910
Income tax payable	8.3	35 811 084	17 178 581	369 633	-
Insurance contract Liabilities	27	1 812 698 721	901 701 013	-	-
Reinsurance Contracts liabilities	27	98 171	49 358	-	-
Interest-bearing loans and borrowings	24	48 077 555	23 470 782	14 067 944	458 333
Lease liabilities	18.3	6 948 431	7 448 057	403 113	18 498
Deferred tax liabilities	12.1	37 647 869	16 536 945	-	-
Total liabilities		<u>3 662 009 895</u>	<u>2 154 356 756</u>	<u>26 766 065</u>	<u>6 732 166</u>
TOTAL EQUITY AND LIABILITIES		<u>4 207 411 546</u>	<u>2 428 936 309</u>	<u>75 594 791</u>	<u>37 484 920</u>

These consolidated and separate financial statements were approved and authorized for issue by the Board of Directors on 20 March 2026 and were signed on its behalf by:



DIRECTOR
MR VIZENGE KUMWENDA



DIRECTOR
MRS NATASHA NSAMALA

*Refer to note 1.1 to the financial statements

NICO HOLDINGS PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 December 2025

		Group		Company	
	Notes	2025	2024	2025	2024
		K'000	K'000	K'000	K'000
REVENUE			Restated		Restated
Insurance revenue	28	177 132 416	* 145 873 592	-	-
Insurance service expenses	28	(52 539 160)	(53 297 584)	-	-
Net expense from reinsurance contracts held	28	<u>(48 869 781)</u>	<u>(28 386 946)</u>	-	-
Net insurance service results		<u>75 723 475</u>	<u>64 189 062</u>	-	-
Gains and income from investment assets measured at fair value through profit or loss		1 080 273 743	257 637 000	-	-
Change in investments from underlying items of contracts issued		<u>(1 090 285 072)</u>	<u>(275 411 143)</u>	-	-
Finance expenses from insurance contracts issued	31.3	(10 011 329)	(17 774 143)	-	-
Finance income from reinsurance contracts held	31.3	<u>3 197 767</u>	<u>4 144 494</u>	-	-
Net insurance finance expenses		<u>(6 813 562)</u>	<u>(13 629 649)</u>	-	-
Fees and commission income	32	24 570 396	21 209 432	7 441 819	5 434 455
Banking operations: effective interest income	33.1	417 942 483	***239 794 408	-	-
Other income from banking operations	33.2	110 967 720	***46 847 390	-	-
Investment income: effective interest income	34.1	89 852 847	***59 739 718	2 364 154	1 786 409
Other investment income	34.2	<u>98 874 639</u>	<u>15 694 444</u>	<u>49 574 996</u>	<u>17 112 803</u>
Investment and other revenue		<u>742 208 085</u>	<u>383 285 392</u>	<u>59 380 969</u>	<u>24 333 667</u>
Other income	35	3 915 468	1 055 615	92 004	880 285
Share of profit from associated companies	13.1	1 498 141	931 543	1 498 141	931 543
Share of profit from joint venture	13.2	<u>119 692</u>	<u>196 550</u>	<u>119 692</u>	<u>196 550</u>
Net other income		<u>5 533 301</u>	<u>2 183 708</u>	<u>1 709 837</u>	<u>2 008 378</u>
Investment expenses	34.3	(1 594 651)	(619 392)	(418 514)	(20 063)
Bank interest expense	36	(158 830 844)	(118 376 491)	-	-
Administrative expenses	37.1, 37.2	(143 287 010)	(98 185 069)	(12 084 155)	(7 926 248)
Impairment losses	38	<u>(38 485 617)</u>	<u>(4 724 575)</u>	-	-
Net other operating costs		<u>(342 198 122)</u>	<u>(221 905 527)</u>	<u>(12 502 669)</u>	<u>(7 946 311)</u>
Profit before net other finance costs		<u>474 453 177</u>	<u>214 122 986</u>	<u>48 588 137</u>	<u>18 395 734</u>
Net other finance costs	39	<u>(3 064 863)</u>	<u>(3 657 855)</u>	<u>(905 852)</u>	<u>(326 095)</u>
Profit before income tax expense		<u>471 388 314</u>	<u>210 465 131</u>	<u>47 682 285</u>	<u>18 069 639</u>
Income tax expense	8.1	<u>(147 880 456)</u>	<u>*(76 072 121)</u>	<u>(4 409 020)</u>	<u>(1 251 935)</u>
PROFIT FOR THE YEAR		<u>323 507 858</u>	<u>134 393 010</u>	<u>43 273 265</u>	<u>16 817 704</u>
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings		1 077 253	270 256	-	-
Deferred tax on revaluation of land buildings		-	-	-	-
Share of OCI from Associate		249 775	-	249 775	-
Gains on financial assets designated at FVTOCI		<u>20 697 633</u>	<u>**4 568 777</u>	<u>1 672 000</u>	<u>**491 000</u>
		<u>22 024 661</u>	<u>4 839 033</u>	<u>1 921 775</u>	<u>491 000</u>
Items that are or may be reclassified to profit or loss					
Translation difference on foreign operations		<u>656 514</u>	<u>(203 339)</u>	-	<u>92 119</u>
Total other comprehensive income for the year net of tax		<u>22 681 175</u>	<u>4 635 694</u>	<u>1 921 775</u>	<u>583 119</u>
Total comprehensive income for the year		<u>346 189 033</u>	<u>139 028 704</u>	<u>45 195 040</u>	<u>17 400 823</u>
Profit for the year attributable to:					
Non-controlling interest		155 674 666	62 384 043	-	-
Owners of the parent company		<u>167 833 192</u>	<u>72 008 967</u>	<u>43 273 265</u>	<u>16 817 704</u>
		<u>323 507 858</u>	<u>134 393 010</u>	<u>43 273 265</u>	<u>16 817 704</u>
Non-controlling interest		165 404 002	64 369 502	-	-
Owners of the parent company		<u>180 785 031</u>	<u>74 659 202</u>	<u>45 195 040</u>	<u>17 400 823</u>
		<u>346 189 033</u>	<u>139 028 704</u>	<u>45 195 040</u>	<u>17 400 823</u>
Basic and diluted earnings per share (MK)	40	<u>160.90</u>	<u>69.04</u>	-	-

*Refer to note 1.2 to the financial statements

** Refer to note 1.1 and 1.3 to the financial statements

*** Refer to note 1.4 to the financial statements

NICO HOLDINGS PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share Capital K'000	Share Premium K'000	Revaluation Reserves K'000	Loan Loss Reserve K'000	Translation Reserve K'000	Fair Value Reserve	General Reserve K'000	Retained Earnings K'000	Total K'000	Non controlling Interest K'000	Total K'000
Group											
Balance at 1 January 2025 as previously reported	52 152	428 859	914 719	-	1 321 875	8 796 932	545 519	143 544 232	155 604 288	120 862 033	276 466 321
Impact of restatements (Note 1.1)*	-	-	-	-	-	(1 886 768)*	-	-	(1 886 768)	-	(1 886 768)
Adjusted Opening Balances	52 152	428 859	914 719	-	1 321 875	6 910 164	545 519	143 544 232	153 717 520	120 862 033	274 579 553
Profit for the year	-	-	-	-	-	-	-	167 833 192	167 833 192	155 674 666	323 507 858
Other comprehensive income for the year											
Gain on property revaluation	-	-	920 253	-	-	-	-	-	920 253	406 775	1 327 028
Financial assets designated at FVTOCI	-	-	-	-	-	11 375 072	-	-	11 375 072	9 322 561	20 697 633
Translation difference on foreign Subsidiaries	-	-	-	-	656 514	-	-	-	656 514	-	656,514
Share of OCI from Associate	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	920 253	-	656,514	11 375 072	-	-	12 951 839	9 729 336	22 681 175
Total comprehensive income for the year	-	-	920 253	-	656 514	11 375 072	-	167 833 192	180 785 031	165 404 002	346 189 033
Transfers within reserves											
Loss loans reserve transfer	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners of the company											
Dividends to equity holders (Note 41)	-	-	-	-	-	-	-	(27 324 351)	(27 324 351)	(36 896 033)	(64 220 384)
Acquisition of non-controlling interest**	-	-	-	-	-	-	-	(7 655 607)	(7 655 607)	(1 335 680)	(8 991 287)
Acquisition of non-controlling interest***	-	-	-	-	(319 376)	-	-	501 164	181 788	(2 337 052)	(2 155 264)
Total transactions with owners of the parent	-	-	-	-	(319 376)	-	-	(34 478 794)	(34 798 170)	(40 568 765)	(75 366 935)
Balance at 31 December 2025	52 152	428 859	1 834 972	-	1 659 013	18 285 236	545 519	276 898 630	299 704 381	245 697 270	545 401 651

*Refer to note 1.1 to the financial statements.

** The Group increased its share holding in the banking business from 50.1% to 51%.

*** The Group increased its share holding in the General insurance business in Zambia from 51% to 100%.

NICO HOLDINGS PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2025

	<u>Share Capital</u> K'000	<u>Share Premium</u> K'000	<u>Revaluation Reserves</u> K'000	<u>Loan Loss Reserve</u> K'000	<u>Translation Reserve</u> K'000	<u>Fair Value Reserve</u> K'000	<u>General Reserve</u> K'000	<u>Retained Earnings</u> K'000	<u>Total</u> K'000	<u>Non controlling Interest</u> K'000	<u>Total</u> K'000
Group											
Balance at 1 January 2024	52 152	428 859	776 889	249 897	1 380 440	4 339 194	545 519	83 802 320	91 575 270	69 431 216	161 006 486
Profit for the year	-	-	-	-	-	-	-	72 008 967	72 008 967	62 384 043	134 393 010
Other comprehensive income for the year											
Gain on property revaluation	-	-	137 830	-	-	-	-	-	137 830	132 426	270 256
Financial assets designated at FVTOCI*	-	-	-	-	-	2 570 970*	-	-	2 570 970	1 997 807	4 568 777
Translation difference on foreign Subsidiaries	-	-	-	-	(58 565)	-	-	-	(58 565)	(144 774)	(203 339)
Total other comprehensive income	-	-	137 830	-	(58 565)	2 570 970	-	-	2 650 235	1 985 459	4 635 694
Total comprehensive income for the year	-	-	137 830	-	(58 565)	2 570 970	-	72 008 967	74 659 202	64 369 502	139 028 704
Transfers within reserves											
Loss loans reserve transfer	-	-	-	(249 897)	-	-	-	249 897	-	-	-
Transactions with owners of the company											
Dividends to equity holders (Note 41)	-	-	-	-	-	-	-	(12 516 952)	(12 516 952)	(12 938 685)	(25 455 637)
Total transactions with owners of the parent	-	-	-	-	-	-	-	(12 516 952)	(12 516 952)	(12 938 685)	(25 455 637)
Balance at 31 December 2024	<u>52 152</u>	<u>428 859</u>	<u>914 719</u>	<u>-</u>	<u>1 321 875</u>	<u>6 910 164</u>	<u>545 519</u>	<u>143 544 232</u>	<u>153 717 520</u>	<u>120 862 033</u>	<u>274 579 553</u>

*Refer to note 1.1 to the financial statements.

NICO HOLDINGS PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2025

	Share Capital	Share Premium	Revaluatio n Reserves	Translatio n reserves	Fair value reserve	Retained earnings	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Company							
Balance at 1 January 2025 as previously reported	52 152	428 859	-	1 654 287	4 173 217	26 331 007	32 639 522
Impact of restatements (Note 1.1)*	-	-	-	-	(1 886 768)	-	(1 886 768)
Adjusted Opening Balances	52 152	428 859	-	1 654 287	2 286 449	26 331 007	30 752 754
Profit for the year	-	-	-	-	-	43 273 265	43 273 265
Other comprehensive income for the year							
Financial assets designated at FVTOCI	-	-	-	-	1 672 000	-	1 672 000
Share of OCI from Associates	-	-	249 775	-	-	-	2 49 775
Translation difference on foreign operation	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	1 672 000	-	1 921 775
Total comprehensive income for the year	-	-	249 775	-	1 672 000	43 273 265	45 195 040
Transactions with the owners of the Company							
Dividends to equity holders (Note 41)	-	-	-	-	-	(27 119 068)	(27 119 068)
Total transactions with owners of the parent	-	-	-	-	-	(27 119 068)	(27 119 068)
Balance at 31 December 2025	<u>52 152</u>	<u>428 859</u>	<u>249 775</u>	<u>1 654 287</u>	<u>3 958 449</u>	<u>42 485 204</u>	<u>48 828 726</u>

*Refer to note 1.1 to the financial statements.

NICO HOLDINGS PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2025

	Share Capital K'000	Share Premium K'000	Translation reserves K'000	Fair value reserve K'000	Retained earnings K'000	Total K'000
Company						
Balance at 1 January 2024	52 152	428 859	1 562 168	1 795 449	22 029 796	25 868 424
Profit for the year	-	-	-	-	16 817 704	16 817 704
Other comprehensive income for the year						
Financial assets designated at FVTOCI*	-	-	-	491 000*	-	491 000*
Translation difference on foreign operation	-	-	92 119	-	-	92 119
Total other comprehensive income	-	-	92 119	491 000	16 817 704	583 119
Total comprehensive income for the year	-	-	92 119	491 000	16 817 704	17 400 823
Transactions with the owners of the Company						
Dividends to equity holders (Note 41)	-	-	-	-	(12 516 493)	(12 516 493)
Total transactions with owners of the parent	-	-	-	-	(12 516 493)	(12 516 493)
Balance at 31 December 2024	<u>52 152</u>	<u>428 859</u>	<u>1 654 287</u>	<u>2 286 449</u>	<u>26 331 007</u>	<u>30 752 754</u>

*Refer to note 1.1 to the financial statements.

NICO HOLDINGS PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the year ended 31 December 2025

	Note	Group		Company	
		2025	2024	2025	2024
		K'000	K'000	K'000	K'000
			Restated*		Restated*
CASH FLOWS FROM OPERATING ACTIVITIES*					
Profit before tax		471 388 314	214 122 986	47 682 285	18 069 639
Non-cash movements and adjustments to profit before tax		(1 408 898 232)	(405 968 325)	(52 583 450)	(19 993 129)
Changes in operating assets		(717 374 850)	(514 867 889)	(3 560 350)	(643 522)
Changes in operating liabilities		1 426 245 244	705 762 886	1 208 514	1 506 371
Cash generated from/(used in) operations		(228 639 524)	(950 342)	(7 253 001)	(1 060 641)
Interest received- banking business		386 620 772	234 220 000		
Interest paid -banking business		(118 041 635)	(79 481 000)	-	-
Interest received		110 557 829	-	-	-
Interest paid-other		(71 074 559)	(38 895 491)	-	-
Tax refund		855 278	8 005 070	855 278	-
Income tax paid	8.3	(127 475 538)	**** (51 767 248)	(134 474)	**** (440 767)
Net cashflows generated from/(used in) operating activities		(47 197 377)	71 130 989	(6 532 197)	(1 501 408)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds disposal of property and equipment		1 430 087	175 067	-	51 502
Proceed from disposal of investment		805 000	-	805 000	-
Additions to property and equipment and intangible assets	19&20	(21 684 836)	(24 438 192)	(190 892)	(238 847)
Additions to investment properties	17	-	(55 923)	-	-
Investment in Subsidiary		-	-	(10 909 507)	-
Investment in associate		-	*** (10 156 234)	-	*** (10 156 234)
Dividends received from equity investments		9 987 519	9 010 620	44 525 759	15 643 501
Dividends received from Joint venture	13.2	195 000	-	195 000	525 583
Additions to Investment in government securities		(36 243 890)	(19 509 133)	-	-
Disposal of investment in government securities		73 731 687	40 437 440	-	-
Additions to loans and debentures		-	(2 000 000)	-	-
Proceeds from disposal of loans and debentures		83 333	1 623 158	-	-
Additions to equity shares		(15 013 965)	(32 617 229)	-	-
Proceeds from disposal of equity shares		-	8 508 490	-	-
Interest received		75 679 889	60 590 616	1 861 155	1 756 297
Net cash generated from investing activities		88 969 824	31 568 680	36 286 515	7 581 802
CASH FLOWS FROM FINANCING ACTIVITIES					
Long term borrowings raised	24	26 208 813	20 512 500	10 800 000	-
Capital repayment of long-term borrowings	24	(9 319 333)	(7 117 145)	(458 333)	(899 412)
Interest repayment on long term borrowings	24	-	-	(54 788)	(325 917)
Capital repayment of lease liabilities	18.3	(1 281 734)	(992 703)	(8 232)	(38 880)
Acquisition of non-controlling interest		(8 991 287)	-	-	-
Transaction cost on acquisition of non-controlling interest		(83 799)	-	-	-
Dividend paid	41	(46 663 063)	(24 502 638)	(22 646 747)	(12 235 309)
Net cash used in financing activities		(40 130 403)	(12 099 986)	(12 368 100)	(13 499 518)
Net increase/(decrease) in cash and cash equivalents		1 642 044	90 599 683	17 386 218	(7 419 124)
Cash and cash equivalents at 1 January		273 198 520	182 381 842	6 652 443	14 050 559
Effects of changes in exchange rates		(259 770)	216 995	3 711	21 008
Cash and cash equivalents at 31 December	5	274 580 794	273 198 520	24 042 372	6 652 443

*The comparative statements of cashflows for both the group and company have been represented to align with the use of indirect method that was used in the current year presentation. The statement of cashflows were presented using the direct method in prior year audited financial statements. The change was found to be more informative for users of the financial statements.

** This relates to proceeds from disposal of investment that was fully impaired.

*** Refer to note 1.1 to the financial statements.

**** Refer to note 8.3 to the financial statements.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

1. Reporting entity

NICO Holdings Plc. (the company) is a public company incorporated in Malawi. The address of the company's registered office is: Chibisa House, 19 Glyn Jones Road, and P.O. Box 501, Blantyre, Malawi. The consolidated and separate financial statements for the year ended 31 December 2024 comprises the company and its subsidiaries, (together referred to as the "Group"). The Company is listed on the Malawi Stock Exchange.

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

<u>Name of subsidiary</u>	<u>2025</u> <u>%</u> <u>Holding</u>	<u>2024</u> <u>%</u> <u>Holding</u>	<u>Type of business</u>
NICO Insurance (Zambia) Limited	100.00	51.00	Short term insurance
NICO General Insurance Company Limited	51.00	51.00	Short term insurance
NICO Life Insurance Limited	51.00	51.00	Life insurance
NICO Pension Services Limited	51.00	51.00	Pension administration
NICO Capital Limited	100.00	100.00	Corporate Finance advisory
NBS Bank Plc.	51.00	51.00	Banking
NICO Technologies Limited	100.00	100.00	Information technology
NICO Asset Managers Limited	100.00	100.00	Asset management
Group Fabricators and Manufacturers Limited	100.00	100.00	Property holding

<u>Name of Associate</u>	<u>%</u> <u>Holding</u>	<u>%</u> <u>Holding</u>	<u>Type of business</u>
Sanlam Mozambique Vida Companhia de Seguros, SA	34.30	34.30	Life insurance and pension administration
Blantyre Hotels	20.95%	*20.95%**	Hotels

<u>Name of Associate</u>	<u>%</u> <u>Holding</u>	<u>%</u> <u>Holding</u>	<u>Type of business</u>
Eris Properties Malawi Limited	50.00	50.00	Property Management and Development

1.1 Restatement of correction of accounting treatment – Investment in Associates

During the preparation of the Group financial statements for the year ended 31 December 2025, management identified that shares acquired by the company during the year ending 31 December 2024 had been incorrectly accounted for as a financial asset measured at fair value through profit or loss. Upon reassessment, management determined that, when considering the combined direct shareholding of the Company and indirect shareholding, through its subsidiary, the Group has significant influence over the investee.

Accordingly, the investment meets the definition of an associate. The subsidiary appropriately accounts for their portion of the investment at fair value through profit or loss, but the company should have been accounted for their interest as an associate using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures* rather than being measured at fair value under IFRS 9 Financial Instruments.

As a result, the previously recognised fair value gain recorded in other comprehensive income in the prior year has been reversed and the investment has been recognised as an investment in associate. Equity accounted earnings for the consolidated accounts are immaterial for 2024.

This correction has been accounted for retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Comparative information for the year ended 31 December 2024 has therefore been restated. The following tables show the adjustments recognised for each individual financial statement line item.

Financial statement line items that were not affected by the restatements have not been included.

Consolidated Statement of financial position impact

Description	Journal	As previously reported	Adjustment	Restated Amount
		31-Dec-24		31-Dec-24
		K'000	K'000	K'000
Investment in Associates	Debit	3 745 612	10 681 817	14 427 429
Fair value reserve	Debit	8 796 932	(1 886 768)	6 910 164
Investment in equity shares	Credit	613 786 790	(12 568 585)	601 218 205

*Refer to note 1.1 to the financial statements

** NICO Holdings Limited directly holds 14.7% of the equity in Blantyre Hotels Limited, while its subsidiary, NICO Life Insurance Company Limited, holds an additional 6.25%, resulting in a combined Group interest of 20.95%. This aggregated shareholding confers significant influence over Blantyre Hotels Limited, and the investment is therefore accounted for as an associate.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

1. Reporting entity (Continued)

1.1 Restatement of correction of accounting treatment – Investment in Associates (Continued)

Consolidated Statement of comprehensive income impact (Continued)

Description	Journal	As previously reported	Adjustment	Restated Amount
		31-Dec-24		31-Dec-24
		K'000	K'000	K'000
Gain on financial assets designated at FVTOCI	Debit	6 455 545	(1 886 768)	4 568 777

Separate Statement of Financial Position impact

Description	Journal	As previously reported	Adjustment	Restated Amount
		31-Dec-24		31-Dec-24
		K'000	K'000	K'000
Investment in Associates	Debit	3 745 612	10 681 817	14 427 429
Fair value reserve	Debit	4 173 217	(1 886 768)	2 286 449
Investment in equity shares	Credit	15 863 606	(12 568 585)	3 295 021

Separate Statement of comprehensive income impact

Description	Journal	As previously reported	Adjustment	Restated Amount
		31-Dec-24		31-Dec-24
		K'000	K'000	K'000
Gain on financial assets designated at FVTOCI	Debit	2 377 768	(1 886 768)	491 000

Consolidated and Separate Statement of cashflows impact

Description	Journal	As previously reported	Adjustment	Restated Amount
		31-Dec-24		31-Dec-24
		K'000	K'000	K'000
Cash flows from investing activities				
Additions to equity shares	Debit	(10 156 234)	10 156 234	-
Cash flows from investing activities				
Investment in associate	Credit	-	(10 156 234)	(10 156 234)

1.2 Restatement of policy holder taxes

During the year, the Life business revised the presentation of policyholder tax in accordance with the applicable requirements of IFRS 17 (paragraphs 65, 83 and 121) and IAS 12. In the prior period, an amount of MK12.7 billion relating to policyholder tax was incorrectly netted off within insurance revenue. Under the updated interpretation, this amount is presented gross in insurance revenue, with a corresponding income tax expense recognised in accordance with IAS 12. This has resulted in a prior year restatement, increasing comparative insurance revenue by MK12.7 billion, and increasing comparative income tax expense by the same amount. The restatement does not impact total profit for the year 2024 and total equity as the amounts fully offset.

Consolidated Statement of comprehensive impact

Description	Journal	As previously reported	Adjustment	Restated Amount
		31-Dec-24		31-Dec-24
		K'000	K'000	K'000
Income tax expense	Debit	63 358 381	12 713 740	76 072 121
Insurance revenue	Credit	(133 159 852)	(12 713 740)	(145 873 592)

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025

1. Reporting entity (Continued)

1.2 Restatement of policy holder taxes (Continued)

The above adjustment has resulted into the following movements in the income statement:

Description	As previously reported	Adjustment	Restated Amount
	31-Dec-24		31-Dec-24
	K'000	K'000	K'000
Insurance revenue	133 159 852	12 713 740	145 873 592
Net insurance service results	51 475 322	12 713 740	64 189 062
Profit before net other finance costs	201 409 246	12 713 740	214 122 986
Profit before income tax expense	197 751 391	12 713 740	210 465 131
Profit after Tax	134 393 010	-	134 393 010

1.3 Restatement of fair value gains and losses arising on equity instruments designated at fair value through other comprehensive income .

In the prior year, the Group classified fair value gains and losses arising on equity instruments designated at fair value through other comprehensive income (FVOCI) within “other comprehensive income items that may be reclassified subsequently to profit or loss.” Under IFRS 9 Financial Instruments, fair value changes on equity instruments designated at FVOCI are required to be presented within “items that will not be reclassified subsequently to profit or loss.” Such gains and losses are not recyclable to profit or loss on disposal. The Group has corrected this presentation error by reclassifying the affected amounts within other comprehensive income from “items that may be reclassified subsequently to profit or loss” to “items that will not be reclassified subsequently to profit or loss.” This correction has been accounted for retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The restatement affects presentation only and has no impact on total other comprehensive income, profit or loss, total equity or net assets.

Consolidated Statement of comprehensive impact

Other comprehensive income	Journal	As previously reported 31 December 2024	Adjustment for prior period as noted above (refer to note 1.1 for the detail on correction of this error)	Reclassification	Restated Amount
Items that will not be reclassified to profit or loss					
Gains on financial assets designated at FVTOCI	Debit	-	-	4 568 777	4 568 777
Items that are or may be reclassified to profit or loss					
Gains on financial assets designated at FVTOCI	Credit	6 455 545	(1 886 768)	(4 568 777)	-

Separate Statement of comprehensive income impact

Other comprehensive income	Journal	As previously reported 31 December 2024	Adjustment for prior period as noted above (refer to note 1.1 for the detail on correction of this error)	Reclassification	Restated Amount
Items that will not be reclassified to profit or loss					
Gains on financial assets designated at FVTOCI	Debit	-	-	491 000	491 000
Items that are or may be reclassified to profit or loss-					
Gains on financial assets designated at FVTOCI	Credit	2 377 768	(1 886 768)	(491 000)	-

1. Reporting entity (Continued)

1.4 Restatement of presentation of bank interest fees and other income and other income from banking operations.

In the current year, the Group reviewed the presentation income from banking operations in order to comply with the requirements of IAS 1 Presentation of Financial Statements (paragraph 82) and IFRS 7 Financial Instruments: Disclosures of Financial Instruments (paragraph 20). Previously, the Group presented income from banking operations as a single line item, which included both interest income using the effective interest method (EIR) and other income from banking operations. At the same time, previously reported interest income has been renamed to Investment income: effective interest income.

To enhance transparency and ensure compliance with IFRS, the Group has restated the comparative figures to present interest income measured using the EIR method separately and clearly from other income. This restatement has no impact on the total profit or loss or equity previously reported

Consolidated Statement of comprehensive impact

	Journal	As previously reported 31 December 2024	Reclassification	Restated Amount
Revenue				
Income from banking operations	Debit	(286 641 798)	286 641 798	-
Banking operations: effective interest income	Credit	-	(239 794 408)	(239 794 408)
Other income from banking operations	Credit		(46 847 390)	(46 847 390)
Interest income	Debit	(59 739 718)	59 739 718	-
Investment income: effective interest income	Credit	-	(59 739 718)	(59 739 718)

2. Adoption of new and revised International Financial Reporting Standards

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

In the current year, the following amendment issued in August 2023 by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards became effective.

Amendment	Effective date	Standards/ Interpretations amended	Impact on the financial statements
<i>Lack of Exchangeability</i> Amendments to IAS 21	1 January 2025	IAS 21, IFRS 1	The amendment did not have a significant impact on the financial statements of the Group and Company.

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

A number of new standards, amendments to standards and interpretations are issued and effective for annual periods beginning on or after *1 January 2026* and have not been applied in preparing of these financial statements. *Those which may be relevant to the Group and Company* are set out below. The *entity* does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

2. Adoption of new and revised International Financial Reporting Standards (Continued)

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2026	Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments <i>Amendments to IFRS 9 and IFRS 7 clarify classification and measurement requirements to improve consistency. Key changes include (a) guidance on classifying financial assets with ESG and similar features, and (b) clarification of the derecognition date for liabilities settled via electronic payment systems. The amendments also introduce an accounting policy option to derecognize a liability before cash delivery if specified criteria are met.</i>
Annual reporting periods beginning on or after 1 January 2026	Contracts Referencing Nature-dependent Electricity - Amendments to IFRS 9 and IFRS 7 <i>Narrow scope amendment adding new disclosure requirements to enable investors to understand the effect of contracts referencing nature-dependent electricity on an entity's financial performance and cash flows.</i>
The effective date of this amendment has been deferred indefinitely until further notice	IFRS 10 Consolidated Financial Statements <i>Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</i>
The effective date of this amendment has been deferred indefinitely until further notice	IAS 28 Investments in Associates and Joint Ventures <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</i>
Annual reporting periods beginning on or after 1 January 2026	Annual Improvements to IFRS Accounting Standards — Volume 11 The pronouncement comprises the following amendments: <ul style="list-style-type: none"> ➤ IFRS 1: Hedge accounting by a first-time adopter ➤ IFRS 7: Gain or loss on derecognition ➤ IFRS 9: Derecognition of lease liabilities (Lesee) ➤ IFRS 9: Transaction price ➤ IFRS 10: Determination of a 'de facto agent' ➤ IAS 7: Cost method
Annual reporting periods beginning on or after 1 January 2027	IFRS 18 Presentation and Disclosures in Financial Statements <i>IFRS 18 replaces IAS 1 and introduces new requirements for clearer income statement categories, greater transparency of company-specific performance measures, and improved grouping of financial information.</i>
Annual reporting periods beginning on or after 1 January 2027	IFRS 19 Subsidiaries without Public Accountability: Disclosures <i>IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosures to lower preparation costs while maintaining useful information. A subsidiary qualifies if it does not have public accountability and its parent applies IFRS Accounting Standards in consolidated financial statements.</i>
Annual reporting periods beginning on or after 1 January 2027	IAS 21 The Effects of Changes in Foreign Exchange Rates <i>Amendments to IAS 21 specify translation procedures when an entity's presentation currency is that of a hyperinflationary economy. This applies where (a) the entity's functional currency is non-hyperinflationary and results are translated into a hyperinflationary currency, or (b) the results of a foreign operation with a non-hyperinflationary functional currency are translated into a hyperinflationary currency.</i>

The directors anticipate that other than IFRS 18, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Group. IFRS 18 will impact the presentation and disclosure of information in the financial statements. The directors are unable to quantify the impact that adoption of these Standards and interpretations in future periods will have on the financial statements.

3. Basis of preparation

3.1 Statement of compliance

The consolidated (Group) and separate (Company) financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). The consolidated and separate financial statements also comply with Directives as issued by the Institute of Chartered Accountants in Malawi (ICAM) and prepared in a manner required by the Companies Act, 2013 of Malawi.

3.2 Basis of measurement

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

- financial instruments at fair value through profit or loss are measured at fair value;
- investment properties are measured at fair value;
- equity investments are designated at fair value through other comprehensive income; and
- items of property, plant and equipment are measured at their revalued amounts.

3.2.1 Use of estimates and judgements

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

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

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

- Note 31 - Valuation of insurance liabilities;
- Note 17 - Valuation of investment properties;
- Notes 15 and 16 - Valuation of investments in shares and loans receivables; and
- Note 13.3 - Non consolidation of investments in which shareholding exceeds 50%.

3.2.2 Fair value measurement

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

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

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

3. Basis of preparation (Continued)

3.2 Basis of measurement (Continued)

3.2.2 Fair value measurement (Continued)

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

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

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

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

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

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

3.3 Functional and presentation currency

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

3.4 Going concern basis of accounting

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

3.5 Material accounting policy information

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

(a) Basis of consolidation

The consolidated and separate annual financial statements comprise the Group and its entities controlled by the Group. Under the Malawi Companies Act, 2013, control is presumed to exist where a company holds more than one half of the nominal share capital directly or indirectly; or the company can appoint or prevent the appointment of not less than half of the directors of the subsidiary. In general control is achieved when the Group:

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(a) Basis of consolidation (Continued)

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

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

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

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

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(a) Basis of consolidation (Continued)

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

(b) Investments in associates and Joint Ventures

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

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

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

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint

venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(b) Investments in associates and Joint Ventures (Continued)

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

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

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

(c) Revenue

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

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

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

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

(i) Interest income

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and financial liability and is not revised subsequently.

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

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

- Interest on financial assets and financial liabilities at amortised cost on an effective interest basis; and
- Interest on money market investments at amortised cost on an effective interest basis.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(b) Revenue (Continued)

(ii) Investment income

Investment income comprises interest income on debt instruments, dividends from equity instruments, and fair value adjustments on financial assets at FVPL. Interest revenue is measured using the effective interest rate method.

For the purpose of presenting cashflows, interest from the banking business is classified as operating activities, and interest from the insurance business is classified as investing activities. Dividends from investments are classified as investing activities.

(iii) Dividends

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

(iv) Rental income

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

(v) Fees and commission

Fees and commission incurred for the purpose of originating a financial instrument that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised in a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(vi) Other income

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

(d) Insurance and reinsurance contracts

(i) Key types of insurance contracts issued and reinsurance contracts held

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

i) Life business – non-participating contracts including:

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

The Group accounts for these policies applying the General Model.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d). Insurance and reinsurance contracts (Continued)

(i) Key types of insurance contracts issued and reinsurance contracts held (Continued)

ii) Life business – discretionary participating contracts including:

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

The Group accounts for these contracts applying the Variable Fee Approach (VFA).

iii) Life insurance policies:

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

iv. General insurance business

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d). Insurance and reinsurance contracts (Continued)

(ii) Definitions and classifications

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

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

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

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

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- The Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns from the underlying items; and
- A substantial proportion of the cash flows that the Group expects to pay to the policyholder is expected to vary with the change in the fair value of the underlying items.
- The Group assesses whether the above conditions and criteria are met using its expectations at the issue date of the contracts.

(iii) Level of aggregation

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d). Insurance and reinsurance contracts (Continued)

(iii) Level of aggregation

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

(iv) Recognition

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

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

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

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

Reinsurance contracts held

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

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

(v) Contract boundaries

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

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

A substantive obligation to provide services ends when the Group:

- has the practical ability to reassess the risks of a particular policyholder and as a result can change the price charged or the level of benefits provided for the price to fully reflect the new level of risk; or
- performs the boundary assessment at a portfolio rather than individual contract level, and the following two criteria are both satisfied:
 - the Group has the practical ability to reprice the portfolio to fully reflect risk from all policyholders; and
 - the Group's pricing of the premiums up to the assessment date does not consider any risks beyond this date.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(iv) Recognition (Continued)

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

(vii) Measurement of insurance contracts issued

i. Measurement on initial recognition for contracts other than PAA

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

Fulfilment cash flows within contract boundary

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

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

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

- Premiums and any additional cash flows resulting from those premiums;
- Reported claims that have not yet been paid, claims incurred but not yet reported, future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing insurance contract;
- For deferred variable annuity, investment contracts with discretionary participation features, payments that vary based on the returns on underlying items and resulting from any embedded guarantees;
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the issued contract belongs;
- Claim handling costs;
- Policy administration and maintenance costs including recurring commissions expected to be paid to intermediaries for policy administration services only (recurring commissions that are insurance acquisition cash flows are treated as such in the estimate of future cash flows);
- Transaction-based taxes;
- An allocation of fixed and variable overheads directly attributable to the fulfilment of insurance contracts including overhead costs such as accounting, human resources, information technology and support, building depreciation, rent, and maintenance and utilities;
- Costs incurred for performing investment activities that enhance insurance coverage benefits for the policyholder;
- Costs incurred for providing investment-related service and investment-return service to policyholders; and
- Other costs specifically chargeable to the policyholder under the terms of the contract.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d). Insurance and reinsurance contracts (Continued)

(vii) Measurement of insurance contracts issued (Continued)

Fulfilment cash flows within contract boundary (Continued)

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

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

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

Discount rates

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

The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognised in profit or loss at the end of each reporting period unless the Group has elected the accounting policy to present the time value of money separately in profit or loss and other comprehensive income.

The Group measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g. credit risk).

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

The discount rates applied to the estimates of the future cash flows:

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d). Insurance and reinsurance contracts (Continued)

(vii) Measurement of insurance contracts issued (Continued)

Discount rates (Continued)

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

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

Risk adjustment for non-financial risk

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d). Insurance and reinsurance contracts (Continued)

(vii) Measurement of insurance contracts issued (Continued)

Risk adjustment for non-financial risk (Continued)

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

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

The risk adjustment calculations is performed separately for reinsurance contracts held using the margins approach.

Contractual service margin (CSM)

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

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

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

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

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

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

Coverage units

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d). Insurance and reinsurance contracts (Continued)

(vii) Measurement of insurance contracts issued (Continued)

Summary of measurement approaches for the life insurance business

Contracts issued	Insurance component			Savings component		Policyholder benefits
	Product Classification	Measurement model	Significant insurance risk	With profits	Without profits	
Risk insurance business	Insurance contracts issued	General Measurement Model (GMM)	(A)	N/A	N/A	<i>Guaranteed sum assured (for example term / whole life insurance business, funeral insurance business).</i>
Individual Life Risk: Participating (***)	Insurance contracts with direct participation features	VFA	(a)	(A)	N/A	<i>Savings protection plan, Child Saver, Cash plus, Endowment Assurance. Benefits include total of the underlying items plus any insurance benefits (for example rider benefits / waivers).</i>
Individual Life Risk: Non-Participating	Insurance contracts without direct participation features	GMM	(A)	N/A	N/A	
Group Risk and Funeral		PAA	(A)	N/A	N/A	
Credit Life		PAA	(A)	N/A	N/A	
Guaranteed Annuities		GMM	(A)	N/A	N/A	<i>Annuity benefit payments (**), or guaranteed benefits available on death/surrender/withdrawal during the accumulation phase for deferred life annuities.</i>
Participating Annuities		Variable Fee Approach (VFA)	(a)	(A)	N/A	
Deposit Administration		VFA	(a)	(A)		<i>Maximum of the underlying items and the guaranteed sum assured (including any vested bonuses).</i>

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d). Insurance and reinsurance contracts (Continued)

(vii) Measurement of insurance contracts issued (Continued)

Summary of measurement approaches for the life insurance business (Continued)

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

***The insurance contract services with a majority relative weighting of total benefits provided (i.e. greater than 50%) are denoted by (A), whereas the insurance contract services with a minority relative weighting of total benefits provided (i.e. less than 50%) are denoted by (a), where relevant. The actual weighting varies in each current and future period based on the relative differences between the insurance and investment-related benefits payable, which is mainly a function of the terms of each contract and the probability-weighted estimates of future cash flows.*

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

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

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

***Investment-return services are provided on:

– immediate life annuities during guaranteed periods where payments are made on death or survival; and

****Including smoothed bonus business and participating life annuities.

Premium experience adjustments

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

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

Loss component (LC)

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d). Insurance and reinsurance contracts (Continued)

Loss component (LC) (Continued)

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

Loss recovery component for reinsurance contracts held

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

Insurance acquisition cash flows

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d). Insurance and reinsurance contracts (Continued)

(vii). Measurement of insurance contracts issued (Continued)

ii. Subsequent measurement under the General Model

In estimating the total future fulfilment cash flows, the Group distinguishes between those relating to already incurred claims and those relating to future service.

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

The remaining coverage (LRC) represents the Group's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred, amounts that relate to other insurance contract services not yet provided (i.e. provision of investment-return and investment-related services) and investment components and other amounts not related to insurance contract services that have not yet been transferred to the LIC. The LRC is comprised of:

- the fulfilment cash flows relating to future service;
- the CSM yet to be earned; and
- any outstanding premiums for insurance contract services already provided.

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

Changes in fulfilment cash flows

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

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

Experience adjustments are the difference between:

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(vii) Measurement of insurance contracts issued (Continued)

ii. Subsequent measurement under the General Model (Continued)

Adjustments to the CSM

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

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

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

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

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

- The effect of any new contracts added to the group;
- Interest accreted on the carrying amount of the CSM measured at the discount rates determined at initial recognition; and
- The changes in fulfilment cash flows related to future service, except:
 - Increases in fulfilment cash flows that exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous; and
 - Decreases in fulfilment cash flows that reverse a previously recognised loss on a group of onerous contracts.
- The effect of any currency exchange differences on the CSM
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining coverage period.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(vii) Measurement of insurance contracts issued (Continued)

Reconciliation of net carrying amount: Life insurance – Risk business (Continued)

Recognition of the CSM in profit or loss

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

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

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

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

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

Expected recognition of contractual service margin

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

Investment contracts with discretionary participation features

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(vii) Measurement of insurance contracts issued (Continued)

Reconciliation of net carrying amount: Life insurance – Risk business (Continued)

Recognition of the CSM in profit or loss (Continued)

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

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

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

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

Subsequent measurement for direct participating contracts (accounted for under the VFA)

The following changes do not relate to future service and therefore do not adjust the CSM (refer to explanation of recognised insurance amounts in profit or loss for further details on the recognition of these amounts in profit or loss):

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

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

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

The adjustments to the CSM are measured based on the current discount rates. The Group does not apply the risk mitigation option¹ and therefore changes in time value of financial options and guarantees (TVOG) will adjust the CSM.

¹ The group does not use derivatives or other investment assets to actively hedge the financial risks related to the changes in TVOG.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(vii) Measurement of insurance contracts issued (Continued)

Risk Mitigation

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

Onerous contracts

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

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

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

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

For all issued contracts, other than those accounted for applying the PAA, the subsequent changes in the fulfilment cash flows of the LRC to be allocated are:

- Insurance finance income or expense;
- Changes in risk adjustment for non-financial risk recognised in profit or loss representing release from risk in the period; and
- Estimates of the present value of future cash flows for claims and expenses released from the LRC because of incurred insurance service expenses in the period.

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(vii) Measurement of insurance contracts issued (Continued)

Onerous contracts (Continued)

For onerous groups of contracts, revenue is calculated as the amount of insurance service expenses expected at the beginning of the period that form part of revenue and reflects only:

- The change in the risk adjustment for non-financial risk due to expected release from risk in the period (excluding the amount systematically allocated to the loss component)
- The estimates of the present value of future cash flows related to claims expected to incur in the period (excluding the systematic allocation to the loss component)
- The allocation, based on the coverage units, of the portion of premiums that relates to the recovery of the insurance acquisition cash flows.

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

The Group recognises amounts in insurance service expenses related to the loss component arising from:

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

(viii) Insurance contracts measured under the Premium Allocation Approach (PAA)

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

The Group does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:

- The extent of future cash flows related to any derivatives embedded in the contracts
- The length of the coverage period of the group of contracts

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(viii) Insurance contracts measured under the Premium Allocation Approach (PAA) (Continued)

Measurement approach (PAA)

Component	IFRS 17 Options	Accounting approach adopted
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA was adopted as a simplified approach to the IFRS 17 general model	Coverage period for property insurance and liability reinsurance assumed is one year or less and so qualifies automatically for PAA. Both marine insurance and accident & bond insurance include contracts with coverage period greater than one year. However, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	For one-year property business, insurance acquisition cash flows are expensed as incurred. For all other business, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability for Remaining Coverage (LRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	For marine and accident & bond insurance, an allowance is made for accretion of interest on the LRC. For all other business, there is no allowance as the premiums are received within one year of the coverage period.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(viii) Insurance contracts measured under the Premium Allocation Approach (PAA) (Continued)

Measurement approach (PAA)

Component	IFRS 17 Options	Accounting approach adopted
Liability for Incurred Claims, (LIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For some claims within the marine engineering portfolio, the incurred claims are expected to be paid out in less than one year. Hence, no adjustment is made for the time value of money. For all other business, the LIC is adjusted for the time value of money.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in OCI.	For the accident & bond product line, the impact on LIC of changes in discount rates will be captured within OCI, in line with the accounting for assets backing this product line. For all other business, the change in LIC as a result of changes in discount rates will be captured within profit or loss.

Summary of measurement approaches for the general insurance business

Portfolio	Classification	Measurement model
Motor	Insurance contracts issued	PAA
Marine	Insurance contracts issued	PAA
Fire	Insurance contracts issued	PAA
Engineering	Insurance contracts issued	PAA
Accident	Insurance contracts issued	PAA
Bonds	Insurance contracts issued	PAA
Motor	Reinsurance contracts held	PAA
Fire	Reinsurance contracts held	PAA
Engineering	Reinsurance contracts held	PAA
Accident	Reinsurance contracts held	PAA

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(viii) Insurance contracts measured under the Premium Allocation Approach (PAA) (Continued)

Initial measurement for contracts measured under the PAA

For a group of insurance contracts issued on initial recognition, the Group measures the liability for remaining coverage as the amount of:

- The premiums, if any, received at initial recognition;
- *Less* any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed;
- *Plus* or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows; and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

For marine engineering and accident & bond insurance, the liability for remaining coverage is discounted to reflect the time value of money and the effect of financial risk. For all other business, there is no allowance for time value of money as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

Subsequent measurement for contracts measured under the PAA

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(viii) Insurance contracts measured under the Premium Allocation Approach (PAA) (Continued)

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

With the exception of the property portfolio, for which the Group chooses to expense insurance acquisition cash flows as they occur, the Group uses a systematic and rational method to allocate:

- (a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
 - (i) to that group; and
 - (ii) to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.
- (b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group. The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

At the end of each reporting period, the Group revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used. After any re-allocation, the Group assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Group applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss. The Group recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

Reinsurance contracts held

Classification

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

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

For motor and home quota share reinsurance contracts held accounted for applying the PAA, the Group assumes that all reinsurance contracts held in each portfolio will not result in a net gain on initial recognition, unless facts and circumstances indicate otherwise.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(viii) Insurance contracts measured under the Premium Allocation Approach (PAA) (Continued)

Reinsurance contracts held (Continued)

Classification (Continued)

Reinsurance contracts held	Reinsurance structure	Measurement model
Group Life Assurance (GLA)	Surplus – renewed annually	PAA
Group Funeral	Surplus – renewed annually	PAA
Credit Life	Surplus – renewed annually	PAA
Fire	Surplus treaty and Excess of Loss	PAA
Motor	Excess of Loss treaty	PAA
Accident	Surplus treaty	PAA
Marine	Surplus treaty	PAA
Individual Life	Guaranteed over policy term	GMM

Initial recognition

In determining the timing of initial recognition of a reinsurance contract held, the Group assesses whether the reinsurance contract's terms provide protection on losses on a proportionate basis. The Group recognises a group of reinsurance contracts held that provides proportionate coverage:

- At the start of the coverage period of that group of reinsurance contracts held; and
- At the initial recognition of any of the underlying insurance contracts, whichever is later.

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

Level of aggregation

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

- A group of contracts on which there is a net gain on initial recognition;
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition; and
- Any remaining reinsurance contracts held in the portfolio.

Separating components reinsurance contracts

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(viii) Insurance contracts measured under the Premium Allocation Approach (PAA) (Continued)

Reinsurance contracts held (Continued)

Contract boundary for reinsurance contracts held

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

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

Reinsurance contracts held – initial measurement

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. The Group uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage. The Group measures quota share of corporate business reinsurance contracts by applying the PAA.

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(viii) Insurance contracts measured under the Premium Allocation Approach (PAA) (Continued)

Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Group has established a loss-recovery component, the Group subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Net income or expense from reinsurance contracts held

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period. Reinsurance expenses are recognised based on the passage of time over the coverage period of a group of contracts.

The Group presents the net income or expense from reinsurance contracts held separately on the face of the statement of profit or loss and other comprehensive income. In the notes to the financial statements, the Group separately discloses the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

(ix) Modification and derecognition

The Group did not modify or derecognise any contracts.

(x) Presentation

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

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(xi) Insurance revenue

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

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

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

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

a. Insurance service expenses

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

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

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

b. Income or expenses from reinsurance contracts held

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

- Amount recovered from reinsurers; and
- An allocation of the premiums paid;

Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Insurance and reinsurance contracts (Continued)

(xi) Insurance revenue

c. Insurance finance income and expenses

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

For PAA contracts

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

For non-participating contracts

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

Finance income from reinsurance contracts held

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

d. Income tax specifically chargeable to policyholders

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

(e) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to Malawi Kwacha at the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into Malawi Kwacha at the exchange rate (middle rate) at the date on which the fair value is determined.

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

Monetary items denominated in foreign currencies at the reporting date are translated into Malawi Kwacha using the exchange rate at that date. Foreign currency differences arising on translation are generally recognised in profit or loss. Insurance and reinsurance contract assets and liabilities are treated as monetary items.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(e) Foreign currency (Continued)

Foreign operations

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

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

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

(f) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Revaluation

Revaluations of buildings and freehold land is carried out with sufficient regularity such that the carrying amount does not differ materially from that, which would be determined using fair values at the reporting date as economic conditions dictate, by independent valuers. Surpluses on revaluations are recognised in other comprehensive income in the revaluation reserve. On disposal of the asset, the appropriate portion of the reserve is transferred to retained earnings. Revaluation decreases are charged to the profit or loss except to the extent that they relate to revaluation surpluses previously transferred to the revaluation reserve. An amount equivalent to the additional depreciation arising from revaluations is transferred annually, net of deferred tax, from the revaluation reserve to retained earnings. The revaluation reserve is a non-distributable reserve and is not available for distribution as a dividend.

(iv) Depreciation recognised

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of Property, plant and equipment and major components that are accounted for separately. Land is not depreciated.

The estimated useful lives for current and comparative periods are as follows:

- Freehold buildings 40 years
- Leasehold buildings 40 years or over the lease period if less than 40 years
- Motor vehicles 5 years
- Furniture and equipment 3-10 years

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f) Property, plant and equipment (Continued)

(v) Capital work in progress

Capital work in progress is the gross amount spent in carrying out work of capital nature. It is measured at cost recognised to date. Capital work in progress is presented as part of Property, plant and equipment in the statement of financial position. When the relevant project is completed, the expenditure is capitalised to the various items of Property, plant and equipment.

(g) Leases

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

(i) The Group as lessee

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

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee at the lease commencement date, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (those whose value is below the capitalisation threshold). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(g) Leases (Continued)

(i) The Group as lessee (Continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Administrative expenses” in profit or loss.

(ii) The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(h) Intangible assets

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

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

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

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

(i) Financial instruments

Financial assets

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

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

(i) Classification and initial measurement of financial assets

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

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortised cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVOCI).

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

(ii) Subsequent measurement of financial assets

Subsequently, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments not held for trading); and
- Financial assets at fair value through profit or loss.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

(ii) Subsequent measurement of financial assets (Continued)

Financial assets at amortised cost (debt instruments)

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Amortised cost and effective interest method

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

(ii) Subsequent measurement of financial assets (Continued)

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

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

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

Financial assets designated at fair value through OCI (equity instruments)

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

A financial asset is held for trading if:

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

Gains and losses arising from changes in fair value of these financial assets are recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

(ii) Subsequent measurement of financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial.

Foreign currency exchange gains and losses

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

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

(iii) Impairment of financial assets

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

(iii) Impairment of financial assets

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

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

(iv) Significant increase in credit risk

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

(iv) Significant increase in credit risk

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

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

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

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

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

(v) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

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

(vi) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) Significant financial difficulty of the issuer or the borrower;
- (b) A breach of contract, such as a default or past due event;
- (c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) The disappearance of an active market for that financial asset because of financial difficulties.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

(vii) Write-off policy

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

(viii) Measurement and recognition of expected credit losses

The measurement of expected credit losses for the group is based on Markov model approach for non-mortgage loan portfolio and rules based model for the mortgage loan portfolio, overdraft and credit cards. The following are major components of measuring the expected credit losses;

- **PD** – The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The 12-month and lifetime PDs of a financial instrument represent the probability of a default occurring over the next 12 months and over its expected lifetime respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.
- **EAD** – The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. As for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

(viii) Measurement and recognition of expected credit losses (Continued)

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

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

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

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

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

(vi) Forward-looking information

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

(vi) Forward-looking information (Continued)

Low risk assets

In applying the IFRS9 model, the Group identified the following as assets having a low credit risk:

1. Malawi Government Securities;
2. Interbank Placements; and
3. Other trading and non-trading receivables.

The Group evaluated both internal and external factors related to the assets and concluded that as at the reporting date the risk of default for these assets was low, the borrowers had a strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but would not necessarily, reduce the ability of the borrowers to fulfil their contractual cash flow obligations.

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

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

(vii) Reclassification of financial statements

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

(viii) Modification of financial assets

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

(viii) Modification of financial assets (Continued)

- Qualitative factors, such as contractual cash flows after modification are no longer solely payments of Principal and Interest (SPPI), change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then; and
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition.

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

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

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

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

(ix) De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Financial instruments (Continued)

Financial assets (Continued)

(ix) De-recognition of financial assets (Continued)

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

Financial liabilities and equity

(i) Classification as debt or equity

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

(ii) Equity instruments

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

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

(iii) Financial liabilities

Initial recognition and measurement

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not:

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

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

Foreign exchange gains and losses

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

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

De-recognition of financial liabilities

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

(j) Offsetting financial instruments

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(k) Impairment of non-financial assets

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

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

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

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

(l) Share capital

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

(m) Investment property

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(m) Investment property (Continued)

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

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

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in revaluation surplus for that property, the decrease is recognised in other comprehensive income and reduces the revaluation surplus within equity.

(n) Inventories

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

(o) Taxation

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

Current tax

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

Deferred tax

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(o) Taxation (Continued)

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

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

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

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

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

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

(iii) Other long-term employee benefits

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(q) Basic and diluted earnings per share

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

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

(r) Finance costs

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

(s) Loans and advances

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

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

(t) Other receivables

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

(u) Non-financial assets

Carrying amounts of non-financial assets, other than investment property, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indications arise, then the asset recoverable amount is estimated. An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that a loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised.

(v) Segment reporting

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(w) Investment – linked insurance funds

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

NICO Life Insurance Company Limited has elected to measure its investments in Blantyre Hotels Plc and ICON Properties Plc at fair value through profit or loss at the subsidiary level. At NICO Holdings Plc, the investment in Blantyre Hotels Plc is accounted for using the equity method, reflecting the Group's significant influence

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Significant judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Business model assessment

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

4.1.2 Significant increase in credit risk

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

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

4.1 Critical judgements in applying accounting policies (Continued)

4.1.3 Establishing groups of assets with similar credit risk characteristics

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

4.1.4 Models and assumptions used

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

4.1.5 Forward looking information

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

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

4.1.6 Determination of life of revolving credit facilities

The Group measures ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

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

4.1. Critical judgements in applying accounting policies (Continued)

4.1.7 Assessment of significance of insurance risk

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

4.1.8 Consideration whether there are investment components

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

4.1.9 Determination of the contract boundary

The determination of the contract boundary of an insurance contract is not an area of significant judgement for the Group. For reinsurance contracts held, the Group's agreements with reinsurers include terms for the cancellation of new underlying business with notice periods typically ranging between three and six months. The group has applied judgement to assess that estimates of future cash flows arising from new underlying contracts expected to be issued after the reporting date but within the notice period for the cancellation of this business, are either immaterial for the group or relate to future reinsurance contracts, and are therefore not included in the measurement of the reinsurance contracts held.

4.1.10 Expenses

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

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

4.1.11 Inflation assumptions

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

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

4.1. Critical judgements in applying accounting policies (Continued)

4.1.12 Bonus rate assumptions

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

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

4.1.13 Identification of portfolios

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

4.1.14 Premium experience adjustments

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

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

4.1.15 Premium allocation approach (PAA) eligibility

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

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

4.1. Critical judgements in applying accounting policies (Continued)

4.1.15 Premium allocation approach (PAA) eligibility (Continued)

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

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

4.1.16 Variable fee approach (VFA) eligibility

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

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

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

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)**4.1 Critical judgements in applying accounting policies (Continued)****4.1.16 Variable fee approach (VFA) eligibility (Continued)**

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

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

4.1.17 Aggregation

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

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

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

4.1.18 Coverage units

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

4.1.19 Loss recovery component (LRC) for reinsurance contracts held

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

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

4.1 Critical judgements in applying accounting policies (Continued)

4.1.20 Deferred taxation on investment properties

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

4.1.22 Income taxes

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

4.1.23 Critical Judgements in Applying Accounting Standards (IAS 1 disclosure)-Judgement Applied in Relation to Deferred Tax on Repealed CGT Legislation

In preparing the Group's financial statements for the year ended 31 December 2025, the Board applied judgement in determining the appropriate accounting treatment relating to Capital Gains Tax (CGT) on listed shares. CGT was enacted on 30 December 2025 and, in accordance with IAS 12 Income Taxes, a deferred tax provision was initially recognised at the reporting date.

Subsequent to year-end, the Government announced on 27 February 2026 its intention to withdraw CGT and replace it with a 2% final withholding tax on the gross proceeds from the sale of listed shares. While this change had not yet been substantively enacted at the date of approval of the financial statements, the Group considered the announcement to provide clear evidence of the direction of tax policy and the practical non-crystallisation of the CGT liability.

The Group assessed that retaining the deferred tax provision would result in the recognition of a material liability that is not expected to crystallise in practice, thereby understating profit, equity, and policyholder returns, particularly within the Group's life insurance operations. Had the Group recognised the deferred tax on unrealised gains from listed equities, Profit for the year and total comprehensive income for the year would have been understated by K43 billion, deferred tax liabilities would have been overstated by K187 billion, Insurance contract liabilities would have been understated by K144 billion, total equity attributable to equity holders of the company would be understated by K22 billion, and equity attributable to non-controlling interest would have been understated by K21 billion. As a result of this CGT reversal, profit share attributable to staff as disclosed in note 21 to the financial statements has increased by K681 million.

In this context, the Group concluded that the strict application of the requirements of IAS 10 Events after the Reporting Period would not result in a fair presentation of the Group's financial position. Accordingly, the Group applied the fair presentation principles in IAS 1 Presentation of Financial Statements, which recognise that, in rare circumstances, departure from a specific requirement may be necessary to avoid misleading financial statements.

The Group's external auditors have taken a different view, concluding that the CGT repeal after the reporting date constitutes a non-adjusting event and that the deferred tax provision should therefore be retained as at 31 December 2025. As a result of this difference in interpretation, the auditors have issued a qualified audit opinion.

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

4.2 **Key sources of estimation uncertainty**

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

4.2.1 **Residual values and useful lives of tangible assets**

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

4.2.2 **Fair value measurements and valuation processes**

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data (level 1 inputs) to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs into the model.

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

Determination of fair values

(i) **Investment property**

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

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

(ii) **Financial instruments designated at fair value through profit or loss and/or other comprehensive income**

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

4.2.3 **Impairment testing**

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

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

Key assumptions used:

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

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

4.2 Key sources of estimation uncertainty (Continued)

4.2.4 Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

4.2.5 Probability of Default (PD)

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

4.2.6 Loss Given Default (LGD)

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

4.2.7 Insurance contract assets and liabilities and reinsurance contract assets and liabilities

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

- Future cash flows;
- Discount rates;
- Allocation rate for insurance finance income or expenses;
- Risk adjustment for non-financial risk; and
- Allocation of asset for insurance acquisition cash flows to current and future groups of contracts.

Key assumptions on lapse and mortality have been disclosed in note 42.9.8 to the financial statements.

4.2.1 Insurance contract assets and liabilities and reinsurance contract assets and liabilities

Sensitivity analysis of carrying amounts to changes in assumptions

2025

Description	Insurance Contract Liabilities	Insurance Contract Assets	Reinsurance Contract Assets	Reinsurance Contract Liabilities
Mortality +5%	1 595 603 799	-	-	98 000
Mortality -5%	1 595 831 342	-	-	98 000
Expenses +10%	1 595 879 535	-	-	98 000
Expenses -10%	1 595 586 489	-	-	98 000
Lapse Rate +10%	1 595 783 309	-	-	98 000
Lapse Rate -10%	1 595 647 766	-	-	98 000
Interest Rate +1%	1 556 038 808	-	-	98 000
Interest Rate -1%	1 637 934 868	-	-	98 000

There is no material change under reinsurance as this is PAA portfolio, although different assumptions were used the impact is the same.

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)**4.2. Key sources of estimation uncertainty (Continued)****4.2.8 Insurance contract assets and liabilities and reinsurance contract assets and liabilities (Continued)****2024**

Description	Insurance Contract Liabilities	Insurance Contract Assets	Reinsurance Contract Assets	Reinsurance Contract Liabilities
Mortality +5%	842 544 000	-	-	49 358
Mortality -5%	843 549 000	-	-	49 358
Expenses +10%	843 201 000	-	-	49 358
Expenses -10%	842 858 000	-	-	49 358
Lapse Rate +10%	842 997 000	-	-	49 358
Lapse Rate -10%	843 061 000	-	-	49 358
Interest Rate +1%	800 846 000	-	-	49 358
Interest Rate -1%	887 945 000	-	-	49 358

4.2.9 Technique for estimation of future cash flows

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

4.2.10 Method of estimating discount rates

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

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

4.2.11 Risk adjustment for non-financial risk

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

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

4.2. Key sources of estimation uncertainty (Continued)

4.2.11 Risk adjustment for non-financial risk (Continued)

The Group used the following yield curves to discount the cashflows

2025	Currency	1 year	5 years	10 years	20 years	30 years
Life	MWK	27.66%	36.06%	47.35%	25.56%	19.04%
Investment Contracts with Discretionary Participating Features	MWK	27.66%	36.06%	47.44%	27.35%	21.28%

2024	Currency	1 year	5 years	10 years	20 years	30 years
Life	MWK	27.66%	36.25%	47.40%	25.58%	19.06%
Investment Contracts with Discretionary Participating Features	MWK	27.66%	36.25%	47.40%	25.58%	19.06%

4.2.12 Uncertainty over income tax treatments (IFRIC 23)

The Group has assessed the uncertainty over the application of Section 28 of the Taxation Act in its Life Insurance business, specifically in relation to the apportionment of expenses when the entity derives both exempt income and income subject to a final tax (i.e., dividend income). Management has applied its understanding of the tax provision, wherein expenses related to exempt income are disallowed. However, management is of the view that the business does not incur expenses to derive dividend income or capital appreciation hence no need to apply the apportionment formula. The Group is engaging with the Malawi Revenue Authority to appreciate Group's position on the matter. Nevertheless, based on management assessment and interpretation, the current approach is therefore appropriate, and no further actions are required.

5. Cash and cash equivalents

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Cash and bank balances	84 574 749	22 611 837	7 083 793	6 276 327
Balance with the Reserve Bank of Malawi excluding mandatory reserve balance**	(16 069 545)	56 120 935	-	-
Mandatory reserve deposits with the Reserve Bank of Malawi	76 861 308	69 501 278	-	-
Balances with other banks	-	20 884 650	-	-
Short term deposits	129 214 282	104 079 820	16 958 579	376 116
Cash and cash equivalents as shown in cashflow statement	274 580 794	273 198 520	24 042 372	6 652 443
Fair value movement*	5 556 635	8 654 445	-	-
Cash and cash equivalents including fair value movement	280 137 429	281 852 965	24 042 372	6 652 443

Balances with the Reserve Bank of Malawi are held at a zero-interest rate. Balances due from other banks relate to bank balances with correspondent banks on which interest rate of 0.5% per annum is earned (2024: 0.5%). Interest rate on bank balances averaged 2% (2024: 2%) and for short term deposits at an average rate of 25.5%-26.5% (2024: 22.5%-26%).

All other balances with the Reserve Bank of Malawi relate to cash held in current accounts and primary reserve requirement which is determined through "reserves averaging". The Group does not have to meet the primary reserve requirement daily but rather fulfil these statutory requirements on an average basis. Hence this makes them available for use and are classified as cash and cash equivalents.

Cash and bank balances include balances denominated in other currencies as disclosed on note 42.6.1.

*Fair value movement represents the change in fair value of short-term deposits in the Group's life insurance business.

**Balance with the Reserve Bank of Malawi excluding mandatory reserve balance relates to Reserve Bank settlement account. The balance was in negative due to settlements done on the last day of the month. The MK16 billion and K76 million relate to accounts held with RBM for liquidity reserve requirements (LRR). The net position as at 31 December was K60.8. The regulator permit balances to be disclosed on a net basis. Compliance with regulatory requirements is observed fortnightly.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

6. Short term investments

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

6.1 Financial assets carried at amortised cost

	Group		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Short term deposits	<u>11 655 931</u>	<u>7 541 016</u>	-	-
	<u><u>11 655 931</u></u>	<u><u>7 541 016</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Short term deposits have a tenure of less than one year.

6.2 Placements

	Group	
	2025	2024
	K'000	K'000
Reserve Bank of Malawi	32 272 572	99 132 334
Centenary Bank Limited	60 394 225	-
Ecobank Malawi Limited	-	20 843 014
Total placements	<u><u>92 666 797</u></u>	<u><u>119 975 348</u></u>

Placements earned average interest rate of 17.75% (2024: 17.07%).

7. Loans and advances to customers

7.1 Net loans and advances

Loans and overdrafts	357 215 239	239 088 091
Lease receivables	5 333 358	2 013 156
Mortgage advances	<u>6 356 357</u>	<u>7 016 970</u>
Total gross loans and advances	368 904 954	248 118 217
Expected credit losses (note 42.4.1)	<u>(18 972 136)</u>	<u>(13 176 245)</u>
Net loans and advances	<u><u>349 932 818</u></u>	<u><u>234 941 972</u></u>

7.2 Gross loans and advances are due to mature as follows:

Within 1 Year	85 992 561	53 827 939
2-3 Years	31 438 728	26 079 744
3-5 Years	106 790 135	121 020 316
5-10 Years	140 008 956	42 542 005
After 10 Years	<u>4 674 574</u>	<u>4 648 213</u>
Total	<u><u>368 904 954</u></u>	<u><u>248 118 217</u></u>

7.3 Movement on allowance for impairment:

At beginning of the year	13 176 245	8 490 761
Increase in impairment loss	8 833 560	4 685 484
Amounts written off	<u>(3 037 669)</u>	-
	<u><u>18 972 136</u></u>	<u><u>13 176 245</u></u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

7. Loans and advances to customers (Continued)

7.3 Movement on allowance for impairment: (Continued)

The staging analysis of expected credit losses is part of note 42.4 to the financial statements.

The loans and advances to customers are mainly from the Group's banking business. The Bank applies risk-based pricing on its products. The price is linked to the reference rate with an interest spread of 0 to plus 13.5%. The applicable base reference rate averaged 25.23% (2024: 25.07%).

7.4 Lease receivables

The Group is the lessor for leases of Property, plant and equipment.

Gross investment in finance lease receivables:

	Group	
	2025	2024
	K'000	K'000
Less than one year	57 394	222 243
Between one and five years	<u>6 609 441</u>	<u>2 299 897</u>
	6 666 835	2 522 140
Unearned finance income	<u>(1 333 477)</u>	<u>(508 984)</u>
Net investment in finance leases	<u><u>5 333 358</u></u>	<u><u>2 013 156</u></u>

Maturity analysis for gross lease receivables

	2025	2024
	K'000	K'000
Within 1 Year	57 394	-
2 Years	80 576	-
3 Years	149 929	-
4 Years	169 881	-
5 Years	3 503 671	-
Above 5 Years	<u>2 705 384</u>	<u>-</u>
Total	<u><u>6 666 835</u></u>	<u><u>-</u></u>

7.5 Net investment in finance leases receivable:

	Group	
	2025	2024
	K'000	K'000
Less than one year	45 806	177 369
Between one and five years	<u>5 287 552</u>	<u>1 835 787</u>
	<u><u>5 333 358</u></u>	<u><u>2 013 156</u></u>

General terms

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

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

8. Income tax expense
Recognised in profit or loss

8.1 Current tax expense

	Group		Company	
	2025 K'000	2024 K'000 ****Restated	2025 K'000	2024 K'000
Current year tax	145 421 182	61 438 521	585 476	364 114
Dividend tax at 10% (2024: 10%)	<u>5 574 870</u>	<u>2 407 020</u>	<u>4 170 952</u>	<u>1 423 852</u>
<i>Sub-total</i>	150 996 052	63 845 541	4 756 428	1 787 966
Temporary differences	<u>(3 115 596)</u>	<u>12 226 580</u>	<u>(347 408)</u>	<u>(536 031)</u>
	<u>147 880 456</u>	<u>76 072 121</u>	<u>4 409 020</u>	<u>1 251 935</u>
	Group		Company	
	2025	2024	2025	2024
Total tax expense attributable to: *				
Shareholder funds	139 787 379	63 358 121	4 409 020	1 251 935
Policyholder funds	<u>8 093 077</u>	<u>12 714 000</u>	<u>-</u>	<u>-</u>
	<u>147 880 456</u>	<u>76 072 121</u>	<u>4 409 020</u>	<u>1 251 935</u>

8.2 Reconciliation of tax charge

	Group		Company	
	2025 K'000	2024 K'000 Restated	2025 K'000	2024 K'000
Profit before income tax expense	471 388 314	210 465 131	47 682 285	18 069 639
Adjustment for policyholder tax	<u>(8 093 077)</u>	<u>***(12 714 000)</u>	<u>-</u>	<u>-</u>
Profit before shareholder Tax	<u>463 295 237</u>	<u>197 751 131</u>	<u>47 682 285</u>	<u>18 069 639</u>
Income tax at 30%	138 988 571	59 325 417	14 304 686	5 420 892
Effect of permanent differences **	(4 776 062)	1 625 944	(14 066 618)	(5 592 809)
Dividend tax	<u>5 574 870</u>	<u>2 407 020</u>	<u>4 170 952</u>	<u>1 423 852</u>
	<u>139 787 379</u>	<u>63 358 381</u>	<u>4 409 020</u>	<u>1 251 935</u>
The effective tax rate	30%	32%	9%	7%

*This table has been included in the current year. Refer to note 1.2 for restatement on policyholder taxes.

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

*** Refer to restatement note 1.2 on policyholder taxes.

****This table has been restated to remove policy holder taxes. Refer to note 1.2 for restatement on policyholder taxes.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

8.3 Tax payable/(recoverable)

	Group		Company	
	2025 K'000	2024 K'000 Restated	2025 K'000	2024 K'000
Balance at 1 January	17 178 581	1 170 213	(931 480)	(854 827)
Prior year adjustment	(283 258)	-	(5 168)	-
Transfer from other receivables: withholding tax recoverable	-	(2 075 416)	-	-
Charge for the year	145 421 182	* 61 410 615	580 476	* 364 114
Tax refund	855 278	8 005 070	855 278	-
Tax paid	(127 475 538)	(51 767 248)	(134 473)	(440 767)
Exchange rate differences	114 839	435 347	-	-
Balance as at 31 December	<u>35 811 084</u>	<u>17 178 581</u>	<u>369 633</u>	<u>(931 480)</u>

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

9. Other receivables and client funds

9.1 Other receivables

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Accrued investment income	2 940 693	1 140 184	516 217	13 218
Staff loans and advances	1 661 739	958 987	130 134	108 357
Prepayments	5 980 610	6 913 733	146 842	117 916
Sundry receivables	21 810 464	22 902 973	3 692 603	207 023
Rent receivable	490 570	290 968	-	-
Transfer to tax account: Withholding taxes recoverable	-	(2 075 416)	-	-
Total	<u>32 884 076</u>	<u>30 131 429</u>	<u>4 485 796</u>	<u>446 514</u>

Sundry receivables include receivables amount of K3.8 billion (2024: K7.8 billion) from local authority of which amount is recoverable through government and Knil billion (2024: K2.1 billion) prepayment from mobile money transactions, receivable proceeds from sale of land K297 million (2024: K297 million), and loans to policyholders K450 million (K449 million). Loans to policy holders are given only to policies that qualify for surrender value and the loan is capped at 70% of surrender value.

*Comparative information has been restated to remove dividend tax in the charge for the prior year which has been disclosed separately. This has impacted cash flow as well.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

9. Other receivables and client funds**9.1 Other receivables (Continued)**

Company sundry receivables include K1.2 billion receivable from Oasis hospitality and K1.2 billion funds in transit for recapitalization of NICO Zambia which were subsequently received by NICO Zambia after year end.

The directors made an assessment of expected credit losses on the policy holder loans of K450 million (2024: K449 million) and noted that the expected credit losses were immaterial.

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

9.2 Client funds under management

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Client funds under management	<u>564 134 547</u>	<u>275 505 701</u>	<u>-</u>	<u>-</u>

The composition of client funds under management was as follows:

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Treasury notes	213 598 570	188 227 405	-	-
Fixed deposits	42 183 721	-	-	-
Listed Shares	266 929 486	55 833 664	-	-
Unlisted Shares	2 167 943	2 167 943	-	-
Loans	18 408 177	12 472 202	-	-
Accrued interest	20 671 345	16 804 487	-	-
Offshore Investments	<u>175 305</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>564 134 547</u>	<u>275 505 701</u>	<u>-</u>	<u>-</u>

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

Clients funds under management are third party funds invested by NICO Asset Managers. The related payable balances are included in note 22 to these financial statements. Client funds under management earned an average interest of 29.79% (2024: 27.28%).

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

10. Inventories

	Group	
	2025	2024
	K'000	K'000
Consumables	<u>1 360 145</u>	<u>649 345</u>
	<u><u>1 360 145</u></u>	<u><u>649 345</u></u>

11. Related parties

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

Banking business

Transactions with key management personnel

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

	Directors and their related parties	Employees	Directors and their related parties	Employees
	2025	2025	2024	2024
	K'000	K'000	K'000	K'000
Advances*	126 394	17 224 573	181 777	8 665 907
Deposits**	<u>(56 484)</u>	<u>(4 286 558)</u>	<u>(9 916)</u>	<u>(1 806 425))</u>
Net balances	<u><u>69 910</u></u>	<u><u>12 938 015</u></u>	<u><u>171 861</u></u>	<u><u>6 859 482</u></u>

Advances to directors and parties related thereto are conducted at arm's length and deemed to be adequately secured.

*Advances to directors, their related parties and employees are part of loans and advances as detailed in note 7.

**Deposits are part of customer deposits detailed in note 23.

11.2 Advances to management and staff are priced different depending on product as follows:

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

11. Amounts due from/(to) related parties (Continued)**Insurance business**

11.3 Directors and their related parties transacted with the General insurance business unit during the year as follows:

	Directors and their related parties	
	<u>2025</u>	<u>2024</u>
	K'000	K'000
Insurance premium	<u>37 828</u>	<u>27 923</u>

All outstanding balances with these related parties are priced on an arms' length basis and are to be settled in cash within one month of the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

As at 31 December 2025 there were no balances owing from directors and employees (2024: Nil).

Key management personnel compensation

11.4 Key management personnel compensation comprised the following:

	Executive Directors		Non-executive Directors	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	K'000	K'000	K'000	K'000
Directors' remuneration	1 183 112	905 142	-	-
Directors' fees	<u>-</u>	<u>-</u>	<u>870 266</u>	<u>487 374</u>
	<u>1 183 112</u>	<u>905 142</u>	<u>870 266</u>	<u>487 374</u>

11.5 Value of transactions and year end balances with associated companies are as follows:

Related Party	Relationship	Type of transaction	2025		2024	
			Value of transactions	Balance at year end	Value of transactions	Balance at year end
SanlamAllianz	Common investee	Acturial fees	(458 000)	-	(506 502)	-
	Common investee	IT Support	(1 076 000)	-	(252 071)	-
	Common investee	Directors fees	(10 000)	-	(3 783)	-
	Common investee	Balance year end	-	-	-	*(170 000)
Sanlam Vida Companhia de Seguros,SA	Associate	Directors fees	-	-	-	-
	Associate	Balance at year end	-	-	-	-

The amounts in brackets indicate that the goods/services were acquired by the Group from related parties whilst the others indicate services provided to the related parties.

All outstanding balances with related parties are priced on an arm's length basis. These balances are unsecured and approximate their fair value at the reporting date due to their short term nature.

*The balance outstanding at the year end is part of other payable as detailed in note 21.

11. Amounts due from/(to) related parties (Continued)**List of significant subsidiaries**

11.6 The Composition of the Group at the end of the reporting period is as follows:

Name of entity	Principal Activity	Place of Incorporation	Number of Wholly owned subsidiaries	
			2025	2024
NICO Asset Managers Limited	Asset Management	Malawi	1	1
NICO Technologies Limited	Information technology	Malawi	1	1
Group Fabricators and Manufacturers Limited	Property Holding	Malawi	1	1
NICO Capital Limited	Corporate Finance Advisory	Malawi	1	1
NICO Insurance (Zambia) Limited	Short Term Insurance	Zambia	<u>1</u>	<u>-</u>
			<u>5</u>	<u>4</u>

11.7 The Composition of the Group at the end of the reporting period is as follows:

Name of entity	Principal Activity	Place of Incorporation	Number of Non-Wholly owned subsidiaries	
			2025	2024
NICO General Insurance Company Limited	Short term Insurance	Malawi	1	1
NICO Insurance (Zambia) Limited	Short Term Insurance	Zambia	-	1
NICO Life Insurance	Long term insurance	Malawi	1	1
NBS Bank Plc.	Banking	Malawi	1	1
NICO Pension Services Limited	Pension Administration	Malawi	<u>1</u>	<u>1</u>
			<u>4</u>	<u>5</u>

11. Amounts due from/(to) related parties (Continued)

11.8 Investment in subsidiary companies (at cost)

Company	Company of Incorporation	Shareholding %	2025		2024		
			Amount K'000	Dividends received K'000	Amount K'000	Dividends received K'000	
NICO General Insurance Company Limited	Malawi	51	61 200	2 575 500	51	61 200	1 479 000
NICO Life Insurance Company Limited	Malawi	51	74 588	13 362 000	51	74 588	5 814 000
NICO Insurance (Zambia) Limited	Zambia	100	5 673 332	-	51	1 336 880	-
NICO Technologies Limited	Malawi	100	223 749	1 200 000	100	223 749	300 000
NICO Asset Managers Limited	Malawi	100	31 081	9 300 000	100	31 081	3 300 000
Group Fabricators and Manufacturers	Malawi	100	58 500	-	100	58 500	-
NBS Bank Plc.	Malawi	51	15 665 417	20 576 211	50.1	6 590 332	5 453 197
NICO Capital Limited	Malawi	100	300 000	-	100	300 000	-
NICO Pensions Services Company Limited	Malawi	51	<u>535 500</u>	<u>1 683 000</u>	51	<u>535 500</u>	<u>520 200</u>
			<u>22 623 367</u>	<u>48 696 711</u>		<u>9 211 830</u>	<u>16 866 397</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

11. Amounts due from/(to) related parties (Continued)

11.9 2025

	As at 1 January	Additions	Reversal of impairment	Disposals	As at 31 December
Subsidiaries movement during the year	K'000	K'000	K'000	K'000	K'000
NICO General Insurance Company Limited	61 200	-	-	-	61 200
NICO Life Insurance Company Limited	74 588	-	-	-	74 588
NICO Insurance Zambia Limited**	1 336 880	4 336 452	-	-	5 673 332
NICO Technologies Limited	223 749	-	-	-	223 749
NICO Asset Managers Limited	31 081	-	-	-	31 081
Group Fabricators and Manufacturers Limited	58 500	-	-	-	58 500
NBS Bank Plc***	6 590 332	9 075 085	-	-	15 665 417
NICO Capital Limited	300 000	-	-	-	300 000
NICO Pension Services Company Limited	<u>535 500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535 500</u>
	<u>9 211 830</u>	<u>13 411 537</u>	<u>-</u>	<u>-</u>	<u>22 623 367</u>

11.9 2024

	As at 1 January	Reversal of impairment	Disposals	As at 31 December
Subsidiaries movement during the year	K'000	K'000	K'000	K'000
NICO General Insurance Company Limited	61 200	-	-	61 200
NICO Life Insurance Company Limited	74 588	-	-	74 588
NICO Insurance Zambia Limited	1 336 880	-	-	1 336 880
NICO Technologies Limited	75 365	148 384	-	223 749
NICO Asset Managers Limited	31 081	-	-	31 081
Group Fabricators and Manufacturers Limited	58 500	-	-	58 500
NBS Bank	6 590 332	-	-	6 590 332
NICO Capital Limited	300 000	-	-	300 000
NICO Pension Services Company Limited	<u>535 500</u>	<u>-</u>	<u>-</u>	<u>535 500</u>
	<u>9 063 446</u>	<u>148 384</u>	<u>-</u>	<u>9 211 830</u>

The Group has pledged a portion of its equity investment in NBS Bank plc, as security for a medium-term loan facility with FDH Bank plc of K6.1 billion as disclosed in noted 24 to the financial statements.

The pledged shares have a carrying value of K 12.2 billion, while the outstanding loan balance at the reporting date amounted to K 6.1 billion. In accordance with the facility agreement, the value of pledged shares is required to be maintained at 200% of the outstanding loan balance, which condition was met at the reporting date.

**During the year the Group acquired 49% shareholding in NICO Insurance Zambia Limited to achieve 100% control of the subsidiary. This followed the planned exit of the business by Sanlam Allianz. The total consideration of K2.5 billion was settled through loan account. Refer to note 24 to the financial statements.

*** The Group increased its shareholding in the NBS Bank Plc from 50.1 % to 51%. This is in line with the shareholding structure in the other subsidiaries where the Group does not own 100% of the shareholding.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

11. Amounts due from/(to) related parties (Continued)

The Directors have performed an impairment assessment of the investments in subsidiaries as at 31 December 2025 and have determined that there is no impairment on any of these investments.

Amounts due from subsidiaries, associate companies and joint venture companies

11.10 Amounts due from subsidiary companies

	2025	Company	2024
	K'000		K'000
NICO Insurance (Zambia) Limited	25 197		61 093
NICO Technologies Limited	10 029		-
NICO Asset Managers Limited	96 846		
NICO Capital Limited	<u>882 193</u>		<u>984 527</u>
	<u>1 014 265</u>		<u>1 045 620</u>

Amounts due from equity accounted companies

	2025	Company	2024
	K'000		K'000
Eris Properties Malawi Limited	<u>76 782</u>		<u>37 269</u>
	<u>76 782</u>		<u>37 269</u>
Total amounts due from related parties	<u>1 091 047</u>		<u>1 082 889</u>

11.11 Amounts due to subsidiary, associate and joint venture companies

	2025	Company	2024
	K'000		K'000
Group Fabricators and Manufacturers Limited	<u>30 090</u>		<u>15 910</u>
	<u>30 090</u>		<u>15 910</u>

All outstanding balances with these related parties are short-term and are priced on an arms' length basis. None of the balances are secured. No loss allowance has been recognized for amounts due from related parties. An assessment of amounts due from related parties indicated no risk of default as amounts are settled normally within 3 months.

In the opinion of Directors, these balances approximate their fair value at the reporting date due to their short term nature.

NICO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

11. Amounts due from/(to) related parties (Continued)

Amounts due from subsidiaries, associate companies and joint venture companies(Continued)

11.12 Loan balances with Associates

	Group	Restated
	2025	2024
	K'000	K'000
Blantyre Hotels Plc	<u>17 405 712</u>	<u>8 803 932</u>

During the current year, the Group identified an omission in the disclosure of a loan balance between the Group's banking subsidiary, NBS Bank and Blantyre Hotels, an associate of the Group, in the prior year financial statements. The balance was appropriately recognised within loans and advances to customers in the consolidated statement of financial position as at 31 December 2024. The omission relates only to the presentation and disclosure of related party transactions and has no impact on the previously reported profit or loss, total assets, liabilities, or equity of the Group for the year ended 31 December 2024. Accordingly, the comparative related party disclosure note has been restated to include the loan balance with the associate. The amount is included in loans and advances to customers in note 7 to the financial statements. The facility attracts interest at 11.5% per annum and is repayable over 7 years with a moratorium of 24 months from the year 2024.

12. Deferred tax assets and liabilities

Group

Recognized deferred tax

12.1 Deferred tax (assets) and liabilities are attributed to the following:

	Assets		Liabilities	
	2025	*Restated	2025	*Restated
Consolidated	K'000	K'000	K'000	K'000
Property, plant and equipment	425 010	85 190	8 129 850	5 412 248
Investment properties and equity shares	-	-	9 169 320	-
Accrued interest	-	-	17 123 809	11 622 441
ECL Provisions	(13 944 128)	(4 354 759)	-	-
Provision and accruals	(10 932 360)	(4 135 499)	(3 514 120)	(616 703)
Deferred loan arrangement fees	-	-	2 202 158	1 160 144
Other assets	(831 868)	(1 408 265)	4 536 852	(1 041 185)
Deferred tax (assets)/liabilities	<u>(25 283 346)</u>	<u>(9 813 333)</u>	<u>37 647 869</u>	<u>16 536 945</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

12. Deferred tax assets and liabilities (Continued)

Deferred tax movement analysis:

12.2 2025 Movement of deferred tax assets

	Balance as at 1 January K'000	Recognised in profit and loss K'000	Recognised in equity K'000	Recognised in other comprehensive income K'000	Balance as at 31 December K'000
Property, plant and equipment	85 190	339 820	-	-	425 010
Investment properties and equity shares	-	-	-	-	-
Accrued interest	-	-	-	-	-
ECL Provision	(4 354 759)	(9 589 369)	-	-	(13 944 128)
Provision and accruals	(4 135 499)	(6 796 861)	-	-	(10 932 360)
Deferred loan arrangement fees	-	-	-	-	-
Other assets	<u>(1 408 265)</u>	<u>816 471</u>	<u>-</u>	<u>(240 074)</u>	<u>(831 868)</u>
	<u><u>(9 813 333)</u></u>	<u><u>(15 229 939)</u></u>	<u><u>-</u></u>	<u><u>(240 074)</u></u>	<u><u>(25 283 346)</u></u>

12.3 2025 Movement of deferred tax liabilities

	Balance as at 1 January K'000	Recognised in profit and loss K'000	Recognised in equity K'000	Recognised in other comprehensive income K'000	Balance as at 31 December K'000
Property, plant and equipment	5 412 248	2 710 577	-	7 025	8 129 415
Investment properties and shares	-	-	-	9 169 320	9 169 320
Accrued interest	11 622 441	5 501 368	-	-	17 123 809
Provision and accruals	(616 703)	(2 897 417)	-	-	(3 514 120)
Deferred loan arrangement fees	1 160 144	1 042 014	-	-	2 202 158
Other assets	<u>(1 041 185)</u>	<u>5 757 836</u>	<u>-</u>	<u>(179 799)</u>	<u>4 536 852</u>
	<u><u>16 536 945</u></u>	<u><u>12 114 378</u></u>	<u><u>-</u></u>	<u><u>8 996 546</u></u>	<u><u>37 647 869</u></u>

12.4 Restated 2024 Movement of deferred tax assets

	Balance as at 1 January K'000	Recognised in profit and loss K'000	Recognised in equity K'000	Recognised in other comprehensive income K'000	Balance as at 31 December K'000
Property, plant and equipment	242 434	(157 244)	-	-	85 190
Investment properties and equity shares	(2 024 143)	2 024 143	-	-	-
Accrued interest	(1 563 659)	1 563 659	-	-	-
ECL Provisions	(2 301 474)	(2 053 285)	-	-	(4 354 759)
Provision and accruals	(1 823 392)	(2 312 107)	-	-	(4 135 499)
Deferred loan arrangement fees	(836 645)	836 645	-	-	-
Other assets	<u>(2 567 596)</u>	<u>739 690</u>	<u>-</u>	<u>419 641</u>	<u>(1 408 265)</u>
	<u><u>(10 874 475)</u></u>	<u><u>641 501</u></u>	<u><u>-</u></u>	<u><u>419 641</u></u>	<u><u>(9 813 333)</u></u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

12. Deferred tax assets and liabilities (Continued)

12.5 2024 Movement of deferred tax liabilities

	Balance as at 1 January	Recognised in profit and loss	Recognised in equity	Recognised in other comprehensive income	Balance as at 31 December
	K'000	K'000	K'000	K'000	K'000
Property, plant and equipment	1 274 566	4 174 454	-	(36 772)	5 412 248
Accrued interest	4 581 786	7 040 655	-	-	11 622 441
Provision and accruals	(53 682)	(563 021)	-	-	(616 703)
Deferred loan arrangement fees	-	1 160 144	-	-	1 160 144
Other assets	<u>(530 103)</u>	<u>(511 082)</u>	<u>-</u>	<u>-</u>	<u>(1 041 185)</u>
	<u><u>5 272 567</u></u>	<u><u>11 301 150</u></u>	<u><u>-</u></u>	<u><u>(36 772)</u></u>	<u><u>16 536 945</u></u>

The Group's operations are principally in Malawi and Zambia tax jurisdictions, with Zambia having only one subsidiary. For the rest of subsidiaries in Malawi, the tax law does not allow set-off of amounts of income tax recoverable or payable amongst companies, be it related companies. Deferred tax assets have mainly arisen from deductible temporary differences. At the reporting date the Group assessed that each of its subsidiaries with a net deferred tax asset position would be able to generate sufficient future taxable profits against which the deferred tax assets would be utilised.

*2024 comparative notes have been restated to present separately deferred tax arising from expected credit losses, provision and accruals in accordance with IAS 12 income taxes.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

12. Deferred tax assets and liabilities (Continued)

12.6 Deferred tax (assets) and liabilities are attributed to the following:

Company

Recognized deferred tax

	2025	Restated
	K'000	2024
		K'000
Property, plant and equipment	28 807	11 772
Provisions	<u>(912 246)</u>	<u>* (547 803)</u>
Net	<u><u>(883 439)</u></u>	<u><u>(536 031)</u></u>
Assets	<u>(912 246)</u>	<u>(547 803)</u>
Liabilities	<u><u>28 807</u></u>	<u><u>11 772</u></u>

12.7 Deferred tax movement analysis:

2025	Balance as at 1	Recognised in profit	Balance as at 31
	January	and loss	December
	K'000	K'000	K'000
Property, plant and equipment	11772	17035	28 807
Provisions	<u>(547 803)</u>	<u>(364 443)</u>	<u>(912 246)</u>
Total	<u><u>(536 031)</u></u>	<u><u>(347 408)</u></u>	<u><u>(883 439)</u></u>
2024	Balance as at 1	Recognised in profit	Balance as at 31
	January	and loss	December
	K'000	K'000	K'000
Property, plant and equipment	-	11 772	11 772
Provisions	<u>-</u>	<u>* (547 803)</u>	<u>* (547 803)</u>
Total	<u><u>-</u></u>	<u><u>(536 031)</u></u>	<u><u>(536 031)</u></u>

*2024 comparative notes have been restated to present separately deferred tax arising from provision in accordance with IAS 12 income taxes.

13. Investment in associates, joint ventures and unconsolidated structured entities

13.1 Investment in associate

The composition of the Group's associate is the following:

Principal Activity	Place of Incorporation	Number of Associates	
		<u>2025</u>	<u>Restated 2024</u>
Long term insurance	Mozambique	1	1
Hospitality	Malawi	<u>1</u>	<u>1</u>
Total		<u><u>2</u></u>	<u><u>2</u></u>

	Principle place of business/ country of incorporation	Shareholding	<u>2025</u>	<u>2025</u>	<u>Restated 2024</u>	<u>Restated 2024</u>
			<u>Shareholding</u>	<u>Amount K'000</u>	<u>Shareholding</u>	<u>Amount K'000</u>
Sanlam Vida						
Companhia de Seguros, SA	Mozambique	34.3%	4 449 157	34.30%	3 745 612	
Blantyre Hotels	Malawi	***20.95%	<u>11 726 188</u>	20.95 %	<u>10 681 817</u>	
Total			<u><u>16 175 345</u></u>		<u><u>14 427 429</u></u>	

The table below shows the summarised financial statements of the associate:

	Sanlam Vida		Blantyre Hotels	
	<u>2025 K'000</u>	<u>2024 K'000</u>	<u>2025 K'000</u>	<u>Restated 2024 K'000</u>
Non-current Assets	23 229 059	17 517 348	83 565 120	35 464 931
Current Assets	7 218 851	17 159 182	49 076 368	50 041 346
Non-current Liabilities	(4 283 456)	(4 012 800)	(27 593 351)	(18 760 472)
Current Liabilities	<u>(14 491 980)</u>	<u>(19 743 540)</u>	<u>(16 728 549)</u>	<u>(1 869 621)</u>
Net Assets	<u><u>11 672 474</u></u>	<u><u>10 920 190</u></u>	<u><u>88 319 588</u></u>	<u><u>64 876 184</u></u>
Revenue	32 182 580.00	30 810 762	9 114 183	7 802 814
Profit	2 051 153.00	2 715 868	5 405 404	(1 370 109)
Other Comprehensive Income	<u>-</u>	<u>-</u>	<u>1 699 151</u>	<u>1 572 988</u>
Total Comprehensive Income	<u><u>2 051 153</u></u>	<u><u>2 715 868</u></u>	<u><u>7 104 555</u></u>	<u><u>202 879.00</u></u>
Percentage Shareholding*	34.30%	34.3%	14.70%	14.70%
Share of Associates Profit	703 545	931 543	1 044 370	Nil**

* 2024 numbers have been Restated: refer to note 1.1 to the financial statements.

**NICO Holdings Plc did not take into account share of total comprehensive income in 2024 as the associate was acquired at the year end.

*** NICO Holdings Limited directly holds 14.7% of the equity in Blantyre Hotels Limited, while its subsidiary, NICO Life Insurance Company Limited, holds an additional 6.25%, resulting in a combined Group interest of 20.95%. This aggregated shareholding confers significant influence over Blantyre Hotels Limited, and the investment is therefore accounted for as an associate at NICO Holdings Life. Note that the 6.25% held through NICO Life is accounted for at fair value which is included in investment in equity shares in the Statement of Financial Position (note 15.5).

13. Investment in associate, joint venture and unconsolidated structured entities (Continued)

13.1 Investment in associate companies (Continued)

The investment in Sanlam Vida Companhia de Seguros, SA is operating within the life insurance business. These are strategic to the Group's activities and core lines of business.

	Group/Company Sanlam Vida 2025 K'000	Group/Company Blantyre Hotels 2025 K'000	Group/Company Total 2025 K'000
As at 1 January	3 745 612	10 681 817	14 427 429
Share of profit	703 545	794 596	1 498 141
Share of other comprehensive income	-	249 775	249 775
Total	<u>4 449 157</u>	<u>11 726 188</u>	<u>16 175 345</u>
	Group/Company Sanlam Vida 2024 K'000	Group/Company Blantyre Hotels Restated 2024 K'000	Group/Company Total Restated 2024 K'000
As at 1 January	3 122 533	-	3 122 533
Effects of exchange rate	92 119	-	92 119
Purchases during the year	-	10 681 817	10 681 817
Current dividend received	(400 583)	-	(400 583)
Share of profit	931 543	-	931 543
Total	<u>3 745 612</u>	<u>10 681 817</u>	<u>14 427 429</u>

* 2024 numbers have been Restated: refer to note 1.1 to the financial statements.

** There have been no fluctuations in the exchange rates in the current year hence no amount recognized in the year.

NICO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

13. Investment in associate, joint venture and unconsolidated structured entities (Continued)

13.2 Investment in joint venture

Principal activity	Place of incorporation	Number of joint ventures	
		2025 K'000	2024 K'000
Property management and development	Malawi	1	1
Total		<u>1</u>	<u>1</u>

The table below shows the summarised financial statements of the joint venture

Summarised financial information

ERIS Properties Malawi

	2025 K'000	2024 K'000
Non-current assets	162 927	148 781
Current assets	1 447 628	1 168 047
Non-current liabilities	(6 680)	(7 633)
Current liabilities	<u>(1 041 976)</u>	<u>(582 081)</u>
Net assets	<u>561 899</u>	<u>727 114</u>
Revenue	3 062 744	2 371 989
Profit	<u>239 384</u>	<u>393 100</u>
Total comprehensive income	<u>239 384</u>	<u>393 100</u>
Percentage shareholding	50%	50%
Share of profit	<u>119 692</u>	<u>196 550</u>

2025	As at 1 January	Share of profit/(loss)	Dividend received	As at 31 December
ERIS Properties Malawi	<u>368 252</u>	<u>119 692</u>	<u>(195 000)</u>	<u>292 944</u>
	<u>368 252</u>	<u>119 692</u>	<u>(195 000)</u>	<u>292 944</u>
2024	As at 1 January	Share of profit/(loss)	Dividend received	As at 31 December
ERIS Properties Malawi	<u>296 702</u>	<u>196 550</u>	<u>(125 000)</u>	<u>368 252</u>
	<u>296 702</u>	<u>196 550</u>	<u>(125 000)</u>	<u>368 252</u>

ERIS Properties Malawi Limited is a Joint Venture between NICO Holdings Plc. and ERIS SA Limited. Its primary activities are property management and development.

13. Investment in associates, joint ventures and unconsolidated structured entities (Continued)

13.3 Unconsolidated Structured entity

These investments are mainly through the Life and Pensions business. They are mutual investments and the shareholders portion in these investments is very minimal at less than 10%.

The unconsolidated and structured entity in the Group is ICON Properties Plc.

	<u>2025</u> % Holding	<u>2024</u> % Holding
ICON Properties Plc. (through NICO Life Insurance Company Limited)	<u>51.1</u>	<u>57.14</u>

The Group owns 51.1% (2024: 57.14%) of the shares in ICON Properties Plc. However, the ownership of the investment is shared between shareholder and policyholders at 6.87% and 93.3% respectively. The shares are listed on the Malawi Stock Exchange.

The group does not appoint the majority of the directors to the boards of these entities and does not have the ability to direct their relevant activities.

ICON's business operations consist of 3 principal segments: property letting services, property management and property development.

Summarised Financial Information

	ICON Properties Plc.	
	<u>2025</u> K'000	<u>2024</u> K'000
Non-current assets	165 811 316	132 875 095
Current assets	10 265 531	11 985 167
Non-current liabilities	(318 943)	(355 153)
Current liabilities	<u>(1 688 692)</u>	<u>(1 226 200)</u>
Net assets	<u>174 069 212</u>	<u>143 278 909</u>
Revenue	35 166 153	29 413 660
Profit	<u>32 644 447</u>	<u>24 274 636</u>
Total comprehensive income	<u>32 644 447</u>	<u>24 274 636</u>

Details of amounts relating to unconsolidated entity are as follows:

	<u>2025</u> K'000	<u>2024</u> K'000
Income		
Rental income	8 408 263	7 069 904
Other income	1 000 864	1 210 579
Fair value gains or losses	<u>25 757 026</u>	<u>21 133 177</u>
Total income	<u>35 166 153</u>	<u>29 413 660</u>

13. Investment in associate, joint venture and unconsolidated structured entities (Continued)

13.3 Unconsolidated Structured entity (Continued)

Assets

Investments – maximum exposure

	<u>2025</u> K'000	<u>2024</u> K'000
Investment in equity shares (maximum exposure)	<u>2 142 003</u>	<u>2 704 316</u>

The related market values of the shares have been included under note 15 to the financial statements.

Nature of risks associated with unconsolidated structured entity

The Group has risks associated with these unconsolidated structured entities through the investments as analyzed below:

Risk exposure associated with these investments include financial risks: liquidity, market, interest default risks and impairment of the properties under the investments.

Liquidity-having granted income notes there is a risk that the companies may not have adequate cashflows to fund interest repayment as it falls due and therefore subsequent default of the income notes.

Market- having a significant portfolio of the investments in the property, development, management and letting, there is a risk that due to competition rental rates may decline or stagnate thereby reducing income.

Impairment loss may arise due to declining values in the invested properties under management due to dynamic changes in market forces.

Overall the positive net asset position as shown in table above indicates that overall exposure is remote and only limited to the assets.

14. Investment in government securities

The investments are due to mature as follows:

	<u>2025</u> K'000	*** Restated <u>2024</u> K'000
After one year	<u>1 051 891 895</u>	<u>753 061 480</u>
	<u>1 051 891 895</u>	<u>753 061 480</u>

14.1 Investment in government securities comprised the following:

	<u>2025</u> K'000	*** Restated <u>2024</u> K'000
Financial assets designated at FVTPL*		
Treasury notes	<u>149 971 075</u>	<u>187 774 768</u>
	<u>149 971 075</u>	<u>187 774 768</u>
Financial assets at amortised cost**		
Treasury notes	830 869 584	483 078 551
Treasury bills	70 698 937	81 249 326
Promissory notes	<u>352 299</u>	<u>958 835</u>
	<u>901 920 820</u>	<u>565 286 712</u>
Total	<u>1 051 891 895</u>	<u>753 061 480</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

14. Investment in government securities

14.2 *Movement in financial assets designated at FVTPL

	2025	2024
	K'000	K'000
Balance as at 1 January	187 774 768	187 815 142
Additions during the year	36 243 890	19 509 133
Fair value adjustment	(315 896)	20 887 933
Disposals during the year	<u>(73 731 687)</u>	<u>(40 437 440)</u>
Balance at 31 December	<u><u>149 971 075</u></u>	<u><u>187 774 768</u></u>

The fair valuation of these treasury notes is done by management in consultation with the consulting actuaries from Sanlam Allianz, who utilise best practice methods based on expertise within the wider Sanlam Group. It involves application of judgement in determining the most appropriate valuation basis and assumptions.

The bootstrapping method was used for the purpose of constructing the discounting curve used to discount expected future cash flows at each respective cash flow date. This method is a statistical technique for estimating quantities about a population by averaging estimates from multiple small data samples. These samples are constructed by drawing observations from a large data sample one at a time and returning to the data sample after they have been chosen.

14.3** Movement of financial assets at amortized costs

	2025	***Restated
	K'000	2024
		K'000
Balance as at 1 January	565 286 712	285 862 304
Effects of exchange rates	-	
Additions during the year	5 093 534 966	278 933 148
Movement in accrued interest	(567 729)	528 770
Expected credit loss	(22 940)	(37 510)
Disposals during the year	<u>(4 756 310 189)</u>	<u>-</u>
Balance at 31 December	<u><u>901 920 820</u></u>	<u><u>565 286 712</u></u>

Interest rates for government securities ranged from 26.75% to 35% (2024: 22.75% to 31%).

Treasury bills earned interest at an average rate of 21% (2024:24%). Treasury bills interest rates represent average yield rates on a 91-day, 182-day and 364-day bills as determined from time to time by Reserve Bank of Malawi, in line with monetary policy rate.

15. Investment in equity shares

15.1 Valuation

	Group		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
		Restated		Restated
Balance at 1 January	601 218 205	384 573 540	3 295 021	2 804 021
Purchases during the year	15 013 965	32 617 229	-	-
Effects of changes in exchange rates	-	(1831)	-	-
Increase in fair value:				
- shareholders	119 070 141	13 332 478	1 672 000	491 000.00
- policyholders	1 003 963 584	179 205 279	-	-
Transfer during the year	**** (70 601 146)			
Disposals during the year	<u>-</u>	<u>(8 508 490)</u>	<u>-</u>	<u>-</u>
Balance as at 31 December	<u><u>1 668 664 749</u></u>	<u><u>601 218 205</u></u>	<u><u>4 967 021</u></u>	<u><u>3 295 021</u></u>

***This is a non cash transaction and relates to transfer of shares as part of total scheme assets moving out of the life business.

**** 2024 Comparative amounts have been restated to exclude short-term deposits that did not meet the classification criteria for inclusion in government securities.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2024

15. Investment in equity shares (Continued)

15.2 Group 2025

	Number of shares	% shareholding	Share Price	K' 000
Blantyre Hotels Plc.**	1 579 898 428	26.9	15.05	23 777 471
Standard Bank Plc.	176 238 645	15.0	4248.41	748 734 022
Airtel Malawi Plc	99 558 629	0.9	120.77	12 023 696
Illovo Sugar Plc.	824 557	0.1	2330.12	1 921 317
Press Corporation Plc.	7 330 351	6.1	8728.43	63 982 456
Old Mutual Plc.	634 840	3.3	3790.04	2 406 069
National Bank of Malawi Plc.	28 227 241	6.0	11995.63	338 603 539
National Investment Plc.	16 302 192	12.1	3938.51	64 206 346
FMB Capital Holding Plc.	12 945 712	0.5	3197.86	41 398 575
Telekom Networks Malawi Plc.	997 258 861	8.6	31.46	31 373 764
Mpico Plc.	67 930 557	3.0	19.51	1 325 325
NICO Holdings Plc.*	37 515 975	3.6	1736.51	65 146 866
ICON Properties (note 13c)	3 410 382 858	51.1	16	54 566 126
NBS Bank Plc.	169 892 317	5.8	913.76	155 240 804
FDH Bank Plc.	76 490 591	1.1	599.89	45 885 941
Sunbird Tourism Limited	639 044	0.2	977.5	624 666
Total listed shares				<u>1 651 216 983</u>

15.3 Restated Group 2024

	Number of shares	% shareholding	Share Price	K' 000
Blantyre Hotels Plc.**	1 764 489 657	42.51	14.55	25 673 324
Standard Bank Plc.	39 811 130	16.95	6483.95	258 133 376
Airtel Malawi Plc	111 716 591	1.02	90	10 054 493
Illovo Sugar Plc.	921 292	0.13	1355.08	1 248 424
Press Corporation Plc.	8 268 479	6.88	2499.79	20 66 9461
Old Mutual Plc.	710 191	4.84	1950.01	1 384 880
National Bank of Malawi Plc.	31 106 514	6.66	3462.17	107 696 040
National Investment Plc.	16 309 069	12.08	440	7 175 990
FMB Capital Holding Plc.	13 904 057	0.57	555	7 716 752
Telekom Networks Malawi Plc.	945 027 537	9.41	24.99	23 616 238
Mpico Plc.	74 148 315	3.23	18.53	1 373 968
NICO Holdings Plc.*	42 199 238	4.05	419.02	17 682 325
ICON Properties (note 13c)	3 816 804 960	57.14	18.05	68 893 330
NBS Bank Plc.	158 289 865	5.44	174.07	27 553 517
FDH Bank Plc.	87 930 443	1.27	148.23	13 033 930
Sunbird Tourism Limited	68 9087	0.26	240.08	165 436
Total listed shares				<u>592 071 484</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

15. Investment in equity shares (Continued)

*These are shares held by Deposit Administration fund by NICO Pensions on behalf of policyholders.

** Ownership of investments in these shares is between shareholders and policyholders at 17.68% and 82.32% of the holding respectively. Consequently, the group has no significant influence on the investment.

Unlisted shares

	Group		Company	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	K'000	K'000	K'000	K'000
Reconciliation of carrying amounts of unlisted investments (level 3 fair value)		-		-
Balance at 1 January	9 146 721	6 435 721	3 295 021	2 804 021
Disposal	(20 955)	-	-	-
Increase in fair value	<u>8 322 000</u>	<u>2 711 000</u>	<u>1 672 000</u>	<u>491 000</u>
Balance as at 31 December	<u><u>17 447 766</u></u>	<u><u>9 146 721</u></u>	<u><u>4 967 021</u></u>	<u><u>3 295 021</u></u>

15.4 Analysis of unlisted shares

Chibuku Products Limited	12 350 045	5 700 000	-	-
Telecom Holdings Limited (MTL& OCL)	-	21 000	-	-
NATSWITCH Limited	111 000	111 000	-	-
Swift	19 700	19 700	-	-
Mwaiwathu Private Hospital	1 630 000	678 000	1 630 000	678 000
Fortesa	7021	7 021	7 021	7 021
Sanlam Uganda	<u>3 330 000</u>	<u>2 610 000</u>	<u>3 330 000</u>	<u>2 610 000</u>
Total unlisted shares	<u><u>17 447 766</u></u>	<u><u>9 146 721</u></u>	<u><u>4 967 021</u></u>	<u><u>3 295 021</u></u>

15.5 Total investment in equity shares

Total investment in equity shares	<u><u>1 668 664 749</u></u>	<u><u>601 218 205</u></u>	<u><u>4 967 021</u></u>	<u><u>3 295 021</u></u>
--	-----------------------------	---------------------------	-------------------------	-------------------------

The fair value gains in listed and unlisted shares attributable to shareholders emanating from the life business are recognised in investment income in profit/loss under note 34 as part of the fair value adjustment of investment properties and shares.

In the current year shares in unlisted companies have been valued as at 31 December 2025 on behalf of the Directors by Ernst & Young using Market Multiples approach. Listed shares have been valued using Malawi Stock Exchange prices as at 31 December 2025.

Level 1 Fair Value

Listed shares amount to K1.651 trillion (2024: K592.0 billion). In measuring fair value the Group has used observable market related data. The fair value is based on quoted prices on the Malawi Stock Exchange.

15. Investment in equity shares (Continued)

Level 3 Fair Value

Unlisted equities for the Group amounted to K17.4 billion (2024: K9.1 billion) while for the Company amounted to K4.9 billion (2024: K3.2 billion). The unlisted shares were valued by Ernst and Young as at 31 December 2025 based on discounted cash flows and adjusted net asset value valuation approach.

Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the investment in shares, as well as the significant unobservable inputs used. The valuation expert adopted a Discounted Cash Flow for some of the unlisted investments.

Unlisted Investment	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Sanlam General Insurance Uganda: K3.33 billion (2024: K2.61 billion)	The market multiples (MM) price-to-book valuation methodology was used. A comparable companies approach was performed by identifying companies in similar industries in the open market and determining the earnings multiples or discount rate implied in such transactions. Relevant discounts/premiums were applied to the quoted multiples to adjust for growth differentials between Uganda and the sample countries.	Adjusted peer group market multiples 2025 High multiple of 1.0 and Low multiple of 0.9 (2024: High multiple of 1.02 and Low multiple of 0.94)	The higher(lower) the adjusted market multiple, the higher (lower) the fair value. If the multiples increased/decreased by 5% while all other variables were held constant, the 2025 carrying amount would increase/decrease by K167 million
Chibuku Products Limited: K12.4 billion (2024: K5.70 billion)	The market multiples (MM) approach valuation methodology was used. Commonly used approaches under the MM method to value manufacturing businesses are the EV/EBITDA and P/E multiple approaches. EV/EBITDA has been used as the primary methodology and the P/E approach as a secondary methodology	Long-term growth rates, taking into account management's experience and knowledge of market conditions of the beverages industry, ranging from 6% to 8% (2024: 4% to 5%).	The higher the EBITDA growth rate, the higher the fair value. If the EBITDA growth was 5 per cent higher/lower while all other variables were held constant, the carrying amount would increase/decrease by K618 million (2024: increase/decrease by K259 million).
Mwaiwathu Private Hospital: K1.63 billion (2024: K678 million)	The Market Multiples Approach EV/EBTDA approach was used. A comparable companies approach was performed by identifying companies in similar industries to the subject company, in the open market and determining the earnings multiples or discount rate implied from such transactions. Appropriate discounts/premiums to the quoted multiples were applied to adjust for growth differentials (risk free rate, GDP and inflation) between Malawi and the sample countries. Adjustments were made to the multiples to compensate for differences between the reasonably similar companies and the subject being valued.	Adjusted peer group market multiples 2025: High multiple of 8.8 and Low multiple of 7.9 (2024: High multiple of 7.4 and Low multiple of 6.8)	The higher(lower) the adjusted market multiple, the higher (lower) the fair value. If the multiples increased/decreased by 5% while all other variables were held constant, the 2025 carrying amount would increase/decrease by K81.5 million

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

16. Loans and debentures

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Designated at FVTPL				
Balance at 1 January	2 248 700	1 846 362	-	-
Fair value gain	1 320 206	25 496	-	-
Additions during the year	-	2 000 000	-	-
Disposals during the year	(83 333)	(1 623 158)	-	-
Balance at 31 December	<u>3 485 573</u>	<u>2 248 700</u>	<u>-</u>	<u>-</u>
Designated at amortised cost				
Balance at 1 January	-	-	1 753	1 753
Balance at 31 December	-	-	-	-
Total	<u>3 485 573</u>	<u>2 248 700</u>	<u>1 753</u>	<u>1 753</u>

The above disclosed loans and debentures are receivable from Malawi registered companies hence no exposure to exchange rate movement.

In the opinion of the directors, the loans receivable, are expected to be realised in full at maturity date. At the reporting date, the most significant loans (excluding interest) are:

- (a) A 3 year MK250 million asset backed floating rate loan was advanced to Pinnacle Financial Services with interest charged at the rate equivalent to the most recent 364-day TB rate as published by the Reserve Bank of Malawi plus a premium of 1,200 basis points per annum. Interest shall be subject to floor rate of the yield to maturity of the 3 year treasury notes plus 200 basis points. The balance as at December 2025 is K84mln (2024: K167 million)
- (b) A 3-year MK2 billion asset backed medium term note was advanced to Select Financial Services Limited with interest charged at the rate equivalent to the simple average of the 364-day TB rate for the immediate 11-months preceding the interest earning period as published by the Reserve Bank of Malawi plus a premium of 1,100 basis points per annum. Interest shall be subject to floor rate of the greater of 18% per annum or an arithmetic average of the national annual consumer price inflation rates for the preceding 11-month period as published by the National Statistical Office of Malawi and ceiling rate of the average maximum lending rate for the five listed banks in Malawi namely; First Capital Bank Plc, National Bank of Malawi Plc, NBS Bank Plc, Standard Bank Plc and FDH Bank Plc for the previous 11-month period. The interest applicable for a particular twelve-month period will be fixed once a year and one month before the beginning of such a period. The balance as at December 2025 is K2 billion (2024: K2 billion).
- (c) A 5 year K20 billion loan was advanced by NICO Life Insurance Company to NBS Bank Plc to augment the banks Tier 2 Capital. The rate of interest on the loan for each interest period is a percentage rate per annum which is the aggregate of:
 - a margin of 400 basis points; and
 - the reference rate as quoted by the Reserve Bank of Malawi, five (5) business days prior to the date of the relevant interest payment date.

An interest period shall be a period of six (6) months and interest is computed from (and including) the first day of each interest period to (but excluding) the last day of such interest period, on the actual number of days elapsed on a 365 day/year basis (actual/365), irrespective of whether the year is a leap year.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

17. Investment properties

17.1 2025

	Free hold investment properties K'000	Group Leasehold investment properties K'000	Total K'000	Company Freehold investment properties K'000	Total K'000
At valuation					
Balance at 1 January	789 057	5 325 023	6 114 080	246 000	246 000
Fair Value Adjustment	<u>66 000</u>	<u>1 278 561</u>	<u>1 344 561</u>	<u>66 000</u>	<u>66 000</u>
Balance as at 31 December	<u>855 057</u>	<u>6 603 584</u>	<u>7 458 641</u>	<u>312 000</u>	<u>312 000</u>

17.2 2024

	Free hold investment properties K'000	Group Leasehold investment properties K'000	Total K'000	Company Freehold investment properties K'000	Total K'000
At valuation					
Balance at 1 January	749 384	4 164 648	4 914 032	206 000	206 000
Effects of exchange rates	(15)	-	(15)	-	-
Additions	-	55 923	55 923	-	-
Disposals	(312)	-	(312)	-	-
Fair Value Adjustment	<u>40 000</u>	<u>1 104 452</u>	<u>1 144 452</u>	<u>40 000</u>	<u>40 000</u>
Balance as at 31 December	<u>789 057</u>	<u>5 325 023</u>	<u>6 114 080</u>	<u>246 000</u>	<u>246 000</u>

17.3 The amounts recognised in profit or loss in respect of investment properties are:

	2025	2024	2025	2024
Rental income (note 34.2)	587 294	473 281	7285	5 450
Direct operating expense (maintenance costs)	-	-	-	-

There are no amounts of restrictions on title and investment properties pledged as security for liabilities.

There are no contractual commitments for the acquisition of investment properties.

17. Investment properties (Continued)

Valuation basis

Properties were revalued on open market basis by an independent professional valuer Bernard J. Mughogho MBA (Inst. & Corp. Gov.), BSc (Est. Mgmt.), MSIM (Registered Valuation Surveyor) with Knight Frank as at 31 December 2025 on behalf of the directors. The valuer is an independent valuer not connected with the Group. Values were determined by reference to observable prices in the property market. There has been no change to the valuation technique during the year. The resultant surplus is taken to profit or loss. The fair value measurements have been categorized as Level 3 for value based on income capitalization technique. The Group has assessed that the highest and best use of these properties does not differ from their current use.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value Measurement
Income Capitalisation Approach	Year's Purchase, taking into account the capitalization of rental income potential, nature of the property, and prevailing market condition, of 9% - 10%.	A slight increase in the Year's Purchase (YP) used would result in a significant decrease in fair value, and vice versa. For instance, an increase or decrease of 1% of the YP will affect the value of the subject property by +9.09 and -7.69 respectively.
	Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, the Passing Rentals (PR) for office space and ground floor/retail space ranged from MK9 000 – MK12 000 and MK12 000 – MK15 000 per square metre ("sqm") per month respectively	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa. For instance, a 10% increase of the monthly rent will positively affect the value of the subject property if investment approach to valuation is taken.

18. Leases (Group as a lessee)

The Group and the Company have lease contracts for various items of plant, machinery, vehicles, land and buildings used in its operations. Leases of plant and machinery generally have lease terms between 3 and 5 years, land and buildings between 2 and 13 years (largely with options for renewal) while motor vehicles have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group has options to purchase certain leased assets at the end of the lease term.

The Group and the Company has elected not to recognise right of use assets and a lease liability for leases of low value assets and short-term leases (with a lease term of 12 months or less). Payments made under such leases are expensed on a straight-line basis.

18.1 Right-of-use assets

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Cost				
At 1 January	12 975 158	11 186 960	163 373	163 373
Effects of exchange rate	543 428	(108 208)	-	-
Additions	808 729	2 612 540	392 847	-
Disposal	-	(716 134)	-	-
At 31 December	<u>14 327 315</u>	<u>12 975 158</u>	<u>556,220</u>	<u>163 373</u>
Accumulated depreciation				
At 1 January	9 199 839	7 364 402	161075	134 426
Effects of exchange rate	501 319	(70 022)	-	-
Charge for the year	2 019 580	1 905 459	62315	26 649
Disposals	<u>117 057</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December	<u>11 837 795</u>	<u>9 199 839</u>	<u>223 390</u>	<u>161 075</u>
Carrying amount	<u><u>2 489 520</u></u>	<u><u>3 775 319</u></u>	<u><u>332 830</u></u>	<u><u>2 298</u></u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

18. Leases (Group as a lessee) (Continued)

18.2 Amounts recognized in profit and loss are as follows:

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Finance charges on lease liabilities	2 027 894	2 095 290	88 863	21 186
Depreciation expense on right-of-use assets	2 019 580	1 905 459	62 315	26 649

The Group leases buildings and the average lease term is 3 years (2024: 3 years).

18.3 Lease liabilities

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Cost				
At 1 January	7 448 057	6 795 155	18 498	57 378
Effects of exchange rate	(6 903)	(892 401)	-	-
Additions	683 124	2 538 006	392 847	-
Finance charges	2 027 894	2 095 290	88 863	21 186
Repayments of finance charges	(1 922 007)	(2 095 290)	(88 863)	(21 186)
Repayments of lease liabilities	<u>(1 281 734)</u>	<u>(992 703)</u>	<u>(8 232)</u>	<u>(38 880)</u>
At 31 December	<u><u>6 948 431</u></u>	<u><u>7 448 057</u></u>	<u><u>403 113</u></u>	<u><u>18 498</u></u>

18.4 Maturity analysis

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Due within 1 year or less	1 035 399	2 154 306	69 636	18 498
Due between 2 and 5 years	<u>5 913 032</u>	<u>5 293 751</u>	<u>333 477</u>	<u>-</u>
At 31 December	<u><u>6 948 431</u></u>	<u><u>7 448 057</u></u>	<u><u>403 113</u></u>	<u><u>18 498</u></u>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group.

All lease obligations are denominated in Malawi Kwacha.

19. Intangible assets

Group 2025

	Capital work in progress K'000	Software K'000	Total K'000
Cost			
Balance as at 1 January	1 377 416	27 633 556	29 010 972
Effects of changes in exchange rates	-	356 456	356 456
Additions during the year	2 254 598	673 768	2 928 366
Capitalization	(1 368 397)	1 368 397	-
Disposals	<u>-</u>	<u>(187 417)</u>	<u>(187 417)</u>
Balance at 31 December	<u><u>2 263 617</u></u>	<u><u>29 844 760</u></u>	<u><u>32 108 377</u></u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

19. Intangible assets (Continued)

Group 2024

	Capital work in progress K'000	Software K'000	Total K'000
Cost			
Balance as at 1 January	6 696 618	13 201 505	19 898 123
Effects of changes in exchange rates	-	(68 355)	(68 355)
Additions during the year	8 905 664	275 540	9 181 204
Capitalization	<u>(14 224 866)</u>	<u>14 224 866</u>	<u>-</u>
Balance at 31 December	<u><u>1 377 416</u></u>	<u><u>27 633 556</u></u>	<u><u>29 010 972</u></u>

	Capital work in progress K'000	Software K'000	Total K'000
Group 2025			
Amortization			
Balance as at 1 January	-	11 335 099	11 335 099
Effects of changes in exchange rate	-	248 731	248 731
Charge for the year	-	3 404 666	3 404 666
Disposals	<u>-</u>	<u>(180 848)</u>	<u>(180 848)</u>
Balance at 31 December	<u>-</u>	<u>14 807 648</u>	<u>14 807 648</u>

	Capital work in progress K'000	Software K'000	Total K'000
Group 2024			
Amortisation			
Balance as at 1 January	-	9 116 865	9 116 865
Effects of changes in exchange rate	-	(39 982)	(39 982)
Charge for the year	<u>-</u>	<u>2 258 216</u>	<u>2 258 216</u>
Balance at 31 December	<u>-</u>	<u>11 335 099</u>	<u>11 335 099</u>
Carrying amount at 31 December 2025	<u><u>2 263 617</u></u>	<u><u>15 037 112</u></u>	<u><u>17 300 729</u></u>
Carrying amount at 31 December 2024	<u><u>1 377 416</u></u>	<u><u>16 298 457</u></u>	<u><u>17 675 873</u></u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

19. Intangible assets (Continued)

**Company
2025**

	Capital work in progress K'000	Software K'000	Total K'000
Cost			
Balance as at 1 January	-	172 452	172 452
Additions during the year	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December	<u>-</u>	<u>172 452</u>	<u>172 452</u>

2024

	Capital work in progress K'000	Software K'000	Total K'000
Cost			
Balance as at 1 January	<u>-</u>	<u>172 452</u>	<u>172 452</u>
Balance at 31 December	<u>-</u>	<u>172 452</u>	<u>172 452</u>

2025

	Capital work in progress K'000	Software K'000	Total K'000
Amortization			
Balance as at 1 January	-	148 998	148 998
Charge for the year	<u>-</u>	<u>11 555</u>	<u>11 555</u>
Balance at 31 December	<u>-</u>	<u>160 553</u>	<u>160 553</u>

2024

	Capital work in progress K'000	Software K'000	Total K'000
Amortisation			
Balance as at 1 January	-	136 974	136 974
Charge for the year	<u>-</u>	<u>12 024</u>	<u>12 024</u>
Balance at 31 December	<u>-</u>	<u>148 998</u>	<u>148 998</u>

	Capital work in progress K'000	Software K'000	Total K'000
Carrying amount at 31 December 2025	<u>-</u>	<u>11 899</u>	<u>11 899</u>
Carrying amount at 31 December 2024	<u>-</u>	<u>23 454</u>	<u>23 454</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

20. Property, plant and equipment

20.1 Group - Cost or valuation

2025

	Land and buildings K'000	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress K'000	Total K'000
Balance as at 1 January	3 761 406	4 913 558	38 490 906	1 896 266	49 062 136
Effects of changes in exchange rates	22 102	46 210	148 763		217 075
Additions during the year	2 808 285	2 177 066	8 902 748	4 868 371	18 756 470
Revaluation surplus	1 076 258	-	-	-	1 076 258
Capitalization	-	-	3 314 306	(3 314 306)	-
Disposals during the year	<u>-</u>	<u>(198 819)</u>	<u>(425 028)</u>	<u>-</u>	<u>(623 847)</u>
Balance as at 31 December	<u>7 668 051</u>	<u>6 938 015</u>	<u>50 431 695</u>	<u>3 450 331</u>	<u>68 488 092</u>
Analysed as follows:					
Valuation	3 380 923	-	-	-	3 380 923
Cost	<u>4 287 128</u>	<u>6 938 015</u>	<u>50 431 695</u>	<u>3 450 331</u>	<u>65 107 169</u>
	<u>7 668 051</u>	<u>6 938 015</u>	<u>50 431 695</u>	<u>3 450 331</u>	<u>68 488 092</u>

Group - Cost or valuation 2024

	Land and buildings K'000	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress K'000	Total K'000
Balance as at 1 January	3 071 568	2 193 283	24 797 848	3 756 272	33 818 971
Effects of changes in exchange rates	(7 736)	(8 613)	(18 696)	-	(35 045)
Additions during the year	61 954	2 898 076	7 162 004	5 134 954	15 256 988
Revaluation surplus	635 620	-	-	-	635 620
Capitalization	-	-	6 994 960	(6 994 960)	-
Disposals during the year	<u>-</u>	<u>(169 188)</u>	<u>(445 210)</u>	<u>-</u>	<u>(614 398)</u>
Balance as at 31 December	<u>3 761 406</u>	<u>4 913 558</u>	<u>38 490 906</u>	<u>1 896 266</u>	<u>49 062 136</u>
Analysed as follows:					
Valuation	2 304 665	-	-	-	2 304 665
Cost	<u>1 456 741</u>	<u>4 913 558</u>	<u>38 490 906</u>	<u>1 896 266</u>	<u>46 757 471</u>
	<u>3 761 406</u>	<u>4 913 558</u>	<u>38 490 906</u>	<u>1 896 266</u>	<u>49 062 136</u>

20. Property, plant and equipment (Continued)

20.3 Group Accumulated depreciation and impairment losses 2025

	Land and buildings K'000	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress K'000	Total K'000
Balance as at 1 January	33 320	1 705 982	16 269 694	-	18 008 996
Effects of changes in exchange rates		32 099	81 485	-	113 584
Charge for the year	91 502	1 025 078	5 282 199	-	6 398 779
Released on revaluation	(87 142)	-	-	-	(87 142)
Disposals	<u>-</u>	<u>(169 453)</u>	<u>(139 265)</u>	<u>-</u>	<u>(308 718)</u>
Balance as at 31 December	<u><u>37 680</u></u>	<u><u>2 593 706</u></u>	<u><u>21 494 113</u></u>	<u><u>-</u></u>	<u><u>24 125 499</u></u>

Group Accumulated depreciation and impairment losses 2024

	Land and buildings K'000	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress K'000	Total K'000
Balance as at 1 January	28 960	1 247 878	13 078 948	-	14 355 786
Effects of changes in exchange rates	-	(4 613)	(11 158)	-	(15 771)
Charge for the year	75 327	628 688	3 470 563	-	4 174 578
Released on revaluation	(70 967)	-	-	-	(70 967)
Disposals	<u>-</u>	<u>(165 971)</u>	<u>(268 659)</u>	<u>-</u>	<u>(434 630)</u>
Balance as at 31 December	<u><u>33 320</u></u>	<u><u>1 705 982</u></u>	<u><u>16 269 694</u></u>	<u><u>-</u></u>	<u><u>18 008 996</u></u>

	Land and buildings K'000	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress equipment K'000	Total K'000
At 31 December 2025	<u><u>7 630 371</u></u>	<u><u>4 344 309</u></u>	<u><u>28 937 582</u></u>	<u><u>3 450 331</u></u>	<u><u>44 362 593</u></u>
At 31 December 2024	<u><u>3 728 086</u></u>	<u><u>3 207 576</u></u>	<u><u>22 221 212</u></u>	<u><u>1 896 266</u></u>	<u><u>31 053 140</u></u>

Company

Cost or valuation 2025

	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress equipment K'000	Total K'000
Balance as at 1 January	234 730	314 120	-	548 850
Additions during the year	<u>-</u>	<u>190 892</u>	<u>-</u>	<u>190 892</u>
Balance as at 31 December	<u><u>234 730</u></u>	<u><u>505 012</u></u>	<u><u>-</u></u>	<u><u>739 742</u></u>

2024

Balance as at 1 January	45 730	264 273	-	310 003
Additions during the year	<u>189 000</u>	<u>49 847</u>	<u>-</u>	<u>238 847</u>
Balance as at 31 December	<u><u>234 730</u></u>	<u><u>314 120</u></u>	<u><u>-</u></u>	<u><u>548 850</u></u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

20. Property, plant and equipment (Continued)

20.3 Group Accumulated depreciation and impairment losses 2025

Company Accumulated depreciation and impairment losses
2025

	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress K'000	Total K'000
Balance as at 1 January	58 194	231 130	-	289 324
Charge for the year	<u>37 935</u>	<u>37 505</u>	<u>-</u>	<u>75 440</u>
Balance as at 31 December	<u><u>96 129</u></u>	<u><u>268 635</u></u>	<u><u>-</u></u>	<u><u>364 764</u></u>

2024

Balance as at 1 January	45 324	208 612	-	253 936
Charge for the year	<u>12 870</u>	<u>22 518</u>	<u>-</u>	<u>35 388</u>
Balance as at 31 December	<u><u>58 194</u></u>	<u><u>231 130</u></u>	<u><u>-</u></u>	<u><u>289 324</u></u>

	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress equipment K'000	Total K'000
Carrying amounts				
At 31 December 2025	<u><u>138601</u></u>	<u><u>236377</u></u>	<u><u>-</u></u>	<u><u>374 978</u></u>
At 31 December 2024	<u><u>176 536</u></u>	<u><u>82 990</u></u>	<u><u>-</u></u>	<u><u>259 526</u></u>

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

	2025 K'000	2024 K'000
Cost	1 456 741	1 456 741
Accumulated depreciation	<u>(37 680)</u>	<u>(33 320)</u>
	<u><u>1 419 061</u></u>	<u><u>1 423 421</u></u>

Land and buildings comprise freehold buildings and leasehold buildings whilst furniture and equipment include fixtures and fittings computer hardware and other equipment.

A register giving details of land and buildings as required by the Companies Act, 2013 Schedule 3 Section 16 is maintained at the registered offices of the respective companies and is open for inspection by members or their duly authorised agents.

Land and buildings were independently revalued on the open market value basis by an independent professional valuer Aaron H.Chalunda BSc. Land Econ; MSIM (Registered Valuation Surveyor) with Knight Frank as at 31 December 2025.

The fair value measurements of land and buildings have been categorised as level 3 fair values based on the inputs to the valuation techniques used. The fair values are based on market values, being the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller on an arm's length transaction. In the absence of current prices in active market the valuations are prepared by considering the estimated rental value of property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rent differ materially from the estimated rental values, adjustments are made to reflect actual rent. There has been no change to the valuation technique during the year. The group has assessed that the highest and best use of its property does not differ from its current use.

20. Property, plant and equipment (Continued)

20.3 Group Accumulated depreciation and impairment losses 2024 (Continued)

Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair values of land and buildings, as well as the significant unobservable inputs used. The valuation expert adopted a Market Value approach.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income Capitalisation Approach	Year's Purchase, taking into account the capitalization of rental income potential, nature of the property, and prevailing market condition, of 9% - 10%. Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, the Passing Rentals (PR) for office space and ground floor/retail space ranged from MK9 000 – MK12 000 and MK12 000 – MK15 000 per square metre ("sqm") per month respectively	A slight increase in the Year's Purchase (YP) used would result in a significant decrease in fair value, and vice versa. For instance, an increase or decrease of 1% of the YP will affect the value of the subject property by +9.09 and -7.69 respectively. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa. For instance, a 10% increase of the monthly rent will positively affect the value of the subject property if investment approach to valuation is taken.

21. Trade and other payables

	Group		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Interbank borrowings	71 593 607	107 943 975	-	-
Open market operations	61 310 822	143 275 616	-	-
Trade payables	2 848 973	3 279 668	131 750	-
Accruals	1 415 096	1 691 746	338 227	465 235
Financial Guarantee liability	24 367	54 513	24 367	54 513
Dividend payable (note 41)	24 873 365	7 316 044	7 486 941	3 014 620
Other payables	<u>74 113 406</u>	<u>42 044 247</u>	<u>3 914 000</u>	<u>2 705 057</u>
Balance 31 December	<u>236 179 636</u>	<u>305 605 809</u>	<u>11 895 285</u>	<u>6 239 425</u>

Open market operations (OMOs) constitute reverse repos with Reserve Bank of Malawi (RBM) which are instruments used by RBM to inject liquidity back into the market. The Bank invested the funds in government securities. The instruments are priced at within the range of 18% (2024: 18%) and have a tenor of 1 to 3 months.

Interbank borrowings are short term funding available from the local banks who have excess liquidity to place onto the market. This is used to cover any short-term liquidity needs of the banks. The average rate was 23.98% per annum (2024: 24.5%). Included in MK71.5 billion were currency swaps amounting to K44.7 billion. The Groups banking business entered into two currency swap contracts with Reserve Bank of Malawi. The amounts were K25.25 billion and K17.34 billion with interest rates on the local currency of 16% and 12.5% respectively. The interest rates on the US Dollar was 9.5% and 10% respectively. The maturity dates of the swaps were 28th January 2025 and 4th April 2025 respectively.

Included in other payables for the group is staff bonus accrual of K22.1 billion (2024: K12.6 billion), deferred bank loan arrangement fees of K3.0 billion (2024: K3.1 billion) and PAYE and other taxes of K11 billion (2024: K2.9 billion).

Included in other payables for the Company is a staff profit share accrual of K3.0 billion (2024: K1.8 billion). The profit share accrual has been recognized in line with the Company's Board-approved profit share policy. Included in the K3.0 billion profit share accrual is K681 million additional profit share arising from the reversal of deferred tax on listed equities. This additional profit share has been reviewed and approved by the Board in accordance with the Company's governance processes and has been Consolidated in the group staff bonus accrual of K22.1 billion as noted above.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

22. Client funds payable

	Group	
	2025	2024
	K'000	K'000
Client funds payable	<u>493 508 661</u>	<u>236 895 299</u>
	<u>493 508 661</u>	<u>236 895 299</u>

Client funds payable are third party funds invested in NICO Asset Managers. The fund attracted interest at an average rate of 25.4% (2024: 25.15%) per annum. The related receivable balances are included in note 9.2 to the financial statements.

23. Deposits and customer accounts

	Group	
	2025	2024
	K'000	K'000
Repayable on demand	587 648 101	482 885 741
Repayable within three months or less	<u>403 391 666</u>	<u>162 585 171</u>
Balance at 31 December	<u>991 039 767</u>	<u>645 470 912</u>

Deposits from customers, on savings investment and term deposit accounts carried an interest rate ranging from 2% to 25% (2024: 2% to 26%) per annum. Current accounts earned interest of 0.1% per annum on balances above K5 000 000 for the year ended 31 December 2025 (2024: 0.1%). The foreign currency denominated accounts attract an average interest rate of 0.5% (2024: 0.5%) per annum. Customer deposits denominated in foreign currency amounted to K83.9 billion (2024: K73.36 billion) as detailed in note 42.6.1.

24. Interest bearing loans and borrowings

	Group		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
FDH Bank Plc	11 553 491	-	11 553 491	-
Continental Asset Management Limited	-	458 333	-	458 333
NBM Capital Markets Limited	6 168 164	6 168 164	-	-
FINESS RBM Loan	3 208 647	3 624 250	-	-
IFAD	8 692 410	8 694 459	-	-
OIKO Credit	6 980 079	4 377 631	-	-
Accrued interest-NICO Life Loan	168 329	147 945	-	-
SanlamAllianz	2 514 453	-	2 514 453	-
EDFI	<u>8791982</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>48 077 555</u>	<u>23 470 782</u>	<u>14 067 944</u>	<u>458 333</u>
24.1 Analysed as follows:				
Balance at 1 January	23 470 782	9 927 484	458 333	1 357 746
Additions during the year	28 710 844	20 512 500	13 302 031	-
Interest charge	8 945 092	1 828 872	820 701	325 916
Interest paid	(3 729 830)	(1 680 929)	(54 788)	(325 917)
Loan repaid	<u>(9 319 333)</u>	<u>(7 117 145)</u>	<u>(458 333)</u>	<u>(899 412)</u>
Balance as at 31 December	<u>48 077 555</u>	<u>23 470 782</u>	<u>14 067 944</u>	<u>458 333</u>
Terms and debt repayment schedule				
Due within 1 year	-	458 333	-	458 333
Due between 2 and 5 years	<u>48 077 555</u>	<u>23 012 449</u>	<u>14 067 944</u>	<u>-</u>
Balance as at 31 December	<u>48 077 555</u>	<u>23 470 782</u>	<u>14 067 944</u>	<u>458 333</u>

24. Interest bearing loans and borrowings (Continued)

Included in the loans of K48.0 billion (2024: K23.3 billion) are the following loans:-

(i) **Continental Asset Management (CAM) loan**

In June 2019 NICO Holdings Plc. issued a 3- year floating rate bond to Continental Asset Management of K2.75 billion whose proceeds were used to repay foreign currency denominated loan in order to reduce its foreign currency exposure. Effective 1 July 2022 the bond was rolled over into a Floating Rate Amortizing Facility for the principal amount of K2.75 billion for purposes of cashflow management. The loan is secured by a floating charge over all assets of NICO Holdings Plc.

Interest and principal are payable quarterly in arrears and commenced on 30 September 2022. The interest rate for the notes offered on a Floating Rate basis to be repriced quarterly with interest being the published average yield for 91 day Treasury Bills in the auction immediately preceding the repricing date plus 350 basis points. NICO Holdings Plc. has the option of early repayment of the outstanding principal and accrued interest with no less than 60 days notice to Continental Asset Management, with no penalty for early repayment.

(ii) **The NBM Capital Markets Limited loan**

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

(iii) **FINESS RBM Loan**

The FINESS RBM loan is a subsidiary agreement entered with RBM in 2021 to finance SMEs. An additional Addendum of K2.8 billion was entered into in May 2023. The loan is priced at 3% and the Bank disburses the loans at a maximum of 9%. The loan facility is not secured.

(iv) **IFAD US Dollar loan**

The IFAD US Dollar loan of 10 years was raised in April (\$2 million) and \$3 million in November 2024 to support the Bank's plans to grow the agribusiness portfolio. The loan is priced at 4.28%. The capital element of the loans is payable at the end of the tenor of the loan on 6 January 2034 while interest is payable quarterly. The amount had been disbursed as at 31 December 2024 and all the loan to the borrower was in US dollars and it is also repayable in US dollars. The loan facility is not secured.

(v) **OIKO US Dollar loan**

The OIKO US Dollar loan of 5 years was raised in December 2024 to support the Bank's plans to grow the agribusiness portfolio. The loan is priced at 5 Year USD SOFR plus 300 basis points. The capital element of the loans is payable at the end of the tenor of the loan on 6th June 2029 while interest is payable quarterly. The amount had been disbursed as at 31 December 2024 and all the loan to the borrower was in US dollars, repayable in US dollars. The loan facility is not secured.

(vi) **EDFI US Dollar loan**

The 5-year EDFI loan of US\$5 million was obtained in March 2025 to support the Bank's lending to exporting clients. The loan is priced at 180 SOFR plus a margin of 300 basis points. The loan facility is not secured.

(vii) **FDH Bank loan**

FDH Bank Medium Term Loan: MK4.7 billion

In September 2025, NICO Holdings Plc obtained a medium-term loan facility of MK4.7 billion to support portfolio investment activities. The facility bears interest at a variable rate comprising the 364-day Treasury Bill yield plus a margin of 5%, with pricing subject to semi-annual review in line with movements in the benchmark rate. The loan has a tenure of five years (60 months), with interest payable semi-annually and the principal repayable in full at maturity. The facility is unsecured.

FDH Bank Medium Term Loan: MK6.1 billion

In October 2025, NICO Holdings Plc secured a MK6.1 billion medium-term loan to finance its position in the Banking sector of the Group. The facility is priced at a margin of 4.0% above floating base lending rate. At inception, the effective interest rate was 29.4% per annum. The interest rate is subject to semi-annual review based on movements in the underlying benchmark rate. The loan has a tenure of three years (36 months), with interest payable semi-annually and the principal repayable in full at maturity. The facility is secured by a pledge over the Banking sector shares with a value equivalent to 200% of the loan amount. The agreement includes standard margining provisions, requiring additional security should the collateral value fall below specified thresholds. Upon full settlement of the facility, all pledged securities are released to the Group.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

24. **Interest bearing loans and borrowings** (Continued)

(viii) **Sanlam Allianz Loan**

Sanlam Allianz loan for Purchase of 49% shareholding in Zambia ZMW 28 million

NICO Holdings Plc acquired a 49% shareholding in NICO Insurance Zambia Limited from SanlamAllianz. The amount was paid by Sanlam, with a loan account raised by NICO Holdings Plc to Sanlam. Sanlam Allianz is the ultimate holding company of Botswana Insurance Holdings Limited (BIHL), which holds a joint venture interest in NICO Holdings Limited.

The purchase consideration of equivalent to ZMW28 million is payable on or before 31 December 2026. The loan became effective on 22 December 2025 and accrues interest at the Bank of Zambia Monetary Policy Rate plus 300 basis points.

The facility is secured by a pledge over 29,972,637 shares held by the Group in SanlamAllianz (Uganda) Limited, representing a 6.64% shareholding.

Sanlam Allianz Filing Fee Loan – USD200,000

SanlamAllianz settled COMESA Competition Commission filing fees of USD200,000 on behalf of NICO Holdings Plc in relation to the acquisition of the 49% shareholding in NICO Insurance Zambia Limited as mentioned above.

The loan is repayable on or before 30 June 2026 and accrues interest at the Secured Overnight Financing Rate (SOFR) from 8 October 2025 until the date of repayment.

The facility shares the same security as the above Loan, being a pledge over shares held in SanlamAllianz (Uganda) Limited.

	Group		Company	
	<u>2025</u> K'000	<u>2024</u> K'000	<u>2025</u> K'000	<u>2024</u> K'000
25. Capital and reserves				
25.1 Share capital				
<u>Authorized:</u>				
Number of authorized share capital (000)	1 300 000	1 300 000	1300 000	1 300 000
Nominal value (K)	0.05	0.05	0.05	0.05
Authorized share capital (K'000)	<u>65 000</u>	<u>65 000</u>	<u>65 000</u>	<u>65 000</u>
<u>Issued and fully paid:</u>				
Number of issued and fully paid share capital (000)	1 043 041	1 043 041	1 043 041	1 043 041
Nominal value (K)	0.05	0.05	0.05	0.05
Issued share capital (K'000)	<u>52 152</u>	<u>52 152</u>	<u>52 152</u>	<u>52 152</u>
25.2 Share premium	<u>428 859</u>	<u>428 859</u>	<u>428 859</u>	<u>428 859</u>
Share premium arose on issue of 1 043 041 096 ordinary shares above nominal value of K0.05.				
	Group		Company	
	<u>2025</u> K'000	<u>2024</u> K'000	<u>2025</u> K'000	<u>2024</u> K'000
25.3 Revaluation reserve				
Balance at 31 December	<u>1 834 972</u>	<u>914 719</u>	<u>249 775</u>	<u>-</u>
The revaluation reserve relates to property and comprises the cumulative increase in the fair value at the reporting date.				
	Group		Company	
	<u>2025</u> K'000	<u>2024</u> K'000	<u>2025</u> K'000	<u>2024</u> K'000
25.4 Other reserves		Restated		Restated
(i) General reserve	545 519	545 519	-	-
(ii) Fair value reserve	18 285 236	6 910 164	3 958 449	2 286 449
(iii) Translation reserve	1 659 013	1 321 875	1 654 287	1 654 287
(iv) Loan loss reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other reserves	<u>20 489 768</u>	<u>8 777 558</u>	<u>5 612 736</u>	<u>3 940 736</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

25. Capital and reserves (Continued)

General reserve represents transfers from retained earnings, required by statute and other regulators as well as premium on sale of shares in a subsidiary and other reserve arising out of business combination or other transaction with owners of the business and other reserves arising out of business combination.

Fair value reserve represents fair value adjustment on financial assets through other comprehensive income. Translation reserve represents retranslation difference arising on retranslation of foreign investments at the reporting date.

Loan loss reserve represents an appropriation from retained earnings as additional provision above those requires by the IFRS Accounting Standards, to meet the requirements of the Reserve Bank of Malawi.

26. Non-controlling interest

26.1 Details of subsidiaries of the Group where there is a material non-controlling interest are disclosed below:

Name of subsidiary	Principal place of business	Proportion of NCI ownership interests in the Group		Profit/(loss) allocated to non controlling interests	
		2025 %	2024 %	2025	2024
NICO Insurance Zambia Company Limited	Zambia	100	49	-	352 392
NICO Life Insurance Limited	Malawi	49	49	76 228 079	22 018 762
NICO General Insurance Company Limited	Malawi	49	49	3 473 606	2 853 560
NBS Bank Plc.	Malawi	49	49.9	73 706 636	36 422 486
NICO Pension Services Company Limited	Malawi	49	49	<u>2 266 345</u>	<u>736 843</u>
TOTAL				<u>155 674 666</u>	<u>62 384 043</u>

Non-controlling interest represents the shares held by, and accumulated reserves allocated to non controlling shareholders specifically in the equity of NBS Bank Plc., NICO Life Insurance Company Limited, NICO Pension Services Company Limited, NICO General Insurance Company Limited and for prior years, NICO Insurance (Zambia) Limited.

The composition of non-controlling interest is as follows:

	Group	
	2025	2024
NBS Bank Plc.	107 082 452	55 935 381
NICO General Insurance Company Limited	19 816 954	9 247 028
NICO Insurance (Zambia) Limited	-	1 327 961
NICO Life Insurance Company Limited	116 372 853	52 575 997
NICO Pension Services Company Limited	<u>2 425 011</u>	<u>1 775 666</u>
Total	<u>245 697 270</u>	<u>120 862 033</u>

The movement is analyzed as follows:

Balance as at 1 January	120 862 033	69 431 216
Profit for the year	155 674 666	62 384 043
Revaluation of land and buildings	406 775	132 426
Fair value on financial assets	9 322 561	1 997 807
Translation difference on foreign subsidiaries	-	(144 774)
Dividends paid	(36 896 033)	(12 938 685)
Issue of shares in subsidiaries	(1 335 680)	-
Purchase of shares in subsidiaries	<u>(2 337 052)</u>	<u>-</u>
Balance as at 31 December	<u>245 697 270</u>	<u>120 862 033</u>

NCI in subsidiaries

The following table summarizes the information relating to the Company's subsidiaries that have material non-controlling interest (NCI) before any intra-Group eliminations.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

26. Non-Controlling interest (Continued)

2025

	NICO General Insurance Company Limited	NICO Life Insurance Company Limited	NICO Pension Services Company Limited	NBS Bank Plc	NICO Insurance Zambia Limited	Total
Location	Malawi	Malawi	Malawi	Malawi	Zambia	
Non-current assets	47 996 447	1 825 944 159	1 240 517	1 296 404 863	-	3 171 585 986
Current Assets	50 593 215	187 404 782	9 701 721	244 843 002	-	492 542 720
Non current Liabilities	(10 232 178)	(1 765 362 476)	109 403	(1 107 435 264)	-	(2 882 920 515)
Current Liabilities	<u>(47 914 719)</u>	<u>(10 490 850)</u>	<u>(6 102 639)</u>	<u>(212 550 713)</u>	<u>-</u>	<u>(277 058 921)</u>
Net Assets	<u>40 442 765</u>	<u>237 495 615</u>	<u>4 949 002</u>	<u>221 261 888</u>	<u>-</u>	<u>504 149 270</u>
Carrying amount of NCI	19 816 955	116 372 852	2 425 011	107 082 452	-	245 697 270
Revenue	55 980 647	185 572 241	14 247 730	528 943 241	-	784 743 859
Profit/(loss)	7 088 991	155 567 510	4 625 193	150 421 706	-	317 703 400
Other comprehensive income	<u>19 532 287</u>	<u>830 154</u>	<u>-</u>	<u>(506 654)</u>	<u>-</u>	<u>19 855 787</u>
Total comprehensive income	<u>26 621 278</u>	<u>156 397 664</u>	<u>4 625 193</u>	<u>149 915 052</u>	<u>-</u>	<u>337 559 187</u>
2025						
Profit/(loss) allocated to NCI	3 473 606	76 228 080	2 266 345	73 706 635	-	155 674 666
Total comprehensive income allocated to NCI	13 044 426	76 634 855	2 266 345	73 458 376	-	165 404 002
Cashflows from/(utilized in) operating activities	18 560 897	(34 980 000)	8 405 726	23 286 979	-	15 273 602
Cashflows from/(utilised in) investing activities	171 619	88 841 000	743 886	(18 148 225)	-	71 608 280
Cashflow utilised in financing activities before div to NCI	(1 366 205)	(8 282 720)	(1 723 426)	(12 014 582)	-	(23 386 933)
Cashflow used in financing activities – cash dividends to NCI	<u>(1 074 570)</u>	<u>(7 826 280)</u>	<u>(1 617 000)</u>	<u>(19 966 533)</u>	<u>-</u>	<u>(30 484 383)</u>
Net (decrease)/increase in cash and cash equivalents	<u>16 291 741</u>	<u>37 752 000</u>	<u>5 809 186</u>	<u>(26 842 361)</u>	<u>-</u>	<u>33 010 566</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

26. Non-Controlling interest (Continued)

2024

	NICO General Insurance Company Limited	NICO Life Insurance Company Limited	NICO Pension Services Company Limited	NBS Bank Plc	NICO Insurance Zambia Limited	Total
Location	Malawi	Malawi	Malawi	Malawi	Zambia	
Non-current assets	24 376 731	807 563 192	1 345 252	870 083 425	8 863 137	1 712 231 737
Current Assets	43 854 196	151 944 295	5 397 920	322 760 950	10 482 857	534 440 218
Non current Liabilities	(174 667)	(7 051 934)	(87 215)	(782 994 771)	347 054	(789 961 533)
Current Liabilities	<u>(49 184 775)</u>	<u>(845 157 599)</u>	<u>(3 032 148)</u>	<u>(297 754 652)</u>	<u>(16 982 923)</u>	<u>(1 212 112 097)</u>
Net Assets	<u>18 871 485</u>	<u>107 297 954</u>	<u>3 623 809</u>	<u>112 094 952</u>	<u>2 710 125</u>	<u>244 598 325</u>
Carrying amount of NCI	9 247 028	52 575 997	1 775 666	55 935 381	1 327 961	120 862 033
Revenue	45 508 036	74 181 693	7 293 514	284 869 605	38 846 618	450 699 466
Profit/(loss)	5 823 592	44 936 248	1 503 761	72 990 953	719 167	125 973 721
Other comprehensive income	<u>4 111 563</u>	<u>346 846</u>	<u>-</u>	<u>(33 786)</u>	<u>(76 590)</u>	<u>4 348 033</u>
Total comprehensive income	<u>9 935 155</u>	<u>45 283 094</u>	<u>1 503 761</u>	<u>72 957 167</u>	<u>642 577</u>	<u>130 321 754</u>
2024						
Profit/(loss) allocated to NCI	2 853 560	22 018 762	736 843	36 422 486	352 392	62 384 043
Total comprehensive income allocated to NCI	4 868 226	22 188 716	736 843	36 405 626	314 863	64 514 274
Cashflows from/(utilized in) operating activities	4 384 787	21 217 043	1 167 990	54 611 374	1 024 534	82 405 728
Cashflows from/(utilised in) investing activities	(4 163 096)	43 636 405	206 445	(22 103 121)	(950 752)	16 625 881
Cashflow utilised in financing activities before div to NCI	(1 305 903)	(5 930 503)	(591 193)	28 929 607	(419 443)	20 682 565
Cashflow used in financing activities – cash dividends to NCI	<u>(1 053 647)</u>	<u>(5 624 164)</u>	<u>(499 800)</u>	<u>(5 431 885)</u>	<u>-</u>	<u>(12 609 496)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(2 137 859)</u>	<u>53 298 781</u>	<u>283 442</u>	<u>56 005 975</u>	<u>(345 661)</u>	<u>107 104 678</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

27. Summary of Insurance and Reinsurance Balances

27.1 Summary of Insurance and Reinsurance Balances asset and Liabilities per Measurement Basis

2025	Variable Fee Approach K'000	General Measurement Model K'000	Premium Allocation Approach K'000	Total K'000
Insurance contract liabilities	1 734 171 681	13 170 000	65 357 040	1 812 698 721
Reinsurance contract assets	-	-	(37 234 468)	(37 234 468)
Reinsurance contract liabilities	<u>-</u>	<u>-</u>	<u>98 171</u>	<u>98 171</u>
2024	Variable Fee Approach K'000	General Measurement Model K'000	Premium Allocation Approach K'000	Total K'000
Insurance contract liabilities	826 877 000	8 223 357	66 600 656	901 701 013
Reinsurance contract assets	-	-	(38 582 722)	(38 582 722)
Reinsurance contract liabilities	<u>-</u>	<u>-</u>	<u>49 358</u>	<u>49 358</u>

The published valuation of insurance and investment contracts with discretionary participating features was performed as at 31 December 2025 and certified by the Appointed Actuary (Edwin Splinter from Independent Actuaries & Consultants (Pty) Ltd). The valuation was performed in accordance with the Statement of Actuarial Practice (SAP 104) issued by the Actuarial Society of South Africa (ASSA) and with International Financial Reporting Standards (IFRS). Insurance contracts and financial instruments with discretionary participation features (smoothed bonus business) have continued to be valued using the Financial Soundness Valuation (FSV) method.

27.2 Group Insurance/Reinsurance Product balances under the Premium Allocation Approach (PAA) full retrospective approach

2025	Fire	Motor	Accident and bond	Marine and engineering	Corporate business	Total	Current portion	Non-current portion	Total
Insurance contract liabilities	19 228 663	18 375 829	18 622 427	8 154 121	976 000	65 357 040	65 357 040	-	65 357 040
Reinsurance contract assets	(19 544 982)	(297 490)	(9 423 622)	(7 968 374)	-	(37 234 468)	(37 234 468)	-	(37 234 468)
Reinsurance contract liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98 171</u>	<u>98 171</u>	<u>-</u>	<u>98 171</u>	<u>98 171</u>
2024	Fire	Motor	Accident and bond	Marine and engineering	Corporate business	Total	Current portion	Non-current portion	Total
Insurance contract liabilities	32 198 791	14 588 509	14 059 629	1 818 851	3 934 876	66 600 656	66 587 881	12 775	66 600 656
Reinsurance contract assets	31 144 038	221 450	6 117 983	1 099 251	-	38 582 722	38 570 135	12 587	38 582 722
Reinsurance contract liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49 358</u>	<u>49 358</u>	<u>49 358</u>	<u>-</u>	<u>49 358</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

28. Summary of insurance service result

28.1

	Variable fee approach	General measurement model	Premium allocation approach	Total
2025				
Insurance revenue from contracts not measured under PAA	63 160 995	526 595	-	63 687 590
Insurance revenue from contracts measured under PAA	<u>-</u>	<u>-</u>	<u>113 444 826</u>	<u>113 444 826</u>
Total insurance revenue	<u>63 160 995</u>	<u>526 595</u>	<u>113 444 826</u>	<u>177 132 416</u>
Total insurance service expenses	<u>-</u>	<u>(1 740 862)</u>	<u>(50 798 298)</u>	<u>(52 539 160)</u>
Insurance service result excluding re-insurance	<u>63 160 995</u>	<u>(1 214 267)</u>	<u>62 646 528</u>	<u>124 593 256</u>
Net income/(expenses) from reinsurance contracts held	<u>-</u>	<u>-</u>	<u>(48 869 781)</u>	<u>(48 869 781)</u>
Total insurance service result	<u><u>63 160 995</u></u>	<u><u>(1 214 267)</u></u>	<u><u>13 776 747</u></u>	<u><u>75 723 475</u></u>

28.2

2024 Restated

	Variable fee approach	General measurement model	Premium allocation approach	Total
Insurance revenue from contracts not measured under PAA	32 407 740	15 773 628	-	48 181 368
Insurance revenue from contracts measured under PAA	<u>-</u>	<u>-</u>	<u>97 692 224</u>	<u>97 692 224</u>
Total insurance revenue	<u>32 407 740</u>	<u>15 773 628</u>	<u>97 692 224</u>	<u>145 873 592</u>
Total insurance service expenses	<u>-</u>	<u>-</u>	<u>(53 297 584)</u>	<u>(53 297 584)</u>
Insurance service result excluding re-insurance	<u>32 407 740</u>	<u>15 773 628</u>	<u>44 394 640</u>	<u>92 576 008</u>
Net income/(expenses) from reinsurance contracts held	<u>-</u>	<u>-</u>	<u>(28 386 946)</u>	<u>(28 386 946)</u>
Total insurance service result	<u><u>32 407 740</u></u>	<u><u>15 773 628</u></u>	<u><u>16 007 694</u></u>	<u><u>64 189 062</u></u>

28. Summary of insurance service result (Continued)

Insurance revenue and expenses by product under the Premium Allocation Approach

2025

	Fire insurance	Motor insurance	Accident and bond insurance	Marine and engineering insurance	Corporate business	Total
Insurance revenue from contracts measured under PAA	<u>41 211 636</u>	<u>30 479 226</u>	<u>14 271 779</u>	<u>8 235 831</u>	<u>19 246 354</u>	<u>113 444 826</u>
Total insurance revenue	<u>41 211 636</u>	<u>30 479 226</u>	<u>14 271 779</u>	<u>8 235 831</u>	<u>19 246 354</u>	<u>113 444 826</u>
Insurance service expenses						
Incurred claims and other directly attributable expenses	*4 690 817	(19 404 984)	(6 201 325)	(7 084 912)	(17 516 441)	(45 516 845)
Losses on onerous contracts and reversal of those losses						
Changes that relate to past service – changes in the FCF relating to the LIC	25 381	40 147	10 697	8 277	-	84 502
Amortisation of insurance acquisition cash flows	<u>(2 706 623)</u>	<u>(1 424 927)</u>	<u>(1 051 605)</u>	<u>(182 800)</u>	<u>-</u>	<u>(5 365 955)</u>
Total insurance service expenses	<u>2 009 575</u>	<u>(20 789 764)</u>	<u>(7 242 233)</u>	<u>(7 259 435)</u>	<u>(17 516 441)</u>	<u>(50 798 298)</u>
Net income (expenses) from reinsurance contracts held						
Reinsurance expenses – contracts measured under the PAA	(31 559 112)	(1 313 748)	(6 117 640)	(4 514 493)	(1 555 889)	(45 060 882)
Incurred claims recovery/(amortization)	*(10 050 171)	433 766	79 301	5 443 333	-	(4 093 771)
Recoveries of losses on onerous group of underlying contracts and reversal of such losses	-	-	-	-	-	-
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	<u>158 738</u>	<u>29 983</u>	<u>32 906</u>	<u>63 245</u>	<u>-</u>	<u>284 872</u>
Total net expenses from reinsurance contracts held	<u>(41 450 545)</u>	<u>(849 999)</u>	<u>(6 005 433)</u>	<u>992 085</u>	<u>(1 555 889)</u>	<u>(48 869 781)</u>
Total insurance service result after reinsurance	<u>1 770 666</u>	<u>8 839 463</u>	<u>1 024 113</u>	<u>1 968 481</u>	<u>174 024</u>	<u>13 776 747</u>

* The net credit expense under fire class was due to a release of excess reserves on settlement relating to past reserves after settlement of a major fire claim at amounts lower than previously estimated and the claim was heavily reinsured. Also note that the Incurred claims expenses include claims for current and past service.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

28. Summary of insurance service result (Continued)**Insurance revenue and expenses by product under the Premium Allocation Approach****2024**

	Fire insurance	Motor insurance	Accident and bond insurance	Marine and engineering insurance	Corporate business	Total
Insurance revenue from contracts measured under PAA	<u>37 002 514</u>	<u>24 261 437</u>	<u>12 976 440</u>	<u>4 269 082</u>	<u>19 182 751</u>	<u>97 692 224</u>
Total insurance revenue	<u>37 002 514</u>	<u>24 261 437</u>	<u>12 976 440</u>	<u>4 269 082</u>	<u>19 182 751</u>	<u>97 692 224</u>
Insurance service expenses						
Incurred claims and other directly attributable expenses	69 243 129	(38 024 106)	(66 303 628)	(1 981 310)	(7 799 683)	(44 865 598)
Losses on onerous contracts and reversal of those losses	152 824	-	-	-	-	152 824
Changes that relate to past service – changes in the FCF relating to the LIC	333 490	448 442	24 522	8 648	-	815 102
Insurance acquisition cash flows amortisation	<u>(2 050 428)</u>	<u>(1 304 548)</u>	<u>(581 286)</u>	<u>(320 650)</u>	<u>(5 143 000)</u>	<u>(9 399 912)</u>
Total insurance service expenses	<u>67 679 015</u>	<u>(38 880 212)</u>	<u>(66 860 392)</u>	<u>(2 293 312)</u>	<u>(12 942 683)</u>	<u>(53 297 584)</u>
Net income (expenses) from reinsurance contracts held						
Reinsurance expenses – contracts measured under the PAA	(36 465 672)	(822 643)	(5 533 114)	(2 099 071)	(1 066 637)	(45 987 137)
Other incurred directly attributable expenses	6 542 718	228 594	8 008 465	380 819	371 000	15 531 596
Incurred claims recovery/(amortisation)	2 887 083	(253 723)	8 843	(30 119)	-	2 612 084
Recoveries of losses on onerous group of underlying contracts and reversal of such losses	(600 707)	52 791	(1 840)	6 267	-	(543 489)
Changes that relate to past service – changes the FCF relating to incurred claims recovery	-	-	-	-	-	-
Total net expenses from reinsurance contracts held	<u>(27 636 578)</u>	<u>(794 981)</u>	<u>2 482 354</u>	<u>(1 742 104)</u>	<u>(695 637)</u>	<u>(28 386 946)</u>
Total insurance service result	<u>77 044 951</u>	<u>(15 413 756)</u>	<u>(51 401 598)</u>	<u>233 666</u>	<u>5 544 431</u>	<u>16 007 694</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

28. Summary of insurance service result (Continued)**Insurance revenue and expenses by product under the VFA and GMM approaches**

	VFA	GMM	Total	VFA	GMM	Total
	2025	2025	2025	2024	2024	2024
	K'000	K'000	K'000	K'000	K'000	K'000
Insurance revenue				*Restated		
Contracts not measured under PAA						
Amounts relating to the changes in the LRC						
Release of risk adjustment for expired	258 000	104 597	362 597	-	38 000	38 000
Expected incurred claims and other directly attributable expenses	-	2 215 000	2 215 000	-	1 427 000	1 427 000
Insurance acquisition cash flows recovery	-	4 998	4 998	-	7 000	7 000
Allocation of loss component	-	(1 164 000)	(1 164 000)	-	-	-
Expected acquisition costs						
CSM recognised for the services provided	54 809 918	-	54 809 918	19 694 000	-	19 694 000
Experience adjustments - arising from premiums received in the period other than those that relate to future periods	-	(634 000)	(634 000)	-	14 301 628	14 301 628
Amount relating to changes in liabilities for the remaining coverage	<u>8 093 077</u>	<u>-</u>	<u>8 093 077</u>	<u>12 713 740</u>	<u>-</u>	<u>12 713 740</u>
Total insurance revenue	<u>63 160 995</u>	<u>526 595</u>	<u>63 687 590</u>	<u>32 407 740</u>	<u>15 773 628</u>	<u>48 181 368</u>
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	(885 000)	(885 000)	-	-	-
Initial losses and movement in loss component	-	(2 020 000)	(2 020 000)	-	-	-
Allocation of loss component	-	1 164 138	1 164 138	-	-	-
Total insurance service expenses	<u>-</u>	<u>(1 740 862)</u>	<u>(1 740 862)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total service result	<u>63 160 995</u>	<u>(1 214 267)</u>	<u>61 946 728</u>	<u>32 407 740</u>	<u>15 773 628</u>	<u>48 181 368</u>

* Refer to note 1.2 for restatement on policyholder taxes.

29. Reconciliation of the liability for remaining coverage and the liability for incurred claims Insurance contract held**29.1 - Premium allocation approach**

2025

	LRC Excluding loss component	LRC Loss component	LIC	Total
Insurance contract liabilities as at 1 January	15 000 016	180 767	51 419 873	66 600 656
Effects of exchange rates	(3 410 361)	159 721	3 837 485	586 845
Insurance revenue				
Contracts under the full retrospective approach	<u>(113 444 826)</u>	<u>-</u>	<u>-</u>	<u>(113 444 826)</u>
	<u>(113 444 826)</u>	<u>-</u>	<u>-</u>	<u>(113 444 826)</u>
Insurance service expenses				
Incurred claims and other direct attributable expenses	18 380 460	-	20 717 883	39 098 343
Amortisation insurance acquisition cash flows	<u>11 699 955</u>	<u>-</u>	<u>-</u>	<u>11 699 955</u>
Insurance service expenses	<u>30 080 415</u>	<u>-</u>	<u>20 717 883</u>	<u>50 798 298</u>
Insurance service result excluding reinsurance	<u>(83 364 411)</u>	<u>-</u>	<u>20 717 883</u>	<u>(62 646 528)</u>
Insurance finance income or expenses	<u>(1 340 000)</u>	<u>-</u>	<u>6 158 392</u>	<u>4 818 392</u>
Recognised in profit or loss	<u>(84 704 411)</u>	<u>-</u>	<u>26 876 275</u>	<u>(57 828 136)</u>
Cashflows				
Premium received	128 954 264	-	-	128 954 264
Claims and other directly attributable expenses paid	(8 169 844)	-	(40 272 291)	(48 442 135)
Insurance acquisition cashflows	<u>(24 514 454)</u>	<u>-</u>	<u>-</u>	<u>(24 514 454)</u>
Net cashflows	<u>96 269 966</u>	<u>-</u>	<u>(40 272 291)</u>	<u>55 997 675</u>
Insurance contract liabilities as at 31 December	<u>23 155 210</u>	<u>340 488</u>	<u>41 861 342</u>	<u>65 357 040</u>

29. Reconciliation of the liability for remaining coverage and the liability for incurred claims Insurance contract held (Continued)**29.1 - Premium allocation approach**

2024

	LRC Excluding loss component	LRC Loss component	LIC	Total
Insurance contract liabilities as at 1 January	8 636 234	364 220	54 389 806	63 390 260
Effects of exchange rates	1 300 643	(30 629)	(999 077)	270 937
Insurance revenue				
Contracts under the full retrospective approach	<u>(97 692 224)</u>	<u>-</u>	<u>-</u>	<u>(97 692 224)</u>
	<u>(97 692 224)</u>	<u>-</u>	<u>-</u>	<u>(97 692 224)</u>
Insurance service expenses				
Incurred claims and other direct attributable expenses	12 778 286	-	31 272 709	44 050 995
Other insurance service expenses	-	(152 824)	-	(152 824)
Losses on onerous contracts and reversal of those losses	-	-	-	-
Amortisation insurance acquisition cash flows	<u>9 399 414</u>	<u>-</u>	<u>-</u>	<u>9 399 414</u>
Insurance service expenses	<u>22 177 700</u>	<u>(152 824)</u>	<u>31 272 709</u>	<u>53 297 585</u>
Insurance service result excluding reinsurance	<u>(75 514 524)</u>	<u>(152 824)</u>	<u>31 272 709</u>	<u>(44 394 639)</u>
Insurance finance income or expenses	<u>(1 305 894)</u>	<u>-</u>	<u>5 486 827</u>	<u>4 180 933</u>
Recognised in profit or loss	<u>(76 820 418)</u>	<u>(152 824)</u>	<u>36 759 536</u>	<u>(40 213 706)</u>
Cashflows				
Premium received	103 143 203	-	-	103 143 203
Claims and other directly attributable expenses paid	(6 431 895)	-	(38 730 392)	(45 162 287)
Insurance acquisition cashflows	<u>(14 827 751)</u>	<u>-</u>	<u>-</u>	<u>(14 827 751)</u>
Net cashflows	<u>81 883 557</u>	<u>-</u>	<u>(38 730 392)</u>	<u>43 153 165</u>
Insurance contract liabilities as at 31 December	<u>15 000 016</u>	<u>180 767</u>	<u>51 419 873</u>	<u>66 600 656</u>

30. Reconciliation of the liability measured under Variable Fee Approach**Reconciliation of net carrying amount: Life insurance - Risk business - Variable fee approach**

30.1

2025

	Best estimate of future cash flows	Risk adjustment	Contractual service margins	Liability for Incurred Claims	Total
Opening balance	794 374 447	909 687	31 082 312	-	826 366 446
Non-onerous contracts recognised during the period	(3 396 224)	96 946	3 299 278	-	-
Release of risk adjustment for risk expired	-	(257 824)	-	-	(257 824)
Recognition of contractual service margin	-	-	(62 903 171)	-	(62 903 171)
Insurance revenue	<u>(3 396 224)</u>	<u>(257 824)</u>	<u>(62 903 171)</u>	<u>-</u>	<u>(63 160 995)</u>
Insurance service expenses	-	-	-	-	-
Insurance service result	<u>(3 396 224)</u>	<u>(257 824)</u>	<u>(62 903 171)</u>	<u>-</u>	<u>(63 160 995)</u>
Changes in estimates recognised in contractual service margin	(131 723 000)	729 000	130 994 000	-	-
Net Gains and losses from investment excluding recognition of assumption changes in contract services margin at locked-in interest rates	1 077 863 000	-	-	-	1 077 863 000
Tax	-	-	-	-	-
Total investment result	<u>1 077 863 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 077 863 000</u>
Cash flows					
Premiums received during the period	97 455 360	-	-	-	97 455 360
Incurred claims - investment components	(217 653 000)	-	-	217 653 000	-
Insurance acquisition cash flows	(2 871 130)	-	-	-	(2 871 130)
Other insurance service expenses	-	-	-	-	-
Claims paid	-	-	-	(201 481 000)	(201 481 000)
Total cashflows	<u>(123 068 770)</u>	<u>-</u>	<u>-</u>	<u>16 172 000</u>	<u>(106 896 770)</u>
Closing balance	<u>1 614 049 453</u>	<u>1 477 809</u>	<u>102 472 419</u>	<u>16 172 000</u>	<u>1 734 171 681</u>

30. Reconciliation of the liability measured under Variable Fee Approach (Continued)**Reconciliation of net carrying amount: Life insurance - Risk business - Variable fee approach**

30.1

2024 Restated

	Best estimate of future cash flows	Risk adjustment	Contractual service margins	Total
Opening balance	559 128 000	550 000	18 170 000	577 848 000
Non-onerous contracts recognised during the period	(1 456 132)	71 960	1 384 172	-
Release of risk adjustment for risk expired	-	(533 000)	-	(533 000)
Recognition of contractual service margin	<u>-</u>	<u>-</u>	<u>(31 874 740)</u>	<u>(31 874 740)</u>
Insurance revenue	<u>(1 456 132)</u>	<u>(533 000)</u>	<u>(31 874 740)</u>	<u>(32 407 740)</u>
Insurance service expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Insurance service result	<u>(1 456 132)</u>	<u>(533 000)</u>	<u>(31 874 740)</u>	<u>(32 407 740)</u>
Changes in estimates recognised in contractual service margin	(44 224 000)	820 000	43 404 000	-
Changes in the fair value of underlying items	268 936 000	-	-	268 936 000
Tax	<u>(12 512 000)</u>	<u>-</u>	<u>-</u>	<u>(12 512 000)</u>
Total investment result	<u>256 424 000</u>	<u>-</u>	<u>-</u>	<u>256 424 000</u>
Cash flows				
Premiums received during the period	78 297 000	-	-	78 297 000
Incurred claims - investment components	(44 447 000)	-	-	(44 447 000)
Insurance acquisition cash flows	(1 776 814)	-	-	(1 776 814)
Other insurance service expenses	<u>(7 571 000)</u>	<u>-</u>	<u>-</u>	<u>(7 571 000)</u>
Total cashflows	<u>24 502 186</u>	<u>-</u>	<u>-</u>	<u>24 502 186</u>
Closing balance	<u>794 374 054</u>	<u>908 960</u>	<u>31 083 432</u>	<u>826 366 446</u>

30. Reconciliation of the liability measured under Premium Allocation Approach (Continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims Insurance contract held: Premium Allocation Approach (Continued)

30.3

2025

	Liability for remaining coverage		LIC for contracts under the PAA		Total
	Excluding total loss component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	
Insurance contract liabilities as at 1 January	16 783 410	-	47 143 084	2 674 162	66 600 656
Effects of exchange rates	(3 410 361)	-	3 702 616	294 590	586 845
Insurance revenue					
Contracts under the full retrospective approach	(113 444 826)	-	-	-	(113 444 826)
Insurance service expenses					
Incurred claims and other directly attributable expenses	12 408 135	-	19 508 128	1 299 639	33 215 902
Other insurance service expenses	5 411 491	-	-	-	5 411 491
Losses on onerous contracts and reversal of those loss	-	470 510	-	-	470 510
Losses write back on onerous contracts and reversal of those losses	-	-	-	-	-
Amortisation insurance acquisition cash flows	11 700 395	-	-	-	11 700 395
Net reinsurance acquisition expenses					
Adjustment to liabilities for incurred claims/Changes that relate to past service	-	-	-	-	-
Insurance service expenses	<u>29 520 021</u>	<u>470 510</u>	<u>19 508 128</u>	<u>1 299 639</u>	<u>50 798 298</u>
Insurance service result	<u>(83 924 805)</u>	<u>470 510</u>	<u>19 508 128</u>	<u>1 299 639</u>	<u>(62 646 528)</u>
Insurance finance income or expenses	(1 340 000)	-	6 158 392	-	4 818 392
Recognised in profit or loss	<u>(85 264 805)</u>	<u>470 510</u>	<u>25 666 520</u>	<u>1 299 639</u>	<u>(63 047 185)</u>
Cashflows					
Premium received	128 953 191	-	-	-	128 953 191
Claims and other directly attributable expenses paid	(5 916 062)	-	(42 526 092)	-	(48 442 154)
Insurance acquisition cashflows	(24 513 362)	-	-	-	(24 513 362)
Other expenses paid	-	-	-	-	-
Net cashflows	<u>98 523 767</u>	<u>-</u>	<u>(42 526 092)</u>	<u>-</u>	<u>55 997 675</u>
Total	<u>26 632 011</u>	<u>470 510</u>	<u>33 986 128</u>	<u>4 268 391</u>	<u>65 357 040</u>

30. Reconciliation of the liability measured under Premium Allocation Approach

Reconciliation of the liability for remaining coverage and the liability for incurred claims Insurance contract held: Premium Allocation Approach

30.3

2024

	Liability for remaining coverage		LIC for contracts under the PAA		Total
	Excluding total loss component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	
Insurance contract liabilities as at 1 January	8 636 172	364 225	51 672 747	2 717 116	63 390 260
Effects of exchange rates	1 300 643	8 854	(997 111)	(41 448)	270 938
Insurance revenue					
Contracts under the full retrospective approach	(97 692 224)	-	-	-	(97 692 224)
Insurance service expenses	-	-	-	-	-
Incurred claims and other directly attributable expenses	9 717 318	-	31 964 978	(1 506)	41 680 790
Other insurance service expenses	2 590 460	-	-	-	2 590 460
Losses on onerous contracts and reversal of those loss	-	(373 079)	-	-	(373 079)
Losses write back on onerous contracts and reversal of those losses	-	-	-	-	-
Amortisation insurance acquisition cash flows	9 399 413	-	-	-	9 399 413
Net reinsurance acquisition expenses	-	-	-	-	-
Adjustment to liabilities for incurred claims/Changes that relate to past service	-	-	-	-	-
Insurance service expenses	<u>21 707 191</u>	<u>(373 079)</u>	<u>31 964 978</u>	<u>(1 506)</u>	<u>53 297 584</u>
Insurance service result	<u>(75 985 033)</u>	<u>(373 079)</u>	<u>31 964 978</u>	<u>(1 506)</u>	<u>(44 394 640)</u>
Insurance finance income or expenses	(1 305 894)	-	5 486 827	-	4 180 933
Recognised in profit or loss	<u>(77 290 927)</u>	<u>(373 079)</u>	<u>37 451 805</u>	<u>(1 506)</u>	<u>(40 213 707)</u>
Cashflows					
Premium received	103 143 367	-	-	-	103 143 367
Claims and other directly attributable expenses paid	(4 178 113)	-	(40 984 357)	-	(45 162 470)
Insurance acquisition cashflows	(14 827 732)	-	-	-	(14 827 732)
Other expenses paid	-	-	-	-	-
Net cashflows	<u>84 137 522</u>	<u>-</u>	<u>(40 984 357)</u>	<u>-</u>	<u>43 153 165</u>
Total	<u>16 783 410</u>	<u>-</u>	<u>47 143 084</u>	<u>2 674 162</u>	<u>66 600 656</u>

30. Reconciliation of the liability measured under General Measurement Model

30.4 Reconciliation of the liability measured under General Measurement Model
2025

	Best estimate of future cashflows	Risk Adjustment	Contractual Service Margin	Total	Liability for remaining coverage excluding loss component	Loss component	Liability for incurred Claims	Total
Expected incurred claims excluding investment components	(1 478 000)	-	-	(1 478 000)	(1 166 000)	(312 000)	-	(1 478 000)
Expected administration and other expenses	(737 000)	-	-	(737 000)	48 000	(785 000)	-	(737 000)
Release of risk adjustment for risk expired	-	(105 000)	-	(105 000)	(38 000)	(67 000)	-	(105 000)
Recognition of Contractual service margin	-	-	(5 000)	(5 000)	(5 000)	-	-	(5 000)
Premium experience adjustments relating to current service	634 000	-	-	634 000	634 000	-	-	634 000
Recognised in insurance revenue	(1 581 000)	(105 000)	(5 000)	(1 691 000)	(527 000)	(1 164 000)	-	(1 691 000)
Initial loss on onerous contracts recognised during the period	1 626 000	394 000	-	2 020 000	-	2 020 000	-	2 020 000
Increase and reversal of losses on onerous contracts	1 089 000	(204 000)	-	885 000	-	-	885 000	885 000
Recognised in insurance service expenses	2 715 000	190 000	-	2 905 000	-	2 020 000	885 000	2 905 000
Insurance service result	1 134 000	85 000	(5 000)	1 214 000	(527 000)	856 000	885 000	1 214 000
Recognition of assumption changes in contractual service margin at locked-in interest rates	759 000	101 000	-	860 000	824 000	36 000	-	860 000
Excluding recognition of assumption changes in contractual service margin at locked-in interest rates	2 824 000	168 000	-	2 992 000	2 436 000	556 000	-	2 992 000
Tax	-	-	-	-	-	-	-	-
Insurance finance income or expenses	3 583 000	269 000	-	3 852 000	3 260 000	592 000	-	3 852 000
Recognised in statement of comprehensive income	4 717 000	354 000	(5 000)	5 066 000	2 733 000	1 448 000	885 000	5 066 000
Changes in estimates recognised in contractual service margin	(84 000)	(1 000)	85 000	-	-	-	-	-
Cashflows								
Premiums received	1 123 000	-	-	1 123 000	1 123 000	-	-	1 123 000
Incurred Claims: Investment component	(1 012 000)	-	-	(1 012 000)	(1 012 000)	-	1 012 000	-
Insurance acquisition cashflow	(230 357)	-	-	(230 357)	(230 357)	-	-	(230 357)
Claims paid	-	-	-	-	-	-	(1 012 000)	(1 012 000)
Net cashflows	(119 357)	-	-	(119 357)	(119 357)	-	-	(119 357)
Net movement for the period	4 513 643	353 000	80 000	4 946 643	2 613 643	1 448 000	885 000	4 946 643
Balance at beginning of the period	7 612 357	611 000	-	8 223 357	5 366 000	2 857 357	-	8 223 357
Balance at end of the period	12 126 000	964 000	80 000	13 170 000	7 979 643	4 305 357	885 000	13 170 000

30. Reconciliation of the liability measured under General Measurement Model

30.4 Reconciliation of the liability measured under General Measurement Model

2024

	Best estimate of future cash flows	Risk adjustment	Total	Liability for remaining coverage excluding loss component	Loss component	Total
Expected incurred claims excluding investment components	(1 010 000)	-	(1 010 000)	141 000	(1 151 000)	(1 010 000)
Expected administration and other expenses	(417 000)	-	(417 000)	93 000	(510 000)	(417 000)
Release of risk adjustment for risk expired	-	(38 000)	(38 000)	6 000	(44 000)	(38 000)
Premium experience adjustments relating to current service	<u>(7 000)</u>	<u>-</u>	<u>(7 000)</u>	<u>(7 000)</u>	<u>-</u>	<u>(7 000)</u>
Recognised in insurance revenue	<u>(1 434 000)</u>	<u>(38 000)</u>	<u>(1 472 000)</u>	<u>233 000</u>	<u>(1 705 000)</u>	<u>(1 472 000)</u>
Initial loss on onerous contracts recognised during the period	1 000		1 000	-	1 000	1 000
Increase and reversal of losses on onerous contracts	<u>(10 958 000)</u>	<u>(3 344 000)</u>	<u>(14 302 000)</u>	<u>-</u>	<u>(14 302 000)</u>	<u>(14 302 000)</u>
Recognised in insurance service expenses	<u>(10 957 000)</u>	<u>(3 344 000)</u>	<u>(14 301 000)</u>	<u>-</u>	<u>(14 301 000)</u>	<u>(14 301 000)</u>
Insurance service result	<u>(12 391 000)</u>	<u>(3 382 000)</u>	<u>(15 773 000)</u>	<u>233 000</u>	<u>(16 006 000)</u>	<u>(15 773 000)</u>
Recognition of assumption changes in contractual service margin at locked-in interest rates	1 673 000	137 000	1 810 000	(316 000)	2 126 000	1 810 000
Excluding recognition of assumption changes in contractual service margin at locked-in interest rates	8 078 000	2 601 000	10 679 000	3 930 000	6 749 000	10 679 000
Tax	<u>(202 000)</u>	<u>-</u>	<u>(202 000)</u>	<u>(202 000)</u>	<u>-</u>	<u>(202 000)</u>
Insurance finance income or expenses	<u>9 549 000</u>	<u>2 738 000</u>	<u>12 287 000</u>	<u>3 412 000</u>	<u>8 875 000</u>	<u>12 287 000</u>
Recognised in statement of comprehensive income	<u>(2 842 000)</u>	<u>(644 000)</u>	<u>(3 486 000)</u>	<u>3 645 000</u>	<u>(7 131 000)</u>	<u>(3 486 000)</u>
Changes in estimates recognised in contractual service margin						
Cashflows						
Premiums received	657 000	-	657 000	657 000	-	657 000
Claims and other expenses paid	<u>(1 009 643)</u>	<u>-</u>	<u>(1 009 000)</u>	<u>-</u>	<u>(1 009 643)</u>	<u>(1 009 643)</u>
Net cashflows	<u>(352 643)</u>	<u>-</u>	<u>(352 643)</u>	<u>657 000</u>	<u>(1 009 643)</u>	<u>(352 643)</u>
Net movement for the period	<u>(3 194 643)</u>	<u>(644 000)</u>	<u>(3 838 643)</u>	<u>4 302 000</u>	<u>(8 140 643)</u>	<u>(3 838 643)</u>
Balance at beginning of the period	<u>10 807 000</u>	<u>1 255 000</u>	<u>12 062 000</u>	<u>1 064 000</u>	<u>10 998 000</u>	<u>12 062 000</u>
Balance at end of the period	<u><u>7 612 357</u></u>	<u><u>611 000</u></u>	<u><u>8 223 357</u></u>	<u><u>5 366 000</u></u>	<u><u>2 857 357</u></u>	<u><u>8 223 357</u></u>

30. Reconciliation of the liability measured under Variable Fee Approach (Continued)**Expected recognition of contractual service margin - CSM maturity Analysis**

30.6

2025

K million Life insurance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 to 20 years	20 years
Opening Balance	102 554	78 049	43 337	23 616	26 268	28 194	33 554	40 891	55 136	76 144	100 880	28 117
Allocation of investment return to contracts under the variable fee approach	20 191	19 285	8 955	8 576	9 388	13 266	16 097	24 995	34 307	41 722	59 700	(8 851)
Recognised in Statement of Comprehensive Income	<u>(44 696)</u>	<u>(53 997)</u>	<u>(28 676)</u>	<u>(5 924)</u>	<u>(7 462)</u>	<u>(7 906)</u>	<u>(8 760)</u>	<u>(10 750)</u>	<u>(13 299)</u>	<u>(16 986)</u>	<u>(132 463)</u>	<u>(19 266)</u>
Closing Balance	<u>78 049</u>	<u>43 337</u>	<u>23 616</u>	<u>26 268</u>	<u>28 194</u>	<u>33 554</u>	<u>40 891</u>	<u>55 136</u>	<u>76 144</u>	<u>100 880</u>	<u>28 117</u>	<u>-</u>

2024

K million Life insurance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 to 20 years	20 years
Opening Balance at 31 December 2024	31 082	23 381	13 425	8 454	10 258	12 521	16 612	22 123	32 550	48 135	68 228	47 264
Allocation of investment return to contracts under the variable fee approach	5 612	5 486	2 788	3 039	3 785	5 748	7 641	12 768	19 040	28 175	55 661	60 884
Recognised in Statement of Comprehensive Income	<u>(13 313)</u>	<u>(15 442)</u>	<u>(7 759)</u>	<u>(1 235)</u>	<u>(1 522)</u>	<u>(1 657)</u>	<u>(2 130)</u>	<u>(2 341)</u>	<u>(3 455)</u>	<u>(8 082)</u>	<u>(76 625)</u>	<u>(108 148)</u>
Closing Balance	<u>23 381</u>	<u>13 425</u>	<u>8 454</u>	<u>10 258</u>	<u>12 521</u>	<u>16 612</u>	<u>22 123</u>	<u>32 550</u>	<u>48 135</u>	<u>68 228</u>	<u>47 264</u>	<u>-</u>

30. Reconciliation of the liability measured under Variable Fee Approach (Continued)**Effect of contracts initially recognised in the year**

The following table summarises the effect on the measurement components of insurance contracts arising from the initial recognition of contracts not measured under the PAA that were initially recognised during the year:

30.7

Year ended 31 December 2025

K million	Profitable contracts issued	Onerous contracts issued	Total Insurance contracts issued
Insurance contracts: not measured under the PAA s			
Insurance acquisition cash flows	(65)	226	161
Claims and other insurance service expenses payable	(20 001)	(3 389)	(23 390)
Estimate of present value of cash outflows	-	-	-
Estimate of present value of cash inflows	23 429	(2 117)	21 312
Risk adjustment for non-financial risk	(196)	(296)	(492)
Contractual service margin	(3 167)	-	(3 167)
Losses recognised on initial recognition	<u>-</u>	<u>(1 794)</u>	<u>(1 794)</u>

30.8

Year ended 31 December 2024

K million	Profitable contracts issued	Onerous contracts issued	Total Insurance contracts issued
Insurance contracts: not measured under the PAA s	-	-	-
Insurance acquisition cash flows	(16)	(19)	(35)
Claims and other insurance service expenses payable	(13 300)	1	(13 301)
Estimate of present value of cash outflows	-	-	-
Estimate of present value of cash inflows	14 733	-	14 733
Risk adjustment for non-financial risk	(52)	(20)	(72)
Contractual service margin	(1 346)	-	(1 346)
Losses recognised on initial recognition	<u>-</u>	<u>(1)</u>	<u>(1)</u>

31. Fire, Motor, Accident, Engineering, and Marine Insurance contracts issued - Reinsurance contracts

Reconciliation of the remaining coverage and incurred claims components

31.1 Reinsurance contracts held (PAA)

	2025					2024				
	Excluding total loss component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	Total	Excluding total loss component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets as at 1 January	12 742 379	-	23 845 977	1 994 366	38 582 722	8 013 739	361 639	28 537 062	2 075 980	38 988 420
Effects of exchange rates	(209 889)	-	(166 641)	78 593	(297 937)	576 672	(1 743)	(308 781)	(5 707)	260 441
Opening Balance										
Adjustment										
Net income(expenses) from reinsurance contracts held	(52 163 055)	-	-	-	(52 163 055)	(45 415 168)	(73 944)	-	-	(45 489 112)
Other incurred directly attributable expenses	6 652 230	-	-	-	6 652 230	4 264 331	(203 414)	-	-	4 060 917
Incurred claims recovery	6 652 230	-	(4 791 740)	693 555	(4 098 185)	-	-	13 320 514	(279 265)	13 041 249
Net income (expenses) from reinsurance contracts held	<u>(45 510 825)</u>	<u>-</u>	<u>(4 791 740)</u>	<u>693 555</u>	<u>(49 609 010)</u>	<u>(41 150 837)</u>	<u>(277 358)</u>	<u>13 320 514</u>	<u>(279 265)</u>	<u>(28 386 946)</u>
Finance income from insurance contract held	-	-	3 197 767	-	3 197 767	-	-	3 173 340	-	3 173 340
Effect of changes in non-performance risk	2 295 118	-	-	-	2 295 118	173 233	-	-	-	173 233
Total amounts recognised in comprehensive income	<u>(43 215 707)</u>	<u>-</u>	<u>(1 593 973)</u>	<u>693 555</u>	<u>(44 116 125)</u>	<u>(40 977 604)</u>	<u>(277 358)</u>	<u>16 493 854</u>	<u>(279 265)</u>	<u>(25 040 373)</u>
Cash flows										
Premiums paid net of ceding commissions	60 814 088	-	(17 748 280)	-	43 065 808	45 129 572	(82 538)	(20 876 158)	203 358	24 374 234
Amounts recovered from reinsurers for claims incurred net of amounts contingent on claims	-	-	-	-	-	-	-	-	-	-
Total cash flows	<u>60 814 088</u>	<u>-</u>	<u>(17 748 280)</u>	<u>-</u>	<u>43 065 808</u>	<u>45 129 572</u>	<u>(82 538)</u>	<u>(20 876 158)</u>	<u>203 358</u>	<u>24 374 234</u>
Reinsurance contract assets as at 31 December	<u>30 130 871</u>	<u>-</u>	<u>4 337 083</u>	<u>2 766 514</u>	<u>37 234 468</u>	<u>12 742 379</u>	<u>-</u>	<u>23 845 977</u>	<u>1 994 366</u>	<u>38 582 722</u>
Reinsurance Liabilities	-	-	98 171	-	98 171	-	-	49 358	-	49 358

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

31.2 Fire, Motor, Accident, Engineering, Marine Insurance and Corporate Business contracts

The following table presents information on how reasonably possible changes in assumptions made by the Group with regard to underwriting risk variables impact Fire, motor, accident, engineering, marine and Corporate business insurance liabilities, excluding the run-off business and profit or loss and equity before and after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA and, thus, only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

	2025				2024			
	LIC as at 31 December	Impact on LIC	Impact on profit before income tax	Impact on equity	LIC as at 31 December	Impact on LIC	Impact on profit before income tax	Impact on equity
Insurance contract liabilities	(65 357 039)	-	-	-	(72 043 885)	-	-	-
Reinsurance contract assets	<u>37 234 468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38 582 723</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net insurance contract liabilities	<u>(28 122 571)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33 461 162)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unpaid claims and expenses – 5% increase								
Insurance contract liabilities	-	(3 267 852)	(3 267 852)	(3 267 852)	-	(3 602 194)	(3 602 194)	(3 602 194)
Reinsurance contract assets	<u>-</u>	<u>1 861 723</u>	<u>1 861 723</u>	<u>1 861 723</u>	<u>-</u>	<u>1 929 136</u>	<u>1 929 136</u>	<u>1 929 136</u>
	<u>-</u>	<u>(1 406 129)</u>	<u>(1 406 129)</u>	<u>(1 406 129)</u>	<u>-</u>	<u>(1 673 058)</u>	<u>(1 673 058)</u>	<u>(1 673 058)</u>
Expenses – 5% increase								
Insurance contract liabilities	-	(3 267 852)	(3 267 852)	(3 267 852)	-	(3 602 194)	(3 602 194)	(3 602 194)
Reinsurance contract assets	<u>-</u>	<u>1 861 723</u>	<u>1 861 723</u>	<u>1 861 723</u>	<u>-</u>	<u>1 929 136</u>	<u>1 929 136</u>	<u>1 929 136</u>
	<u>-</u>	<u>(1 406 129)</u>	<u>(1 406 129)</u>	<u>(1 406 129)</u>	<u>-</u>	<u>(1 673 058)</u>	<u>(1 673 058)</u>	<u>(1 673 058)</u>

31.3 Net insurance finance (income)/expenses

2025

	Individual life	Annuities	Contracts under PAA approach	Total
Finance income/(expenses) from insurance contracts issued/Reinsurance Contracts held				
Effects of changes in assumptions	(218 765)	(339 023)	-	(557 788)
Effect of changes in FCF at current rates when CSM is unlocked at locked in rates	(127 285)	(732 721)	-	(860 006)
Risk adjustment unwind	(72 272)	(77 208)	-	(149 480)
Best estimate liability unwind	(735 346)	(1 550 317)	-	(2 285 663)
Contractual service margin unwind	-	-	-	-
Liability for Incurred Claims finance expenses for contracts measured under PAA approach	<u>-</u>	<u>-</u>	<u>(6 158 392)</u>	<u>(6 158 392)</u>
Finance expenses from insurance contracts issued	<u>(1 153 668)</u>	<u>(2 699 269)</u>	<u>(6 158 392)</u>	<u>(10 011 329)</u>
Finance expenses from reinsurance contracts held	<u>-</u>	<u>-</u>	<u>3 197 767</u>	<u>3 197 767</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

31.3 Net insurance finance (income)/expenses (Continued)

2024

	Individual life	Annuities	Contracts under PAA approach	Total
Finance income/(expenses) from insurance contracts issued/Reinsurance Contracts held				
Effects of changes in assumptions	8 692	763 790	-	772 482
Effect of changes in FCF at current rates when CSM is unlocked at locked in rates	(11 583)	(10 465 408)	-	(10 476 991)
Risk adjustment unwind	(4 180)	(284 443)	-	(288 623)
Best estimate liability unwind	(124 883)	(2 169 301)	-	(2 294 184)
Contractual service margin unwind	-	-	-	-
Liability for Incurred Claims finance expenses for contracts measured under PAA approach	-	-	(5 486 827)	(5 486 827)
Finance expenses from insurance contracts issued	<u>(131 954)</u>	<u>(12 155 362)</u>	<u>(5 486 827)</u>	<u>(17 774 143)</u>
Finance expenses from reinsurance contracts held	<u>-</u>	<u>-</u>	<u>4 144 494</u>	<u>4 144 494</u>

31.4 Insurance Investments results

	2025	2024
Gains and other income from investments measured at fair value through profit or loss	1 057 102 063	246 946 000
Dividend income from investments at fair value through profit or loss	14 378 000	10 304 000
Rent received from investment properties	347 000	290 000
Income from other activities	<u>353 000</u>	<u>97 000</u>
Total	<u>1 072 180 063</u>	<u>257 637 000</u>
Change in investments of underlying items from the insurance contracts issued	<u>(1 082 191 392)</u>	<u>(275 411 143)</u>
Net Finance income	<u>(10 011 329)</u>	<u>(17 774 143)</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

32. Fees and commission income

	Group		Company	
	2025	2024	2025	2024
Investment management based fees	17 058 076	16 257 976	-	-
Information technology fees	4 667 108	2 615 378	-	-
Other fee income	<u>2 845 212</u>	<u>2 336 078</u>	<u>7 441 819</u>	<u>5 434 455</u>
	<u>24 570 396</u>	<u>21 209 432</u>	<u>7 441 819</u>	<u>5 434 455</u>

33.1 Banking operations: effective interest income

	Group		Company	
	2025	2024	2025	2024
		*Restated		
Interest income on loans	102 983 913	82 304 005	-	-
Interest from government stocks	<u>314 958 570</u>	<u>157 490 403</u>	<u>-</u>	<u>-</u>
	<u>417 942 483</u>	<u>239 794 408</u>	<u>-</u>	<u>-</u>

33.2 Other income from banking operations

	Group		Company	
	2025	*Restated 2024	2025	2024
Fees and commission income	12 953 900	10 570 097	-	-
Profit on foreign exchange transactions	<u>98 013 820</u>	<u>36 277 293</u>	<u>-</u>	<u>-</u>
	<u>110 967 720</u>	<u>46 847 390</u>	<u>-</u>	<u>-</u>

34. Investment income

34.1. Investment income: effective interest income

	Group		Company	
	2025	2024	2025	2024
		*Restated		
Bank deposits	12 829 035	7 441 535	2 364 154	-
Treasury bills	61 568 624	42 374 977	-	1 786 409
Local registered stocks	10 063 588	5 991 434	-	-
Loans and debentures	5 381 424	3 958 804	-	-
Other interest income from other investments	<u>10 176</u>	<u>(27 032)</u>	<u>-</u>	<u>-</u>
Total	<u>89 852 847</u>	<u>59 739 718</u>	<u>2 364 154</u>	<u>1 786 409</u>

** Refer to note 1.4 to the financial statements

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

34. Investment income (Continued)

34.2 Other investment income

	Group		Company	
	2025	2024	2025	2024
Dividends from equity shares	1 184 389	1 073 795	48 696 711	17 067 353
Fair value adjustment of shares	88 696 534	8 848 915	-	-
Fair value adjustment of investment properties	168 000	115 000	66 000	40 000
Gain on term deposits designated at FVPTL	7 433 422	5 183 453	-	-
Profit on disposal of unlisted investment	805 000	-	805 000	-
Rental income	<u>587 294</u>	<u>473 281</u>	<u>7 285</u>	<u>5 450</u>
Total other investment income	<u><u>98 874 639</u></u>	<u><u>15 694 444</u></u>	<u><u>49 574 996</u></u>	<u><u>17 112 803</u></u>

34.3 Investment expenses

	Group		Company	
	2025	2024	2025	2024
Investment expenses	<u>(1 594 651)</u>	<u>(619 392)</u>	<u>(418 514)</u>	<u>(20 063)</u>

35. Other income

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Profit on disposal of Property, plant and equipment	129 257	157 392	-	51 502
Reversal impairment of subsidiary (note 11.9)	-	148 385	-	148 385
Other sundry income	<u>3 786 211</u>	<u>749 838</u>	<u>92 004</u>	<u>680 398</u>
	<u><u>3 915 468</u></u>	<u><u>1 055 615</u></u>	<u><u>92 004</u></u>	<u><u>880 285</u></u>

36. Bank Interest expense

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Fixed deposits	(38 877 303)	(42 786 195)	-	-
Interest expense on managed funds	(64 652 165)	(42 445 608)	-	-
Investment deposits	(1 113 526)	(882 691)	-	-
Savings deposits	<u>(54 187 850)</u>	<u>(32 261 997)</u>	<u>-</u>	<u>-</u>
	<u><u>(158 830 844)</u></u>	<u><u>(118 376 491)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

37. Administrative expenses

37.1 Company

	2025	Company	2024
	K'000		K'000
Auditors' remuneration -Audit fees	(411 437)		(289 384)
Non - assurance services fees*	(84 712)		(14 543)
Directors' remuneration: Executive	(1 183 112)		(905 142)
Directors' remuneration: Non-executive	(213 624)		(141 345)
Staff costs	(7 465 592)		(4 430 184)
Communication and accommodation expenses	(904 500)		(461 351)
Depreciation and amortisation	(86 943)		(47 413)
Amortisation of right of use asset	(62 315)		(26 649)
Sundry business charges	(736 122)		(878 274)
Repairs and maintenance	<u>(935 798)</u>		<u>(731 963)</u>
	<u><u>(12 084 155)</u></u>		<u><u>(7 926 248)</u></u>

*Non-assurance services fees relate to the following;

	2025	Company	2024
	K'000		K'000
ESG related services	(53 072)		(10 092)
Tax services Pricing Documentation	-		-
Other non – audit services	<u>(31 640)</u>		<u>(4 451)</u>
	<u><u>(84 712)</u></u>		<u><u>(14 543)</u></u>

37. Administrative expenses (Continued)

37.2 Group

	Group - 2025			Group - 2024		
	Attributable expenses K'000	Other operating expenses K'000	Total K'000	Attributable expenses K'000	Other operating expenses K'000	Total K'000
Auditors' remuneration -Audit fees - Deloitte	(646 750)	(571 032)	(1 217 782)	(684 362)	(450 086)	(1 134 448)
Auditors' remuneration – audit fees – other audit firms	-	(528 939)	(528 939)	-	(482 965)	(482 965)
Auditors' remuneration -Half year audit fees	(30 000)	(209 488)	(239 488)	-	(88 348)	(88 348)
Other audit expenses and disbursements	(5 000)	(12 374)	(17 374)	(3 000)	(5 754)	(8 754)
Non - assurance services fee*	-	(182 804)	(182 804)	-	(53 698)	(53 698)
Directors' remuneration - Executive	-	(1 183 112)	(1 183 112)	-	(905 142)	(905 142)
Directors' remuneration - Non executive	(208 324)	(661 942)	(870 266)	(71 653)	(415 721)	(487 374)
Staff costs	(13 771 721)	(77 827 494)	(91 599 215)	(9 460 038)	(45 477 279)	(54 937 317)
Communication and accommodation expenses	(4 316 125)	(19 682 482)	(23 998 607)	(2 495 485)	(13 727 883)	(16 223 368)
Depreciation and amortisation	(630 350)	(9 338 653)	(9 969 003)	(541 439)	(5 959 986)	(6 501 425)
Depreciation of ROU Asset	(79 482)	(1 801 810)	(1 881 292)	(53 397)	(1 829 224)	(1 882 621)
Sundry business charges	(14 748 405)	(20 673 736)	(35 422 141)	(10 726 483)	(22 096 689)	(32 823 172)
Repairs and maintenance (office equipment costs)	<u>(3 729 303)</u>	<u>(10 613 144)</u>	<u>(14 342 447)</u>	<u>(2 756 495)</u>	<u>(6 692 294)</u>	<u>(9 448 789)</u>
Totals	<u><u>(38 165 460)</u></u>	<u><u>(143 287 010)</u></u>	<u><u>(181 452 470)</u></u>	<u><u>(26 792 352)</u></u>	<u><u>(98 185 069)</u></u>	<u><u>(124 977 421)</u></u>

*Non-assurance services expense relates to the following:

	Group - 2025			Group - 2024		
	Attributable expenses K'000	Other operating expenses K'000	Total K'000	Attributable expenses K'000	Other operating expenses K'000	Total K'000
ESG related services	-	(106 144)	(106 144)	-	(10 092)	(10 092)
Tax services	-	-	-	-	(21 012)	(21 012)
Other non-audit services	<u>-</u>	<u>(76 660)</u>	<u>(76 660)</u>	<u>-</u>	<u>(22 594)</u>	<u>(22 594)</u>
Total	<u><u>-</u></u>	<u><u>(182 804)</u></u>	<u><u>(182 804)</u></u>	<u><u>-</u></u>	<u><u>(53 698)</u></u>	<u><u>(53 698)</u></u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

38. Impairment losses on financial assets

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
ECL on Loans and advances	(8 133 093)	(4 723 925)	-	-
ECL on Government securities	(30 275 955)	-	-	-
Other receivables	<u>(76 569)</u>	<u>(650)</u>	<u>-</u>	<u>-</u>
Total impairment losses on financial assets	<u>(38 485 617)</u>	<u>(4 724 575)</u>	<u>-</u>	<u>-</u>

39. Net other finance costs

	Group		Company	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Interest on loans	(820 700)	(1 828 875)	(820 700)	(325 917)
Interest on lease liabilities	(1 984 393)	(2 045 975)	(88 863)	(21 186)
Exchange gains	<u>(259 770)</u>	<u>216 995</u>	<u>3 711</u>	<u>21 008</u>
	<u>(3 064 863)</u>	<u>(3 657 855)</u>	<u>(905 852)</u>	<u>(326 095)</u>

40. Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2025 was based on profit attributable to ordinary shareholders of K167 833 192 (2024: K72 008 967) and a weighted average number of ordinary shares outstanding of 1 043 041 thousand (2024: 1 043 041 thousand) calculated as follows:

	Group	
	2025	2024
Profit for the year (K'000)	323 507 858	134 393 010
Non-controlling interest (K'000)	<u>(155 674 666)</u>	<u>(62 384 043)</u>
Profit attributable to owners of the parent	<u>167 833 192</u>	<u>72 008 967</u>
Weighted average number of ordinary shares in issue throughout the year	1 043 041	1 043 041
Basic and diluted earnings per share	<u>160.90</u>	<u>69.04</u>

41. Dividends

	Group		Company	
	2025	2024	2025	2024
Unpaid dividends at the beginning of the year	7 316 044	6 363 045	3 014 620	2 733 436
Dividends declared in the year	64 220 384	25 455 637	27 119 068	12 516 493
Dividends paid	<u>(46 663 063)</u>	<u>(24 502 638)</u>	<u>(22 646 747)</u>	<u>(12 235 309)</u>
Unpaid dividend at the end of the year	<u>24 873 365</u>	<u>7 316 044</u>	<u>7 486 941</u>	<u>3 014 620</u>

The unpaid dividends related to dividend payable to Sanlam Emerging Markets (Pty) Limited, Africap LLC and Botswana Insurance Holdings Limited. The dividends were unpaid due to unavailability of foreign currency in the market. The amount is included in note 21 to these consolidated and separate financial statements.

42. Risk Management

42.1 Risk governance structure

The Board of Directors has the overall responsibility for the Group's risk management framework and policies as well as monitoring the effectiveness and disclosure thereof in accordance with best practice.

The Group operates a decentralized business model environment, and all individual businesses take responsibility for all operational and risk related matters on a business level, within the set limits of the risk management framework.

The Board has established a number of risk management and monitoring mechanisms operating within the Group as part of the overall risk management structure.

The key ones are illustrated below:

- **Group Risk Committee**
Develops Group risk management framework, policies and provides overall oversight across the Group, coordinates reporting and improves risk management across the Group.
- **Group Investment Committee**
Determines and monitors appropriate investment strategies for the Group.
- **Finance and Audit Committee**
Assists the Board in providing assurance on the policies and procedures and the financial reporting processes.
- **Credit Committee and Asset Liability Committee**
Identifies, measures and controls credit risk exposure in the banking operations.

The Group's Asset and Liability Management Committee (ALCO) is responsible for ensuring that there is an equitable balance between the Group's assets and liabilities. This is a management committee that meets regularly, and reports to the Finance and Audit Committee.

- **Actuarial Committee**
Monitors and reports on key risks affecting life insurance operations. Determines capital requirements of the life operations and the potential impact of strategic decisions, by using appropriate modelling techniques.
- **Treasury function**
Manages the liquidity risks for banking operations, and reports to management and the board regularly.
- **Internal Audit**
Monitors adequacy and effectiveness of internal controls and risk management practices across the Group. Also provides assurance on all aspects of the business.
- **Group Risk Management and Compliance Function**
Coordinates the risk management processes and assisting the Group Risk Committee in aiding identification of risks.

42. Risk Management (Continued)

42.2 Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all stakeholders understand their roles and obligations.

The main components of the Group Risk and Policy are as follows:

- The Broad objectives and Philosophy of Risk Management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- Standards on implementing risk management within the Group's businesses.

The Group Risk Committee provides an oversight role of ensuring compliance with the Group's risk management policies and procedures, and for ensuring the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Risk Committee is assisted in these functions by the Risk Management and Compliance Services functions.

42.3 Capital Risk Management

Effective capital management is an essential component of meeting the NICO Group's strategic objective of maximizing shareholder value. The management of the Group's capital base requires a continuous review of optimal capital levels,

The NICO Group has an integrated capital management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

42.3.1 Capital Allocation

The NICO Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The level and nature of the supporting capital is determined by regulatory capital requirements as well as business risks and growth considerations.

The NICO Group's approach to ensure appropriate working capital levels are as follows:

- The Group's internal dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and
- Performance targets are set for other Group operations based on an expected return of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

42.3.2 Discretionary Capital

Any capital in excess of requirements, and not optimally utilized, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of the Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy.

Any discretionary capital not being efficiently redeployed will be returned to shareholders in the most effective form.

40. Risk Management (Continued)

4.3 Capital Risk Management (Continued)

42.3.3 Capital Risk Management - Life Business

Life insurance operations require significantly higher levels of allocated capital than the pension administration business. The optimization of long term required capital is a primary focus area of the business while maintaining appropriate solvency levels.

The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for the policy holder;
- Due regard is given to liquidity risk management, where funds are managed in line with the investment strategy;
- The asset mix of the long-term required capital. The balance sheet represents the overall risk and expected return on assets;
- The company ensures efficient selection of reinsurance exposure; and
- Internal controls and other operational risk management processes are used to reduce operational risk.

NICO Life Insurance Company Limited

The Reserve Bank of Malawi Directive on Minimum Capital and Solvency prescribes a minimum capital of MK1 billion and a minimum solvency ratio of 100%. The new Insurance (Minimum Capital and Solvency Requirements for Life Insurers) Directive, 2025, became effective during the year, and introduced a number of changes. The key changes have been introduced in the asset risk charges in sect 9.2 of the directive, while the rest of the other risks charges (insurance and liability) have remained the same. The Regulator has also introduced concentration risk charge at 100%. Below is the company's compliance positions:

	<u>2025</u> K'm	<u>2024</u> K'm
Minimum capital		
Share capital	33	33
Share premium	<u>1 358</u>	<u>1 358</u>
Total	<u><u>1 391</u></u>	<u><u>1 391</u></u>
Solvency margin		
	<u>2025</u> %	<u>2024</u> %
	<u>157</u>	<u>228</u>

The Company has met the minimum capital and solvency ratio statutory requirements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

42. Risk Management (Continued)**42.3 Capital Risk Management (Continued)****42.3.4 Capital Risk Management – Banking Business****Regulatory capital**

The Reserve Bank of Malawi sets and monitors capital requirements for the banking operations.

In implementing current capital requirements, Reserve Bank of Malawi requires the banking business to maintain a prescribed ratio of total capital to total risk-weighted assets as below.

The Group's banking business regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.; and
- Tier 2 capital, which includes qualifying liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments such as available-for-sale.

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

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

The Group's banking operations have complied with all externally imposed capital requirements throughout the year.

There has been no material changes in the Group's management of capital during the year.

The Group's banking operations regulatory capital position as at 31 December 2025 was as follows: -

Capital Adequacy Requirement

	Consolidated and Separate	
	<u>2025</u>	<u>2024</u>
	K'000	K'000
Tier 1 capital		
Share capital and share premium	13 559 474	13 559 474
Retained earnings and other reserves	<u>180 977 013</u>	<u>97 835 602</u>
Total tier 1 capital	<u>194 536 487</u>	<u>111 395 076</u>
Tier 2 capital		
Revaluation reserve on property, loan loss reserve less 50% of investment in a subsidiary	<u>22 929 298</u>	<u>26 100 760</u>
Total tier 2 capital	<u>22 929 298</u>	<u>26 100 760</u>
Total regulatory capital	<u>217 465 786</u>	<u>137 495 836</u>
Risk weighted assets	<u>806 140 655</u>	<u>484 940 604</u>
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	<u>26.98%</u>	<u>28.35%</u>
Total Tier 1 capital expressed as a percentage of total risk weighted assets	<u>24.13%</u>	<u>22.97%</u>

42. Risk Management (Continued)

42.3 Capital Risk Management (Continued)

42.3.4 Capital Risk Management – Banking (Continued)

Prudential Aspects of Bank’s Liquidity

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

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

As at 31 December 2025 the Bank’s liquidity Ratio 1 was 46.60% (2024: 40.49%)

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

As at 31 December 2025 the Bank’s Liquidity Ratio 2 was 46.57% (2024: 40.50%)

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

The Bank is further required to implement Basel 3 effective 1 January 2025. Basel 3 introduced two new significant liquidity ratios, namely: Liquidity Coverage Ratio and Net Stable funding ratio.

- Liquidity Coverage Ratio (LCR): The bank’s stock of High-Quality Liquid Assets (HQLA) divided by its total net cash outflows over a 30-day period.
- As at 31 December 2025 the Bank’s LCR was 106%, above the 100% statutory requirement.
- Net Stable Funding Ratio (NSFR): The bank’s ratio of a bank’s Available Stable Funding (ASF) to its Required Stable Funding (RSF) over a 1-year period

As at 31 December 2025, the Bank’s NSFR was 146%, ensuring long-term assets are funded with stable liabilities

Liquidity Reserve Requirement

The Bank is required to maintain a liquidity reserve amount with Reserve Bank of Malawi for both local currency deposits and foreign currency deposits calculated on a weekly basis of not less than **10%** of local and **3.75%** of foreign currency for 2025 and (2024: 10% and 3.75%) of the preceding month’s average total deposit liabilities. The Bank complied with this directive throughout the year.

42.3.5 Capital management – Short-term Insurance Business

The Group aims to maintain capital balances that are sufficient to meet operating and strategic obligations. The objectives are to maintain the Group’s ability to continue as a going concern, while supporting the optimisation of returns relative to risks. The major objective to be achieved when managing short term capital are as follows;

- To comply with the statutory capital requirements required by regulators of the insurance market where the Group operates;
- To provide adequate return shareholders & benefits of other stakeholders;
- To protect policyholders against adverse results that may affect the solvency of the Group and therefore its ability to meet its financial obligations; and
- To ensure sufficient capital is available to fund the Group’s capital and strategic requirements.

Regulatory solvency position

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and the type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

Management regard share capital, share premium, perpetual preference shares, retained earnings, Long term debt and other reserves as capital.

(a) NICO General Insurance Company Limited

Solvency Margin and minimum capital

The Reserve Bank of Malawi Directive on Minimum Capital and Solvency prescribes a minimum capital of K750 million and a minimum solvency ratio of 20% defined as being a percentage of adjusted net assets the insurer bears to the net written premium for the corresponding period. Below are the entity’s compliance position:

	<u>2025</u> K’000	<u>2024</u> K’000
Solvency margin		
Net assets available to meet solvency	20 465 536	11 665 402
Net premium	28 664 113	20 622 465
Solvency margin (%)	<u>71%</u>	<u>57</u>
Minimum requirement by regulator (Reserve Bank of Malawi) (%)	<u>20%</u>	<u>20</u>

42. Risk Management (Continued)

42.3 Capital Risk Management Business (Continued)

42.3.5 Capital management – Short-term Insurance Business (Continued)

	<u>2025</u> K'000	<u>2024</u> K'000
Solvency margin		
Paid up capital		
Share capital	9 000	9 000
Share premium	<u>1 195 618</u>	<u>1 195 618</u>
Total paid up capital	<u>1 204 618</u>	<u>1 204 618</u>
Minimum requirement by regulator (Reserve Bank of Malawi): As at 31 December	<u>750 000</u>	<u>750 000</u>

(a) NICO Insurance (Zambia) Limited

The Group manages the capital in NICO Insurance (Zambia) Limited with the following objectives;

To comply with the insurance capital requirements that the regulator has set for the insurance market. In this respect the Group manages its capital on a basis of not less than 100% of its minimum capital position presented in the table below. Management considers the quantitative threshold of 100% sufficient to maximise shareholders' return and to support the capital required to write its businesses in Zambia;

To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Minimum capital

- The Group manages the capital in NICO Insurance (Zambia) Limited with the following objectives;
- To comply with the insurance capital requirements that the regulator has set for the insurance market as noted below.
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

On 23 December 2022, the enacted Zambia Insurance Act, 2021 came into force following the issuance of Commencement Order No. 83 of 2022 by the Minister of Finance and National Planning. The Insurance Act, was introduced to modernise and enhance the law, to balance more fairly the interests of insurers and the insured, and to provide a new framework for an effective and competitive insurance market that is more sensitive to the needs of business. The new Act has introduced certain key compliance requirements, among others, the Solvency framework and Corporate Governance Guidelines. The Regulator gave a three-year transition period for entities to achieve the required minimum capital adequacy ratio from the date of commencement of the regulations. The Directors have implemented corrective measures to strengthen the Company's new capital adequacy and solvency requirements, which including capital injection, improved receivables management, enhanced working capital efficiency, and effective claims management. These actions have improved the Capital Adequacy Ratio, and the Company is actively engaging with the regulator with the objective of achieving full compliance by the first quarter of 2026.

42.4 Credit Risk Management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk arises principally from its holding position of cash and cash equivalents, loans and advances to customers and banks, insurance receivables and investment securities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

42. Risk Management (Continued)**42.4 Credit Risk Management (Continued)****42.4.1 Exposure of credit risk**

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

Summary	Note	31 December 2025		
		Gross Amount	Impairment	Net Amount
Balance with central bank	5	60 845 504	53 741	60 791 763
Short term deposits	5	129 214 282	39 159	129 214 282
Short term investments	6.1	11 655 931	-	11 655 931
Placements with the banks	6.2	92 749 270	82 473	92 666 797
Treasury notes	14	1 011 514 196	30 673 537	980 840 659
Promissory notes	14	352 299	-	352 299
Treasury bills	14	70 761 879	62 942	70 698 937
Loans and advances to customers - loans and overdrafts	7	356 659 781	18 685 228	337 974 553
Loans and advances to customers - finance lease	7	5 820 631	229 789	5 590 842
Loans and advances to customers - mortgage advances	7	6 424 542	57 119	6 367 423
Reinsurance contract assets	27	37 234 468	-	37 234 468
Loans and debentures	16	3 485 573	-	3 485 573
Client Funds Under Management	9.2	564 134 547	-	564 134 547
Other receivables	9.1	<u>26 903 466</u>	<u>-</u>	<u>26 903 466</u>
Total recognised		<u>2 377 795 528</u>	<u>49 883 988</u>	<u>2 327 911 540</u>
Summary				
Loan commitments		9 373 586	8 497	9 365 089.00
Letters of credit and guarantee		<u>137 673 220</u>	<u>33 973</u>	<u>137 639 247.00</u>
TOTAL UNRECOGNISED		<u>147 046 806</u>	<u>42 470</u>	<u>147 004 336.00</u>
Summary				
TOTAL		<u>2 524 842 334</u>	<u>49 926 458</u>	<u>2 474 915 876</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.1 Exposure of credit risk (Continued)

Stage 1: 12 Month ECL

	31 December 2025			31 December 2024		
	Gross Amount	Impairment	Net Amount	Gross Amount	Impairment	Net Amount
Balance with central bank	60 845 504	53 741	60 791 763	125 622 213	111 804	125 510 409
Short term deposits	129 253 441	39 159	129 214 282	104 079 820	18 587	104 061 233
Short term investments	11 655 931	-	11 655 931	-	-	-
Placements with the banks	92 655 931	82 473	92 666 797	119 975 348	126 064	119 849 284
Treasury notes	1 011 514 196	30 673 537	980 840 659	678 394 335	560 221	677 834 114
Promissory notes	352 299	-	352 299	958 835	1	958 834
Treasury Bills	70 761 879	62 942	70 698 937	81 249 326	8 900	81 240 426
Loans and advances to customers - loans and overdrafts	344 714 755	9 702 354	335 012 401	223 697 826	1 208 666	222 489 160
Loans and advances to customers - finance lease	5 739 254	161 847	5 577 407	1 924 109	30 930	1 893 179
Loans and advances to customers - mortgage advances	6 271 641	-	6 271 641	6 616 886	-	6 616 886
Reinsurance contract assets	37 234 468	-	37 234 468	38 582 722	-	38 582 722
Loans and debentures	3 485 573	-	3 485 573	2 248 700	-	2 248 700
Client Funds Under Management	564 134 547	-	564 134 547	275 505 701	-	275 505 701
Other receivables	26 903 466	-	26 903 466	23 217 696	35 191	23 182 505
TOTAL RECOGNISED	<u>2 365 616 224</u>	<u>40 776 053</u>	<u>2 324 840 171</u>	<u>1 682 073 517</u>	<u>2 100 364</u>	<u>1 679 973 153</u>
Loan commitments	9 373 586	8 497	9 365 089	2 195 975	1 954	2 194 021
Letters of credit and guarantee	137 673 220	33 973	137 639 247	98 361 926	87 542	98 274 384
TOTAL UNRECOGNISED	<u>147 046 806</u>	<u>42 470</u>	<u>147 004 336</u>	<u>100 557 901</u>	<u>89 496</u>	<u>100 468 405</u>
TOTAL	<u>2 513 011 030</u>	<u>49 926 458</u>	<u>2 463 127 042</u>	<u>1 782 631 418</u>	<u>2 189 860</u>	<u>1 780 441 558</u>

NICO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.1 Exposure of credit risk (Continued)

Stage 2: Lifetime ECL

	31 December 2025		31 December 2024	
	Gross Amount	Impairment	Net Amount	Net Amount
Loans and advances to customers - loans and overdrafts	3 045 544	1 239 949	1 805 595	2 809 033
Loans and advances to customers - finance lease	-	-	-	5 410
Loans and advances to customers - mortgage advances	67 792	-	67 792	309 304
TOTAL RECOGNISED	<u>3 113 336</u>	<u>1 239 949</u>	<u>1 873 387</u>	<u>3 123 747</u>

Stage 3: Lifetime ECL

	31 December 2025		31 December 2024	
	Gross Amount	Impairment	Net Amount	Net Amount
Loans and advances to customers- loans & overdrafts	8 899 482	7 742 925	1 156 557	(40 401)
Loans and advances to customers- finance lease	81 377	67 942	13 435	17 284
Loans and advances to customers- mortgage advances	85 109	57 119	27 990	842 117
TOTAL RECOGNISED	<u>9 065 968</u>	<u>7 867 986</u>	<u>1 197 982</u>	<u>819 060</u>

42.4.2 Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of expected loss on both impaired and non-impaired loans. The group had made an assessment and concluded that the impairment for reinsurance contracts, funds under management and loans and debentures are immaterial.

Analysis of the movement of the loss allowance for each portfolio is included in the tables below.

NICO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.2 Allowances for impairment

	31-Dec-25			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost				
Balance at 1 January	1 239 596	185 283	11 751 366	13 176 245
Net remeasurement of loss allowances	7 898 754	608 628	350 234	8 857 616
Transfer to Stage 1	753 663	(35 157)	(718 506)	-
Transfer to Stage 2	(15 672)	502 805	(487 132)	-
Transfer to Stage 3	(12 140)	(21 610)	33 749	-
Financial assets that have been derecognised write-of	-	-	(3 061 725)	(3 061 725)
Foreign exchange and other movements	-	-	-	-
Closing balance	9 864 201	1 239 949	7 867 986	18 972 136
Gross amount	356 793 441	3 045 544	9 065 968	368 904 953
Cash and cash equivalents				
Balance at 1 January	96 198	-	-	96 198
Net remeasurement of loss allowances	(3 298)	-	-	(3 298)
Foreign exchange and other movements	-	-	-	-
Closing balance	92 900	-	-	92 900
Gross amount	134 621 812	-	-	134 621 812
Investment securities at amortised cost				
Balance at 1 January	877 471	-	-	877 471
Net remeasurement of loss allowances	30 213 797	-	-	30 213 797
Foreign exchange and other movements	-	-	-	-
Closing balance	31 091 268	-	-	31 091 268
Gross amount	816 039 333	-	-	816 039 333
Investment securities at FVOCI				
Balance at 1 January	-	-	-	-
Net remeasurement of loss allowances	-	-	-	-
Closing balance	-	-	-	-
Gross amount	125 868 982	-	-	125 868 982
Other assets				
Balance at 1 January	113 831	-	-	113 831
Transfer to Stage 1	-	-	-	-
Net remeasurement of loss allowances	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Closing balance	113 831	-	-	113 831
Gross amount	3 772 185	-	-	3 772 185
Letters of credit and guarantees, and other commitments				
Balance at 1 January	65 416	-	-	65 416
Net remeasurement of loss allowances	65 455	-	-	65 455
Foreign exchange and other movements	-	-	-	-
Closing balance	130 871	-	-	130 871
Gross amount	102 339 471	-	-	102 339 471

Movement in the year is due to IFRS 9 impairments on public debt, the Bank's internal assessment of the level of credit risk associated with this class of financial instruments indicated that an additional *provision was necessary.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.2 Allowances for impairment (Continued)

Stage 1: 12 Month ECL

	Loss Allowance 31 December 2024	Net movement during the year	Loss Allowance 31 December 2025
Balance with central bank	111 804	(58 063)	53 741
Short term deposits	18 587	20 572	39 159
Placements with the banks	126 064	(43 591)	82 473
Treasury notes	560 221	30 113 316	30 673 537
Promissory notes	1	(1)	-
Treasury Bills	8 900	54 042	62942
Loans and advances to customers - loans and overdrafts	1 208 666	8 493 688	9702354
Loans and advances to customers - finance lease	30 930	130 917	161847
Client Funds under management	-	-	-
Other receivables	<u>35 191</u>	<u>(35 191)</u>	<u>-</u>
TOTAL RECOGNISED	<u>2 100 364</u>	<u>38 675 689</u>	<u>40 776 053</u>
Loan commitments	1 954	6 543	8 497
Letters of credit and guarantee	<u>87 542</u>	<u>(53 569)</u>	<u>33 973</u>
TOTAL UNRECOGNISED	<u>89 496</u>	<u>(47 026)</u>	<u>42 470</u>
TOTAL	<u>2 189 860</u>	<u>38 628 663</u>	<u>40 818 523</u>

Stage 2: Lifetime ECL

	Loss Allowance 31 December 2024	Net movement during the year	Loss Allowance 31 December 2025
Loans and advances to customers - loans and overdrafts	185 048	1 054 901	1 239 949
Loans and advances to customers - finance lease	235	(235)	-
Loans and advances to customers – mortgage advances	<u>67 792</u>	<u>(67 792)</u>	<u>-</u>
TOTAL RECOGNISED	<u>253 075</u>	<u>986 874</u>	<u>1 239 949</u>

Stage 3: Lifetime ECL

	Loss Allowance	Net movement during the year	Loss Allowance
Loans and advances to customers - loans and overdrafts	11 617 456	(3 874 531.00)	7 742 925
Loans and advances to customers - finance lease	66 118	1 824.00	67 942
Loans and advances to customers- mortgage advances	<u>67 792</u>	<u>(10 673.00)</u>	<u>57 119</u>
TOTAL RECOGNISED	<u>11 751 366</u>	<u>(3 883 380)</u>	<u>7 867 986</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

42. Risk Management (Continued)**42.4 Credit Risk Management (Continued)****42.4.3 Credit risk profiling**

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

Credit risk profiling - 2025

	0-29 days	30-59 days	60-89 days	90-180 days	More than 181 days	Gross carrying amount	Loss allowance	Total
Balance with central bank	60 845 504	-	-	-	-	60 845 504	(53 741)	60 791 763
Short term deposits	129 253 441	-	-	-	-	129 253 441	(39 159)	129 214 282
Short term investments	11 655 931	-	-	-	-	11 655 931	-	11 655 931
Placements with the banks	92 749 270	-	-	-	-	92 749 270	(82 473)	92 666 797
Treasury notes	1 011 514 196	-	-	-	-	1 011 514 196	(30 673 537)	980 840 659
Promissory notes	352 299	-	-	-	-	352 299	-	352 299
Treasury bills	70 761 879	-	-	-	-	70 761 879	(62 942)	70 698 937
Loans and advances to customers - loans and overdrafts	344 714 755	-	3 045 544	-	8 899 482	356 659 781	(18 685 228)	337 974 553
Loans and advances to customers - finance lease	5 739 254	-	-	-	81 377	5 820 631	(229 789)	5 590 842
Loans and advances to customers - mortgage advances	6 339 433	-	-	-	85 109	6 424 542	(57 119)	6 367 423
Reinsurance contract assets	-	-	-	16 697 244	20 537 224	37 234 468	-	37 234 468
Loans and debentures	3 485 573	-	-	-	-	3 485 573	-	3 485 573
Client Funds under management	564 134 547	-	-	-	-	564 134 547	-	564 134 547
Other receivables	<u>26 289 519</u>	<u>356 956</u>	<u>11 192</u>	<u>94 833</u>	<u>150 966</u>	<u>26 903 465</u>	<u>-</u>	<u>26 903 465</u>
TOTAL RECOGNISED	<u>2 327 835 601</u>	<u>356 956</u>	<u>3 056 736</u>	<u>16 792 077</u>	<u>29 754 158</u>	<u>2 377 795 528</u>	<u>(49 883 988)</u>	<u>2 327 911 540</u>
Loan commitments	9 373 586	-	-	-	-	9 373 586	(8 497)	9 365 089
Letters of credit and guarantee	<u>137 673 220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137 673 220</u>	<u>(33 973)</u>	<u>137 639 247</u>
TOTAL UNRECOGNISED	<u>147 046 806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147 046 806</u>	<u>(42 470)</u>	<u>147 004 336</u>
TOTAL	<u>2 474 882 407</u>	<u>356 956</u>	<u>3 056 736</u>	<u>16 792 077</u>	<u>29 754 158</u>	<u>2 524 842 334</u>	<u>(49 926 458)</u>	<u>2 474 915 876</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.3 Credit risk profiling (Continued)

Credit risk profiling - 2024

	0-29 days	30-59 days	60-89 days	90-180 days	More than 181 days	Gross carrying amount	Loss allowance	Total
Balance with central bank	125 622 213	-	-	-	-	125 622 213	(111 804)	125 510 409
Short term deposits	95 731 199	8 348 621	-	-	-	104 079 820	(18 587)	104 061 233
Placements with the banks	119 975 348	-	-	-	-	119 975 348	(126 064)	119 849 284
Treasury notes	666 095 873	-	-	-	12 298 462	678 394 335	(560 221)	677 834 114
Promissory notes	958 835	-	-	-	-	958 835	(1)	958 834
Treasury bills	81 249 326	-	-	-	-	81 249 326	(8 900)	81 240 426
Loans and advances to customers - loans and overdrafts	223 697 826	-	2 994 081	-	11 577 055	238 268 962	(13 011 170)	225 257 792
Loans and advances to customers - finance lease	1 924 109	-	5 645	-	83 402	2 013 156	(97 283)	1 915 873
Loans and advances to customers - mortgage advances	6 684 678	-	309 304	-	909 909	7 903 891	(135 584)	7 768 307
Reinsurance contract assets	-	-	-	-	38 582 722	38 582 722	-	38 582 722
Loans and debentures	2 301 270	33 887	16 960	11 135	33 394	2 248 700	-	2 248 700
Client Funds under management	275 505 701	-	-	-	-	275 505 701	-	275 505 701
Other receivables	<u>23 122 320</u>	<u>33 887</u>	<u>16 960</u>	<u>11 135</u>	<u>33 394</u>	<u>23 217 696</u>	<u>(35 191)</u>	<u>23 182 505</u>
TOTAL RECOGNISED	<u>1 622 720 752</u>	<u>8 416 395</u>	<u>3 342 950</u>	<u>22 270</u>	<u>63 518 338</u>	<u>1 698 020 705</u>	<u>(14 104 805)</u>	<u>1 683 915 900</u>
Loan commitments	2 195 975	-	-	-	-	2 195 975	(1 954)	2 194 021
Letters of credit and guarantee	<u>98 361 926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98 361 926</u>	<u>(87 542)</u>	<u>98 274 384</u>
TOTAL UNRECOGNISED	<u>100 557 901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100 557 901</u>	<u>(89 496)</u>	<u>100 468 405</u>
TOTAL	<u>1 723 278 653</u>	<u>8 416 395</u>	<u>3 342 950</u>	<u>22 270</u>	<u>63 518 338</u>	<u>1 798 578 606</u>	<u>(14 194 301)</u>	<u>1 784 384 305</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.4 Distribution of credit exposures by sector

The table below provides an analysis of the gross carrying amount of loans and advances to customers by sector.

2025

	Balance with central bank	Short term deposits	Placements with the banks Sho	Placements with the banks	Treasury notes	Promissory notes	Treasury bills	Loans and advances to customers - loans and overdrafts	Insurance receivables	Loans and debentures	Client Funds Under Management	Other receivables	Loan commitments	Letters of credit and guarantee	Total
Agriculture, forestry, fishing and hunting	-	-	-	-	-	-	-	42 211 094	-	-	-	13 305	-	-	42 224 399
Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	1 809	-	-	1 809
Manufacturing	-	-	-	-	-	-	-	48 260 059	-	-	-	774	-	-	48 260 833
Electricity, gas, water and energy	-	-	-	-	-	-	-	49 859 679	-	-	-	2 206	-	-	49 861 885
Construction	-	-	-	-	-	-	-	4 681 105	-	-	-	2 681	-	-	4 683 786
Wholesale and retail trade	-	-	-	-	-	-	-	1 806 007	-	-	-	1 440	-	-	1 807 447
Restaurants and hotels	-	-	-	-	-	-	-	17 269 623	-	-	-	1 934	-	-	17 271 557
Transport, storage and communications	-	-	-	-	-	-	-	1 638 216	-	-	-	520	-	-	1 638 736
Financial services	60 791 763	129 214 282	11 655 931	92 666 797	980 840 659	352 299	70 698 937	6 032 061	37 234 468	3 485 573	564 134 547	23 947 362	-	-	1 981 054 679
Community, social and personal services	-	-	-	-	-	-	-	177 078 508	-	-	-	15 740	-	-	177 094 248
Real estate	-	-	-	-	-	-	-	1 096 466	-	-	-	20	-	-	1 096 486
Other sectors	-	-	-	-	-	-	-	-	-	-	-	2 915 675	9 365 089	137 639 247	149 920 011
Carrying amount	60 791 763	129 214 282	11 655 931	92 666 797	980 840 659	352 299	70 698 937	349 932 818	37 234 468	3 485 573	564 134 547	26 903 466	9 365 089	137 639 247	2 474 915 876

NICO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.4 Distribution of credit exposures by sector (Continued)

2024

	Balance with central bank	Short term deposits	Placements with the banks	Treasury notes	Promissory notes	Treasury bills	Loans and advances to customers - loans and overdrafts	Insurance receivables	Loans and debentures	Client Funds Under Management	Other receivables	Loan commitments	Letters of credit and guarantee	Total
Agriculture, forestry, fishing and hunting	-	-	-	-	-	-	17 115 216	-	-	-	-	-	-	17 115 216
Mining and quarrying	-	-	-	-	-	-	3 271	-	-	-	191	-	-	3 462
Manufacturing	-	-	-	-	-	-	14 838 593	-	-	-	1 062	-	-	14 839 655
Electricity, gas, water and energy	-	-	-	-	-	-	35 795 676	-	-	-	1 644	-	-	35 797 320
Construction	-	-	-	-	-	-	5 193 335	-	-	-	122	-	-	5 193 457
Wholesale and retail trade	-	-	-	-	-	-	15 600 273	-	-	-	779	-	-	15 601 052
Restaurants and hotels	-	-	-	-	-	-	9 678 654	-	-	-	122	-	-	9 678 776
Transport, storage and communications	-	-	-	-	-	-	1 968 096	-	-	-	115 166	-	-	2 083 262
Financial services	125 622 213	104 079 820	119 975 348	678 394 335	958 835	81 249 326	3 831 233	38 582 722	2 248 700	275 505 701	28 736	-	-	1 430 476 969
Community, social and personal services	-	-	-	-	-	-	143 498 256	-	-	-	8	-	-	143 498 264
Real estate	-	-	-	-	-	-	663 406	-	-	-	79 951	-	-	743 357
Other sectors	-	-	-	-	-	-	-	-	-	-	22 989 915	2 195 975	98 361 926	123 547 816
Carrying amount	125 622 213	104 079 820	119 975 348	678 394 335	958 835	81 249 326	248 186 009	38 582 722	2 248 700	275 505 701	23 217 696	2 195 975	98 361 926	1 798 578 606

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.5 Cash and cash equivalents

The Group's cash and cash equivalents are held with financial institution counterparties that have high credit ratings.

42.4.6 Government securities

The Group's investments in government securities are issued by the Malawi government and are considered secure. Reputable financial institutions are used for investing and cash handling purposes within the group's strict guidelines on investments and institution exposure limits.

42.4.7 Placements

The Group invested in liquid short term assets. These do not pose a risk of default due to the high credit rating of the counterparties. For 2024 the placements were done by the group's banking business with the Reserve Bank of Malawi, financial institutions and a Malawi Government agency.

42.4.8 Loans and advances to customers

For its banking business, the Group uses an internal credit risk rating system called Credit Quest and risk categories range from PN1 to PN9, PN1 representing the lowest credit risk whilst PN9 the highest credit risk. The system utilizes a combination of numerical data and qualitative information to assign a rating to each counterparty.

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

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

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

42.4.9 Clients funds under management

These are fixed income investments on behalf of various clients, principally in fixed deposits. The counter parties are banks with good credit rating.

42.4.10 Insurance receivables

The Group determines counter-party credit quality by performing an internal analysis, and seeks to avoid unacceptable concentration of credit risk to Groups of counter-parties, to business sectors, product types, and geographical segments.

Amounts receivable in terms of short-term insurance business are secured by the underlying value of unpaid policy benefits in terms of the policy contract. An appropriate level of allowances for credit losses is maintained. Granting of credit is based on laid down approved guidelines and procedures; there is an arrangement allowing for payment over a longer period, provided that failure to pay within the said agreed period should result in cancellation of the unexpired insurance period. In preparing these financial statements, the Directors have considered the recoverability of these amounts and are of the opinion that the amounts are recoverable in full.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of re-insurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The Group ensures that there is no significant concentration of risk within a single re-insurer.

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.11 Investments in equity shares

Investments are allowed only in liquid securities and only with counterparties that have a good credit rating and business ventures that are profitable. Given their good credit ratings, the Group does not expect any counterparty to fail to meet its obligations.

42.2.12 Investment in shares

These investment in shares and income notes have been made with counterparties of good credit rating. As a consequence the Group does not expect the counterparties to fail to meet their obligations.

42.4.13 Loans and debentures

The loans and debentures have been entered into with counterparties of good credit rating. As a consequence the Group does not expect the counterparties to fail to meet its obligations. In the opinion of the directors, the loans receivables, all of which, are due from Malawi registered companies are expected to be realised in full at maturity date.

42.4.14 Forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group's ALCO is supplied with external information on critical macroeconomic variables that may have a material impact on the performance of various credit portfolios. The typical sources include the European Investment Unit (EIU), the World Bank and International Monetary Fund country reports, National Statistical Office and Reserve Bank of Malawi reports.

The Group's approach to forward-looking information is to develop scenarios for the next 12 months. ALCO then approves one scenario that best captures likely movements in key variables that may have an impact on the performance of various credit portfolios. The scenarios are fed into IFRS9 models.

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

List of macro-economic variables used	Definition	Scenario	2025	2024
Nominal GDP	(US\$ at PPP)	Base	41.04	40.07
		Favourable	41.45	40.47
		Worst	40.23	39.28
		Weighted	40.91	39.94
Real GDP	(US\$)	Base	12 179 768.79	11 942 491.09
		Favourable	12 179 68.709	12 897 890.38
		Worst	11 277 563.69	11 708 234.53
		Weighted	12 423 459.74	12 182 872.00
Real private consumption	(US\$)	Base	10 474 601.16	1 591 159.00
		Favourable	11 312 569.25	1 718 451.72
		Worst	11 090 668.83	1 559 947.80
		Weighted	10 959 279.75	1 623 186.17
Exchange rate	Malawi kwacha per USD (average)	Base	1 751.00	1 751.00
		Favourable	3 000.00	3 000.00
		Worst	3 850.00	3 500.00
		Weighted	3,675.00	3 250.00
Lending interest rate	Average borrowing rate on loans	Base	25.30	26.00
		Favourable	23.30	24.90
		Worst	27.20	36.00
		Weighted	25.25	30.50
Public debt	USD value of sovereign debt	Base	12 906 910.33	8 750 000.00
		Favourable	11 616 219.30	8 925 000.00
		Worst	17 424 328.95	9 187 500.00
		Weighted	13 982 486.19	8 975 000.00

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.14 Forward-looking information (Continued)

List of macro-economic variables used	Definition	Scenario	2025	2024
Deposit interest rate	Average interest rate on deposits	Base	4.00	4.27
		Favourable	11.00	12.00
		Worst	2.00	4.27
		Weighted	6.50	6.85
GDP per head	(\$ at PPP)	Base	1 893.00	1 700.00
		Favourable	1 325.10	1 566.68
		Worst	946.5	850.49
		Weighted	1 385.8	1 372.39
Goods: exports	USD value of good exported	Base	1.10	0.94
		Favourable	1.21	0.98
		Worst	0.77	0.75
		Weighted	0.99	0.89
Goods: imports	USD value of good imported	Base	(3.10)	(3.19)
		Favourable	(2.79)	(3.51)
		Worst	(3.57)	(2.59)
		Weighted	(3.18)	(3.10)
Effective interest rate	Percentage	Base	0.75	0.75
		Favourable	0.75	0.75
		Worst	0.75	0.75
		Weighted	0.75	0.75

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analysing historical data of more than five years. Probabilities of the three scenarios occurring in 2025 and beyond have been attached to the three forecast scenarios based on management view of the future economic outlook. A weighted average ECL for the three scenarios has been derived as follows; Base case 30%; Worse case 50% and Favourable case 20%; (2024: Base case 30%; Worse case 50% and Favourable case 20%).

42.4.15 Modified financial assets

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

Financial assets (with loss allowance based on lifetime ECL) modified during the period	<u>Year ended 2025</u>	<u>Year ended 2024</u>
Gross carrying amount before modification	9 495 778	7 875 738
New restructures	520 755	2 129 086
Loss allowance before modification	<u>(139 621)</u>	<u>(197 752)</u>
Net amortised cost before modification	9 876 912	9 807 072
Repayment post modification	<u>(4 519 165)</u>	<u>(509 046)</u>
Net amortised cost after modification	<u><u>5 357 747</u></u>	<u><u>9 298 026</u></u>

42.5 Liquidity Risk Management

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations arising from its financial liabilities. Liquidity risk arises when there is mismatching between the maturities of liabilities and assets.

42. Risk Management (Continued)

42.5 Liquidity Risk Management (Continued)

Management of liquidity risk

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

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

The Group's banking business has an Asset and Liability Management Committee (ALCO) which is responsible for ensuring that there is an equitable balance between assets and liabilities. Daily liquidity position is monitored and liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of operating units. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

For the Life Risk and Savings contracts, uncertainty in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of long-term changes in the mortality rates, the variability in the policyholders behaviour and uncertainties regarding future inflation rates and expenses growth. Due to the long-term nature of the contracts issued in these product lines, IFRS 17 insurance contract carrying values are subject to interest rate risk variability.

Maturity Analysis

Investment assets and insurance liabilities

The following table shows a maturity analysis of cash flows for participating insurance contracts and risk insurance contracts which reflects the dates on which the cash flows are expected to occur, for portfolios which are in a liability position.

This analysis does not include the liability for remaining coverage for contracts measured under the PAA.

The maturity analysis for investment contracts reflects the contractual maturity dates. The majority of investment contracts are open ended and have no fixed maturity date. These contracts are included in the one year or less category.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.5 Liquidity Risk Management (Continued)

Management of liquidity risk (Continued)

Year ended 31 December 2025 K'm	One year or less	One to two years	Two to three years	Three to four years	Four to five years	More than five years	Total
Net policyholder cash flows	<u>35 962</u>	<u>56 896</u>	<u>77 215</u>	<u>94 196</u>	<u>141 130</u>	<u>4 775 736</u>	<u>5 181 135</u>
Insurance contract cash flows	<u>35 962</u>	<u>56 896</u>	<u>77 215</u>	<u>94 196</u>	<u>141 130</u>	<u>4 775 736</u>	<u>5 181 135</u>
Life risk and annuities	-	-	-	-	-	-	-
Life savings	-	-	-	-	-	-	-
Reinsurance contract cash flows	-	-	-	-	-	-	-
Life risk and annuities	-	-	-	-	-	-	-
Investment contract cash flows	1 220 405	-	-	-	-	-	1 220 405
Deposit administration contracts	<u>1 220 405</u>	-	-	-	-	-	<u>1 220 405</u>
Other contracts	-	-	-	-	-	-	-
Net policyholder cash flows	<u>1 256 367</u>	<u>56 896</u>	<u>77 215</u>	<u>94 196</u>	<u>141 130</u>	<u>4 775 736</u>	<u>6 401 540</u>
Year ended 31 December 2024 K'm	One year or less	One to two years	Two to three years	Three to four years	Four to five years	More than five years	Total
Net policyholder cash flows	<u>18 693</u>	<u>23 082</u>	<u>19 706</u>	<u>17 440</u>	<u>12 957</u>	<u>45 087</u>	<u>136 965</u>
Insurance contract cash flows	<u>18 693</u>	<u>23 082</u>	<u>19 706</u>	<u>17 440</u>	<u>12 957</u>	<u>45 087</u>	<u>136 965</u>
Life risk and annuities	-	-	-	-	-	-	-
Life savings	-	-	-	-	-	-	-
Reinsurance contract cash flows	-	-	-	-	-	-	-
Life risk and annuities	-	-	-	-	-	-	-
Investment contract cash flows	665 020	-	-	-	-	-	-
Deposit administration contracts	<u>665 020</u>	-	-	-	-	-	-
Other contracts	-	-	-	-	-	-	<u>665 020</u>
Net policyholder cash flows	<u>683 713</u>	<u>23 082</u>	<u>19 706</u>	<u>17 440</u>	<u>12 957</u>	<u>45 087</u>	<u>801 985</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.5 Liquidity Risk Management (Continued)

Maturity profiles

The table below shows maturity profiles of financial assets and liabilities. It shows some periodic mismatches between financial and assets and liabilities. From time to time management manages this mismatch by setting guidelines and limits for anticipated liquidity gaps. The Board sets limits on the minimum proportion of maturing funds available to meet any calls. The Group has significant liquid resources to cover its obligations.

2025

Assets	Up to 1 month	1 – 3 month	3 – 12 month	Over 1 year	Total	Carrying amount
Cash and cash equivalents	97 525 025	182 612 404	-	-	280 137 429	280 137 429
Short term investments	-	11 655 931	-	-	11 655 931	11 655 931
Government securities	6 511 485	36 292 320	273 193 643	1 667 548 672	1 983 546 120	1 051 891 895
Placements with other banks	-	-	103 246 998	-	103 246 998	92 666 797
Loans and advances	9 968 502	17 416 724	84 731 808	451 458 701	563 575 735	349 932 818
Reinsurance contract assets	-	-	37 234 468	-	37 234 468	37 234 468
Investment in equity shares	-	-	-	1 668 664 749	1 668 664 749	1 668 664 749
Loans and debentures	-	-	1 313 573	2 172 000	3 485 573	3 485 573
Client fund under management	79 509 853	9 710 089	141 561 353	341 303 092	572 084 387	564 134 547
Other receivables	<u>22 617 706</u>	<u>224 355</u>	<u>2 854 546</u>	<u>-</u>	<u>25 696 607</u>	<u>32 884 076</u>
Total assets	<u>216 132 571</u>	<u>257 911 823</u>	<u>644 136 389</u>	<u>4 131 147 214</u>	<u>5 249 327 997</u>	<u>4 092 688 283</u>
Liabilities						
Trade and other payables	227 270 645	3 040 820	5 813 982	-	236 125 447	236 179 636
Client fund payable	934 127	9 710 089	141 561 353	341 303 092	493 508 661	493 508 661
Domestic deposits (current & savings)	840 235 145	114 563 770	48 514 893	1 120 954	1 004 434 762	991 039 767
Insurance contract liabilities	-	-	64 443 092	1 748 255 629	1 812 698 721	1 812 698 721
Reinsurance contract liabilities	-	-	-	98 171	98 171	98 171
Interest bearing loan	-	655 193	3 278 507	66 391 303	70 325 003	48 077 555
Lease liabilities	<u>-</u>	<u>-</u>	<u>1 035 399</u>	<u>5 913 032</u>	<u>6 948 431</u>	<u>6 948 431</u>
Total liabilities	<u>1 068 439 917</u>	<u>127 969 872</u>	<u>264 647 226</u>	<u>2 163 082 181</u>	<u>3 624 139 196</u>	<u>3 588 550 942</u>
Net liquidity gap	(852 307 346)	129 941 951	379 489 163	1 968 065 033	1 625 188 801	
Cumulative liquidity gap	(852 307 346)	(722 365 395)	(342 876 232)	1 625 188 801		

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.5 Liquidity Risk Management (Continued)

Maturity profiles (Continued)

2024

Assets	Up to 1 month	1 – 3 month	3 – 12 month	Over 1 year	Total	Carrying amount
Cash and cash equivalents	137 179 740	144 673 225	-	-	281 852 965	281 852 965
Short term investments	-	7 541 016	-	-	7 541 016	7 541 016
Government securities	536 301	32 102 980	79 224 516	654 326 846	766 190 643	753 061 480
Placements with other banks	-	-	137 826 560	-	137 826 560	119 975 348
Loans and advances	6 075 226	4 119 144	28 999 198	357 223 953	396 417 521	234 941 972
Reinsurance contract assets	-	-	38 582 722	-	38 582 722	38 582 722
Investment in equity shares	-	-	-	613 786 790	613 786 790	613 786 790
Loans and debentures	-	-	-	2 248 700	2 248 700	2 248 700
Client fund under management	28 836 458	10 189 348	178 478 288	58 001 607	275 505 701	275 505 701
Other receivables	<u>35 887 200</u>	<u>341 050</u>	<u>816 912</u>	<u>-</u>	<u>37 045 162</u>	<u>30 131 429</u>
Total assets	<u>208 514 925</u>	<u>198 966 763</u>	<u>463 928 196</u>	<u>1 685 587 896</u>	<u>2 556 997 780</u>	<u>2 357 628 123</u>
Liabilities	Up to 1 month	1 – 3 month	3 – 12 month	Over 1 year	Total	Carrying amount
Trade and other payables	296 882 196	2 444 665	6 278 948	-	305 605 809	305 605 809
Client fund payable	36 652 214	76 944 203	59 119 213	64 179 669	236 895 299	236 895 299
Domestic deposits (current & savings)	566 022 501	80 474 264	4 683 317	7 827 367	659 007 449	645 470 912
Insurance contract liabilities	-	-	62 665 778	839 035 235	901 701 013	901 701 013
Reinsurance contract liabilities	-	-	-	49 358	49 358	49 358
Interest bearing loan	-	458 333	3 732 978	43 130 531	47 321 842	23 470 782
Total liabilities	<u>899 556 911</u>	<u>160 321 465</u>	<u>136 480 234</u>	<u>954 222 160</u>	<u>2 150 580 770</u>	<u>2 113 193 173</u>
Net liquidity gap	(691 041 986)	38 645 298	351 531 018	731 365 736	406 417 010	
Cumulative liquidity gap	(691 041 986)	(625 396 688)	(324 948 726)	406 417 010		

42.6 Market Risk Management

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

42.6.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Group is exposed to currency risk through transactions denominated in foreign currencies, its foreign investments, and through the foreign exchange trading book of its banking business.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.6 Market Risk Management (Continued)

42.6.1 Currency risk (Continued)

Management of currency risk

The Group ensures that the net exposure is kept to an acceptable level by transacting in foreign currencies at spot rates where necessary to address short term imbalances.

The Group's banking business has a foreign exchange business policy and a foreign exchange risk management policy. The policies have exposure limits, limits for investments, trading limits and levels of authorization of foreign currency transactions. Forex exposure positions are regularly monitored by Treasury department and senior management. The policy for trading book exposure is that the position should be almost square. In the banking book, assets and liabilities mismatch is minimised. Most of the foreign currency borrowings by the Group are hedged by foreign currency loans to customers, to minimize risk exposure.

Currency risk exposure

The Group had the following significant foreign currency denominated monetary assets and liabilities.

Group At 31 December 2025

	USD	GBP	EURO	ZAR	ZMW	Total
Assets						
Balances with banks	23 062 475	3 170 545	5 847 650	349 879	-	32 430 549
Cash balances	11 028 876	10 639	8 112	10 080	-	11 057 707
Loans and advances to customers	51 312 460	5	54	-	-	51 312 519
Other receivables	<u>50 614 002</u>	<u>1 137</u>	<u>(9 701)</u>	<u>1 121</u>	<u>-</u>	<u>50 606 559</u>
Total assets	<u>136 017 813</u>	<u>3 182 326</u>	<u>5 846 115</u>	<u>361 080</u>	<u>-</u>	<u>145 407 334</u>
Liabilities						
Customer deposits	75 581 605	2 912 287	5 403 036	51 803	-	83 948 731
Other liabilities	<u>54 842 722</u>	<u>38</u>	<u>532</u>	<u>40 449</u>	<u>2 155 264</u>	<u>57 039 005</u>
Total liabilities	<u>130 424 327</u>	<u>2 912 325</u>	<u>5 403 568</u>	<u>92 252</u>	<u>2 155 264</u>	<u>140 987 736</u>
Net position	5 593 486	270 001	442 547	268 828	(2 155 264)	4 419 598
Movement in foreign currency rates		(1 000bp)	(2 000bp)	1 000bp	2 000bp	
Change in income (K'000)		(441 960)	(883 920)	441 960	883 920	
Change in equity (K'000)		(309 372)	(618 744)	309 372	618 744	

Group At 31 December 2024

	USD	GBP	EURO	ZAR	Total
Assets					
Balances with banks	10 623 489	4 021 088	2 433 147	246 712	17 324 436
Cash balances	2 092 545	7 268	27 458	3 867	2 131 138
Loans and advances to customers	25 956 557	61	64	-	25 956 682
Other receivables	<u>62 775 880</u>	<u>-</u>	<u>5 223 043</u>	<u>-</u>	<u>67 998 923</u>
Total assets	<u>101 448 471</u>	<u>4 028 417</u>	<u>7 683 712</u>	<u>250 579</u>	<u>113 411 179</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.6 Market Risk Management (Continued)

42.6.1 Currency risk (Continued)

Currency risk exposure (Continued)

	USD	GBP	EURO	ZAR	Total
Liabilities					
Customer deposits	66 346 950	2 746 030	4 260 535	12 124	73 365 639
Other liabilities	<u>38 034 022</u>	<u>15 179</u>	<u>-</u>	<u>192 543</u>	<u>38 241 744</u>
Total liabilities	<u>104 380 972</u>	<u>2 761 209</u>	<u>4 260 535</u>	<u>204 667</u>	<u>111 607 383</u>
Net position	(2 932 501)	1 267 208	3 423 177	45 912	1 803 796
Movement in foreign currency rates	(1 000bp)	(2 000bp)	1 000bp	2 000bp	
Change in income (K'000)	(180 380)	(360 759)	180 380	360 759	
Change in equity (K'000)	(126 266)	(252 531)	126 266	252 531	

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

Company - At 31 December 2025

	USD	GBP	EURO	ZAR	ZMW	Total
Assets						
Balances with banks	219 138	-	-	-	-	219 138
Other receivables	<u>49 971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49 971</u>
Total assets	<u>269 109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269 109</u>
Liabilities						
Other liabilities	346 767	-	-	-	2 155 264	2 502 031
Total liabilities	<u>346 767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 155 264</u>	<u>2 502 031</u>
Net position	<u>(77 658)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2 155 264)</u>	<u>(2 232 922)</u>
Movement in foreign currency rates	1 000bp	1 000bp	(1 000bp)	(2 000bp)		
Change in income (K'000)	(223 292)	(446 584)	223 292	446 584		
Change in equity (K'000)	(156 305)	(312 609)	156 305	312 609		

Company - At 31 December 2024

	USD	GBP	EURO	ZAR	Total
Assets					
Balances with banks	<u>150 770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150 770</u>
Total assets	<u>150 770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150 770</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.6 Market Risk Management (Continued)

42.6.1 Currency risk (Continued)

Currency risk exposure (Continued)

Company - At 31 December 2023

	USD	GBP	EURO	ZAR	Total
Other liabilities	<u>66 349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66 349</u>
Total liabilities	<u>66 349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66 349</u>
Net position	84 421	-	-	-	84 421
Movement in foreign currency rates	1 000bp	2 000bp	(1 000bp)	(2 000bp)	
Change in income (K'000)	8 442	16 884	(8 442)	(16 884)	
Change in equity (K'000)	5 909	11 819	(5 909)	(11 819)	

42.6.2 Other price risk

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Group is exposed to price risk as it maintains equity shares traded on the Malawi Stock Exchange and Zambia Stock Exchange.

Management of other price risk

The Group manages price risk by constructing a diversified portfolio of equity shares. The Group will therefore ensure that its portfolio is well diversified so as to minimise any risk of loss resulting from a concentration of investments in one asset, asset class or sector. Although price risk specific to a stock can be minimized through diversification, market risk cannot be diversified away.

Exposure to equity price risk

As at 31 December 2025 the Group had the following financial assets that are exposed to equity risk.

Financial assets	2025	2024 Restated
Blantyre Hotels Plc.*	23 777 471	25 673 324
Standard Bank Malawi Plc.	748 734 022	258 133 376
Airtel Malawi Plc.	12 023 696	10 054 493
Illovo Sugar Malawi Plc.	1 921 317	1 248 424
Press Corporation Plc.	63 982 456	20 669 461
Old Mutual Plc.	2 406 069	1 384 880
National Bank of Malawi Plc.	338 603 539	107 696 040
National Investment Trust Plc.	64 206 346	7 175 990
FMB Capital Holdings Plc.	41 398 575	7 716 752
Telekom Networks Malawi Plc.	31 373 764	23 616 238
Mpico Plc.	1 325 325	1 373 968
Airtel Networks Zambia Plc.	65 146 866	-
ICON Properties Plc.	54 566 126	68 893 330
NICO Holdings Plc. (held by Administration Fund)	155 240 804	17 682 325
NBS Bank Plc.	45 885 941	27 553 517
FDH Bank Plc.	624 666	13 033 930
Sunbird Tourism Plc.	<u>36 777 966</u>	<u>165 436</u>
Total listed shares	<u>1 651 216 983</u>	<u>592 071 484</u>

*Refer to note 1.1 of the financial statements.

42. Risk Management (Continued)

42.6 Market Risk Management (Continued)

42.6.2 Other price risk (Continued)

Equity price sensitivity analysis

A sensitivity analysis in relation to the exposure for a plus or minus 10% movement in price will be as follows:

	2025	2024
Increase/decrease in equity	166 421 748	60 464 007
Increase/decrease in profit or loss	166 421 748	60 464 007

The movement used in the sensitivity analysis is based on a history of price movements on the various counters over the past year with current months receiving more weight.

Management also consider the current and projected performance of individual counters in line with market conditions.

42.6.3 Interest rate risk management

The Group holds significant interest-bearing financial assets and is therefore subjected to significant exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Group are invested in short-term repurchase agreements with maturity of up to one month.

The Group's interest rate risk is managed on a daily basis by the Asset Manager in accordance with policies and procedures set up by the Board. The Group's overall interest rate risks are monitored on a quarterly basis by the Board of Directors. Where the interest rate risks are not in accordance with the investment policy or guidelines of the Group, the Asset Manager will rebalance the portfolio.

Exposure to interest rate risk

The following table details the Group's exposure to interest rate risks. It includes the Group's assets and trading liabilities sensitive to interest rates at fair values, categorised by the earlier of contractual pricing or maturity date, measured by carrying value of the assets and liabilities:

Group 31 December 2025

Financial assets	Less than 1 month	1 - 3 months	3 months above	Non-interest bearing	Total	Carrying amount
Cash and cash equivalents	280 012 463	124 966	-	-	280 137 429	280 137 429
Short-term investments	-	11 655 931	-	-	11 655 931	11 655 931
Placements	-	-	92 666 797	-	92 666 797	92 666 797
Loans and advances to Customer	9 968 502	17 416 724	322 547 592	-	349 932 818	349 932 818
Re-insurance contract asset	-	-	-	37 234 468	37 234 468	37 234 468
Government securities	68 068 227	92 829 903	890 993 765	-	1 051 891 895	1 051 891 895
Investment in equity shares	-	-	-	1 668 664 749	1 668 664 749	1 668 664 749
Loans and debentures	-	-	3 485 573	-	3 485 573	3 485 573
Client funds under management	84 461 324	9 710 089	213 767 015	256 196 119	564 134 547	564 134 547
Other Receivables	1 206 860	-	-	-	32 884 076	32 884 076
Total financial assets	<u>443 717 376</u>	<u>131 737 613</u>	<u>1 523 460 742</u>	<u>1 962 095 336</u>	<u>4 092 688 283</u>	<u>4 092 688 283</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.6 Market Risk Management (Continued)

42.6.3 Interest rate risk management (Continued)

Exposure to interest rate risk (Continued)

Group 31 December 2025

Financial liabilities	Less than 1 month	1 - 3 months	3 months above	Non-interest bearing	Total	Carrying amount
Trade and other payables	-	3 149 523	-	233 030 113	236 179 636	236 179 636
Client funds payables	168 281 081	91 346 544	45 975 224	187 905 813	493 508 662	493 508 661
Domestic deposits (current & savings)	840 235 145	114 563 770	36 240 852	-	991 039 767	991 039 767
Insurance contract liabilities	-	-	-	1 812 698 721	1 812 698 721	1 812 698 721
Re-insurance contract liabilities	-	-	-	98 171	98 171	98 171
Interest bearing loans and borrowings	-	655 193	47 422 362	-	48 077 555	48 077 555
Total financial liabilities	1 008 516 226	209 715 030	129 638 438	2 233 732 818	3 581 602 512	3 581 602 511
Interest sensitivity gap	(564 798 850)	(77 977 417)	1 412 449 449	(258 587 411)	511 085 771	511 085 772

Group - 31 December 2024

Financial assets	Less than 1 month	1 - 3 months	3 months above	Non-interest bearing	Total	Carrying amount
Cash and cash equivalents	269 510 562	9 121 307	376 116	2 844 980	281 852 965	281 852 965
Short-term investments	-	7 541 016	-	-	7 541 016	7 541 016
Placements	-	-	119 975 348	-	119 975 348	119 975 348
Loans and advances to Customers	6 075 226	4 119 144	224 747 602	-	234 941 972	234 941 972
Re-insurance contract asset	-	-	-	38 582 722	38 582 722	38 582 722
Government securities	31 222 091	-	721 839 389	-	753 061 480	753 061 480
Investment in equity shares	-	-	-	613 786 790	613 786 790	613 786 790
Loans and debentures	-	-	2 248 700	-	2 248 700	2 248 700
Client funds under management	28 836 458	10 189 348	178 478 288	58 001 607	275 505 701	275 505 701
Other Receivables	1 970 209	-	-	28 161 220	30 131 429	30 131 429
Total financial assets	337 614 546	30 970 815	1 247 665 443	741 377 319	2 357 628 123	2 357 628 123
Financial liabilities	Less than 1 month	1 - 3 months	3 months above	Non-interest bearing	Total	Carrying amount
Trade and other payables	-	251 191 899	-	54 413 910	305 605 809	305 605 809
Client funds payables	36 652 214	76 944 203	59 119 213	64 179 669	236 895 299	236 895 299
Domestic deposits (current & savings)	552 485 964	80 474 264	12 510 684	-	645 470 912	645 470 912
Insurance contract liabilities	-	-	-	901 701 013	901 701 013	901 701 013
Re-insurance contract liabilities	-	-	-	49 358	49 358	49 358
Interest bearing loans and borrowings	-	458 333	23 012 449	-	23 470 782	23 470 782
Total financial liabilities	589 138 178	409 068 699	94 642 346	1 020 343 950	2 113 193 173	2 113 193 173
Interest sensitivity gap	(251 523 632)	(378 097 884)	1 153 023 097	(278 966 631)	244 434 950	244 434 950

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.6 Market Risk Management (Continued)

42.6.3 Interest rate risk management (Continued)

Exposure to interest rate risk (Continued)

Company 31 December 2025

Financial assets	Less than 1 month	1 - 3 months	3 months above	Non-interest bearing	Total	Carrying amount
Cash and cash equivalents	24 042 372	-	-	-	24 042 372	24 042 372
Total financial assets	<u>24 042 372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24 042 372</u>	<u>24 042 372</u>
Trade and other payables	-	-	-	11 895 285	11 895 285	11 895 285
Interest bearing loans and borrowings	-	-	14 067 944	-	14 067 944	14 067 944
Total financial liabilities	<u>-</u>	<u>-</u>	<u>14 067 944</u>	<u>11 895 285</u>	<u>25 963 229</u>	<u>25 963 229</u>
Interest sensitivity gap	24 042 372	-	(14 067 944)	(11 895 285)	(1 920 857)	(1 920 857)

Company 31 December 2024

Financial assets	Less than 1 month	1 - 3 months	3 months above	Non-interest bearing	Total	Carrying amount
Cash and cash equivalents	6 276 327	-	376 116	-	6 652 443	6 652 443
Total financial assets	<u>6 276 327</u>	<u>-</u>	<u>376 116</u>	<u>-</u>	<u>6 652 443</u>	<u>6 652 443</u>
Trade and other payables	-	-	-	-	-	-
Interest bearing loans and borrowings	-	-	458 333	-	458 333	458 333
Total financial liabilities	<u>-</u>	<u>-</u>	<u>458 333</u>	<u>-</u>	<u>458 333</u>	<u>458 333</u>
Interest sensitivity gap	6 276 327	-	(82 217)	-	6 194 110	6 194 110

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.7 Accounting classifications and fair values

Fair value hierarchy

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described below under the heading Level 3. For financial assets that are traded infrequently and have little price transparency fair value is less objective and requires varying degrees of judgement depending on liquidity concentration uncertainty of market factors pricing assumptions and other risks affecting the specific instrument. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

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

Financial instruments measured at fair value

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

Group - 2025

Financial Assets	Note	Financial instruments designated at FVTPL	Financial instruments designated at FVTOCI	Total	Level 1	Level 2	Level 3	Total
Investment in government securities	14	149 971 075	-	149 971 075	-	149 971 075	-	149 971 075
Investment in equity shares	15	1 623 999 012	44 665 737	1 668 664 749	1 664 217 478	-	4 447 271	1 668 664 749
Loan and debentures	16	3 485 573	-	3 485 573	-	-	3 485 573	3 485 573
Total		<u>1 777 455 660</u>	<u>44 665 737</u>	<u>1 822 121 397</u>	<u>1 664 217 478</u>	<u>149 971 075</u>	<u>7 932 844</u>	<u>1 822 121 397</u>

Group - 2024

Financial Assets	Note	Financial instruments designated at FVTPL	Financial instruments designated at FVTOCI	Total	Level 1	Level 2	Level 3	Total
Investment in government securities	14	187 774 769	-	187 774 769	-	187 774 769	-	187 774 769
Investment in equity shares	15	589 150 866	24 635 924	613 786 790	604 640 069	-	9 146 721	613 786 790
Loan and debentures	16	2 248 700	-	2 248 700	-	-	2 248 700	2 248 700
Total		<u>779 174 335</u>	<u>24 635 924</u>	<u>803 810 259</u>	<u>604 640 069</u>	<u>187 774 769</u>	<u>11 395 421</u>	<u>803 810 259</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.7 Accounting classifications and fair values (Continued)

Financial instruments measured at fair value (Continued)

Company - 2025

Financial Assets	Note	Financial instruments designated at FVTPL	Financial instruments designated at FVTOCI	Total	Level 1	Level 2	Level 3	Total
Shares	15	-	4 967 021	4 967 021	-	-	4 967 021	4 967 021
Investment property		<u>312 000</u>	<u>-</u>	<u>312 000</u>	<u>-</u>	<u>-</u>	<u>312 000</u>	<u>312 000</u>
Total		<u><u>312 000</u></u>	<u><u>4 967 021</u></u>	<u><u>5 279 021</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>5 279 021</u></u>	<u><u>5 279 021</u></u>

Company - 2024

Financial Assets	Note	Financial instruments designated at FVTPL	Financial instruments designated at FVTOCI	Total	Level 1	Level 2	Level 3	Total
Shares	15	<u>-</u>	<u>15 860 606</u>	<u>15 860 606</u>	<u>12 568 585</u>	<u>-</u>	<u>3 295 021</u>	<u>15 863 606</u>
Total		<u><u>-</u></u>	<u><u>15 860 606</u></u>	<u><u>15 860 606</u></u>	<u><u>12 568 585</u></u>	<u><u>-</u></u>	<u><u>3 295 021</u></u>	<u><u>15 863 606</u></u>

Measurement of fair values

The following table shows the valuation techniques used in measuring level 3 fair values as well as the significant unobservable inputs used.

Financial instruments measured at fair value.

Type	Valuation technique	Significant unobservable inputs
Unlisted equity securities	refer to note 15	refer to note 15
Government Treasury notes	refer to note 14	refer to note 14

42. Risk Management (Continued)

42.7 Accounting classifications and fair values (Continued)

Financial instruments not measured at fair value (Continued)

The following table provides the categories of financial instruments. It does not provide fair value information where the carrying amounts approximate their fair values.

Group - 2025

	Note	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Financial assets					
Cash and cash equivalent	5	-	-	280 137 429	280 137 429
Short-term investments	6.1	-	-	11 655 931	11 655 931
Placements with other banks	6.2	-	-	92 666 797	92 666 797
Loans and advances to customers	7.1	-	-	349 932 818	349 932 818
Client funds under management	9.2	-	-	564 134 547	564 134 547
Other receivables	9.1	-	-	32 884 076	32 884 076
Reinsurance contract assets	27.1	-	-	37 234 468	37 234 468
Loans and debentures	16	3 485 573	-	-	3 485 573
Government securities	14	149 971 075	-	901 920 820	1 051 891 895
Shares	15	1 623 999 012	44 665 737	-	1 668 664 749
Financial liabilities					
Trade and other payables	21	-	-	236 179 636	236 179 636
Client funds payable	22	-	-	493 508 661	493 508 661
Deposits and customer accounts	23	-	-	991 039 767	991 039 767
Insurance contract liabilities	27.1	1 812 698 721	-	-	1 812 698 721
Reinsurance contract liabilities	27.1	98 171	-	-	98 171
Interest bearing loans and borrowings	24	-	-	48 077 555	48 077 555

42. Risk Management (Continued)

42.7 Accounting classifications and fair values (Continued)

Financial instruments not measured at fair value (Continued)

The following table provides the categories of financial instruments. It does not provide fair value information where the carrying amounts approximate their fair values.

Group - 2024

	Note	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total carrying amount
Financial assets					
Cash and cash equivalent	5	-	-	281 852 965	281 852 965
Short-term investments	6.1	-	-	7 541 016	7 541 016
Placements with other banks	6.2	-	-	119 975 348	119 975 348
Loans and advances to customers	7.1	-	-	234 941 972	234 941 972
Client funds under management	9.2	-	-	275 505 701	275 505 701
Other receivables	9.1	-	-	30 131 429	30 131 429
Reinsurance contract assets	27.1	-	-	38 582 722	38 582 722
Loans and debentures	16	2 248 700	-	-	2 248 700
Government securities	14	187 774 768	-	565 286 712	753 061 480
Shares	15	589 150 866	24 635 924	-	613 786 790
Financial liabilities					
Trade and other payables	21	-	-	305 605 809	305 605 809
Client funds payable	22	-	236 895 299	-	236 895 299
Deposits and customer accounts	23	-	645 470 912	-	645 470 912
Insurance contract liabilities	27.1	901 701 013	-	-	901 701 013
Reinsurance contract liabilities	27.1	49 358	-	-	49 358
Interest bearing loans and borrowings	24	-	23 470 782	-	23 470 782

42. Risk Management (Continued)

42.8 Other Risk Management

42.8.1 Operational risks

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

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

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

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

42.8.2 Risk management objectives and mitigating insurance risk

The primary insurance activity carried out by the Group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Group also has exposure to market risk through its insurance and investment activities.

The Group manages its insurance risk through underwriting limits; approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses and scenario analyses.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

42.8.3 Underwriting strategy

The underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. Most general insurance contracts are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal. The Group has the right to re-price and change the risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Only extensive expertise, well maintained data resources, and selective underwriting based on this information can produce risk adequate prices and conditions. Through selective underwriting, client focused claims handling and good reserving methods, the Group endeavours to minimise risks.

42. Risk Management (Continued)

42.8 Other Risk Management (Continued)

42.8.4 Reinsurance strategy

The Group obtains reinsurance cover to reduce risks from single events or accumulation of risk that could have a significant impact on the current year earnings or the Group's capital. This cover is placed on the local and international reinsurance market. The Group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programme and the net exposure of the Group.

The core components of the reinsurance programme comprise:

- A surplus treaty which covers fire, accident, engineering and marine risks. The cover ranges from material damage and business interruption arising from fire and allied perils and any other physical accidental loss (All risks policies).
- An excess of loss cover for fire, accident, engineering and marine. It also includes all risks policies, and catastrophe, which provides protection to limit losses on each and every loss and every risk or series of losses or occurrence of one event.
- A motor, accident and liabilities excess of loss which covers motor (own damage and property damage and third liabilities arising there from), and general public and products liability, miscellaneous accident, fidelity guarantee and professional indemnity cases.
- A bonds and guarantees quota share treaty covering performance, advance payment, maintenance, bid, customs and transit bonds.

42.8.5 Reinsurance risk

The Group cedes insurance risk to limit exposure to underwriting losses under various agreements. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Group's evaluation of the specified risk, subject in certain circumstances to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the re-insurer agrees to reimburse the ceded proportion in the event the claim is paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any re-insurer fails to meet the obligations it assumes.

42.8.6 Claims development

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Group is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims (run-off risk). To manage run-off risk the Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices.

Consequently, the Group has a history of positive claims development, i.e. the reserves created over time proved to be sufficient to fund the actual claims paid.

The Group has not disclosed information about actual claims compared with previous estimates (i.e. claims development) for the life business as the uncertainty about the amount and timing of claims payment is typically resolved within one year.

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

42. Risk Management (Continued)

42.8 Other Risk Management (Continued)

42.8.6 Claims development (Continued)

Insurance Claims - GROSS									
Estimates of claims (Gross of Reinsurance and undiscounted)									
MWK' million	Total	2025	2024	2023	2022	2021	2020	2019	Prior
At end of accident year		19,557	17,143	16,244					
one year later			25,281	18,262	42,622				
two years later				13,116	45,043	9,847			
three years later					33,287	9,717	10,409		
four years later						8,151	10,367	8,719	
five years later							10,625	8,756	8,462
six years later								9,080	29,068
seven years later									19,987
Cumulative Payments to date	-	6,866	- 17,272	- 10,453	- 32,601	- 7,792	- 10,511	- 8,984	- 17,591
Gross cumulative claim Liabilities (OCR+IBNR)	27,014	12,690	8,009	2,663	687	359	114	96	2,396
Effect of discounting	- 3,472								
Risk Adjustment	2,676								

Insurance Claims - NET									
Estimates of claims (Net of Reinsurance and undiscounted)									
MWK' million	Total	2025	2024	2023	2022	2021	2020	2019	Prior
At end of accident year		14,607	9,240	7,887					
one year later			10,590	9,068	7,253				
two years later				8,095	7,559	7,180			
three years later					6,827	6,970	6,683		
four years later						6,782	6,651	6,131	
five years later							6,752	6,136	6,128
six years later								6,686	18,230
seven years later									11,543
Cumulative Payments to date	-	6,643	- 8,687	- 7,309	- 6,386	- 6,449	- 6,643	- 6,619	- 11,406
Net cumulative claim Liabilities (OCR+IBNR)	11,740	7,964	1,903	786	441	333	109	68	137
Effect of discounting	- 2,321								
Risk Adjustment	515								

42.8.7 Concentration of insurance risks and policies mitigating the concentrations

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's resources. The Group monitors the concentration of risk by geographical segment and class of business.

The Group has exposure to all major lines of insurance business with very limited exposure to specialised areas of insurance. This exposure is consistent with the market and the Group's reinsurance policy limits the losses in any one class of business.

42.9 Long term insurance risks

The primary insurance activity carried out by the Group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to life, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Group also has exposure to market risk through its insurance and investment activities.

The Group manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses and scenario analyses.

42. Risk Management (Continued)

42.9 Long term insurance risks (Continued)

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

42.9.1 Underwriting strategy

The underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

42.9.2 Reinsurance strategy

The Group reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. It buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Group. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances.

42.9.3 Reinsurance risk

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

42.9.4 Long-term insurance contracts – Immediate annuities

This type of annuity is purchased with a single premium at outset and is paid to the policyholder for the remainder of his/her lifetime. Annuities may be level, or escalate at a fixed rate, or be in line with a suitable price index.

Payments are often guaranteed to be paid for a minimum term regardless of survival (e.g. 5 or 10 years).

Profit arises when mortality and investment experience are better than expected. All risks and rewards associated with this type of product accrue to shareholders.

Management of risks: The main risks associated with this product are longevity and investment risks. Longevity risks arise as the annuities are paid for the lifetime of the policyholder, and this risk is managed through the initial pricing of the annuity. Investment risk depends on the extent to which the annuity payments under the contracts have been matched by suitable assets.

The key risks are managed through sensible pricing and product design. Reinsurance underwriting is not used for this product.

Mortality risk: The pricing assumption is based on both historic in-house and industry available information on mortality experience for the population of policyholders including allowance for future mortality improvements. The mortality will differ between the retirement, voluntary and joint life annuitant.

Investment risk: With this type of product the lump sum premium is available for the Group to invest at the start of the contract. The asset mix will consist of corporate bonds and gilts with varying redemption dates. The income earned on the investment will not usually be sufficient to cover the annuity and the expense outgo, so each year part of the lump sum will be disinvested, which should coincide with (match) the redemption dates, in order to balance the fund. If annuitants die as expected then the fund will decline to zero just as the last annuitant dies (perfect matching). However, in most cases annuitants will not die as expected therefore the Group will need to buy and sell assets as necessary throughout the term of the policy to minimise the risk of mismatch.

Asset/liability modelling is used to monitor this position on a regular basis. Details of default risk have been covered under the credit risk section.

42.9.5 Long-Term Insurance Contracts – Individual Life

The Group writes individual life business. The policies are designed so as to distribute benefits to the policyholder.

Management of Risk

The Group uses properly developed rates as far as advised by the Actuary on life cover, and in the event of death covers, reinsurance arrangements are in place to protect the Group.

42. Risk Management (Continued)

42.9 Long term insurance risks (Continued)

42.9.6 Short-term Insurance – Group Life

The Group writes short-term Group life business. The policies are designed to indemnify the insured in the event of death.

Management of Risk

The Group uses rates that take cognisance of the mortality/claims experience of the Group as well as the market. Reinsurance arrangements are also in place to protect the Group on large claims.

42.9.7 Concentration of risk

The Group’s risk analysis is largely driven by the classes of business written;

Business Class	Risk Rating
Immediate Annuity	High
Group Life	High
Individual Life	Medium
Deposit Admin	Low

42.9.8 Major assumptions

A brief summary of the main assumption changes has been included below:

i) Inflation, investment return, risk discount rate

The inflation and investment return assumptions are based on the long-term fixed investment return assumption. The unit cost inflation assumption and risk free investment return assumption have been set at 33.1% and 36.1%, respectively. The risk free investment return assumption is consistent with the 5-year point on the risk free yield curve at the end of December 2025. The risk discount rate has been increased from 43.3% to 43.1% to maintain a 700 basis point gap to the risk free investment return assumption.

ii) Expenses

The Individual Life (IL) unit maintenance cost assumption increased from MK90,599 to MK141,383. The IL unit acquisition cost assumption increased from MK117,141 to MK177,642. A separate expense basis was introduced for IL risk products in 2025. The maintenance cost assumption was MK29,298. The IL risk unit acquisition cost assumption was MK20,299. The Annuity unit maintenance cost assumption was increased from MK53,292 to MK70,785. The Annuity unit acquisition cost assumption increased from MK46,171 to MK61,420. The assumed year 1 and year 2+ Group Life and Group Funeral expense ratio assumptions (as % gross earned premium) increased from 19.6% to 26%. The Credit Life expense ratio assumption (as % gross earned premium) has increased from 18.9% to 26%.

iii) Mortality and loss ratios

The assumed year 1 and year 2+ Claim Ratio’s for Group Life and Group Funeral business was decreased from 38.4% to 25.1%. The assumed year 1 and year 2+ Loss Ratios for Credit Life business were decreased from 30% to 25%. The Individual risk mortality assumption was maintained at 100% of SA85-90 Heavy mortality table. The Individual savings mortality assumption was reduced to 65% of SA85-90 Heavy mortality table, from the previous assumption of 100% of SA85-90 Heavy mortality table. The AIDS mortality assumption was removed for both Individual risk and savings business. Previously, this assumption was 100% of HA2M/HA2F AIDS. The Annuity mortality assumption was maintained at 100% of A(55) mortality table.

iv) Bonus rates

The assumed future reserving terminal and reversionary bonus rates on participating IL business have been set at 50% and 3% p.a. respectively.

42. Risk Management (Continued)

42.9 Long term insurance risks (Continued)

42.9.8 Major assumptions (Continued)

v) *IFRS 17 Risk Adjustment Margins*

Under the IFRS 17 General Measurement Model and Variable Fee Approach, Risk Adjustment margins are added to the best-estimate assumptions to provide a cushion against possible future adverse experiences. IFRS17 requires an entity to calculate a risk adjustment for non-financial risk (RA), which forms part of the fulfilment cash flows.

The Group follows a margins approach that applies risk adjustment to non-financial assumptions on mortality.

Assumption	Margin
Mortality	7.5% increase in risk business
Lapse	25% (e.g. if the best estimate is 10%, the margin is 2.5%), (increase or decrease, depending on which alternative increases liabilities). (e.g If the best estimate is 10% the margin is +-0.5%
Expense inflation	4.6% increase

For Group business, an Unexpired Premium Reserve (“UPR”) and Incurred but Not Reported (“IBNR”) reserve is calculated. The UPR is calculated as the unearned premiums for unexpired risk based on the period of cover paid for.

vi) *IFRS 4 Compulsory and Discretionary Margins*

For the IFRS 4 valuation, margins for prudence are added to the best estimate assumptions on products where a prospective reserve is held (i.e. where asset share is not held). Some of these margins are compulsory under SAP 104 (Standard of Actuarial Practice 104) as set out in the table below.

Assumption	Margin
Mortality	7.5% increase in risk business
Lapse	25% (e.g. if the best estimate is 10%, the margin is 2.5%), (increase or decrease, depending on which alternative increases liabilities).
Surrenders	10% (increase or decrease, depending on which alternative increases liabilities).
Expense inflation	10% (of estimated escalation rate).
Charges against investment return	25 basis points in the management fee or an equivalent asset-based or investment performance-based margin.

Reinsurance risk

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. It buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the company. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances.

43. Operating segments

Segment results that are reported to the Group's CEO (being the Chief Operating Decision Maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

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

Inter-segment pricing is determined on an arms' length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Reportable segments

The Group comprises the following main reportable segments:

- Life Insurance and Pension business;
- General Insurance business;
- Banking business;
- Investment Holding;
- Asset Management; and
- Information Technology.

General Insurance segment operate in Malawi and Zambia

Investment Holding, Life Insurance and Pension segments operate in Malawi and Mozambique. Information Technology, Asset Management and Banking segments are only operated in Malawi.

The Banking sector monitors concentration of credit risk by sector and by geographic location:

Concentration by Sector

- Retail
- Corporate
- Banks

Concentration by location

- Northern Region
- Central Region
- Southern Region

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

NICO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

43. Operating segments (Continued)

Operating segments – 2025

	Long term insurance	Pension administration	Short term insurance	Banking	Investment	Asset management	Information technology	Total before eliminations	Eliminated on consolidation	Total
Gross revenue	193 665 318	14 247 730	105 029 541	528 943 241	60 911 871	84 699 106	11 948 622	999 445 429	(80 104 928)	919 340 501
Insurance service result	67 339 801	-	16 462 632	-	-	-	-	83 802 433	(8 078 958)	75 723 475
Net other operating costs	(976 910)	(7 232 397)	(8 069 674)	(259 171 981)	(14 266 181)	(74 231 798)	(9 657 399)	(373 606 340)	31 408 218	(342 198 122)
Profit before tax	168 056 401	6 986 659	13 056 745	268 141 180	47 456 505	14 042 250	2 345 285	520 085 025	(48 696 711)	471 388 314
Profit after tax	155 567 510	4 625 193	8 173 288	150 421 706	43 001 558	8 820 834	1 594 480	372 204 569	(48 696 711)	323 507 858
Other Information										
Segment Assets	2 013 340 717	11 136 724	130 909 452	1 565 017 342	87 036 866	585 162 782	3 851 107	4 396 455 010	(189 043 464)	4 207 411 546
Segment Liabilities	1 775 332 588	6 187 724	84 248 560	1 343 755 449	26 249 506	579 365 984	1 986 666	3 817 126 477	(155 116 582)	3 662 009 895
Capital Expenditure	482 942	121 412	1 166 267	18 193 100	225 111	178 755	1 317 249	21 684 836	-	21 684 836
Composition of gross revenue										
Insurance revenue	88 152 993	-	97 058 381	-	-	-	-	185 211 374	(8 078 958)	177 132 416
Income from banking operations	-	-	-	528 943 241	-	-	-	528 943 241	(33 038)	528 910 203
Fees and commission income	-	13 388 332	-	-	8 653 791	11 765 563	11 946 772	45 754 458	(21 184 062)	24 570 396
Interest income	8 093 016	859 398	7 655 168	-	2 364 154	72 933 543	1 850	91 907 129	(2 054 282)	89 852 847
Other investment income	98 224 309	-	315 992	-	49 088 926	-	-	147 629 227	(48 754 588)	98 874 639
Gross revenue	<u>194 470 318</u>	<u>14 247 730</u>	<u>105 029 541</u>	<u>528 943 241</u>	<u>60 106 871</u>	<u>84 699 106</u>	<u>11 948 622</u>	<u>999 445 429</u>	<u>(80 104 928)</u>	<u>919 340 501</u>

NICO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

43. Operating segments (Continued)

Operating segments - 2024

	Long term insurance	Pension administration	Short term insurance	Banking	Investment	Asset management	Information technology	Total before eliminations	Eliminated on consolidation	Total
Gross revenue	74 181 693	7 293 514	84 354 654	284 869 605	26 310 121	59 509 504	9 770 875	546 289 966	(29 844 722)	516 445 244
Insurance service result	41 012 059	-	12 263 263	-	-	-	-	53 275 322	(1 800 000)	51 475 322
Net other operating costs	(632 136)	(5 123 384)	(7 002 899)	(156 825 143)	(9 154 988)	(49 419 193)	(8 377 724)	(236 535 467)	14 629 940	(221 905 527)
Profit before tax	47 623 921	2 147 890	9 697 013	124 939 901	18 689 221	10 069 405	1 450 437	214 617 788	(16 866 397)	197 751 391
Profit after tax	44 936 248	1 503 761	6 542 761	72 990 953	17 249 988	7 023 766	1 011 930	151 259 407	(16 866 397)	134 393 010
Other Information										
Segment Assets	959 509 705	6 743 170	87 513 217	1 192 844 287	43 051 698	306 371 955	3 089 256	2 599 123 288	(168 300 211)	2 430 823 077
Segment Liabilities	852 209 533	3 119 363	65 995 311	1 080 749 423	6 959 419	300 095 989	1 618 954	2 310 747 992	(156 391 236)	2 154 356 756
Capital Expenditure	746 630	135 912	253 647	22 222 350	251 101	154 012	674 540	24 438 192	-	24 438 192
Composition of gross revenue										
Insurance revenue	54 650 379	-	78 509 473	-	-	-	-	133 159 852	-	133 159 852
Income from banking operations	-	-	-	284 869 605	-	-	-	284 869 605	1 772 193	286 641 798
Fees and commission income	-	6 951 157	-	-	7 198 222	9 966 050	9 769 002	33 884 431	(12 674 999)	21 209 432
Interest income	4 485 515	342 357	5 631 451	-	1 786 409	49 543 454	1 873	61 791 059	(2 051 341)	59 739 718
Other investment income	15 045 799	-	213 730	-	17 325 490	-	-	32 585 019	(16 890 575)	15 694 444
Gross revenue	74 181 693	7 293 514	84 354 654	284 869 605	26 310 121	59 509 504	9 770 875	546 289 966	(29 844 722)	516 445 244

NICO HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

43. Operating segments (Continued)

Geographical segments

	Malawi 2025	Malawi 2024	Zambia 2025	Zambia 2024	Eliminated on consolidation 2025	Eliminated on consolidation 2024	Total 2025	Total 2024
Gross revenue	950 396 535	507 443 348	49 048 894	38 846 618	(80 104 928)	(29 844 722)	919 340 501	516 445 244
Insurance service result	76 592 864	47 705 685	7 209 569	45 569 637	(8 078 958)	(1 800 000)	75 723 475	51 475 322
Net other operating costs	(367 981 890)	(231 466 528)	(5 624 450)	(5 068 939)	31 408 218	14 629 940	(342 198 122)	(221 905 527)
Profit before tax	517 802 226	213 359 592	2 282 799	1 258 196	(48 696 711)	(16 866 397)	471 388 314	197 751 391
Profit after tax	371 120 272	150 540 238	1 084 297	719 169	(48 696 711)	(16 866 397)	323 507 858	134 393 010
Other Information								
Segment Assets	4 364 126 526	2 579 841 000	32 328 484	19 282 288	(189 043 464)	(168 300 211)	4 207 411 546	2 430 823 077
Segment Liabilities	3 791 016 614	2 294 112 123	26 109 863	16 635 869	(155 116 582)	(156 391 236)	3 662 009 895	2 154 356 756
Capital Expenditure	20 663 074	24 197 049	1 021 762	241 143	-	-	21 684 836	24 438 192
Composition of gross revenue								
Insurance revenue	137 660 243	95 501 654	47 551 131	37 658 198	(8 078 958)	-	177 132 416	133 159 852
Income from banking operations	528 943 241	284 869 605	-	-	(33 038)	1 772 193	528 910 203	286 641 798
Fees and commission income	45 754 458	33 884 431	-	-	(21 184 062)	(12 674 999)	24 570 396	21 209 432
Interest income	90 409 366	60 602 639	1 497 763	1 188 420	(2 054 282)	(2 051 341)	89 852 847	59 739 718
Other investment income	<u>147 629 227</u>	<u>32 585 019</u>	<u>-</u>	<u>-</u>	<u>(48 754 588)</u>	<u>(16 890 575)</u>	<u>98 874 639</u>	<u>15 694 444</u>
Gross revenue	<u>950 396 535</u>	<u>507 443 348</u>	<u>49 048 894</u>	<u>38 846 618</u>	<u>(80 104 928)</u>	<u>(29 844 722)</u>	<u>919 340 501</u>	<u>516 445 244</u>

44. Employee benefits liabilities

	2025	2024	2025	2024
Expense recognised in the profit or loss				
Pension costs	4 687 123	3 775 700	316 970	209 864

The Pension Fund is a defined contribution plan. Under this plan, employer's liability is limited to the pension contributions.

Employee Share Ownership Scheme

On 16 August 1996, the shareholders approved establishment of a Trust for an employee share ownership scheme. In terms of Malawi Stock Exchange rules, a maximum of up to 4% of the equity in the company may be held by the Trust. However, upon listing, arrangements were made for the Trust to acquire 2% of the equity. Options have been granted to employees of the Group based on length of service and positions of employees exercisable at a determined price. Option holders are only entitled to exercise their options if they are in the employment of the NICO Group and in accordance with the trust deed and rules. Employees are eligible if they have served for at least two years and occupy an established position in the Group.

The objective of the scheme is to motivate and encourage employees to identify themselves with the interests and aspirations of the NICO Group.

The periods in which the option shares may be acquired up to the maximum percentage specified after the expiry of minimum period computed from the date of grant and set out against the relevant percentages.

<u>Maximum %</u>	<u>Minimum Period</u>
25%	12 months
50%	24 months
75%	36 months
100%	48 months

Movement in employee Share Ownership

	31-Dec-25	31-Dec-24
	Number of shares	Number of shares
Outstanding at the beginning of the year	6 488 158	6 593 533
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	(227 905)	105 375
Expired during the year	-	-
Outstanding at the end of the year	6 260 253	6 488 158

3 148 200 shares were allotted to qualifying employees in 2022 and another 1 185 000 shares were allotted to qualifying employees in 2025. The shares will be vested over a four year period as noted above. No Shares were allotted in 2023 and 2024.

45. Contingent liabilities and commitments

(a) Capital commitments

As at 31 December 2025, the authorised but not yet contracted for capital commitments for Property, plant and equipment were K59.7 billion (2024: K33.1 billion). These capital commitments are to be funded from internal resources.

(b) Contingent liabilities

- (i) In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities.
- (ii) The Company issued a financial guarantee to its subsidiary, NBS Bank, in the amount of K3.4 billion which would crystallise into a liability only in the event of default on the part of the relevant counterparty.
- (iii) The Group is a defendant to several cases which are outstanding. The cases include those relating to tax claims and claims from civil proceedings which are in courts. While liability is not admitted, if the defense against the actions is unsuccessful, then the Group would pay the claims estimated at K3.5 billion (2023: K7.8 billion). Included in K3.5 billion are the following cases and claims:
- (iv) The banking business is a defendant/respondent to several cases which are outstanding in the courts of Malawi. The most significant matter relates to a claim amounting to approximately MK3.0 billion arising from a dispute over a foreign exchange forward contract entered into in prior years. The Group was successful in this matter in the High Court of Malawi, Commercial Division. However, the opposing party has since lodged an appeal before the Supreme Court of Malawi. As at the reporting date, the appeal is far from ready to be heard as there is an application pending on security of costs. Based on legal advice received and an assessment of the merits of the case, the Directors are of the opinion that it is not probable that these legal proceedings will result in a material outflow of economic resources. Accordingly, no provision has been recognised in respect of this matter. The Directors do not expect the outcome of the pending cases to have a material adverse effect on the Group's consolidated financial position.

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

Contingent liabilities	Group		Company	
	<u>2025</u> K'000	<u>2024</u> K'000	<u>2025</u> K'000	<u>2024</u> K'000
Acceptances and letters of credit	53 010 424	37 867 899	-	-
Currency swaps		-		-
Performance and financial guarantees *	41 149 267	58 298 052	3 405 840	3 405 840
Undrawn formal stand-by facilities credit lines and other commitments to lend	<u>11 585 620</u>	<u>2 195 975</u>	<u>-</u>	<u>-</u>
Total unrecognized financial assets	<u>105 745 311</u>	<u>98 361 926</u>	<u>3 405 840</u>	<u>3 405 840</u>
Other Commitments				
Authorized but not yet contracted capital commitments on Property, plant and equipment	<u>59 677 000</u>	<u>32 139 605</u>	<u>-</u>	<u>-</u>
Total other commitments	<u>59 677 000</u>	<u>32 139 605</u>	<u>-</u>	<u>-</u>

NICO HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2025

46. Cashflow information

46.1 Non-cash items and adjustments to profit before tax

	Group		Company	
	<u>2025</u> K'000	<u>2024</u> K'000	<u>2025</u> K'000	<u>2024</u> K'000
Net Fair value gains from financial instruments at fair value through profit and loss	(1 092 246 950)	(224 485 437)	-	-
Dividends from equity shares	(15 562 389)	(11 931 394)	(48 696 711)	(17 067 353)
Dividend tax	-	-	-	-
Fair value adjustment of investment properties	(168 000)	(115 000)	(66 000)	(40 000)
Share of profit from associated companies	(1 498 140)	(931 543)	(1 498 140)	(931 543)
Share of profit from joint venture	(119 692)	(196 550)	(119 692)	(196 550)
Impairment losses	38 485 617	4 724 575	-	-
Depreciation and amortisation	11 850 295	8 384 046	149 258	74 062
Profit on disposal of property and equipment	(129 257)	(157 392)	-	(51 502)
Reversal impairment of subsidiary	-	-	-	(148 385)
Profit on disposal of investment	(805 000)	-	(805 000)	-
Interest on borrowings	-	-	820 700	325 917
Exchange gain/loss	259 770	(216 995)	(3 711)	(21 008)
Interest income	(89 852 847)	(59 739 718)	(2 364 154)	(1 411 184)
Interest Income banking component	(417 942 483)	(239 794 408)	-	-
Interest Expense banking component	94 178 679	75 930 883	-	-
interest expenses other	<u>64 652 165</u>	<u>42 445 608</u>	<u>-</u>	<u>-</u>
Total	<u>(1 408 898 232)</u>	<u>(405 968 325)</u>	<u>(52 583 450)</u>	<u>(19 467 546)</u>

46.2 Changes in operating assets

	Group		Company	
	<u>2025</u> K'000	<u>2024</u> K'000	<u>2025</u> K'000	<u>2024</u> K'000
Increase in Short-term investments	(4 114 915)	(1 339 571)	-	-
Decrease in Placements	27 308 551	(34 646 467)	-	-
Increase Loans and advances to customers	(114 990 846)	(81 125 532)	-	-
Increase in Client funds under management	(288 628 846)	(104 892 001)	-	-
Decrease in Reinsurance contract assets	1 348 254	405 698	-	-
Increase in Investment in government securities banking busines	(336 634 110)	(279 424 408)	-	-
Increase in Other receivables	(952 138)	(13 756 967)	(3 560 350)	(643 522)
Increase on Inventories	<u>(710 800)</u>	<u>(88 641)</u>	<u>-</u>	<u>-</u>
Total	<u>(717 374 850)</u>	<u>(514 867 889)</u>	<u>(3 560 350)</u>	<u>(643 522)</u>

46.3 Changes in operating liabilities

	Group		Company	
	<u>2025</u> K'000	<u>2024</u> K'000	<u>2025</u> K'000	<u>2024</u> K'000
Increase in Deposits and customer accounts	345 568 855	147 725 909	-	-
Increase in Client fund payables	256 613 362	69 064 670	-	-
Increase in Insurance contract Liabilities	910 997 708	248 400 753	-	-
Increased in Reinsurance Contracts liabilities	48 813	(255 642)	-	-
Decreased in Trade and other payables	<u>(86 983 494)</u>	<u>240 827 196</u>	<u>1 208 513</u>	<u>1 506 372</u>
Total	<u>1 426 245 244</u>	<u>705 762 886</u>	<u>1 208 513</u>	<u>1 506 372</u>

47. Subsequent Events

There were no subsequent events after the reporting date.

48. Exchange and inflation rates

The average of selling and buying exchange rates at year end of major foreign currencies affecting the performance of the group and company are stated below, together with the increase in the National Consumer Price Index which represents an official measure of inflation.

Group

	<u>2025</u>	<u>2024</u>
United States Dollar (USD) to Malawian Kwacha (MWK)	1 733.83	1 733.83
United States Dollar (USD) to Zambian Kwacha (ZMW)	22.32	27.80
United States Dollar (USD) to Ugandan Shilling (USH)	3 617	3 673
United States Dollar (USD) to Mozambique Metical (MT)	63.86	63.90
South Africa Rand (ZAR) to Malawian Kwacha (MK)	107.20	95.16
British Pound (GBP) to Malawian Kwacha (MK)	2 407.85	2 244.67
Inflation rates as at 31 December (%)	<u>26.00</u>	<u>28.10</u>

At the date of approval of these financial statements, the above noted exchange and inflation rates had moved as follows:

United States Dollar (USD) to Malawian Kwacha (MWK)	1 733.83
United States Dollar (USD) to Zambian Kwacha (ZMW)	19.50
United States Dollar (USD) to Ugandan Shilling (USH)	3 750
United States Dollar (USD) to Mozambique Metical (MT)	64.52
South Africa Rand (ZAR) to Malawian Kwacha (MK)	106.32
British Pound (GBP) to Malawian Kwacha (MK)	2 381.41
Inflation (January) (%)	<u>24.9</u>

49. Environmental, Social and Governance (ESG)

Climate Change and impact on the Group

The Group will for the year ended 31 December 2025 prepare a separate sustainability report which will detail ESG matters in relation to the NICO Group.