NICO HOLDINGS PLC

ANNUAL CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2024

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NICO HOLDINGS PLC
DIRECTORS' REPORT
For the year ended 31 December 2024

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 2024.

PRINCIPAL ACTIVITIES OF THE GROUP

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

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

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

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

REGISTERED OFFICE

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

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

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 then ended and associated accounting policies and notes.

CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE (Continued)

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

PROFIT

The profit for the year attributable to the owners of the Company of K72.01 billion (2023: K30.91 billion restated) has been added to retained earnings.

DIVIDEND

During the year, the Company paid a first interim dividend relating to the year 2024 of K3 129 million at K3.00 per share (2023: K2 086 million at K2.00 per share). The Company also paid a second interim dividend relating to 2024 profits of K3 129 million at K3.00 per share (2023: K2 086 million at K2.00 per share). The Board of Directors at its meeting of 27 March 2025 resolved to pay a third interim dividend relating to 2024 profits of K10 430 million at K10.00 per share (2023: K4 172 million at K4.00 per share). The directors will be recommending a final dividend of K4 172 million at K4.00 per share (2023: K2 086 million at K2.00 per share) at the forthcoming Annual General Meeting. The total dividend relating to 2024 profits has been proposed to be K20 860 million at K20.00 per share (2023 Actual: K10 430 million at K10.00 per share). In terms of actual dividend declared the Company declared a total of K12 516 million in the year 2024 (2023: K9 387 million).

STAFFING

Staff complement for the Group stood at 1 284 as at 31 December 2024 (2023: 1 225). 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 No-executive Director (from 31st July 2024)
Mr. Gaffar Hassam	-	Chairman – Non-executive Director (up to 31st July 2024)
Mr. Harold Bijoux	-	Non-executive Director (up to 31st July 2024)
Mr. Sangwani Hara	-	Non-executive Director
Ms. Catherine Lesetedi	-	Non-executive Director
Mr. Robert Mdeza	-	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 (from 4th October 2024)
Mr Gavin Downard	-	Non executive director (from 27th August 2024)
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

	2024 %	2023 %
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	0.63
General Public (Malawian and Foreign)	46.37	46.36
	100.00	100.00

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

The Board met four times in the year.

Main Board meetings - Meeting Attendance

Members	19 Apr 24	6-May-24	23-Aug-24	6- Dec-24
Dr Elias Ngalande (Chairman)	√	√	√	√
Mr. Gaffar Hassam	√	√	N/A	N/A
Mr. Harold Bijoux	√	√	N/A	N/A
Mr. Sangwani Hara	√	√	√	√
Mr. Vizenge Kumwenda	√	√	√	√
Ms. Catherine Lesetedi	√	√	√	A
Mr. Robert Scharar	A	√	√	√
Mr. Robert Mdeza	√	√	√	√
Ms. Natasha Nsamala	√	√	√	√
Ms Doreen Chanje	N/A	N/A	N/A	√
Mr Gavin Downard	N/A	N/A	√	√

Key:
√ = Attendance
A = Apology

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

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

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. The members of the Finance and Audit Committee were as follows:

Ms. Natasha Nsamala	Chairperson
Mr. Harold Bijoux	Member (up to 31st July 2024)
Mr. Sangwani Hara	Member
Mr. Robert Mdeza	Member

AUDIT COMMITTEE (Continued)

The committee met four times during the year.

Audit Committee- Meeting Attendance

Member	**18 Apr 24**	**28 May 24**	**20-Aug-24**	**28-Nov -24**
Mr. Harold Bijoux	√	√	N/A	N/A
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 Group Managing Director is also a member of the Committee and the Group Operations Executive sits as a director representing NICO Asset Managers Limited. The committee meets at least four times in a year.

The members of the Group Human Resources Committee are:

Ms. Doreen Chanje*	Chairperson
Mr. Chifundo Chiundira	Member
Mr. Robert Mdeza	Member
Dr. Candida Nakhumwa	Member
Mr. Robert Scharar	Member
Ms. Violette Santhe	Member (from August 2024)
Mr. Isaac Songea	Member (up to September 2024)
Dr. Mathews Mtumbuka*	Member (from March 2024 to September 2024)
Mr. Tayemu Masikini*	Member
Mr. Warren Schultze	Member
Mr. Vizenge Kumwenda	Member
Ms. Phyles Kachingwe	Member (from November 2024)

*Ms. Doreen Chanje up to 4th October 2024 was a NICO General Company Director and represented the company's interest on the Committee, she is currently a member of the NICO Holdings board. Mr. Isaac Songea is a NICO Life director, Mr. Tayemu Masikini is a NICO Technologies Limited 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. Dr. Mathews Mtumbuka was a NICO Pensions Services Limited Director and following his resignation from the Board he was replaced by Ms. Phyles Kachingwe. Ms. Violette Santhe represents the interest of NICO General.

GROUP HUMAN RESOURCE COMMITTEE

The committee met four times during the year.

Group Human Resources Committee - Meeting Attendance

Members	21-Mar-24	16-May-24	15-Aug-24	22-Nov-24
Mr. Robert Scharar	√	A	√	√
Ms. Doreen Chanje	√	√	√	√
Mr. Chifundo Chiundira	√	√	√	√
Mr. Robert Mdeza	√	√	√	√
Dr. Candida Nakhumwa	√	√	√	√
Mr. Isaac Songea	√	√	√	√
Dr. Mathews Mtumbuka	√	A	√	N/A
Mr. Vizenge Kumwenda	√	√	√	√
Mr Warren Schultze	A	√	√	√
Mr. Tayemu Masikini	√	√	√	√
Ms. Violette Santhe	N/A	N/A	√	√
Ms. Phyles Kachingwe	N/A	N/A	N/A	√

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. Jonathan Kara*	Member (up to March 2024)
Mr. Robert Scharar	Member
Mr. Chifundo Chiundira	Member
Mr. Tayemu Masikini*	Member
Ms Meg Kajiyanike	Member
Mr Haig Ndzige	Member
Mr Warren Schultze	Member (from March 2024)
Mr Innocent kalua	Member (from May 2024)

The committee met four times during the year.

Group Risk Committee- Meeting Attendance

Members	11-Mar-24	13-May-24	5 Aug 24	14 Nov 24
Mr. Robert Scharar	√	√	√	√
Dr. Candida Nakhumwa	A	√	√	√
Mr. Jonathan Kara	√	√	N/A	N/A
Ms. Catherine Lesetedi	√	A	√	√
Mr. Chifundo Chiundira	√	√	√	√
Mr. Tayemu Masikini	√	√	√	√
Ms Meg Kajiyanike	N/A	N/A	N/A	√
Mr Haig Ndzinge	√	√	√	√
Mr Innocent Kalua	N/A	√	√	√
Mr Warren Schultze	N/A	√	√	√

Key:
√ = Attendance
A = Apology

GROUP RISK COMMITTEE (Continued)

* Mr. Jonathan Kara was a NICO General Company Limited Director representing the company's interest on the committee following the end of his tenure in NICO General Company Limited, he was replaced on the Committee by Mr Innocent Kalua. Ms. Catherine Lesetedi is a director on 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 and Mr. Warren Schultze represents Eris properties.

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 executive 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 three 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	**18-Apr-24**	**9-Aug-24**	**21- Nov-24**
Mrs. Doreen Chanje	√	√	✓
Mr. Robert Scharar	√	√	✓
Mr. Robert Mdeza	√	√	✓
Dr. Candida Nakhumwa	√	√	✓

NICO HOLDINGS INVESTMENT COMMITTEE

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

The Committee met three times in the year.

COMMITTEE MEMBERSHIP

Mr. Sangwani Hara	Chairman (from 28th November 2024)
Dr Elias Ngalande	Chairman (up to 31st July 2024)
Ms Catherine Lesetedi	Member
Mr. Harold Bijoux	Member (up to 31st July 2024)
Mt Gavin Downard	Member (from 27th August 2024)

NICO Holdings Investment Committee- Meeting Attendance

Members	**14-Mar-24**	**23-Jul-24**	**28- Nov- 24**
Dr Elias Ngalande	√	√	√
Ms. Catherine Lesetedi	√	A	√
Mr. Sangwani Hara	√	√	√
Mr. Harold Bijoux	√	√	N/A
Mr Gavin Downard	N/A	N/A	√

Key:
√ = Attendance
A = Apology

BOARD EVALUATION

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

DIRECTORS' INTERESTS IN NICO HOLDINGS PLC

Mr. Sangwani Hara directly held shares in the Company.

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

	Number of shares: Opening balance		**Number of shares: Closing balance**
SANGWANI HARA	39 707		39 707
CAM NOMINEES/ SANGWANI HARA	6 200 000		6 849 889
NAML/ SANGWANI HARA	4 000 000		4 000 000
CCL SANGWANI JUDGE HARA	500 000		900 000
CAM SANGWANI HARA			19 247
CAM SANGWANI HARA			3 000
TOTAL	**10 739 707**		**11 811 843**

BUY			
Name	**Date**	**Price**	**Shares bought in 2024**
CAM SANGWANI HARA	19/11/2024	229	649 889
CCL SANGWANI JUDGE HARA	25/11/2024	260	400 000
CCL SANGWANI JUDGE HARA	27/11/2024	287	19 247
CCL SANGWANI JUDGE HARA	27/11/2024	287	3 000
TOTAL SHARES BOUGHT			**1 072 136**

DIRECTORS' INTERESTS IN NICO HOLDINGS PLC (Continued)

Mrs. Natasha Nsamala directly held shares in the company.

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

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

	Number of shares: Opening balance		**Number of shares: Closing balance**
J & J Nsamala Trust	125 000		125 000
CAM Nom J & J Nsamala Trust	6 259 686		11 259 686
Ubuntu Limited	377 252		377 252
Natasha Nelia Nsamala	5 000		43 308
CAM Nom J & J Nsamala Trust			1 198 275
TOTAL	**6 766 938**		**13 003 521**

BUY			
Name	**Date**	**Price**	**Shares Bought in 2024**
Natasha Nelia Nsamala	18/09/2024	198.70	38 308
NAML Ubuntu Limited	04/10/2024	198.70	5 000 000
NAML Ubuntu Limited	04/10/2024	198.70	1 198 275
TOTAL SHARES BOUGHT			**6 236 583**

WOP VJ Trust indirectly held 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.

	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
			1 000 000
TOTAL	**50 305 142**		**51 305 142**

BUY			
Name	**Date**	**Price**	**Shares Bought in 2024**
NAML WOP VJ TRUST	15/11/2024	200.01	1 000 000
TOTAL SHARES BOUGHT			**1 000 000**

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

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

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

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

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

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

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

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

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	1 090 510		1 108 010
TOTAL	**1 090 510**		**1 108 010**

Transactions during the period:

BUY			
Name	**Date**	**Price**	**Shares bought in 2024**
NAML Jerandi Trust – Louis Sibande	18/10/2024	ESOP – 46.73	17 500
TOTAL SHARES BOUGHT			**17 500**

Thokozile Kuwali Tusalifye Mushani

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

Key persons in NICO Asset Managers Limited

Paul Mojoo

	Number of shares: Opening balance		Number of shares: Closing balance
Paul Mojoo	96 289		0
TOTAL	**96 289**		**0**

Transactions during the period

SELL			
Name	**Date**	**Price**	**Shares sold in 2024**
Paul Mojoo	**8/01/2024**	**FOP**	**96 289**

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		12 668
NAML Harold Trywell Ngoma	63 370		63 370
Chimwazga Ngoma Trust	69 758		69 758
TOTAL	**145 796**		**145 796**

Tumusime Msimuko

	Number of shares: Opening balance		Number of shares: Closing balance
Tumusime Msimuko	5 432		50 000
TOTAL	**5 432**		**50 000**

Transactions during the period

BUY			
Tumusime Msimuko	29/04/2024	199.50	14 586
Tumusime Msimuko	27/09/2024	198.70	2 400
Tumusime Msimuko	29/04/2024	198.70	46
Tumusime Msimuko	30/09/2024	198.70	27 536
TOTAL SHARES BOUGHT			**44 568**

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**

Shadrick Chikusilo

	Number of shares: Opening balance		Number of shares: Closing balance
CAM Nominees Shadrick Chikusilo	89 862		89 862
NAML Shadrick Chikusilo	20 000		30 000
TOTAL	**109 862**		**119 862**

Transactions during the period

BUY			
Name	**Date**	**Price**	**Shares bought in 2024**
CAM Nominees Shadrick Chikusilo	30/01/2024	204.97	10 000
TOTAL SHARES BOUGHT			**10 000**

Chinga Chaguluka

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

Vitumbiko Gubuduza

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

Key Persons in NICO Life

Victoria Zigowa

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

Key Persons in NICO Pensions

Gerald Chima

	Number of shares: Opening balance		Number of shares: Closing balance
Gerald Chima	163 008		188 008
TOTAL	**163 008**		**188 008**

Transactions during the period

BUY			
Name	**Date**	**Price**	**Shares bought in 2024**
Gerald Chima	5/10/2024	199.01	25 000
TOTAL SHARES BOUGHT			**25 000**

Key Persons in NICO General

Donbell Mandala

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

DIRECTORS' REMUNERATION

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

		2024 K'000	2023 K'000
Directors' remuneration	- Executive (note 11.4)	905 142	737 764
	- Non- executive (note 11.4)	487 374	430 755

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 2025.

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
Dr Anurag Saxena	Independent Non-Executive Director (from 6th June 2024)
Mr. Chifundo Chiundira	Non-Executive Director
Mr. Harrison. B. Kalua	Independent Non-Executive Director
Dr Matthews Mtumbuka	Independent Non-Executive Director (up to 8th September 2024)
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. 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	Independent Non-executive Director (from 6th August 2024)
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
Ms. Doreen Chanje	Independent Non-executive Director (up to 6th May 2024)
Mr. Leonard Chikadya	Independent Non-executive Director (up to 6th May 2024)
Mr. Jonathan Kara	Independent Non-executive Director (Up to 6th May 2024)
Mr. Maxwell Chilikhuma	Independent Non-executive Director
Dr. Tobias Doyer	Non-executive Director (up to 23rd February 2024)
Mr. Innocent Kalua	Independent Non-executive Director (from 6th May 2024)
Mrs. Violette Santhe	Independent Non-executive Director (from 6th May 2024)
Mr. Charles Kamoto	Independent Non-executive Director (from 6th May 2024 to 23rd May 2024)
Mr. Samson Mwale	Independent Non-executive Director (from 10th December 2024)
Mr. Mohammed Aalaoui	Non-executive Director (from 10th December 2024)
Mr. Mayamiko Tembo	Company Secretary

NICO Insurance (Zambia) Limited

Mr. Felix Mlusu	Chairman and Non-executive Director - from 13th November 2024
Mr. Vizenge Kumwenda	Non-executive Director
Ms. Mirriam Chiyaba	Independent Non-executive Director
Mr. Michael M Mundashi	Independent Non-executive Director (Deceased 26th March 2024)
Mr. Eric Chapola	Non-executive Director (up to 16th September 2024)
Dr. Tukiya Kankasa-Mabula	Independent Non-executive Director
Mr. Tinashe Garapo	Non-executive Director (from 3rd June 2024)
Ms. Inutu Zaloumis	Non-executive Director (from 13th November 2024)
Dr. Tobias Doyer	Non-executive Director (up to 26th February 2024)
Wilson & Cornhill Advocates	Company Secretary

NICO Asset Managers Limited

Mrs. R Petautchere	Chairperson and Independent Non-executive Director - (from 21 May 2024)
Mrs. E. Makuta	Chairperson and Non-executive Director - (up to 21 May 2024)
Mr. C. Chiundira	Non-Executive Director
Mr. W. Chirwa	Independent and Non – Executive Director
Mr. R. Scharar	Non-Executive Director
Mr K Mukushi	Non – Executive Director
Mr. C. Chimwaza	Independent and Non – Executive Director - (from 23 January 2024)
Mr. M. Hara	Independent and Non – Executive Director - (from 23 January 2024)
Dr. D. Lanjesi	Independent and Non – Executive Director - (from 23 January 2024)
Mrs. M. Chipembere	Company Secretary

NICO Technologies Limited

Mr Wise Chigudu	Chairman and Independent Non-executive Director (from 8th September 2024)
Dr. Matthews Mtumbuka	Chairman and Independent Non-executive Director (up to 8th September 2024)
Mr Tayemu Masikini	Independent and Non-Executive Director
Mr. Kwanele Ngwenya	Non-Executive Director
Mr. Donbell Mandala	Non-Executive Director
Ms. Emily Kwatani	Independent and Non-Executive Director
Mr. Gerald Chima	Non-Executive Director
Ms. Angela Kandani	Company Secretary

BOARD OF DIRECTORS (Continued)

NICO Pensions Limited

Mr. Chifundo Chiundira	Chairman and Non-executive Director
Dr. Mathews Mtumbuka	Independent and Non-Executive Director (up to 8th September 2024)
Ms. Phyles Kachingwe	Independent and Non-Executive Director
Mr. Haig Ndzinge	Non-Executive Director
Mr Jonathan Kara	Independent and Non-Executive Director (from 26th April 2024)
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 (from 21st August 2024)
Dr Elias Ngalande	Chairperson and Independent Non-executive Director (up to March 2024)
Mr. Gaffar Hassam	Non-Executive Director (up to 31st July 2024)
Mr. Robert Scharar	Non-Executive Director
Ms. Natasha Nsamala	Independent and Non-Executive Director (up to April 2024)
Dr. Candida Nakhumwa	Independent and Non-Executive Director (up to April 2024)
Mr Fungai Ruwende	independent non – Executive Director (from 21st October 2024)
Ms Zandile Shaba	Independent non- Executive Director (from 21st October 2024)
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	2024 K 000	2023 K 000
1	NICO Holdings plc	76 558	64 997
2	NBS Bank plc	66 240	38 300
3	NICO Life Insurance Limited	62 659	51 883
4	NICO General Insurance Limited	91 578	80 831
5	NICO General Insurance (Zambia) Limited	52 529	56 790
6	NICO Asset Managers Limited	82 312	46 447
7	NICO Technologies Limited	9 819	10 238
8	NICO Pension Services Limited	32 664	19 950
9	NICO Capital Limited	16 894	18 984
	Total	491 253	388 420

BOARD OF DIRECTORS (Continued)

EXTERNAL AUDITOR'S REMUNERATION

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

	Name of Company	2024 K 000	2023 K 000
1	NICO Holdings plc	183 343	147 517
2	NBS Bank plc	336 255	207 455
3	NICO Life Insurance Limited	241,813	239 134
4	NICO General Insurance Limited	299 533	76 627
5	NICO General Insurance (Zambia) Limited	187 820	56 790
6	NICO Asset Managers Limited	48 975	39 081
7	NICO Technologies Limited	23 625	15 930
8	NICO Pension Services Limited	17 113	16 478
9	NICO Capital Limited	23 792	17 727
	Total	1 362 269	816 739

DONATIONS

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

	Name of Company	2024 K 000	2023 K 000
1	NICO Holdings plc	-	-
2	NBS Bank plc	961 032	347 459
3	NICO Life Insurance Limited	74 500	70 125
4	NICO Insurance (Zambia) Limited	16 441	8 424
5	NICO Asset Managers Limited	101 998	24 800
6	NICO Technologies Limited	4 850	4 663
7	NICO General Insurance Limited	48 667	23 000
8	NICO Capital Limited	4 097	-
	Total	1 211 585	478 471

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). There were no transactions for sell of NBS Bank plc shares during the year in relation to Mr. Sangwani Hara.

	Number of shares: Opening balance		Number of shares: Closing balance
SANGWANI HARA	105 876		105 876
CAM NOMINEES/ SANGWANI HARA	4 309 885		4 309 885
NAML/ SANGWANI HARA	6 541 705		6 541 705
CAM NOMINEES/ SANGWANI HARA	-		1 000 000
CAM NOMINEES/ SANGWANI HARA	-		101 309
TOTAL	**10 957 466**		**12 058 775**

BOARD OF DIRECTORS (Continued)

DIRECTORS' INTERESTS IN NBS BANK PLC (Continued)

BUY			
Name	**Date**	**Price**	**Shares Bought in 2024**
NAML/ SANGWANI HARA	21/11/2024	152.00	1 000 000
NAML/ SANGWANI HARA	29/11/2024	151.98	101 309
TOTAL SHARES BOUGHT			**1 101 309**

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

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

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

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

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

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

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

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

Transactions during the period were as follows:

	Number of shares: Opening balance		**Number of shares: Closing balance**
NAML J & J Nsamala Trust	15 443 322		20 443 322
CAM Nom J & J Nsamala Trust	11 545 460		16 590 365
Ubuntu Limited	84 900		94 900
NAML Ubuntu Limited	1 556 275		1 556 275
NAML J & J Nsamala	-		1 507 966
NAML J & J Nsamala	-		1 449 480
NAML J & J Nsamala	-		6 000 000
Natasha Nsamala	-		65 989
CAM Nom J&J Nsamala Trust	-		8 490 820
NAML J & J Nsamala Trust	-		1 509 180
NAML J & J Nsamala Trust	-		3 000 000
NAML J & J Nsamala Trust	-		672 611
TOTAL	**28 629 957**		**61 380 908**

DIRECTORS' INTERESTS IN NBS BANK PLC (Continued)

BUY			
Name	**Date**	**Price**	**Shares Bought in 2024**
CAM Nom Natasha Nsamala	09/04/2024	109.91	10 000
CAM Nom Natasha Nsamala	29/04/2024	108.96	5 000 000
NAML J & J Nsamala	23/05/2024	90.70	1 507 966
NAML J & J Nsamala	27/05/2024	90.71	5 044 905
NAML J & J Nsamala	29/05/2024	90.81	1 449 480
NAML J & J Nsamala	16/09/2024	149.65	6 000 000
Natasha Nsamala	19/09/2024	149.63	65 989
CAM Nom J&J Nsamala Trust	30/09/2024	149.58	8 490 820
NAML J & J Nsamala Trust	04/10/2024	149.58	1 509 180
NAML J & J Nsamala Trust	21/10/2024	149.58	3 000 000
NAML J & J Nsamala Trust	22/10/2024	149.59	672 611
TOTAL SHARES BOUGHT			**32 750 951**

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

	Number of shares: Opening balance		**Number of shares: Closing balance**
CAM NOMINEES A/C WOP V J TRUST	10 000 023		21 219 064
WOP VJ TRUST			-
TOTAL	**10 000 023**		**21 219 064**

BUY			
CAM NOMINEES A/C WOP V J TRUST	07/07/2024	152.00	**682 828**
WOP V J Trust	11/10/2024	149.59	**3 462 000**
WOP V J Trust	18/10/2024	149.58	**1 083 771**
WOP V J Trust	07/11/2024	149.61	**4 955 300**
WOP V J Trust	25/11/2024	152.00	**780 384**
WOP V J Trust	29/11/2024	151.98	**254 758**
TOTAL SHARES BOUGHT			**11 219 041**

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 NBS BANK 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 a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

.....
DIRECTOR
MR. VIZENGE KUMWENDA

.....
DIRECTOR
MRS. NATASHA NSAMALA

NICO HOLDINGS PLC
DIRECTORS' RESPONSIBILITY STATEMENT
For the year ended 31 December 2024

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 2024 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.

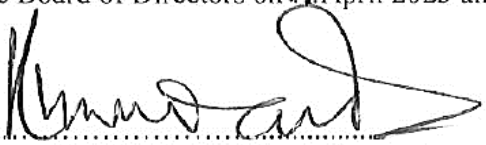
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and 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 17 April 2025 and are signed on its behalf by:



DIRECTOR
MR. VIZENGE KUMWENDA

DIRECTOR
MRS. NATASHA NSAMALA

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 2024, that the liabilities under unmatured individual life, funeral, industrial, deposit administration and group life policies issued by NICO Life Insurance Company Limited do not exceed the amount of the life insurance fund as at 31 December 2024.

Edwin Splinter

Appointed Actuary

Fellow of the Actuarial Society of South Africa

17 March 2025

Deloitte.

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

Opinion

We have audited the consolidated and separate financial statements of NICO Holdings plc (the Group and the Company) set out on pages 28 to 203 which comprise the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of NICO Holdings plc as at 31 December 2024, 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 Companies Act, 2013.

Basis for Opinion

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

Key audit matters

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

Key audit matters (Continued)

Key audit matter **The valuation of life and general insurance contract and liabilities as at 31 December 2024 (Consolidated Financial Statements)**	**How the matter was addressed during the audit**
The Group's insurance contract liabilities as at 31 December 2024 amounting to K902 billion, as disclosed in note 27 to the financial statements, represent a significant portion of its total liabilities. ***Life business*** Insurance contract liabilities are determined in accordance with IFRS 17 *Insurance Contracts* (IFRS 17). The insurance contract liabilities are associated with significant uncertainties requiring the use of expert judgment embedded within complex actuarial models relying on subjective assumptions relating to future events. 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. Key assumptions include mortality, persistency and economic assumptions may have a significant impact on the valuation of the present value of future cash flows. The actuarial valuations are based on complex models/methodologies and other computations designed for which inadequate assumptions and or inaccurate input data may be used. The Best Estimate Liability, Risk Adjustment and Contractual Service Margin 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. ***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. Key assumptions include incurred but not reported claims, outstanding losses which may have a significant impact on the valuation of the insurance liabilities. The actuarial valuations are based on complex models/methodologies and other computations designed for which inadequate assumptions and or inaccurate input data may be used. The Best Estimate Liability, which comprises of Incurred But Not Reported Claims Reserve, Outstanding Claims Reserve, Claim Handling Expenses Reserve and Risk of Non- Performance Reserve, is estimated using actuarial techniques and these are subject to highest levels of estimation and judgments. 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. Accordingly, given the complexity and judgement involved, we have determined the valuation of insurance contract liabilities as a key audit matter.	**Life Business** Our procedures included: ➢ 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. With the support of Deloitte actuarial specialists, considered whether the associated disclosures are compliant with IFRS17 and further performed the following procedures: ➢ Challenged and assessed the key inputs, judgements and assumptions used in the valuation models, such as estimated cash flows, growth rates, discount rates and significant unobservable inputs, and assessed the valuation methodologies against current market practice and industry standards; ➢ Reviewed management analysis of various liability 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. ***General insurance*** Our procedures included: ➢ 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; ➢ With the support of Deloitte actuarial specialists, considered whether the associated disclosures are compliant with IFRS 17; ➢ 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. The insurance liabilities are within reasonable range and appropriate disclosures in accordance with the provisions of IFRS17 have been made.

Key audit matters (Continued)

Key audit matter **Determination of Expected Credit Losses for Loans and Advances (Consolidated Financial Statements)**	**How the matter was addressed during the audit**
NBS Bank plc Staging of loans and advances is a significant component in determining the Expected Credit Losses (ECL) as such inaccurate staging would have a significant impact on ECL output. The Bank is exposed to a loans and advances book of K248 billion as at 31 December 2024 as disclosed under note 7 to the financial statements, which is subjected to Expected Credit Loss model to determine estimated provisions. The following categories of loans and advances were determined to be significant in the Group's staging of loans and advances: **a) The Bank's large exposure loans and advances** The Bank's top 5 large exposure loans and advances contribute 33.9% of the Bank's loans and advances included in note 7 to the financial statements. **b) <u>Stage 1 loans</u>** The Bank's loans are concentrated under stage 1 which contribute 94% 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. **c) <u>Stage 2 and 3 loans</u>** Stage 2 and 3 loans contribute 6% of the gross loan amount. The rate of provision in these stages is higher than in Stage 1 and in particular Stage 3 loan provision is mostly at more than 90% of the facility balances. We focused on staging of loans and advances due to the fact that ECL is a significant management estimate based on subjective assumptions and inputs used in the Expected Credit Loss model used to determine the estimated provisions. The Bank has recorded a total Expected Credit Loss of K13.2 billion as at 31 December 2024. We also considered possibilities of contagion risk, which is also referred to as systemic risk whereby the financial difficulties in one or more facilities would spill over to a large number of other facilities in the same group. This would have an effect in the determination of the ECL. We therefore considered this to be a key audit matter.	• We tested the design and implementation of controls around ECLs; • We obtained an understanding of the Group's criteria for Significant Increase in Credit Risk (SICR) from the Group's accounting policy and IFRS9 *Financial Instruments* (IFRS9) Model Methodology documentation; • We assessed management's staging of loans and advances criteria for appropriateness and completeness against the requirements of IFRS9 and other relevant regulatory guidance; and • We checked accuracy and completeness of data used in staging through the use of Data analytics. **Large exposure loans and advances** We selected all large exposure loans and advances as per Financial Services (Large Exposures and Credit Concentration Limits for Banks) Directive 2015 and checked if they had been correctly staged based on the Group's accounting policy and IFRS9 requirements. **Stage 1, 2 and 3 loans** • We sampled through the stages of loans and advances; and • Tested 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. 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 that the impairment loss recognized in the financial statements was reasonable and complied with IFRS9 requirements.

Key audit matters (Continued)

Key Audit Matter **Valuation Of Treasury Notes (Consolidated Financial Statements)**	**How the matter was addressed during the audit**
As included in note 14 to the financial statements, the value of investments in treasury notes (Government securities) amounting to K188 billion has been considered to be an area where significant judgements were applied. In determining the value of investments in treasury notes, management applies judgement and assumptions to calculate the investment's fair value. The determination of the value of investments in treasury notes was considered a matter of utmost significance to our current year audit due to significant judgements and estimates made in determining the risk factors and yield curve.	We performed the following procedures: • Obtained an understanding of management's process to calculate the value of investment in treasury notes; • Checked the design and implementation of controls over the valuation of investment in treasury notes; • Checked the accuracy and completeness of underlying data inputs used in the valuation calculation; and • Involved Deloitte valuation specialists to: - 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 *Fair Value Measurement.* Based on the work done, the judgements and assertions used in the valuation of investments in Government securities *Fair value Measurement* were appropriate and the disclosures pertaining to the investments in Government Securities were found to be appropriate in terms of the relevant accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the directors' responsibility statement, as required by the Malawi Companies Act 2013, and the certificate of the actuary, 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

24 April 2025

NICO HOLDINGS PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2024

		Group			Company	
	Notes	**2024**	**31 Dec 2023**	**1 Jan 2023**	**2024**	**2023**
		K'000	**K'000**	**K'000**	**K'000**	**K'000**
ASSETS			**Restated**	**Restated**		**Restated**
Cash and cash equivalents	5	281 852 965	182 381 842	96 525 115	6 652 443	14 050 559
Short-term investments	6.1	7 541 016	6 201 445	4 820 632	-	-
Placements	6.2	119 975 348	85 328 881	54 316 201	-	-
Loans and advances to customers	7.1	234 941 972	153 816 440	137 796 120	-	-
Income tax recoverable	8.3	-	-	4 298 689	931 480	854 827
Other receivables	9.1	30 131 429	15 961 393	11 492 982	446 514	621 917
Client funds under management	9.2	275 505 701	170 613 700	134 738 817	-	-
Reinsurance contract assets	27	38 582 722	*38 988 420	*27 413 797	-	-
Inventories	10	649 345	560 704	212 169	-	-
Amounts due from related parties	11.10	-	-	-	1 082 889	642 061
Investment in subsidiary companies	11.9	-	-	-	9 211 830	9 063 446
Investment in associate companies	13.1	3 745 612	**3 122 533	1 508 017	3 745 612	**3 122 533
Investment in joint venture	13.2	368 252	296 702	137 211	368 252	296 702
Investment in government securities	14	753 061 480	473 677 446	396 696 998	-	-
Investment in equity shares	15.5	613 786 790	384 573 540	227 015 464	15 863 606	2 804 021
Loans and debentures	16	2 248 700	1 846 362	1 213 370	1 753	1 753
Investment properties	17	6 114 080	4 914 032	4 453 524	246 000	206 000
Deferred tax assets	12.1 & 12.6	9 813 333	*10 874 475	*7 426 273	536 031	-
Right-of-use asset	18.1	3 775 319	3 822 558	3 151 262	2 298	28 947
Intangible assets	19	17 675 873	10 781 258	5 735 641	23 454	35 478
Property and equipment	20	31 053 140	19 463 185	12 709 758	259 526	56 067
TOTAL ASSETS		2 430 823 077	**1 567 224 916	*1 131 662 040	39 371 688	**31 784 311
EQUITY AND LIABILITIES						
Equity						
Issued share capital	25.1	52 152	52 152	52 152	52 152	52 152
Share premium	25.2	428 859	428 859	428 859	428 859	428 859
Revaluation reserve	25.3	914 719	776 889	405 278	-	-
Other reserves	25.4	10 664 326	**6 515 050	2 661 043	5 827 504	**3 357 617
Retained earnings		143 544 232	83 802 320	*62 257 107	26 331 007	22 029 796
Total equity attributable to equity holders of the company		155 604 288	**91 575 270	*65 804 439	32 639 522	**25 868 424
Non-controlling interest	26	120 862 033	69 431 216	50 991 586	-	-
Total equity		276 466 321	**161 006 486	*116 796 025	32 639 522	**25 868 424
Liabilities						
Deposits and customer accounts	23	645 470 912	497 745 003	355 830 188	-	-
Trade and other payables	21	305 605 809	63 872 119	47 722 283	6 239 425	4 500 763
Client fund payables	22	236 895 299	167 830 629	134 735 595	-	-
Amounts due to group companies	11.11	-	-	-	15 910	-
Income tax payable	8.3	17 178 581	1 170 213	-	-	-
Insurance contract Liabilities	27	901 701 013	653 300 260	458 276 368	-	-
Reinsurance Contracts liabilities	27	49 358	305 000	5 000	-	-
Interest-bearing loans and borrowings	24	23 470 782	9 927 484	9 406 986	458 333	1 357 746
Lease liabilities	18.3	7 448 057	6 795 155	5 062 540	18 498	57 378
Deferred tax liabilities	12.1	16 536 945	5 272 567	3 827 055	-	-
Total liabilities		2 154 356 756	1 406 218 430	1 014 866 015	6 732 166	5 915 887
TOTAL EQUITY AND LIABILITIES		2 430 823 077	**1 567 224 916	1 131 662 040	39 371 688	**31 784 311

These consolidated and separate financial statements were approved and authorized for issue by the Board of Directors on 17 April 2025 and were signed on its behalf by:

DIRECTOR
MR VIZENGE KUMWENDA

DIRECTOR
MRS NATASHA NSAMALA

Refer to note 1.1 to the financial statements
****Refer to note 1.2 to the financial statements***

NICO HOLDINGS PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

		Group		Company	
	Notes	**2024**	**2023**	**2024**	**2023**
		K'000	**K'000**	**K'000**	**K'000**
REVENUE			**Restated**		**Restated**
Insurance revenue	28	133 159 852	81 006 070	-	-
Insurance service expenses	28	(53 297 584)	(69 907 111)	-	-
Net expense from reinsurance contracts held	28	(28 386 946)	(2 348 266)	-	-
Net insurance service results		51 475 322	8 750 693	-	-
Gains and income from investment assets measured at fair value through profit or loss		257 637 000	188 806 419	-	-
Change in investments from underlying items of contracts issued		(275 411 143)	(181 501 460)	-	-
Finance income/(expenses) from insurance contracts issued	31.3	(17 774 143)	7 304 959	-	-
Finance income/(expenses) from reinsurance contracts held	31.3	4 144 494	* 1 232 082	-	-
Net insurance finance(expenses)/income		(13 629 649)	8 537 041	-	-
Fees and commission income	32	21 209 432	13 783 912	5 434 455	3 742 005
Income from banking operations	33	286 641 798	146 693 636	-	-
Interest income	34.1	59 739 718	29 666 619	1 786 409	1 357 045
Other investment income	34.2	15 694 444	10 274 034	17 112 803	15 040 901
Investment and other revenue		383 285 392	200 418 201	24 333 667	20 139 951
Other income	35	1 055 615	119 676	880 285	18 744
Share of profit from associated companies	13.1	931 543	344 364	931 543	344 364
Share of profit from joint venture	13.2	196 550	159 491	196 550	159 491
Net other income		2 183 708	623 531	2 008 378	522 599
Investment expenses	34.3	(619 392)	(533 214)	(20 063)	(37 084)
Bank interest expense	36	(118 376 491)	(64 493 129)	-	-
Administrative expenses	37.1, 37.2	(98 185 069)	(63 989 959)	(7 926 248)	(5 238 660)
Impairment losses	38	(4 724 575)	(4 563 427)	-	-
Net other operating costs		(221 905 527)	(133 579 729)	(7 946 311)	(5 275 744)
Profit before net other finance costs		201 409 246	84 749 737	18 395 734	15 386 806
Net other finance costs	39	(3 657 855)	(1 162 748)	(326 095)	(483 130)
Profit before income tax expense		197 751 391	83 586 989	18 069 639	14 903 676
Income tax expense	8.1	(63 358 381)	*(24 869 746)	(1 251 935)	(1 204 572)
PROFIT FOR THE YEAR		134 393 010	58 717 243	16 817 704	13 699 104
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings		270 256	486 650	-	-
Deferred tax on revaluation of land buildings		-	242 000	-	-
		270 256	728 650	-	-
Items that are or may be reclassified to profit or loss					
Gains on financial assets designated at FVTOCI		6 455 545	3 450 535	2 377 768	653 100
Translation difference on foreign operations		(203 339)	** 2 018 519	92 119	** 1 562 168
Total other comprehensive income for the year net of tax		6 522 462	**6 197 704	2 469 887	**2 215 268
Total comprehensive income for the year		140 915 472	** 64 914 947	19 287 591	**15 914 372
Profit for the year attributable to:					
Non-controlling interest		62 384 043	27 805 127	-	-
Owners of the parent company		72 008 967	30 912 116	16 817 704	13 699 104
		134 393 010	58 717 243	16 817 704	13 699 104
Total comprehensive income for the year attributable to:					
Non-controlling interest		64 369 502	29 756 159	-	-
Owners of the parent company		76 545 970	35 158 788	19 287 591	** 15 914 372
		140 915 472	**64 914 947**	**19 287 591**	**** 15 914 372**
Basic and diluted earnings per share (MK)	**40**	**69.04**	**** 29.64**		-

**Refer to note 1.1 to the financial statements*

*** Refer to note 1.2 to the financial statements*

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2024

	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 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	-	-	-	-	-	4 457 738	-	-	4 457 738	1 997 807	6 455 545
Translation difference on foreign Subsidiaries	-	-	-	-	(58 565)	-	-	-	(58 565)	(144 774)	(203 339)
Total other comprehensive income	-	-	137 830	-	(58 565)	4 457 738	-	-	4 537 003	1 985 459	6 522 462
Total comprehensive income for the year	-	-	137 830	-	(58 565)	4 457 738	-	72 008 967	76 545 970	64 369 502	140 915 472
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	**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**

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (Continued)
For the year ended 31 December 2024

	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 as previously report at 1 January 2023	52 152	428 859	405 278	270 951	(414 467)	2 259 040	545 519	63 103 019	66 650 351	51 804 325	118 454 676
Prior year adjustment	-	-	-	-	-	-	-	*(845 912)	(845 912)	*(812 739)	(1 658 651)
Balance at 1 January 2023 as restated	52 152	428 859	405 278	270 951	(414 467	2 259 040	545 519	62 257 107	65 804 439	50 991 586	116 796 025
Profit for the year	-	-	-	-	-	-	-	30 912 116	30 912 116	27 805 127	58 717 243
Other comprehensive income for the year											
Gain on property revaluation	-	-	371 611	-	-	-	-	-	371 611	357 039	728 650
Financial assets designated at FVTOCI	-	-	-	-	-	2 080 154	-	-	2 080 154	1 370 381	3 450 535
Translation difference on foreign Subsidiaries	-	-	-	-	1 794 907	-	-	-	1 794 907	223 612	2 018 519
Total other comprehensive income	-	-	371 611	-	1 794 907	2 080 154	-	-	4 246 672	1 951 032	6 197 704
Total comprehensive income for the year	-	-	371 611	-	1 794 907	2 080 154	-	30 912 116	35 158 788	29 756 159	64 914 947
Transfers within reserves											
Loss loans reserve transfer	-	-	-	(21 054)	-	-	-	21 054	-	-	-
Transactions with owners of the company											
Dividends to equity holders (Note 41)	-	-	-	-	. -	. -	-	(9 387 957)	(9 387 957)	(11 316 529)	(20 704 486)
Total transactions with owners of the parent	-	-	-	-	-	-	-	(9 387 957)	(9 387 957)	(11 316 529)	(20 704 486)
Balance at 31 December 2023	52 152	428 859	776 889	249 897	1 380 440	4 339 194	545 519	83 802 320	91 575 270	69 431 216	161 006 486

* ***Refer to note 1.1 to the financial statements.***
** Refer to note 1.2 to the financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (Continued)
For the year ended 31 December 2024

	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	-	-	-	2 377 768	-	2 377 768
Translation difference on foreign operation	-	-	92 119	-	-	92 119
Total other comprehensive income	-	-	92 119	2 377 768	16 817 704	2 469 887
Total comprehensive income for the year	-	-	92 119	2 377 768	16 817 704	19 287 591
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	52 152	428 859	1 654 287	4 173 217	26 331 007	32 639 522

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (Continued)
For the year ended 31 December 2023

	Share Capital	Share Premium	Translation reserves	Fair value reserve	Retained earnings	Total
	K'000	K'000		K'000	K'000	K'000
Company						
Balance as at 1 January 2023	52 152	428 859	-	1 142 349	17 718 062	19 341 422
Profit for the year	-	-	-	-	13 699 104	13 699 104
Other comprehensive income for the year						
Financial assets designated at FVTOCI	-	-	-	653 100	-	653 100
Translation difference on foreign operation	-	-	1 562 168	-	-	1 562 168
Total other comprehensive income	-	-	1 562 168	653 100	13 699 104	2 215 268
Total comprehensive income for the year	-	-	1 562 168	653 100	13 699 104	15 914 372
Transactions with the owners of the Company						
Dividends to equity holders (Note 41)	-	-	-	-	(9 387 370)	(9 387 370)
Total transactions with owners of the parent	-	-	-	-	(9 387 370)	(9 387 370)
Balance at 31 December 2023	52 152	428 859	1 562 168	1 795 449	22 029 796	25 868 424

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the year ended 31 December 2024

	Note	Group		Company	
		2024 K'000	2023 K'000	2024 K'000	2023 K'000
			Restated		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		351 099 597	** 251 432 930	5 226 094	3 633 143
Cash payments to employees and suppliers		(185 180 462)	** (219 939 772)	(6 115 192)	(5 601 755)
Increase in operating assets- banking business	46.1	(460 642 974)	** (108 261 505)	-	-
Increase in operating liabilities- banking business	46.1	423 348 659	** 163 878 322	-	-
Interest paid		(3 889 202)	(2 386 789)	(347 103)	(532 953)
Cash generated from/(used in) operations		124 735 618	**84 723 186	(1 236 201)	(2 501 565)
Tax refund		8 005 070	-	-	-
Income tax paid	8.3	(54 174 268)	(25 152 896)	(1 864 619)	(709 811)
Net cash generated from/(used in) operating activities		78 566 420	**59 570 290	(3 100 820)	(3 211 376)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds disposal of property and equipment		175 067	79 682	51 502	-
Interest received		60 590 616	65 052 977	2 131 522	1 417 177
Dividend received		11 417 640	8 517 950	17 067 353	15 273 500
Additions to property and equipment and intangible assets	19, 20	(24 438 192)	(14 880 998)	(238 847)	(53 903)
Additions to investment properties	17	(55 923)	(103 242)	-	-
Disposal of government securities		46 360 314	30 275 738	-	-
Disposal of loan and debentures	16	1 623 158	736 842	-	-
Additions to government securities		(35 309 975)	** (38 124 036)	-	-
Additions to equity shares	15	(43 299 046)	(15 140 950)	* (10 156 234)	-
Disposal of equity shares	15	8 508 490	2 847 841	-	-
Additions to loans and debentures	16	(2 000 000)	(1 360 000)	-	-
Net cash generated from investing activities		23 572 149	**37 901 804	8 855 296	16 636 774
CASH FLOWS FROM FINANCING ACTIVITIES					
Additions to long term borrowings	24	20 512 500	2 858 320	-	-
Repayment of long-term borrowings	24	(7 117 145)	(2 061 225)	(899 412)	(933 921)
Repayment of lease liabilities	18.2	(992 703)	(1 732 056)	(38 880)	(52 681)
Dividend paid	41	(24 502 638)	(14 466 517)	(12 235 309)	(8 101 402)
Net cash used in financing activities		(12 099 986)	(15 401 478)	(13 173 601)	(9 088 004)
Net increase/(decrease) in cash and cash equivalents		90 038 583	82 070 616	(7 419 125)	4 337 394
Cash and cash equivalents at 1 January		182 381 842	96 525 115	14 050 559	9 642 156
Effects of changes in exchange rates		778 095	3 786 111	21 009	71 009
Cash and cash equivalents at 31 December	5	273 198 520	**182 381 842	6 652 443	14 050 559

*During the year, the company acquired shares in Blantyre Hotels plc for total consideration of K10.681 billion as disclosed in note 15 to the financial statements.

The consideration included K10.156 billion paid in cash and K526 in underwriting commission fees, which were converted into shares of Blantyre Hotels plc.

**Prior year cash flows have been restated to correct a reclassification error relating to the banking component's investments in government securities as well as inclusion of the banking component's changes in working capital. Refer to note 1.3 to the financial statements for details relating to the restatement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

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:-

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

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

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

1.1 Restatement of correction in relation to a prior period omission of non-performance risk related reinsurance contracts.

Following adoption in the last financial year of the new IFRS Accounting Standard for insurance contracts, IFRS 17, the Group noted an omission relating to non-performance risk in relation to reinsurance contract assets. Actuaries have computed the relevant amount as follows:

1.1.1 Summary

	K'000
Non-performance risk adjustment relating to the year 2022 and prior periods	2 369 501
Non-performance risk adjustment relating to the year 2023	514 624
Deferred tax on the non-performance risk adjustment relating to the year 2022 and prior periods	(710 820)
Deferred tax on the non-performance risk adjustment relating to the year 2023	(154 387)
Total correction to prior periods net of deferred tax	2 018 888

1.1.2 Adjustments made to the year 2022: Consolidated Statement of Financial Position

Description	Journal	As previously reported	Adjustment	Restated Amount
		31-Dec-22		31-Dec-22
		K'000	K'000	K'000
Retained Earnings	Debit	63 103 019	(845 912)	62 257 107
Non-controlling interest	Debit	51 804 325	(812 739)	50 991 586
Reinsurance contract assets	Credit	29 783 298	(2 369 501)	27 413 797
Deferred tax asset	Debit	6 715 423	710 850	7 426 273

1. Reporting entity (Continued)

1.1 Restatement of correction in relation to a prior period omission of non-performance risk related reinsurance contracts (Continued)

1.1.3 Adjustments made to the year 2023: Consolidated Statement of Financial Position

Description	Journal	As previously reported	Adjustment	Adjustment for prior periods as noted above	Restated Amount
		31-Dec-23			31-Dec-23
		K'000	K'000		K'000
Retained Earnings	Debit	84 831 953	(173 721)	(845 912)	83 802 320
Non-controlling interest	Debit	70 420 471	(176 516)	(812 739)	69 431 216
Reinsurance contract assets	Credit	41 872 545	(514 624)	(2 369 501)	38 988 420
Deferred tax asset	Debit	10 009 238	154 387	710 850	10 874 475

1.1.4 Adjustments made to the year 2023: Consolidated Statement of Comprehensive Income

Description	Journal	As previously reported	Adjustment	Restated Amount
		31-Dec-23		31-Dec-23
		K'000	K'000	K'000
Net finance income (expenses) from reinsurance contracts held	Debit	1 746 706	(514 624)	1 232 082
Income tax expense	Credit	25 024 133	(154 387)	24 869 746

1.1.5 Impact of restatement on earnings per share

Description	As previously reported	Adjustment	Restated Amount
	31-Dec-23		31-Dec-23
	K	K	K
Earnings Per Share	29.81	(0.17)	29.64

1.2 Restatement – Correction of Omission in Retranslation of Investment in a Foreign Operation

The Group holds an equity-accounted investment in an associate that qualifies as a foreign operation, Sanlam Mozambique Vida Companhia de Seguros, S.A. In accordance with *IAS 28 Investments in Associates and Joint Ventures*, and *IAS 21 The Effects of Changes in Foreign Exchange Rates*, the carrying amount of such an investment should be adjusted not only for the Group's share of profit after tax, other comprehensive income, and dividends, but also for foreign currency exchange differences arising on translation of the net investment.

In prior periods, the Group and Company accounted for its share of results and other comprehensive income from the associate but omitted to translate the carrying amount of the investment into the Group's and Company's presentation currency and to recognise the related foreign currency translation differences in other comprehensive income.

This omission has been corrected by restating prior period figures to include the foreign currency translation differences arising from this investment. The restatement has been applied retrospectively in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.*

This correction has no impact on the previously reported profit for the year but affects the presentation of other comprehensive income and the carrying amount of the investment in the statement of financial position. Accordingly, the Group has made a restatement for the omitted foreign currency exchange differences as follows:

1. Reporting entity (Continued)

1.2 Restatement of correction in relation to a prior period omission of retranslation of investment in foreign operation (Continued)

1.2.1 Summary

	K'000
Foreign currency exchange differences relating to the year 2023	1 562 168

1.2.2 Adjustments made to the year 2023

Consolidated Statement of Financial Position

Description	**Journal**	**As previously reported**	**Adjustment**	**Restated Amount**
		31-Dec-23		**31-Dec-23**
		K'000	**K'000**	**K'000**
Other reserves	Credit	4 952 882	1 562 168	6 515 050
Investment in associate	Debit	1 560 365	1 562 168	3 122 533

Separate Statement of Financial Position

Description	**Journal**	**As previously reported**	**Adjustment**	**Restated Amount**
		31-Dec-23		**31-Dec-23**
		K'000	**K'000**	**K'000**
Other reserves	Credit	1 795 449	1 562 168	3 357 617
Investment in associate	Debit	1 560 365	1 562 168	3 122 533

1.2.3 Adjustments made to the year 2023: Consolidated Statement of Comprehensive Income

Description	**Journal**	**As previously reported**	**Adjustment**	**Restated Amount**
		31-Dec-23		**31-Dec-23**
		K'000	**K'000**	**K'000**
Translation difference on foreign operations	Credit	456 351	1 562 168	2 018 519

1. Reporting entity (Continued)

1.2 Restatement of correction in relation to a prior period omission of retranslation of investment in foreign operation (Continued)

Adjustments made to the year 2023: Separate Statement of Comprehensive Income

Description	Journal	As previously reported	Adjustment	Restated Amount
		31-Dec-23		31-Dec-23
		K'000	K'000	K'000
Translation difference on foreign operations	Credit	-	1 562 168	1 562 168

1.3 Restatement of Prior Year Consolidated Statement of Cash Flows
Reclassification of Cash Flows Relating to Investments in Government Securities and Disclosure of Changes in Working Capital for the Banking Business

During the current year, the Group undertook a review of the classification of cash flows relating to investments in government securities in the consolidated statement of cash flows. This review identified that, although such investments are part of the normal trading activities of the Group's banking subsidiary, similar investments held by other subsidiaries are for investing purposes.

In accordance with the requirements of IAS 7 *Statement of Cash Flows*, cash flows that arise from trading activities are to be classified within operating activities, whereas those from investing activities are to be presented under investing activities. Previously, all cash flows relating to investments in government securities were classified under investing activities.

To ensure compliance with IAS 7, the Group has reclassified the net cash flows arising from investments in government securities by the banking subsidiary from investing activities to operating activities. This reclassification has been applied retrospectively, and comparative information has been restated accordingly.

Furthermore, to comply with the requirements of IAS 7 the Group has amended the presentation of changes in the capital amounts of operating assets and liabilities from the banking subsidiary. Previously, the net movement was presented as part of cash receipts and payments within operating activities. In the current year, and retrospectively for comparatives, these changes have been disclosed separately.
The group has also included a note to disclose interest paid and interest received to comply with requirements of IAS 7 (see note 46.2).

The restatement has no impact on the Group's net cash flows or cash and cash equivalents at the end of the reporting periods.

A table summarizing the adjustments to each relevant line item in the comparative cash flow statement has been included below which shows original amounts, adjustments, and restated figures.

Adjustments made to the year 2023: Consolidated Statement of Cashflows

1. Reporting entity (Continued)

1.3 Restatement of Prior Year Consolidated Statement of Cash Flows (Continued)

Adjustments made to the year 2023: Consolidated Statement of Cashflows

Description	As previously reported	Adjustment to split out Working Capital	Reclassification from investing to operating activities Adjustment	Restated Amount
	31-Dec-23			31-Dec-23
	K'000	K'000	K'000	K'000
Cash flows from operating activities				
Cash receipts from customers	415 311 252	(163 878 322)		251 432 930
Cash payments to employees and suppliers	(265 688 442)	108 261 505	(62 512 835)	(219 939 772)
Increase in operating assets- banking business	-	(108 261 505)	-	(108 261 505)
Increase in operating liabilities- banking business	-	163 878 322	-	163 878 322
Cash generated from operations	147 236 021	-	(62 512 835)	84 723 186
Net generated from operating activities	122 083 125	-	(62 512 835)	59 570 290
Cash flows from investing activities				
Additions to government securities (Purchase of government securities)	(100 636 8710)	-	62 512 835	(38 124 036)
Net cash generated (used in) /from investing activities	(24 611 031)	-	62 512 835	37 901 804

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 Group and Company has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2024.

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2024	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

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 (Continued)

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2024	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.
Annual reporting periods beginning on or after 1 January 2024	Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
Annual reporting periods beginning on or after 1 January 2024	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
Annual reporting periods beginning on or after 1 January 2024	IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
Annual reporting periods beginning on or after 1 January 2024	IFRS S2 Climate-related Disclosures IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

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. The Directors are in the process of drafting a paper on Environmental, Social, and Governance (ESG), that will include sustainability-related financial disclosures and disclosing information about climate-related risks and opportunities.

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are issued and effective for annual periods beginning on or after *1 January 2025* 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 2025	Lack of Exchangeability (Amendments to IAS 21) The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.
Annual reporting periods beginning on or after 1 January 2025	Amendments to the SASB standards to enhance their international applicability. The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics.
Annual reporting periods beginning on or after 1 January 2026	Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 Financial Instruments.
Annual reporting periods beginning on or after 1 January 2026	Annual Improvements to IFRS Accounting Standards — Volume 11 The pronouncement comprises the following amendments: ➢ IFRS 1: Hedge accounting by a first-time adopter ➢ IFRS 7: Gain or loss on derecognition ➢ IFRS 7: Disclosure of deferred difference between fair value and transaction price ➢ IFRS 7: Introduction and credit risk disclosures ➢ IFRS 9: Lessee derecognition of lease liabilities ➢ 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 IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.
Annual reporting periods beginning on or after 1 January 2027	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.

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 company. 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 and separate financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and in a manner required by the Companies Act, 2013 of Malawi.

3. Basis of preparation (Continued)

3.2 Basis of measurement

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

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

Comparative information

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

3.2.1 Use of estimates and judgements

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

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

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

- Note 31 - Valuation Insurance liabilities;
- Note 17 - Valuation of investment properties;
- Note 15 and 16 - Valuation of investments in shares and loans receivables; 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.

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.

3. Basis of preparation (Continued)

3.2 Basis of measurement (Continued)

3.2.2 Fair value measurement (Continued)

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.

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.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(a) Basis of consolidation (Continued)

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

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

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

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

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

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

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

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income taxes* and IAS 19 *Employee benefits;*
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS2 Share based payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(b) Business combinations (Continued)

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

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

(c) Investments in associates and Joint Ventures

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

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

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.

(c) Investments in associates and Joint Ventures

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(d) Interests in joint operations

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

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

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

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

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

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

(e) Revenue

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(e) Revenue (Continued)

(i) Interest income

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

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

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

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

(ii) Investment income

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

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

(iii) Dividends

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

(iv) Rental income

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

(v) Fees and commission

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

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

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

(vi) Other income

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f). Insurance and reinsurance contracts

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

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

i) Life business – non-participating contracts including:

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

The Group accounts for these policies applying the General Model.

ii) Life business – discretionary participating contracts including:

- Deferred variable annuity contracts which provide the annuitant with a guaranteed income payout for life. The deferred variable annuity involves an accumulation and a payout phase. Cash flows of deferred variable annuity contracts vary with the return on underlying items in the accumulation phase, but not thereafter. The minimum pre-determined guaranteed annuity rates are specified at the contract's inception.

- Individual life insurance policies which include life insurance coverage and an investment component. The Group has an obligation to pay policyholders an amount equal to the value of the specified underlying items, minus a variable fee for service.

- Investment contracts with Discretionary Participation Features (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 Valuable 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

(f). 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**)**

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f). Insurance and reinsurance contracts (Continued)

(vi) Contract boundaries (Continued)

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

(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.

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.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f). Insurance and reinsurance contracts (Continued)

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

i. Measurement on initial recognition for contracts other than PAA (Continued)

Fulfilment cash flows within contract boundary (Continued)
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.

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.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f). Insurance and reinsurance contracts (Continued)

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

i. Measurement on initial recognition for contracts other than PAA (Continued)

Fulfilment cash flows within contract boundary (Continued)

Discount rates (Continued)
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.

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.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f). Insurance and reinsurance contracts (Continued)

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

i. Measurement on initial recognition for contracts other than PAA (Continued)

Contractual service margin (CSM)
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)

(f). Insurance and reinsurance contracts (Continued)

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

i. Measurement on initial recognition for contracts other than PAA (Continued)

Contractual service margin (CSM) (Continued)

Coverage units (Continued)

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(F). Insurance and reinsurance contracts (Continued)

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

i. Measurement on initial recognition for contracts other than PAA (Continued)

Contractual service margin (CSM) (Continued)

Coverage units (Continued)
The reinsurance contracts held by the Group do not provide investment-return services.

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

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

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

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

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

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

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

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.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f). Insurance and reinsurance contracts (Continued)

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

i. Measurement on initial recognition for contracts other than PAA (Continued)

Contractual service margin (CSM) (Continued)

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)

(F). Insurance and reinsurance contracts (Continued)

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

ii. Subsequent measurement under the General Model

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

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

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

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

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

Changes in fulfilment cash flows

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

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

Experience adjustments are the difference between:

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

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)

(f). 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)

(f). Insurance and reinsurance contracts (Continued)

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

Insurance contract carrying amount (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.

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f). Insurance and reinsurance contracts (Continued)

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

Insurance contract carrying amount (Continued)

Expected recognition of contractual service margin (Continued)
The carrying amount of a group of insurance contracts issued under PAA at the end of each reporting date is the sum of:

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

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

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

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

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

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

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

Insurance contract carrying amount
Separating components from insurance and reinsurance contracts
In addition to the provision of the insurance coverage service, some insurance contracts issued by the Group have other components such as an investment component, an embedded derivative or the provision of some other distinct goods or non-insurance services.

The Group assesses its products to determine whether some of these components are distinct and need to be separated and accounted for applying other IFRS Accounting Standards. When these non-insurance components are non-distinct, they are accounted for together with the insurance component applying IFRS17.

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f). Insurance and reinsurance contracts (Continued)

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

Insurance contract carrying amount (Continued)

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

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

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

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

The adjustments to the CSM are measured based on the current discount rates. The Group does not apply the risk mitigation option[1] and therefore changes in time value of financial options and guarantees (TVOG) will adjust the CSM.

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

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

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

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

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

[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)

(f). Insurance and reinsurance contracts (Continued)

(vii) Measurement of insurance contracts issued (Continued)

Onerous contracts (Continued)
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.

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.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f). Insurance and reinsurance contracts (Continued)

***(viii)* Reinsurance contracts held**

i. Recognition

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

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

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

- Any remaining reinsurance contracts held in the portfolio.

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

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

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

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f). Insurance and reinsurance contracts (Continued)

(ix) Investment contracts with discretionary participation features

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

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

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

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

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

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

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

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

(x) Modification and derecognition

The Group did not modify or derecognise any contracts.

(xi) Presentation

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

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

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

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)

(f). Insurance and reinsurance contracts (Continued)

(xii). Insurance revenue

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

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

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

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

a. Insurance service expenses

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

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

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

b. Income or expenses from reinsurance contracts held

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

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

c. Insurance finance income and expenses

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(f). Insurance and reinsurance contracts (Continued)

(xiii). investment income and insurance finance expenses

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

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

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

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

(g) Foreign currency

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

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(h) Property and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Revaluation

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

(iv) Depreciation recognised

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

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

- Freehold buildings 40 years
- Leasehold 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.

(v) Capital work in progress

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

(i) Leases

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

(i) <u>The Group as lessee</u>

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.

3. Basis of preparation (Continued)

3.5 Material accounting policy information information (Continued)

(i) Leases (Continued)

(i) The Group as lessee (Continued)

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.

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(i) Leases (Continued)

(i) The Group as lessee (Continued)
The right-of-use assets are presented as a separate line in the consolidated statement of financial position. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Administrative expenses" in profit or loss.

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.
Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

(j) Intangible assets

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

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

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

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

(k) Financial instruments

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

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.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

(i) Classification and initial measurement of financial assets (Continued)
Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

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

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

(ii) Subsequent measurement of financial assets
Subsequently, financial assets are classified in four categories:

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

(ii) Subsequent measurement of financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

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

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

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

(ii) Subsequent measurement of financial assets (Continued)

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

A financial asset is held for trading if:

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

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

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

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

(ii) Subsequent measurement of financial assets (Continued)

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

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

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

(iv) Significant increase in credit risk (Continued)

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

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

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

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

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

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

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

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.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

(v) Definition of default

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

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

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

(vi) Credit-impaired financial assets

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

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

(vii) Write-off policy

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

(viii) Measurement and recognition of expected credit losses

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

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

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

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

- **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.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

(viii) Measurement and recognition of expected credit losses (Continued)
For overdrafts, revolving facilities that include both a loan and an undrawn commitment and loans commitments, ECLs are calculated and presented together with the loans and advances.

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

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

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

(x) Reclassification of financial statements

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

(xi) Modification of financial assets

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

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

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

- 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.

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(k) Financial instruments (Continued)

Financial assets (Continued)

(xi) Modification of financial assets (Continued)

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

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

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

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

(xii) De-recognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on 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)

(k) Financial instruments (Continued)

Financial assets (Continued)

(xii) 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)

(k) Financial instruments (Continued)

Financial liabilities and equity (Continued)

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

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

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(m) Non-financial assets

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

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

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

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

(n) Share capital

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

(o) Investment property

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

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

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(o) 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 and equipment is sold, any related amount included in revaluation reserve is transferred to retained earnings.

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

Reclassification to investment property

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

(p) Inventories

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

(q) Taxation

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

Current tax

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

Deferred tax

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

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(q) 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.

(r) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

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

(iii) Other long-term employee benefits

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(s) Basic and diluted earnings per share

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

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

(t) Finance costs

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

(u) Loans and advances

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

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

(v) Other receivables

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

(w) Non-financial assets

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

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

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

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

(x) Segment reporting

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

3. Basis of preparation (Continued)

3.5 Material accounting policy information (Continued)

(y) Investment – linked insurance funds

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

4.1 Critical judgements in applying accounting policies

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

4.1.1 Business model assessment

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

4.1.2 Significant increase in credit risk

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

4. 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.

4.2 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.

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

4.2 Key sources of estimation uncertainty (Continued)

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

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

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

Key assumptions used:

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

4.2.2 Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario
When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

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

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

4.2 Key sources of estimation uncertainty (Continued)

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

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

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

Every area, including the Group's estimation methods and assumptions used and other sources of estimation uncertainty are discussed below. At 31/12/2024 the Group's total carrying amount of:

- Insurance contracts issued that are assets was K nil (31/12/2023: Nil);
- Insurance contracts issued that are liabilities was K901.7 billion (31/12/2023: K653.3 billion);
- Reinsurance contracts issued that are liabilities was K49. million (31/12/2023 K305.0 million); and
- Reinsurance contracts held that are assets was K38.5 billion (31/12/2023: K 38.9 million).

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

Sensitivity analysis of carrying amounts to changes in assumptions

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. 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)

2023

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

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

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%

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

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	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Cash and bank balances	22 611 837	15 724 881	6 276 327	3 874 121
Balance with the Reserve Bank of Malawi excluding mandatory reserve balance	56 120 935	9 971 733	-	-
Mandatory reserve deposits with the Reserve Bank of Malawi	69 501 278	38 729 539	-	-
Balances with other banks	20 884 650	43 630 468	-	-
Short term deposits	104 079 820	74 325 221	376 116	10 176 438
Cash and cash equivalents as shown in cashflow statement	**273 198 520**	**182 381 842**	**6 652 443**	**14 050 559**
Fair value movement*	8 654 445	-	-	-
Cash and cash equivalents including fair value movement	281 852 965	182 381 842	6 652 443	14 050 559

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 (2023: 0.5%). Interest rate on bank balances averaged 2% (2023: 2%) and for short term deposits at an average rate of 22%-26% (2023: 14%-22%).

Cash and bank balances include balances denominated in other currencies as disclosed on note 42.7.

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

Interest Received and Paid – Banking Activities Restated
Included within cash receipts from customers and cash payments to employees and suppliers in the cashflow are interest received of K234.2 billion (2023: K110.1 billion) and interest paid of K79.4 billion (2023: K44.2 billion), respectively. These amounts relate to the banking operations and are classified as operating activities in accordance with IAS 7, as they represent cash flows arising from the principal revenue-generating activities of the banking component.

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.

6.1 Financial assets carried at amortised cost

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Government securities (note 14)	7 541 016	6 201 445	-	-
	7 541 016	6 201 445	-	-

Interest rates for Government securities ranged from 26 % to 35% per annum (2023: 22% to 31%).

6.2 Placements

	Group	
	2024 K'000	**2023 K'000**
NICO Asset Managers Limited	-	10 275 271
Reserve Bank of Malawi	99 132 334	51 296 330
First Capital Bank plc	-	7 313 800
First Discount House Limited	-	5 009 452
Centenary Bank Limited	-	3 005 671
Ecobank Malawi Limited	20 843 014	8 428 357
Total placements	**119 975 348**	**85 328 881**

Placements earned average interest rate of 17.07% (2023: 22%).

7. Loans and advances to customers

7.1 Net loans and advances

Loans and overdrafts	239 088 091	152 874 239
Lease receivables	2 013 156	2 433 769
Mortgage advances	7 016 970	6 999 193
Total gross loans and advances	248 118 217	162 307 201
Expected credit losses (note 42.4.1)	(13 176 245)	(8 490 761)
Net loans and advances	**234 941 972**	**153 816 440**

7.2 Gross loans and advances are due to mature as follows:

Within 1 Year	53 827 939	43 326 037
2-3 Years	26 079 744	38 189 940
3-5 Years	121 020 316	71 981 748
5-10 Years	42 542 005	3 686 725
After 10 Years	4 648 213	5 122 751
Total	**248 118 217**	**162 307 201**

7.3 Movement on allowance for impairment:

At beginning of the year	8 490 761	3 398 534
Increase in impairment loss net of recoveries	4 685 484	5 718 988
Previous amounts written off recovered	-	(626 761)
	13 176 245	**8 490 761**

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 25.07% and 20.7% for 2024 and 2023 respectively.

7.4 Lease receivables

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

Gross investment in finance lease receivables:

	Group	
	2024 K'000	**2023 K'000**
Less than one year	222 243	127 482
Between one and five years	2 299 897	2 880 995
	2 522 140	3 008 477
Unearned finance income	(508 984)	(574 708)
Net investment in finance leases	**2 013 156**	**2 433 769**

7.5 Net investment in finance leases receivable:

	Group	
	2024 K'000	**2023 K'000**
Less than one year	177 369	103 141
Between one and five years	1 835 787	2 330 628
	2 013 156	**2 433 769**

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.

8. Income tax expense

Recognised in profit or loss

8.1 Current tax expense

	Group		Company	
	2024	**2023**	**2024**	**2023**
Current year tax at 28% (2023: 29%)	61 438 781	24 762 637	364 114	-
Temporary differences	12 226 580	(1 151 965)	(536 031)	-
Dividend tax at 10% (2023: 10%)	2 407 020	1 259 074	1 423 852	1 204 572
Tax in insurance contract liabilities	(12 714 000)	-	-	-
	63 358 381	24 869 746	1 251 935	1 204 572

8. Income tax expense (Continued)
Recognised in profit or loss

8.2 Reconciliation of tax charge

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Profit before income tax expense	197 751 391	83 586 989	18 069 639	14 903 676
Income tax at 30%	59 325 417	25 076 097	5 420 892	4 471 103
Effect of permanent differences **	1 625 944	(1 465 425)	(5 592 809)	(4 471 103)
Dividend tax	2 407 020	1 259 074	1 423 852	1 204 572
	63 358 381	24 869 746	1 251 935	1 204 572
The effective tax rate	32%	30%		

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

8.3 Tax payable/(recoverable)

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Balance at 1 January	1 170 213	(4 298 689)	(854 827)	(1 349 588)
Prior year adjustment	-	51 638	-	-
Transfer from other receivables: withholding tax recoverable	(2 075 416)	-	-	-
Charge for the year	63 817 635	30 729 160	1 787 966	1 204 572
Tax refund	8 005 070	-	-	-
Tax paid	(54 174 268)	(25 152 896)	(1 864 619)	(709 811)
Exchange rate differences	435 347	(159 000)	-	-
Balance as at 31 December	17 178 581	1 170 213	(931 480)	(854 827)

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	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Accrued investment income	1 140 184	2 802 531	13 218	350 504
Staff loans and advances	958 987	824 062	108 357	71 173
Prepayments	6 913 733	2 529 529	117 916	71 784
Sundry receivables	22 902 973	9 538 378	207 023	128 456
Rent receivable	290 968	266 893	-	-
Transfer to tax account: Withholding taxes recoverable	(2 075 416)	-	-	-
Total	30 131 429	15 961 393	446 514	621 917

Sundry receivables include receivables amount of K7.8 billion (2023: K1.5 billion) from local authority of which amount is recoverable through government and K2.1 billion (2023: K800 million) prepayment from mobile money transactions, receivable proceeds from sale of land K297 million (2023: K297 million), and loans to policyholders K449 million (K411 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.

9. Other receivables (Continued)

9.2 Client funds under management

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Client funds under management	275 505 701	170 613 700	-	-

The composition of client funds under management was as follows:

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Treasury notes	188 227 405	100 563 452	-	-
Fixed deposits	-	16 474 820	-	-
Promissory Notes	-	5 713 622	-	-
Listed Shares	55 833 664	29 509 230	-	-
Unlisted Shares	2 167 943	945 605	-	-
Loans	12 472 202	10 746 529	-	-
Accrued interest	16 804 487	6 660 442	-	-
Total	**275 505 701**	**170 613 700**	-	-

9.3 Movement in allowance for impairment

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
At the beginning of the year	-	2 151 308	-	
Net decrease in allowance for credit losses	-	(2 151 308)	-	-
At the end of the year	-	-	-	-

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

Clients funds under management are third party funds invested by NICO Nominees. The related payable balances are included in note 22 to these consolidated and separate financial statements. Client funds under management earned an average interest of 27.28% (2023: 21.18%).

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.

10. Inventories

	Group	
	2024 K'000	**2023 K'000**
Consumables	649 345	562 376
Less: provision for obsolete inventories	-	(1 672)
	649 345	**560 704**

11. Amounts due from/(to) related parties

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

Banking business
Transactions with key management personnel

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**
	2024 K'000	**2024 K'000**	**2023 K'000**	**2023 K'000**
Advances*	181 777	8 665 907	222 101	8 026 788
Deposits**	(9 916)	(1 806 425))	(13 392)	(822 917)
Net balances	**171 861**	**6 859 482**	**208 709**	**7 203 871**

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	
	2024	**2023**
	K'000	**K'000**
Insurance premium	27 923	12 394

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 2024 there were no balances owing from directors and employees (2023: Nil).

Key management personnel compensation

11.4 Key management personnel compensation comprised the following:

	Executive Directors		**Non-executive Directors**	
	2024	**2023**	**2024**	**2023**
	K'000	**K'000**	**K'000**	**K'000**
Directors' remuneration	905 142	737 764	-	
Directors' fees	-	-	487 374	430 755
	905 142	**737 764**	**487 374**	**430 755**

11.5 Value of transactions and year end balances with associated companies are as follows:

			2024		**2023**	
Related Party	**Relationship**	**Type of transaction**	**Value of transactions**	**Balance at year end**	**Value of transactions**	**Balance at year end**
SanlamAllianz	Common investee	Acturial fees	(506 502)	-	(63 484)	-
	Common investee	IT Support	(252 071)	-	-	-
	Common investee	Directors fees	(3 783)	-	(8 123)	-
	Common investee	Balance year end	-	*(170 000)	-	**(78 253)
Sanlam Vida Companhia de Seguros,SA	Associate	Directors fees	-	-	11 802	-
	Associate	Balance at year end	-	-	-	*2 237

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.
**The balance is part of sundry receivables as detailed in note 9.1.

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:

			Number of Wholly owned subsidiaries	
Name of entity	**Principal Activity**	**Place of Incorporation**	**2024**	**2023**
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
			4	**4**

11.7 The Composition of the Group at the end of the reporting period is as follows:

			Number of Non-Wholly owned subsidiaries	
Name of entity	**Principal Activity**	**Place of Incorporation**	**2024**	**2023**
NICO General Insurance Compnay Limited	Short term Insurance	Malawi	1	1
NICO Insurance (Zambia) Limited	Short Term Insurance	Zambia	1	1
NICO Life Insurance	Long term insurance	Malawi	1	1
NBS Bank plc	Banking	Malawi	1	1
NICO Pension Services Limited	Pension Administration	Malawi	1	1
			5	**5**

11. Amounts due from/(to) related parties (Continued)

11.8 Investment in subsidiary companies (at cost)

		2024			2023	
Company	**Company of Incorporation**	**Shareholding %**	**Amount K'000**	**Dividends received K'000**	**Shareholding %**	**Amount K'000**	**Dividends received K'000**
NICO General Insurance Company Limited	Malawi	51	61 200	1 479 000	51	61 200	765 000
NICO Life Insurance Company Limited	Malawi	51	74 588	5 814 000	51	74 588	3 459 840
NICO Insurance (Zambia) Limited	Zambia	51	1 336 880	-	51	1 336 880	-
NICO Technologies Limited	Malawi	100	223 749	300 000	100	75 365	-
NICO Asset Managers Limited	Malawi	100	31 081	3 300 000	100	31 081	3 402 964
Group Fabricators and Manufacturers	Malawi	100	58 500	-	100	58 500	-
NBS Bank plc	Malawi	50.1	6 590 332	5 453 197	50.1	6 590 332	7 071 659
NICO Capital Limited	Malawi	100	300 000	-	100	300 000	-
NICO Pensions Services Company Limited	Malawi	51	535 500	520 200	51	535 500	-
			9 211 830	**16 866 397**		**9 063 446**	**14 699 463**

11. Amounts due from/(to) related parties (Continued)

11.9 2024

Subsidiaries movement during the year	**As at 1 January K'000**	**Reversal of impairment K'000**	**Disposals K'000**	**As at 31 December 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	535 500	-	-	535 500
	9 063 446	**148 384**	**-**	**9 211 830**

11.9 2023

Subsidiaries movement during the year	**As at 1 January K'000**	**Additions K'000**	**Disposals K'000**	**As at 31 December 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	-	-	75 365
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	535 500	-	-	535 500
	9 063 446	**-**	**-**	**9 063 446**

11. Amounts due from/(to) related parties (Continued)

The Directors have performed an impairment assessment of the investments in subsidiaries as at 31 December 2024. An impairment of the investment in NICO Technologies made in the prior years has been reversed as the business is now profitable. For the rest of the companies no impairment has been recognised.

Amounts due from subsidiaries, associate companies and joint venture companies

11.10 Amounts due from subsidiary companies

	Company	
	2024	**2023**
	K'000	**K'000**
NICO Insurance (Zambia) Limited	61 093	29 830
Group Fabricators and Manufacturers Limited	-	3 235
NICO Life Insurance Company Limited	984 527	587 181
	1 045 620	**620 246**

Amounts due from equity accounted companies

	Company	
	2024	**2023**
	K'000	**K'000**
Eris Properties Malawi Limited	37 269	21 815
	37 269	**21 815**
Total amounts due from related parties	**1 082 889**	**642 061**

11.11 Amounts due to subsidiary, associate and joint venture companies

	Company	
	2024	**2023**
	K'000	**K'000**
Group Fabricators and Manufacturers Limited	15 910	-
	15 910	**-**

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.

12. Deferred tax assets and liabilities

Group
Recognized deferred tax
12.1 **Deferred tax (assets) and liabilities are attributed to the following**:

	Assets		Liabilities	
Consolidated	**2024 K'000**	**2023 K'000**	**2024 K'000**	**2023 K'000**
Property and equipment	85 190	242 434	5 412 248	1 274 566
Investment properties and equity shares	-	(2 024 143)	-	-
Accrued interest	-	(1 563 659)	11 622 441	4 581 786
Other assets	(9 898 523)	(7 529 107)	(497 744)	(583 785)
Deferred tax (assets)/liabilities	**(9 813 333)**	***(10 874 475)**	**16 536 945**	***5 272 567**

Deferred tax movement analysis:

12.2 2024 Movement of deferred tax asset

	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 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	-	-	-
Other assets	(7 529 107)	(2 789 057)	-	419 641	(9 898 523)
	(10 874 475)	641 501	-	419 641	(9 813 333)

12.3 2024 Movement of deferred tax liability

	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 and equipment	1 274 566	4 174 454	-	(36 772)	5 412 248
Accrued interest	4 581 786	7 040 655	-	-	11 622 441
Other assets	(583 785)	86 041	-	-	(497 744)
	5 272 567	**11 301 150**	**-**	**(36 772)**	**16 536 945**

12.4 2023 Movement of deferred tax asset

	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 and equipment	230 588	11 846	-	-	242 434
Investment properties and equity shares	(742 441)	(1 281 702)	-	-	(2 024 143)
Accrued interest	(2 931 183)	1 367 524	-	-	(1 563 659)
Other assets	(3 983 237)	(3 792 049)	-	246 179	(7 529 107)
	(7 426 273)	**(3 694 381)**	**-**	**246 179**	**(10 874 475)**

*** Restated: refer to note 1.1 to the financial statements.**

12. Deferred tax assets and liabilities (Continued)

12.5 2023 Movement of deferred tax liability

	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 and equipment	885 127	432 638	-	(43 199)	1 274 566
Accrued interest	2 707 709	1 874 077	-	-	4 581 786
Other assets	234 219	(818 004)	-	-	(583 785)
	3 827 055	**1 488 711**	**-**	**(43 199)**	**5 272 567**

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.

Company
Recognized deferred tax

12.6 Deferred tax (assets) and liabilities are attributed to the following:

	2024 K'000	2023 K'000
Property and equipment	11 772	-
Other assets	(547 803)	-
Net	**(536 031)**	-
Assets	(547 803)	-
Liabilities	11 772	-

12.7 Deferred tax movement analysis:

	Balance as at 1 January K'000	Recognised in profit and loss K'000	Balance as at 31 December K'000
Property and equipment	-	11 772	11 772
Other assets	-	(547 803)	(547 803)
Total	**-**	**(536 031)**	**(536 031)**

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 2024	2023
Long term Insurance	Mozambique	1	1
	Total	1	1

	Principle place of business/ country of incorporation	2024 Shareholding	2024 Amount	2023 Shareholding	2023 Amount
Sanlam Vida Companhia de Seguros, SA	Mozambique	34.30%	2 091 325	34.30%	1 560 365
			2 091 325		1 560 365

The table below shows the summarised financial statements of the associate:

	Sanlam Vida 2024 K'000	2023 K'000
Non-current Assets	17 517 348	19 568 296
Current Assets	17 159 182	7 137 069
Non-current Liabilities	(4 012 800)	(6 309 383)
Current Liabilities	(19 743 540)	(11 292 340)
Net Assets	10 920 190	9 103 642
Revenue	30 810 762	17 775 126
Profit	2 715 868	1 369 867
Other Comprehensive Income	-	-
Total Comprehensive Income	2 715 868	1 369 867
Percentage Shareholding*	34.3%	34.3%
Share of Associates Profit	931 543	469 864

13. Investment in associate, joint venture and unconsolidated structured entities (Continued)

13.1 Investment in associate (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	
	2024	**2023**
	Sanlam Mozambique	**Sanlam Mozambique**
	Vida Companhia de Serugos Limited	**Vida Companhia de Serugos Limited**
	K'000	**K'000 Restated**
As at 1 January	3 122 533	1 508 017
Effects of exchange rate	92 119	*1 562 168
Current dividend received	(400 583)	(292 016)
Share of profit	931 543	469 864
Total	3 745 612	3 248 033
Prior year dividend received	-	(125 500)
Balance at 31 December	3 745 612	3 122 533
Net income statement movement		
Share of profit as above	931 543	469 864
Prior year dividend received	-	(125 500)
Balance at 31 December	931 543	344 364

* Restated: refer to note 1.2 to the financial statements.

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**	
		2024	**2023**
		K'000	**K'000**
Property management and development	Malawi	1	1
	Total	1	1

The table below show the summarised financial statements of the joint venture

Summarised financial information	**ERIS Properties Malawi**	
	2024	**2023**
	K'000	**K'000**
Non current assets	148 781	130 236
Current assets	1 168 047	915 284
Non current liabilities	(7 633)	(12 596)
Current liabilities	(582 081)	(451 003)
Net assets	727 114	581 921
Revenue	2 371 989	1 801 377
Profit	393 100	318 982
Total comprehensive income	393 100	318 982
Percentage shareholding	50%	50%
Share of profit	196 550	159 491

2024	**As at 1 January**	**Share of Profit/(loss)**	**Dividend Received**	**As at 31 December**
ERIS Properties Malawi	296 702	196 550	(125 000)	368 252
	296 702	196 550	(125 000)	368 252

2023	**As at 1 January**	**Share of Profit/(loss)**	**As at 31 December**
ERIS Properties Malawi	137 211	159 491	296 702
	137 211	159 491	296 702

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.

	2024 %Holding	2023 % Holding
ICON Properties plc (through NICO Life Insurance Company Limited)	57.14	56.02

The Group owns 57.14% (2023: 56.16%) 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	
	2024 K'000	2023 K'000
Non-current assets	132 875 095	117 165 423
Current assets	11 985 167	5 396 922
Non-current liabilities	(355 153)	(373 107)
Current liabilities	(1 226 200)	(1 314 565)
Net assets	143 278 909	120 874 673
Revenue	29 016 719	20 924 220
Profit	24 274 636	19 159 350
Total comprehensive income	24 274 636	19 159 350

Details of amounts relating to unconsolidated entity are as follows:

Income	2024 K'000	2023 K'000
Rental income	7 084 380	5 988 388
Interest income	2 905 552	2 365 552
Other income	1228 534	734 858
Fair value gains or losses	1 142 798	11 835 422
Total income	12 361 264	20 924 220

13. Investment in associate, joint venture and unconsolidated structured entities (Continued)

13.3 Unconsolidated Structured entity (Continued)

Assets
Investments – maximum exposure

	2024 K'000	2023 K'000
Investment in equity shares **(maximum exposure)**	2 704 316	2 513 542

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:

	2024 K'000	2023 K'000
Within one year (note 6)	7 541 016	6 201 445
After one year	753 061 480	473 677 446
	760 602 496	479 878 891

14.1 Investment in government securities comprised the following:

	2024 K'000	2023 K'000
Financial assets designated at FVTPL*		
Treasury notes	187 774 768	187 815 142
	187 774 768	187 815 142
Financial assets at amortised cost**		
Treasury notes	490 619 567	251 913 473
Treasury bills	81 249 326	39 507 097
Promissory notes	958 835	643 179
	572 827 728	292 063 749
Total	760 602 496	479 878 891

14. Investment in government securities

14.2 *Movement in financial assets designated at FVTPL

	2024 K'000	2023 K'000
Balance as at 1 January	187 815 142	172 153 156
Additions during the year	19 509 133	31 922 591
Fair value adjustment	20 887 933	7 147 542
Disposals during the year	(40 437 440)	(23 408 147)
Balance at 31 December	187 774 768	187 815 142

The fair valuation of these treasury notes is done by management in consultation with the consulting actuaries from Sanlam Allianz, who utilise best practice methods based on expertise within the wider Sanlam Group. It involves application of judgement in determining the most appropriate valuation basis and assumptions.

The bootstrapping method was used for the purpose of constructing the discounting curve used to discount expected future cashflows at each respective cashflow date. This method is a statistical technique for estimating quantities about a population by averaging estimates from multiple small data samples. These samples are constructed by drawing observations from a large data sample one at a time and returning to the data sample after they have been chosen.

14.3** Movement of financial assets at amortized costs

	2024 K'000	2023 K'000
Balance as at 1 January	292 063 749	229 364 474
Effects of exchange rates	(278 572)	714 173
Additions during the year	286 474 165	68 714 280
Movement in accrued interest	528 770	148 005
Expected credit loss	(37 510)	(9 592)
Disposals during the year	(5 922 874)	(6 867 591)
Balance at 31 December	**572 827 728**	**292 063 749**

Interest rates for government securities ranged from 26.75% to 35% (2023: 22.75% to 31%).

Treasury bills earned interest at an average rate of 20.5% (2023:21.9%). 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	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
Balance at 1 January	384 573 540	227 015 464	2 804 021	2 178 920
Purchases during the year	43 299 046	15 140 950	10 681 817	-
Effects of changes in exchange rates	(1 831)	1 214	-	-
Increase/(decrease) in fair value:			-	-
shareholders	15 219 246	10 080 011	2 377 768	625 101
policyholders	179 205 279	135 183 742	-	-
Disposals during the year	(8 508 490)	(2 847 841)	-	-
Balance as at 31 December	**613 786 790**	**384 573 540**	**15 863 606**	**2 804 021**

15. Investment in equity shares (Continued)

15.2 Group 2024

	Number of shares	% shareholding	Share Price	K' 000
Blantyre Hotels plc**	2 628 309 905	42.51	14.55	38 241 909
Standard Bank plc	39 811 130	16.95	6 483.95	258 133 376
Airtel	111 716 591	1.02	90.00	10 054 493
Illovo Sugar plc	921 292	0.13	1 355.08	1 248 424
Press Corporation plc	8 268 479	6.88	2 499.79	20 669 461
Old Mutual plc	710 191	4.84	1 950.01	1 384 880
National Bank of Malawi plc	31 106 514	6.66	3 462.17	107 696 040
National Investment plc	16 309 069	12.08	440.00	7 175 990
FMB Capital Holding plc	13 904 057	0.57	555.00	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	689 087	0.26	240.08	165 436
Total listed shares				604 640 069

15.3 Group 2023

	Number of shares	% shareholding	Share Price	K' 000
Blantyre Hotels plc **	264 915 739	31.55	13.00	3 443 905
Standard Bank plc	40 841 220	17.40	3 950.00	161 322 819
Airtel	135 004 884	1.23	60.00	8 100 293
Illovo Sugar plc	921 292	0.13	1 260.00	1 160 828
Press Corporation plc	7 885 059	6.56	2 506.99	19 767 764
Old Mutual plc	710 191	4.84	1 500.00	1 065 287
National Bank of Malawi plc	31 152 004	6.67	2 101.25	65 458 148
National Investment plc	16 237 747	12.03	410.00	6 657 476
FMB Capital Holding plc	7 613 496	0.31	315.00	2 398 251
Telekom Networks Malawi plc	944 795 391	9.41	18.70	17 667 674
Mpico plc	74 148 315	3.23	15.00	1 112 225
Airtel Networks Zambia Plc	12 500		-	35 508
NICO Holdings plc *	41 971 513	4.08	150.40	6 312 516
ICON Properties (note 13c)	3 742 364 625	56.02	17.85	66 801 209
NBS Bank plc	98 922 330	3.40	114.90	11 366 176
FDH Bank plc	76 775 571	1.11	70.00	5 374 290
Sunbird Tourism Limited	489 087	0.91	191.07	93 450
Total listed shares				378 137 819

15. Investment in equity shares (Continued)

Company
2024

	Number of shares	% shareholding	Share Price	K' 000
Blantyre Hotels plc	863 820 248	14.70	14.55	12 568 584
				12 568 584

*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	
	2024	**2023**	**2024**	**2023**
	K'000	**K'000**	**K'000**	**K'000**
Reconciliation of carrying amounts of unlisted investments (level 3 fair value)		-	-	-
Balance at 1 January	6 435 721	5 623 621	2 804 021	2 178 920
Increase in fair value	2 711 000	812 100	491 000	625 101
Balance as at 31 December	9 146 721	6 435 721	3 295 021	2 804 021
15.4 Analysis of unlisted shares				
Chibuku Products Limited	5 700 000	3 500 000	-	-
Telecom Holdings Limited (MTL& OCL)	21 000	1 000	-	-
NATSWITCH Limited	111 000	111 000	-	-
Swift	19 700	19 700	-	-
Mwaiwathu Private Hospital	678 000	367 000	678 000	367 000
Fortesa	7 021	7 021	7 021	7 021
Sanlam Uganda	2 610 000	2 430 000	2 610 000	2 430 000
Total unlisted shares	**9 146 721**	**6 435 721**	**3 295 021**	**2 804 021**
15.5 Total investment in equity shares				
Total investment in equity shares	**613 786 790**	**384 573 540**	**15 863 606**	**2 804 021**

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 2024 on behalf of the Directors by Ernst and Young using Market Multiples and Net Asset Value (NAV) approaches. Listed shares have been valued using Malawi Stock Exchange prices as at 31 December 2024.

Level 1 Fair Value
Listed shares amount to K604.6 billion (2023: K378.1 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. In the prior year the listed shares included shares in Airtel Networks Zambia plc valued at K35.5 million whose prices were quoted on the Lusaka Stock Exchange. The shares in Airtel Networks Zambia plc were disposed of in the current year.

15. Investment in equity shares (Continued)

Level 3 Fair Value
Unlisted equities for the Group amounted to K9.1 billion (2023: K6.4 billion) while for the Company amounted to K3.2 billion (2023: K2.8 billion). The unlisted shares were valued by Ernst and Young as at 31 December 2024 based on discounted cashflows 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: K2.61 billion (2023: K2.43 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 (2023: High multiple of 1.02 and Low multiple of 0.94)	The higher(lower) the adjusted market multiple, the higher (lower) the fair value. If the multiples increased/decreased by 5% while all other variables were held constant, the 2023 carrying amount would increase/decrease by K121 million
Chibuku Products Limited: K5.70 billion (2023: K3.50 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 4% to 5% (2023: 5% to 8%).	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 K259 million (2023: increase/decrease by K182 million).
Mwaiwathu Private Hospital: K678 million (2023: K367 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 (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 2024 carrying amount would increase/decrease by K34 million

16. Loans and debentures

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Designated at FVTPL				
Balance at 1 January	1 846 362	1 213 370	-	-
Fair value gain	25 496	9 834	-	-
Additions during the year	2 000 000	1 360 000	-	-
Disposals during the year	(1 623 158)	(736 842)	-	-
Balance at 31 December	**2 248 700**	**1 846 362**	**-**	**-**
Designated at amortised cost				
Balance at 1 January	-	-	1 753	1 753
Balance at 31 December	-	-	-	-
Total	**2 248 700**	**1 846 362**	**1 753**	**1 753**

The above disclosed loans and debentures are receivable from Malawi registered companies hence no exposure to exchange rate movement. Expected credit loss has been determined for all loans, refer to note 42.4.2.

In the opinion of the directors, the loans receivable, are expected to be realised in full at maturity date. At the reporting date, the most significant loans (excluding interest) are:

(a) A 3 year K250 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 2024 is K167mln (2023: K250 million)

(b) A 3-year K2 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 four listed banks in Malawi namely; First Capital Bank, National Bank of Malawi, NBS Bank and Standard Bank 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 2024 is K2 billion (2023: Nil).

(c) A five-year K3.5 billion floating rate loan guaranteed by the Malawi Government was advanced to Electricity Supply Commission of Malawi at 91 days Treasury bill plus 6% or at a floating rate of NBS Bank Plc base lending rate per annum whichever is higher and to be reset quarterly using the rate at the beginning of the quarter. The coupon rate shall be subject to a floor equivalent to the latest available inflation rate plus 2% or 91 days Treasury bill rate plus 1% whichever is higher. The loan has been fully repaid as at 31 Dec 2024.

(d) A 1 year K1.1 billion asset backed loan was advanced to Blantyre Hotels Limited with interest charged at the rate equivalent to 364-day TB rate. The loan has been converted into shares as at the end of the year 2024.

(e) 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.
Note that the K20 billion loan to NBS Bank Plc was cancelled on preparation of the consolidated financial statements and therefore is not part of the loans and debentures balance above.

17. Investment properties

17.1 **2024**

	Group			Company	
	Free hold investment properties K'000	**Leasehold investment properties K'000**	**Total K'000**	**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	40 000	1 104 452	1 144 452	40 000	40 000
Balance as at 31 December	**789 057**	**5 325 023**	**6 114 080**	**246 000**	**246 000**

17.2 **2023**

	Group			Company	
	Free hold investment properties K'000	**Leasehold investment properties K'000**	**Total K'000**	**Freehold investment properties K'000**	**Total K'000**
At valuation					
Balance at 1 January	721 341	3 732 183	4 453 524	178 000	178 000
Effects of exchange rates	43	-	43	-	-
Additions	-	103 242	103 242	-	-
Fair Value Adjustment	28 000	329 223	357 223	28 000	28 000
	-	-	-	-	-
Balance as at 31 December	**749 384**	**4 164 648**	**4 914 032**	**206 000**	**206 000**

17.3 The amounts recognised in profit or loss in respect of investment properties are:

	2024	**2023**	**2024**	**2023**
Rental income (note 34.2)	473 281	234 698	5 450	5 280
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 Chalunda BSc. Land Econ; MSIM (Registered Valuation Surveyor) with Knight Frank as at 31 December 2024 on behalf of the directors. The valuer is an independent valuer not connected with the Group. Values were determined by reference to observable prices in the property market. There has been no change to the valuation technique during the year. The resultant surplus is taken to profit or loss. The fair value measurements have been categorized as Level 3 for value based on income capitalization technique. The Group has assessed that the highest and best use of his properties does not differ from their current use.

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value Measurement**
Income Capitalisation Approach	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 K5 000 – K7 000 and K6 000 – K12 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.

18.1 Right-of-use assets

	Group		**Company**	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Cost			-	-
At 1 January	11 186 960	8 686 445	163 373	163 373
Effects of exchange rate	(108 208)	(123 304)	-	-
Additions	2 612 540	2 412 382	-	-
Disposal	(716 134)	(35 171)	-	-
*Subtotal - At 31 December	12 975 158	11 186 960	163 373	163 373
Accumulated depreciation				
At 1 January	7 364 402	5 535 183	134 426	107 777
Effects of exchange rate	(70 022)	108 910	-	-
Charge for the year	1 905 459	1 720 309	26 649	26 649
Disposals	-	-	-	-
At 31 December	9 199 839	7 364 402	161 075	134 426
Carrying amount	**3 775 319**	**3 822 558**	**2 298**	**28 947**

18. Leases (Group as a lessee) (Continued)

18.2 Amounts recognized in profit and loss are as follows:

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Finance charges on lease liabilities	2 095 290	1 374 229	21 186	21 186
Depreciation expense on right-of-use assets	1 905 459	1 720 309	26 649	26 649

The Group leases buildings and the average lease term is 3 years (2021: 3 years).

18.3 Lease liabilities

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Cost	-	-	-	-
At 1 January	6 795 155	5 062 540	57 378	110 061
Effects of exchange rate	(892 401)	30 421	-	-
Additions	2 538 006	2 617 784	-	-
Finance charges	2 095 290	1 374 229	21 186	21 186
Repayments of finance charges	(2 095 290)	(557 763)	(21 186)	(21 186)
Repayments of lease liabilities	(992 703)	(1 732 056)	(38 880)	(52 683)
At 31 December	7 448 057	6 795 155	18 498	57 378

18.4 Maturity analysis

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Due within 1 year or less	2 154 306	1 935 691	18 498	21 186
Due between 2 and 5 years	5 293 751	4 859 464	-	36 193
At 31 December	7 448 057	6 795 155	18 498	57 379

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 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	(14 224 866)	14 224 866	-
Balance at 31 December	1 377 416	27 633 556	29 010 972

19. Intangible assets (Continued)

Group 2023

	Capital work in progress K'000	Software K'000	Total K'000
Cost			-
Balance as at 1 January	1 376 909	12 194 958	13 571 867
Effects of changes in exchange rates	-	196 368	196 368
Additions during the year	5 466 476	668 162	6 134 638
Capitalization	(142 017)	142 017	-
Disposal during the year	(4 750)	-	(4 750)
Balance at 31 December	**6 696 618**	**13 201 505**	**19 898 123**

	Capital work in progress K'000	Software K'000	Total K'000
Group 2024			
Amortization			
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	-	2 258 216	2 258 216
Balance at 31 December	**-**	**11 335 099**	**11 335 099**

	Capital work in progress K'000	Software K'000	Total K'000
Group 2023			
Amortisation			
Balance as at 1 January	-	7 836 226	7 836 226
Effects of changes in exchange rate	-	166 066	166 066
Charge for the year	-	1 114 573	1 114 573
Balance at 31 December	**-**	**9 116 865**	**9 116 865**
Carrying amount at 31 December 2024	**1 377 416**	**16 298 457**	**17 675 873**
Carrying amount at 31 December 2023	**6 696 618**	**4 084 640**	**10 781 258**

19. Intangible assets (Continued)

Company
2024

	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	-	-	-
Balance at 31 December	-	172 452	172 452

2023

	Capital work in progress K'000	Software K'000	Total K'000
Cost			
Balance as at 1 January	-	137 220	137 220
Additions during the year	-	35 232	35 232
Balance at 31 December	-	172 452	172 452

2024

	Capital work in progress K'000	Software K'000	Total K'000
Amortization			
Balance as at 1 January	-	136 974	136 974
Charge for the year	-	12 024	12 024
Balance at 31 December	-	148 998	148 998

2023

	Capital work in progress K'000	Software K'000	Total K'000
Amortisation			
Balance as at 1 January	-	126 660	126 660
Charge for the year	-	10 314	10 314
Balance at 31 December	-	136 974	136 974

	Capital work in progress K'000	Software K'000	Total K'000
Carrying amount at 31 December 2024	-	**23 454**	**23 454**
Carrying amount at 31 December 2023	-	**35 478**	**35 478**

20. Property and equipment

20.1 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	-	(169 188)	(445 210)	-	(614 398)
Balance as at 31 December	3 761 406	4 913 558	38 490 906	1 896 266	49 062 136
Analysed as follows:					
Valuation	2 304 665	-	-	-	2 304 665
Cost	1 456 741	4 913 558	38 490 906	1 896 266	46 757 471
	3 761 406	4 913 558	38 490 906	1 896 266	49 062 136

Group - Cost or valuation 2023

	Land and buildings K'000	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress equipment K'000	Total K'000
Balance as at 1 January	2 659 362	1 943 235	19 871 737	499 331	24 973 665
Effects of changes in exchange rates	22 225	36 054	121 592	-	179 871
Additions during the year	-	351 621	4 937 798	3 456 941	8 746 360
Revaluation surplus	432 000	-	(47 408)	-	384 592
Capitalization	-	-	200 000	(200 000)	-
Transfers within class	(42 019)	-	42 019	-	-
Disposals during the year	-	(137 627)	(327 890)	-	(465 517)
Balance as at 31 December	3 071 568	2 193 283	24 797 848	3 756 272	33 818 971
Analysed as follows:					
Valuation	1 669 045	-	-	-	1 669 045
Cost	1 402 523	2 193 283	24 797 848	3 756 272	32 149 926
	3 071 568	2 193 283	24 797 848	3 756 272	33 818 971

20. Property and equipment (Continued)

20.3 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	-	(165 971)	(268 659)	-	(434 630)
Balance as at 31 December	33 320	1 705 982	16 269 694	-	18 008 996

Group Accumulated depreciation and impairment losses 2023

	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	38 045	1 043 349	11 182 513	-	12 263 907
Effects of changes in exchange rates	-	20 118	50 605	-	70 723
Charge for the year	59 252	334 601	2 154 980	-	2 548 833
Released on revaluation	(54 892)	-	-	-	(54 892)
Transfers	(13 445)	-	13 445	-	-
Disposals	-	(150 190)	(322 595)	-	(472 785)
Balance as at 31 December	28 960	1 247 878	13 078 948	-	14 355 786

	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 2024	3 728 086	3 207 576	22 221 212	1 896 266	31 053 140
At 31 December 2023	3 042 608	945 405	11 718 900	3 756 272	19 463 185

Company
Cost or valuation 2024

	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress equipment K'000	Total K'000
Balance as at 1 January	45 730	264 273	-	310 003
Additions during the year	189 000	49 847	-	238 847
Balance as at 31 December	234 730	314 120	-	548 850
2023				
Balance as at 1 January	45 730	245 602	-	291 332
Additions during the year	-	18 671	-	18 671
Balance as at 31 December	45 730	264 273	-	310 003

20. Property and equipment (Continued)

20.3 Group Accumulated depreciation and impairment losses 2024

Company Accumulated depreciation and impairment losses
2024

	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress K'000	Total K'000
Balance as at 1 January	45 324	208 612	-	253 936
Charge for the year	12 870	22 518	-	35 388
Balance as at 31 December	58 194	231 130	-	289 324
2023				
Balance as at 1 January	45 054	190 608	-	235 662
Charge for the year	270	18 004	-	18 274
Balance as at 31 December	45 324	208 612	-	253 936

Carrying amounts	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress equipment K'000	Total K'000
At 31 December 2024	176 536	82 990	-	259 526
At 31 December 2023	406	55 661	-	56 067

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

	2024 K'000	2023 K'000
Cost	1 456 741	1 402 523
Accumulated depreciation	(33 320)	(28 960)
	1 423 421	1 373 563

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 2024.

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 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
The valuation approach of Open Market Value was adopted as a result of a consideration of the Comparable approach and the residual value. The Comparable approach relies on recent sales data and all relevant factors pertaining to the property like age of the buildings and remaining lease life for the land. The residual value is defined as the estimated amount an entity would currently obtain from disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful life. In providing the residual values it has been assumed that the entity is not contemplating disposal of any of the properties in the foreseeable future.	Capitalization rates of between 9% to 10% (2023: 10% to 11%)	If the capitalization rate was higher or lower by 1 % the estimated fair value would increase (decrease) by K63 million (2023: K43 million) On the basis of the general economic trends observed so far it appears unlikely that the sales market will improve in the near term unless there is a reduction to the currently high interest rates.

21. Trade and other payables

	Group		Company	
	2024 K'000	2023 K'000	2024 K'000	2023 K'000
Interbank borrowings	107 943 975	26 569 638	-	-
Open market operations	143 275 616	-	-	-
Trade payables	3 279 668	1 759 526	-	-
Accruals	1 691 746	625 879	465 235	140 805
Financial Guarantee liability	54 513	-	54 513	
Dividend payable	7 316 044	6 363 045	3 014 620	2 733 436
Other payables	42 044 247	28 507 526	2 705 057	1 626 522
Balance 31 December	305 605 809	63 872 119	6 239 425	4 500 763

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 within the range of **18% to 24%** per annum (2023: 13%-33%) 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 24.5% per annum (2023: 19.51%). Included in the MK107.9 billion were currency swaps amounting to K42.59 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 provision of K12.6 billion (2023: K6.7 billion), deferred bank loan arrangement fees of K3.1 billion (2023: K2.8 billion) and PAYE and other taxes of K2.9 billion (2023: K6.1 billion).

22. Client funds payable

	Group	
	2024 K'000	**2023 K'000**
Client funds payable	236 895 299	167 830 629
	236 895 299	167 830 629

Client funds payable are third party funds invested in NICO Nominees. The fund attracted interest at an average rate of 25.15% (2023: 20.22%) per annum.

23. Deposits and customer accounts

	Group	
	2024 K'000	**2023 K'000**
Repayable on demand	482 885 741	450 093 770
Repayable within three months or less	162 585 171	47 651 233
Balance at 31 December	645 470 912	497 745 003

Deposits from customers, on savings investment and term deposit accounts carried an interest rate ranging from **2% to 26%** (2023: 2% to 23.5%) per annum. Current accounts earned interest of **0.1%** per annum on balances above K5 000 000 for the year ended 31 December 2024 (2023: 0.1%.). The foreign currency denominated accounts attract an average interest rate **o**f **0.5%** (2023: 0.5%) per annum. Customer deposits denominated in foreign currency amounted to K73.36 billion (2023: K71.37 billion) as detailed in note 42.7.

24. Interest bearing loans and borrowings

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
CDH Investment Bank	-	77 164	-	-
Continental Asset Management Limited	458 333	1 357 746	458 333	1 357 746
NBM Capital Markets Limited	6 168 164	5 009 822	-	-
NICO Asset Managers Limited	-	624 432	-	-
FINESS RBM Loan	3 624 250	2 858 320	-	-
IFAD	8 694 459	-	-	-
OIKO Credit	4 377 631	-	-	-
Accrued interest-NICO Life Loan	147 945	-	-	-
	23 470 782	9 927 484	458 333	1 357 746
24.1 Analysed as follows:				
Balance at 1 January	9 927 484	9 406 986	1 357 746	2 291 667
Additions during the year	20 512 500	2 858 320	-	-
Interest charge	1 828 872	2 110 192	325 916	532 953
Interest paid	(1 680 929)	(2 386 789)	(325 917)	(532 953)
Loan repaid	(7 117 145)	(2 061 225)	(899 412)	(933 921)
Balance as at 31 December	23 470 782	9 927 484	458 333	1 357 746
Terms and debt repayment schedule				
Due within 1 year	458 333	6 628 085	458 333	916 667
Due between 2 and 5 years	23 012 449	3 299 399	-	441 079
Balance as at 31 December	23 470 782	9 927 484	458 333	1 357 746

24. Interest bearing loans and borrowings (Continued)

Included in the loans of K23.3 billion (2023: K9.9 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 91day Treasury Bills in the auction immediately preceding the repricing date plus 350 basis points. NICO Holdings plc has the option of early repayment of the outstanding principal and accrued interest with no less than 60 days notice to Continental Asset Management, with no penalty for early repayment.

(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 loan raised in November 2024 replaced the loan that was outstanding as at 31 December 2023 which 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%.

(iv) IFAD US Dollar loan

The IFAD US Dollar loan of 5 years was raised in April 2024 ($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 while interest is payable quarterly. The amount had been disbursed as at 31 December 2024 and loans to the borrower were in US Dollars, repayable in US Dollars.

(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 while interest is payable quarterly. The amount had been disbursed as at 31 December 2024 and loans to the borrower were in US dollars, repayable in US dollars.

	Group		Company	
	2024	**2023**	**2024**	**2023**
	K'000	**K'000**	**K'000**	**K'000**
25. Capital and reserves				
25.1 Share capital				
Authorized:				
Number of authorized share capital ('000)	1 300 000	1 300 000	1 300 000	1 300 000
Nominal value (K)	0.05	0.05	0.05	0.05
Authorized share capital (K'000)	65 000	65 000	65 000	65 000
Issued and fully paid:				
Number of issued and fully paid share capital ('000)	1 043 041	1 043 041	1 043 041	1 043 041
Nominal value (K)	0.05	0.05	0.05	0.05
Issued share capital (K'000)	52 152	52 152	52 152	52 152
25.2 Share premium	428 859	428 859	428 859	428 859

25. Capital and reserves (Continued)

25.2 **Share premium**

Share premium arose on issue of 1 043 041 096 ordinary shares above nominal value of K0.05.

	Group	
	2024	**2023**
	K'000	**K'000**
25.3 **Revaluation reserve**		
Balance at 31 December	914 719	776 889

The revaluation reserve relates to property and comprises the cumulative increase in the fair value at the reporting date.

	Group		Company	
	2024	**2023**	**2024**	**2023**
	K'000	**K'000**	**K'000**	**K'000**
25.4 Other reserves				
(i) General reserve	545 519	545 519	-	-
(ii) Fair value reserve	8 796 932	4 339 194	4 173 217	1 795 449
(iii) Translation reserve	1 321 875	1 380 440	1 654 287	1 562 168
(iv) Loan loss reserve	-	249 897	-	-
Total other reserves	10 664 326	6 515 050	5 827 504	3 357 617

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 ownership interests**		**Profit/(loss) allocated to non controlling interests**	
		2024 %	**2023 %**	**2024**	**2023**
NICO Insurance Zambia Company Limited	Zambia	49	49	352 392	(517 866)
NICO Life Insurance Limited	Malawi	49	49	22 018 762	12 602 390
NICO General Insurance Company Limited	Malawi	49	49	2 853 560	634 629
NBS Bank plc	Malawi	49.9	49.9	36 422 486	14 659 691
NICO Pension Services Company Limited	Malawi	49	49	736 843	426 283
TOTAL				62 384 043	27 805 127

Non-controlling interest represents minority position of the shares and reserves in NBS Bank plc, NICO Life Insurance Company Limited, NICO Pension Services Company Limited, NICO General Insurance Company Limited and NICO Insurance (Zambia) Limited.

26. Non-Controlling interest (Continued)

The composition of non-controlling interest is as follows:

	Group	
	2024	**2023**
NBS Bank plc	55 935 381	24 961 639
NICO General Insurance Company Limited	9 247 028	5 799 802
NICO Insurance (Zambia) Limited	1 327 961	1 157 870
NICO Life Insurance Company Limited	52 575 997	35 973 281
NICO Pension Services Company Limited	1 775 666	1 538 624
Total	120 862 033	69 431 216

The movement is analyzed as follows:

	Group	
	2024	**2023**
Balance as at 1 January	69 431 216	51 804 325
Prior year adjustment	-	(812 739)
Profit for the year	62 384 043	27 805 127
Revaluation of land and buildings	132 426	357 039
Fair value on financial assets	1 997 807	1 370 381
Translation difference on foreign subsidiaries	(144 774)	223 612
Dividends paid	(12 938 685)	(11 316 529)
Balance as at 31 December	120 862 033	69 431 216

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.

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	(49 184 775)	(845 157 599)	(3 032 148)	(297 754 652)	(16 982 923)	(1 212 112 097)
Net Assets	18 871 485	107 297 954	3 623 809	112 094 952	2 710 125	244 598 325
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	4 111 563	346 846	-	(33 786)	(76 590)	4 348 033
Total comprehensive income	9 935 155	45 283 094	1 503 761	72 957 167	642 577	130 321 754
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	(1 053 647)	(5 624 164)	(499 800)	(5 431 885)	-	(12 609 496)
Net (decrease)/increase in cash and cash equivalents	(2 137 859)	53 298 781	283 442	56 005 975	(345 661)	107 104 678

26. Non-Controlling interest (Continued)

2023

	NICO General Insurance Company Limited	NICO Life Insurance Company Limited	NICO Pension Services Company Limited	NBS Bank Plc	NICO Insurance Zambia Limited	Total
Location	**Malawi**	**Malawi**	**Malawi**	**Malawi**	**Zambia**	
Non-current assets	11 725 037	572 701 226	1 319 612	460 270 631	8 194 279	1 054 210 785
Current Assets	40 550 476	94 240 030	3 425 761	197 445 777	9 580 168	345 242 212
Non current Liabilities	1 939 093	11 620	(109 068)	(552 277 974)	(1 024 578)	(551 460 907)
Current Liabilities	(42 378 274)	(593 538 017)	(1 496 256)	(55 415 110)	(14 386 870)	(707 214 527)
Net Assets	11 836 332	73 414 859	3 140 049	50 023 324	2 362 999	140 777 563
Carrying amount of NCI	5 799 802	35 973 281	1 538 624	24 961 639	1 157 870	69 431 216
Revenue	29 248 894	40 655 527	5 183 763	146 820 968	27 065 182	248 974 334
Profit/(loss)	1 295 161	25 719 163	869 966	29 378 138	(1 056 869)	56 205 559
Other comprehensive income	2 819 011	728 650	-	(40 223)	18 647	3 526 085
Total comprehensive income	4 114 172	26 447 813	869 966	29 337 915	(1 038 222)	59 731 644
Profit/(loss) allocated to NCI	634 629	12 602 390	426 283	14 659 691	(517 866)	27 805 127
Total comprehensive income allocated to NCI	2 015 944	12 959 428	426 283	14 639 620	(508 729)	29 532 546
Cashflows from/(utilized in) operating activities	2 274 163	(1 218 932)	454 536	95 534 871	364 733	97 409 371
Cashflows from/(utilised in) investing activities	3 782 544	29 856 793	154 142	(13 793 702)	(57 603)	19 942 174
Cashflow utilised in financing activities before div to NCI	(895 397)	(1 097 093)	(129 653)	(8 305 846)	(381 342)	(10 809 331)
Cashflow used in financing activities – cash dividends to NCI	(735 000)	(1 002 214)	(108 811)	(7 044 024)	-	(8 890 049)
Net (decrease)/increase in cash and cash equivalents	4 426 310	26 538 554	370 214	66 391 299	(74 212)	97 652 165

27. Summary of Insurance and Reinsurance Balances

27.1 Summary of Insurance and Reinsurance Balances asset and Liabilities per Measurement Basis

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	-	-	49 358	49 358

2023

	Variable Fee Approach K'000	General Measurement Model K'000	Premium Allocation Approach K'000	Total K'000
Insurance contract liabilities	577 848 000	12 062 000	63 390 260	653 300 260
Reinsurance contract assets	-	-	(38 988 420)	(38 988 420)
Reinsurance contract liabilities	-	-	305 000	305 000

The published valuation of insurance and investment contracts with discretionary participating features was performed as at 31 December 2024 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
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	-	-	-	-	49 358	**49 358**	49 358	-	**49 358**

27. Summary of Insurance and Reinsurance Balances

27.2 Group Insurance/Reinsurance Product balances under the Premium Allocation Approach (PAA) full retrospective approach(continued)

2023

	Fire	Motor	Accident and bond	Marine and engineering	Corporate business	Total	Current portion	Non-current portion	Total
Insurance contract liabilities	33 909 087	4 983 247	13 444 092	6 604 834	4 449 000	63 390 260	63 390 260	-	63 390 260
Reinsurance contract assets	30 694 426	74 570	7 534 687	684 737	-	38 988 420	38 988 420	-	38 988 420
Reinsurance contract liabilities	-	-	-	-	(305 000)	(305 000)	(305 000)	-	(305 000)

27.3 Group Insurance Liabilities balances under the variable fee approach (VFA) and General Measurement fair value approach

2024

	Participating deposit administration (VFA)	Individual life (VFA)	Annuities (VFA)	Non participating individual life (GMM)	Annuities (GMM)	Total	Current portion	Non-current portion	Total
Insurance contracts	-	-	-	-	-	-	-	-	-
Insurance contract liabilities	694 710 145	76 829 269	54 826 295	477 443	7 746 974	834 590 126	108 715 126	725 875 000	834 590 126
Insurance contract assets	-	-	-	-	-	-	-	-	-
Net	694 710 145	76 829 269	54 826 295	477 443	7 746 974	834 590 126	108 715 126	725 875 000	834 590 126

2023

	Participating deposit administration (VFA)	Individual life (VFA)	Annuities (VFA)	Non participating individual life (GMM)	Annuities (GMM)	Total	Current portion	Non-current portion	Total
Insurance contracts	-	-	-	-	-	-	-	-	-
Insurance contract liabilities	489 378 937	53 159 043	35 310 020	889 519	11 172 481	589 910 000	89 846 414	500 063 586	589 910 000
Insurance contract assets	-	-	-	-	-	-	-	-	-
Net	489 378 937	53 159 043	35 310 020	889 519	11 172 481	589 910 000	89 846 414	500 063 586	589 910 000

28. Summary of insurance service result

28.1

2024

	Variable fee approach	General measurement model	Premium allocation approach	Total
Insurance revenue from contracts not measured under PAA	19 694 000	15 773 628	-	35 467 628
Insurance revenue from contracts measured under PAA	-	-	97 692 224	97 692 224
Total insurance revenue	19 694 000	15 773 628	97 692 224	133 159 852
Total insurance service expenses	-	-	(53 297 584)	(53 297 584)
Insurance service result excluding re-insurance	19 694 000	15 773 628	44 394 640	79 862 268
Net income/(expenses) from reinsurance contracts held	-	-	(28 386 946)	(28 386 946)
Total insurance service result	19 694 000	15 773 628	16 007 694	51 475 322

28.2

2023

	Variable fee approach	General measurement model	Premium allocation approach	Total
Insurance revenue from contracts not measured under PAA	13 033 000	1 183 000	-	14 216 000
Insurance revenue from contracts measured under PAA	-	-	66 790 070	66 790 070
Total insurance revenue	13 033 000	1 183 000	66 790 070	81 006 070
Total insurance service expenses	-	(13 934 000)	(55 973 111)	(69 907 111)
Insurance service result excluding re-insurance	13 033 000	(12 751 000)	10 816 959	11 098 959
Net income/(expenses) from reinsurance contracts held	-	-	(2 348 266)	(2 348 266)
Total insurance service result	13 033 000	(12 751 000)	8 468 693	8 750 693

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	37 002 514	24 261 437	12 976 440	4 269 082	19 182 751	97 692 224
Total insurance revenue	37 002 514	24 261 437	12 976 440	4 269 082	19 182 751	97 692 224
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 recovery	(2 050 428)	(1 304 548)	(581 286)	(320 650)	(5 143 000)	(9 399 912)
Total insurance service expenses	67 679 015	(38 880 212)	(66 860 392)	(2 293 312)	(12 942 683)	(53 297 585)
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	(27 636 578)	(794 981)	2 482 354	(1 742 104)	(695 637)	(28 386 946)
Total insurance service result	77 044 951	(15 413 756)	(51 401 598)	233 666	5 544 431	16 007 694

28. Summary of insurance service result (Continued)

Insurance revenue and expenses by product under the Premium Allocation Approach (Continued)

2023

	Fire insurance	Motor insurance	Accident and bond insurance	Marine and engineering insurance	Corporate business	Total
Insurance revenue from contracts measured under PAA	21 424 886	18 055 865	9 800 507	3 610 812	13 898 000	66 790 070
Total insurance revenue	21 424 886	18 055 865	9 800 507	3 610 812	13 898 000	66 790 070
Insurance service expenses						
Incurred claims and other directly attributable expenses	(21 720 549)	(14 569 300)	(7 590 705)	(971 384)	(6 237 000)	(51 088 938)
Losses on onerous contracts and reversal of those losses	(152 824)	(175 404)	(134 993)	(28 729)	-	(491 950)
Changes that relate to past service – changes in the FCF relating to the LIC	188 110	334 094	154 937	28 920	-	706 061
Insurance acquisition cash flows recovery	(1 182 519)	(905 889)	(232 043)	(148 833)	(2 629 000)	(5 098 284)
Total insurance service expenses	(22 867 782)	(15 316 499)	(7 802 804)	(1 120 026)	(8 866 000)	(55 973 111)
Net income (expenses) from reinsurance contracts held						
Reinsurance expenses – contracts measured under the PAA	(12 239 022)	(397 116)	(2 192 905)	(608 139)	-	(15 437 182)
Other incurred directly attributable expenses	(3 985 160)	(235 223)	(1 652 788)	(1 082 274)	(741 000)	(7 696 445)
Incurred claims recovery / (amortisation)	17 490 253	(22 179)	2 684 977	156 604	503 000	20 812 655
Recoveries of losses on onerous group of underlying contracts and reversal of such losses	-	(82 213)	346 374	73 715	-	337 876
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	(150 935)	(19 010)	(168 466)	(26 759)	-	(365 170)
Total net expenses from reinsurance contracts held	1 115 136	(755 741)	(982 808)	(1 486 853)	(238 000)	(2 348 266)
Total insurance service result	(327 760)	1 983 625	1 014 895	1 003 933	4 794 000	8 468 693

28. Summary of insurance service result (Continued)

Insurance revenue and expenses by product under the VFA and GMM approaches

	VFA 2024	GMM 2024	Total 2024	VFA 2023	GMM 2023	Total 2023
Insurance revenue						
Contracts not measured under PAA	-	-	-	-	-	-
Amounts relating to the changes in the LRC	-	-	-	-	-	-
Release of risk adjustment for expired	-	38 000	38 000	-	32 000	32 000
Expected incurred claims and other directly attributable expenses	-	1 427 000	1 427 000	-	1 265 000	1 265 000
Insurance acquisition cash flows recovery	-	7000	7000	-	27 000	27 000
Expected acquisition costs						
CSM recognised for the services provided	19 694 000	-	19 694 000	13 033 000	-	13 033 000
Experience adjustments - arising from premiums received in the period other than those that relate to future periods	-	14 301 628	14 301 628	-	(141 000)	(141 000)
Total insurance revenue	19 694 000	15 773 628	35 467 628	13 033 000	1 183 000	14 216 000
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	-	-	-	(850 000)	(850 000)
Changes that relate to future service -Losses on onerous groups of contracts	-	-	-	-	(13 084 000)	(13 084 000)
Total insurance service expenses	-	-	-	-	(13 934 000)	(13 934 000)
Total service result	19 694 000	15 773 628	35 467 628	13 033 000	(12 751 000)	282 000

29. Reconciliation of the liability for remaining coverage and the liability for incurred claims Insurance contract held

29.1 - Premium allocation approach

2024

	Excluding loss component	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	(97 692 224)	-	-	(97 692 224)
	(97 692 224)	-	-	(97 692 224)
Insurance service expenses				
Incurred claims	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	9 399 414	-	-	9 399 414
Insurance service expenses	22 177 700	(152 824)	31 272 709	53 297 585
Insurance service result excluding reinsurance	(75 514 524)	(152 824)	31 272 709	(44 394 639)
Insurance finance income or expenses	(1 305 894)	-	5 486 827	4 180 933
Recognised in profit or loss	(76 820 418)	(152 824)	36 759 536	(40 213 706)
Cashflows	103 143 203	-	-	103 143 203
Premium received				
Claims paid	(6 431 895)	-	(38 730 392)	(45 162 287)
Insurance acquisition cashflows	(14 827 751)	-	-	(14 827 751)
Other expenses paid	-	-	-	-
Net cashflows	81 883 557	-	(38 730 392)	43 153 165
Insurance contract liabilities as at 31 December	15 000 016	180 767	51 419 873	66 600 656

29. Reconciliation of the liability for remaining coverage and the liability for incurred claims Insurance contract held

29.2 Premium allocation approach

2023

	Excluding loss component	Loss component	LIC	Total
Insurance contract liabilities as at 1 January	6 152 444	(154 803)	37 411 727	43 409 368
Effects of exchange rates	506 684	27 072	1 360 842	1 894 598
Insurance revenue				
Contracts under the full retrospective approach	(66 790 081)	-	-	(66 790 081)
	(66 790 081)	-	-	(66 790 081)
Insurance service expenses	-	-	-	-
curred claims	6 888 499	-	41 100 378	47 988 877
Other insurance service expenses	2 394 000	-	-	2 394 000
Losses on onerous contracts and reversal of those losses	-	491 951	-	491 951
Amortisation insurance acquisition cash flows	5 098 294	-	-	5 098 294
Insurance service expenses	14 380 793	491 951	41 100 378	55 973 122
Insurance service result excluding reinsurance	(52 409 288)	491 951	41 100 378	(10 816 959)
Insurance finance income or expenses	(696 000)	-	2 940 983	2 244 983
Recognised in profit or loss	(53 105 288)	491 951	44 041 361	(8 571 976)
Cashflows				
Premium received	70 538 236	-	-	70 538 236
Claims paid	(4 636 041)	-	(28 424 124)	(33 060 165)
Insurance acquisition cashflows	(10 383 801)	-	-	(10 383 801)
Other expenses paid	(436 000)	-	-	(436 000)
Net cashflows	55 082 394	-	(28 424 124)	26 658 270
Insurance contract liabilities as at 31 December	8 636 234	364 220	54 389 806	63 390 260

30. Reconciliation of the liability measured under Variable Fee Approach

Reconciliation of net carrying amount: Life insurance - Risk business - Variable fee approach

30.1

2024

	Best estimate of future cash flows	Risk adjustment	Contractual service margins	Total
Opening balance	559 127 000	551 000	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	-	-	(19 161 000)	(19 161 000)
Insurance revenue	(1 456 132)	(461 040)	(17 776 828)	(19 694 000)
Insurance service expenses	-	-	-	-
Insurance service result	(1 456 132)	(461 040)	(17 776 828)	(19 694 000)
Changes in estimates recognised in contractual service margin	(31 510 157)	820 530	30 689 627	-
Net Gains and losses from investment excluding recognition of assumption changes in contract services margin at locked-in interest rates	268 936 000	-	-	268 936 000
Tax	(12 512 000)	-	-	(12 512 000)
Total investment result	256 424 000	-	-	256 424 000
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	(1 777 000)	-	-	(1 777 000)
Other insurance service expenses	(19 774 000)	-	-	(19 774 000)
Total cashflows	12 299 000	-	-	12 299 000
Closing balance	794 883 711	910 490	31 082 799	826 877 000

30. Reconciliation of the liability measured under Variable Fee Approach (Continued)

Reconciliation of net carrying amount: Life insurance - Risk business - Variable fee approach (Continued)

30.2

2023

	Best estimate of future cash flows	Risk adjustment	Contractual service margins	Total
Opening balance	389 772 000	322 000	15 633 000	405 727 000
Non-onerous contracts recognised during the period	(1 405 000)	52 000	1 353 000	-
Release of risk adjustment for risk expired	-	(1 080 000)	-	(1 080 000)
Recognition of contractual service margin	-	-	(11 953 000)	(11 953 000)
Insurance revenue	(1 405 000)	(1 028 000)	(10 600 000)	(13 033 000)
Insurance service expenses	-	-	-	-
Insurance service result	(1 405 000)	(1 028 000)	(10 600 000)	(13 033 000)
Changes in estimates recognised in contractual service margin	(14 394 000)	1 257 000	13 137 000	-
Net Gains and losses from investment excluding recognition of assumption changes in contract services margin at locked-in int rates	188 806 000	-	-	188 806 000
Total investment result	188 806 000	-	-	188 806 000
Cash flows				
Premiums received during the period	60 034 000	-	-	60 034 000
Incurred claims - investment components	(45 057 000)	-	-	(45 057 000)
Insurance acquisition cash flows	(3 043 000)	-	-	(3 043 000)
Other insurance service expenses	(15 586 000)	-	-	(15 586 000)
Total cashflows	(3 652 000)	-	-	(3 652 000)
Closing balance	559 127 000	551 000	18 170 000	577 848 000

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		
	Excluding total loss component	**Loss recovery component**	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
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	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	21 707 191	(373 079)	31 964 978	(1 506)	53 297 584
Insurance service result	(75 985 033)	(373 079)	31 964 978	(1 506)	(44 394 640)
Insurance finance income or expenses	(1 305 894)	-	5 486 827	-	4 180 933
Recognised in profit or loss	(77 290 927)	(373 079)	37 451 805	(1 506)	(40 213 707)
Cashflows					
Premium received	103 143 367	-	-	-	103 143 367
Claims paid	(4 178 113)	-	(40 984 357)	-	(45 162 470)
Insurance acquisition cashflows	(14 827 732)	-	-	-	(14 827 732)
Other expenses paid	-	-	-	-	-
Net cashflows	84 137 522	-	(40 984 357)	-	43 153 165
Total	**16 783 410**	**-**	**47 143 084**	**2 674 162**	**66 600 656**

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)

2023	Liability for remaining coverage		LIC for contracts under the PAA		
	Excluding total loss component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities as at 1 January	6 152 427	(154 799)	35 640 933	1 770 807	43 409 368
Effects of exchange rates	506 639	27 073	1 319 894	40 992	1 894 598
Insurance revenue					
Contracts under the full retrospective approach	(66 790 081)	-	-	-	(66 790 081)
Insurance service expenses	-	-	-	-	-
Incurred claims	6 888 509	-	40 195 061	905 317	47 988 887
Other insurance service expenses	2 394 000	-	-	-	2 394 000
Losses on onerous contracts and reversal of those losses	-	491 951	-	-	491 951
Losses write back on onerous contracts and reversal of those losses	-	-	-	-	-
Amortisation insurance acquisition cash flows	5 098 284	-	-	-	5 098 284
Net reinsurance acquisition expenses	-	-	-	-	-
Adjustment to liabilities for incurred claims/Changes that relate to past service	-	-	-	-	-
Insurance service expenses	14 380 793	491 951	40 195 061	905 317	55 973 122
Insurance service result	(52 409 288)	491 951	40 195 061	905 317	(10 816 959)
Insurance finance income or expenses	(696 000)	-	2 940 983	-	2 244 983
Recognised in profit or loss	(53 105 288)	491 951	43 136 044	905 317	(8 571 976)
Cashflows					
Premium received	70 538 236	-	-	-	70 538 236
Claims paid	(4 636 041)	-	(28 424 124)	-	(33 060 165)
Insurance acquisition cashflows	(10 383 801)	-	-	-	(10 383 801)
Other expenses paid	(436 000)	-	-	-	(436 000)
Net cashflows	55 082 394	-	(28 424 124)	-	26 658 270
Total	**8 636 172**	**364 225**	**51 672 747**	**2 717 116**	**63 390 260**

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	(7 000)	-	(7 000)	(7 000)	-	(7 000)
Recognised in insurance revenue	(1 434 000)	(38 000)	(1 472 000)	233 000	(1 705 000)	(1 472 000)
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	(10 958 000)	(3 344 000	(14 302 000)	-	(14 302 000)	(14 302 000)
Recognised in insurance service expenses	(10 957 000)	(3 344 000)	(14 301 000)	-	(14 301 000)	(14 301 000)
Insurance service result	(12 391 000)	(3 382 000)	(15 773 000)	233 000	(16 006 000)	(15 773 000)
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	(202 000)	-	(202 000)	(202 000)	-	(202 000)
Insurance finance income or expenses	9 549 000	2 738 000	12 287 000	3 412 000	8 875 000	12 287 000
Recognised in statement of comprehensive income	(2 842 000)	(644 000)	(3 486 000)	3 645 000	(7 131 000)	(3 486 000)
Changes in estimates recognised in contractual service margin						
Cashflows						
Premiums received	657 000	-	657 000	657 000	-	657 000
Claims and other expenses paid	(1 009 643)	-	(1 009 000)	-	(1 009 643)	(1 009 643)
Net cashflows	(352 643)	-	(352 643)	657 000	(1 009 643)	(352 643)
Net movement for the period	(3 194 643)	(644 000)	(3 838 643)	4 302 000	(8 140 643)	(3 838 643)
Balance at beginning of the period	10 807 000	1 255 000	12 062 000	1 064 000	10 998 000	12 062 000
Balance at end of the period	**7 612 357**	**611 000**	**8 223 357**	**5 366 000**	**2 857 357**	**8 223 357**

30. Reconciliation of the liability measured under General Measurement Model (Continued)

30.5 **2023**	**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	(934 000)	-	(934 000)	(487 000)	(447 000)	(934 000)
Expected administration and other expenses	(190 000)	-	(190 000)	(64 000)	(126 000)	(190 000)
Release of risk adjustment for risk expired	-	(32 000)	(32 000)	(17 000)	(15 000)	(32 000)
Premium experience adjustments relating to current service	(27 000)	-	(27 000)	(27 000)	-	(27 000)
Recognised in insurance revenue	(1 151 000)	(32 000)	(1 183 000)	(595 000)	(588 000)	(1 183 000)
Initial loss on onerous contracts recognised during the period	67 000	-	67 000	-	67 000	67 000
Increase and reversal of losses on onerous contracts	10 730 000	3 137 000	13 867 000	-	13 867 000	13 867 000
Recognised in insurance service expenses	10 797 000	3 137 000	13 934 000	-	13 934 000	13 934 000
Insurance service result	9 646 000	3 105 000	12 751 000	(595 000)	13 346 000	12 751 000
Recognition of assumption changes in contractual service margin at locked-in interest rates	(486 000)	91 000	(395 000)	(327 000)	(68 000)	(395 000)
Excluding recognition of assumption changes in contractual service margin at locked-in interest rates	(6 693 000)	(2 461 000)	(9 154 000)	(4 245 000)	(4 909 000)	(9 154 000)
Insurance finance income or expenses	(7 179 000)	(2 370 000)	(9 549 000)	(4 572 000)	(4 977 000)	(9 549 000)
Recognised in statement of comprehensive income	2 467 000	735 000	3 202 000	(5 167 000)	8 369 000	3 202 000
Changes in estimates recognised in contractual service margin	127 000	(127 000)	-	-	-	-
Cashflows						
Premiums received	570 000	-	570 000	570 000		570 000
Claims and other expenses paid	(850 000)	-	(850 000)	-	(850 000)	(850 000)
Net cashflows	(280 000)	-	(280 000)	570 000	(850 000)	(280 000)
Net movement for the period	2 314 000	608 000	2 922 000	(4 597 000)	7 519 000	2 922 000
Balance at beginning of the period	8 493 000	647 000	9 140 000	5 661 000	3 479 000	9 140 000
Balance at end of the period	**10 807 000**	**1 255 000**	**12 062 000**	**1 064 000**	**10 998 000**	**12 062 000**

30. Reconciliation of the liability measured under Variable Fee Approach (Continued)

Expected recognition of contractual service margin - CSM maturity Analysis

30.6

K million Life insurance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 to 20 years	20 years
Closing Balance	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	(13 313)	(15 442)	(7 759)	(1 235)	(1 522)	(1 657)	(2 130)	(2 341)	(3 455)	(8 082)	(76 625)	(108 148)
Opening Balance	23 381	13 425	8 454	10 258	12 521	16 612	22 123	32 550	48 135	68 228	47 264	-

2023

K million Life insurance	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10 to 20 years	20 years
Closing Balance	18 169	13 540	7 972	5 323	6 196	7 268	9 174	11 633	16 056	22 489	31 677	21 310
Allocation of investment return to contracts under the variable fee approach	3 266	3 192	1 729	1 876	2 237	3 260	4 120	6 486	9 143	12 840	25 463	36 908
Recognised in Statement of Comprehensive Income	(7 895)	(8 760)	(4 378)	(1 003)	(1 165)	(1 354)	(1 661)	(2 063)	(2 710)	(3 652)	(35 830)	(58 216)
Opening Balance	13 540	7 972	5 323	6 196	7 268	9 174	11 633	16 056	22 489	31 677	21 310	-

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 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	-	(1)	(1)

30.8

Year ended 31 December 2023

K million	Profitable contracts issued	Onerous contracts issued	Total Insurance contracts issued
Insurance contracts: not measured under the PAA s	-	-	-
Insurance acquisition cash flows	(11)	(19)	(30)
Claims and other insurance service expenses payable	(30 366)	-	(30 366)
Estimate of present value of cash outflows	-	(48)	(48)
Estimate of present value of cash inflows	31 782	-	31 782
Risk adjustment for non-financial risk	(52)	-	(52)
Contractual service margin	(1 353)	-	(1 353)
Losses recognised on initial recognition	-	(67)	(67)

31. Fire, Motor, Accident, Engineering, and Marine Insurance contracts issued - Reinsurance contracts

Reconciliation of the remaining coverage and incurred claims components

31.1 Reinsurance contract

	2024					2023				
	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	8 013 739	361 639	28 537 062	2 075 980	38 988 420	3 347 855	(87 577)	24 887 858	1 635 162	29 783 298
Effects of exchange rates	576 672	(1 743)	(308 781)	(5 707)	260 441	1 201 377	37 396	(200 187)	(6 904)	1 031 682
Opening balance adjustment					-	(2 369 501)				(2 369 501)
Net income (expenses) from reinsurance contracts held	(45 415 168)	(73 944)	-	-	(45 489 112)	(25 119 343)	73 944	-	-	(25 045 399)
Other incurred directly attributable expenses	4 264 331	(203 414)	-	-	4 060 917	4 669 398	337 876	-	-	5 007 274
Incurred claims recovery	-	-	13 320 514	(279 265)	13 041 249	-	-	17 242 136	447 722	17 689 858
Net income (expenses) from reinsurance contracts held	(41 150 837)	(277 358)	13 320 514	(279 265)	(28 386 946)	(20 449 945)	411 820	17 242 136	447 722	(2 348 267)
Finance income from insurance contract held	-	-	3 173 340	-	3 173 340	-	-	1 746 706	-	1 746 706
Effect of changes in non-performance risk	173 233	-	-	-	173 233	(514 624)	-	-	-	(514 624)
Total amounts recognised in comprehensive income	(40 977 604)	(277 358)	16 493 854	(279 265)	(25 040 373)	(20 964 569)	411 820	18 988 842	447 722	(1 116 185)
Cash flows	-	-	-	-	-	-	-	-	-	-
Premiums paid net of ceding commissions and other directly attributable expenses paid	45 129 572	(82 538)	(20 876 158)	203 358	24 374 234	26 798 577	-	(15 139 451)	-	11 659 126
Total cash flows	45 129 572	(82 538)	(20 876 158)	203 358	24 374 234	26 798 577	-	(15 139 451)	-	11 659 126
Reinsurance contract assets as at 31 December	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
Reinsurance Liabilities	-	-	49 358	-	49 358	-	-	305 000	-	305 000

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.

	2024				2023			
	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	(72 043 885)	-	-	-	(54 389 806)	-	-	-
Reinsurance contract assets	38 582 723	-	-	-	28 537 062	-	-	-
Net insurance contract liabilities	(33 461 162)	-	-	-	(25 852 744)	-	-	-
Unpaid claims and expenses – 5% increase								
Insurance contract liabilities	-	(3 602 194)	(3 602 194)	(3 602 194)	-	(2 719 490)	(2 719 490)	(2 719 490)
Reinsurance contract assets	-	1 929 136	1 929 136	1 929 136	-	1 426 853	1 426 853	1 426 853
	-	(1 673 058)	(1 673 058)	(1 673 058)	-	(1 292 637)	(1 292 637)	(1 292 637)
Expenses – 5% increase								
Insurance contract liabilities	-	(3 602 194)	(3 602 194)	(3 602 194)	-	(2 719 490)	(2 719 490)	(2 719 490)
Reinsurance contract assets	-	1 929 136	1 929 136	1 929 136	-	1 426 853	1 426 853	1 426 853
	-	(1 673 058)	(1 673 058)	(1 673 058)	-	(1 292 637)	(1 292 637)	(1 292 637)

31.3 Net insurance finance (income)/expenses
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	(131 954)	(12 155 362)	(5 486 827)	(17 774 143)
Finance expenses from reinsurance contracts held	-	-	4 144 494	4 144 494

31.3 Net insurance finance (income)/expenses (Continued)

2023

	Individual life	Annuities	Contracts under PAA approach	Total
Finance income (expenses) from insurance contracts issued/Reinsurance Contracts held				
Effects of changes in assumptions	945 958	867 000	-	1 812 958
Effect of changes in FCF at current rates when CSM is unlocked at locked in rates	43 686	9 111 105	-	9 154 791
Risk adjustment unwind	(599)	(85 443)	-	(86 042)
Best estimate liability unwind	(68 925)	(1 239 194)	-	(1 308 119)
Contractual service margin unwind	(23 267)	-	-	(23 267)
Liability for Incurred Claims net finance income / (expenses) for contracts measured under PAA approach	-	-	(2 244 983)	(2 244 983)
Finance income (expenses) from insurance contracts issued	896 853	8 653 468	(2 244 983)	7 305 338
Finance income (expenses) from reinsurance contracts held	-	-	1 232 082	1 232 082

31.4 Insurance Investments results

	2024	2023
Gains and other income from investments measured at fair value through profit or loss	246 946 000	181 096 419
Dividend income from investments at fair value through profit or loss	10 304 000	7 520 000
Rent received from investment properties	290 000	156 000
Income from other activities	97 000	34 000
Total	257 637 000	188 806 419
Change in investments of underlying items from the insurance contracts issued	(275 411 143)	(181 501 460)
Net Finance income	(17 774 143)	7 304 959

32. Fees and commission income

	Group		Company	
	2024	**2023**	**2024**	**2023**
Fund management based fees	16 257 976	11 591 970	-	-
Information technology fees	2 615 378	1 421 758	-	-
Other fee income	2 336 078	770 184	5 434 455	3 742 005
	21 209 432	13 783 912	5 434 455	3 742 005

33. Income from banking operations

	Group		Company	
	2024	**2023**	**2024**	**2023**
Interest income on loans	82 304 005	48 411 846	-	-
Interest from government stocks	157 490 403	63 484 264	-	-
Gross interest from banking	239 794 408	111 896 110	-	-
Fees and commission income	10 570 097	7 197 786	-	-
Profit on foreign exchange transactions	36 277 293	27 599 740	-	-
	286 641 798	146 693 636	-	-

34. Investment income

34.1 Interest income

	Group		Company	
	2024	**2023**	**2024**	**2023**
Bank deposits	7 441 535	3 014 908	-	33 069
Treasury bills	42 374 977	21 148 756	1 786 409	1 323 976
Local registered stocks	5 991 434	2 651 171	-	-
Loans and debentures	3 958 804	2 797 278	-	-
Other interest income from other investments	(27 032)	54 506	-	-
Total interest income from investments	59 739 718	29 666 619	1 786 409	1 357 045

34.2 Other investment income

	Group		Company	
	2024	**2023**	**2024**	**2023**
Dividends from equity shares	1 073 795	706 121	17 067 353	14 981 483
Fair value adjustment of shares	8 848 915	5 918 475	-	-
Fair value adjustment of investment properties	115 000	64 000	40 000	-
Gain on term deposits designated at FVPTL	5 183 453	3 350 740	-	54 138
Rental income	473 281	234 698	5 450	5 280
Total other investment income	15 694 444	10 274 034	17 112 803	15 040 901

34.3 Investment expenses

	Group		Company	
	2024	**2023**	**2024**	**2023**
Investment expenses	(619 392)	(533 214)	(20 063)	(37 084)

35. Other income

	Group		Company	
	2024	**2023**	**2024**	**2023**
	K'000	**K'000**	**K'000**	**K'000**
Profit on disposal of property and equipment	157 392	76 128	51 502	-
Reversal impairment of subsidiary (note 11.9)	148 385	-	148 385	-
Other sundry income	749 838	43 548	680 398	18 744
	1 055 615	119 676	880 285	18 744

36. Interest expense

	Group		Company	
	2024	**2023**	**2024**	**2023**
	K'000	**K'000**	**K'000**	**K'000**
Fixed deposits	(42 786 195)	(26 482 141)	-	-
Interest expense on managed funds	(42 445 608)	(22 731 667)	-	-
Investment deposits	(882 691)	(391 309)	-	-
Savings deposits	(32 261 997)	(14 888 012)	-	-
	(118 376 491)	(64 493 129)	-	-

37. Administrative expenses

37.1 Company

	Company	
	2024	**2023**
	K'000	**K'000**
Auditors' remuneration -Audit fees	(289 384)	(160 065)
Non - assurance services fees*	(14 543)	(7 365)
Directors' remuneration: Executive	(905 142)	(737 764)
Directors' remuneration: Non-executive	(141 345)	(107 332)
Staff costs	(4 430 184)	(2 848 858)
Communication and accommodation expenses	(461 351)	(277 480)
Depreciation and amortisation	(47 413)	(27 724)
Amortisation of right of use asset	(26 649)	(26 649)
Sundry business charges	(878 274)	(576 571)
Repairs and maintenance	(731 963)	(468 852)
	(7 926 248)	(5 238 660)

*Non-assurance services fees relate to the following;

	Company	
	2024	**2023**
	K'000	**K'000**
ESG related services	(10 092)	-
Tax services Pricing Documentation	-	(3 656)
Other non – audit services	(4 451)	(3 709)
	(14 543)	(7 365)

37. Administrative expenses (Continued)

37.2 Group

	Group - 2024			Group - 2023		
	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	(684 362)	(470 879)	(1 155 241)	(295 741)	(404 570)	(700 311)
Auditors' remuneration – audit fees – other audit firms	-	(482 965)	(482 965)	-	(194 083)	(194 083)
Other audit expenses and disbursements	(3 000)	(73 309)	(76 309)	(84 946)	(21 618)	(106 564)
Non - assurance services fee*	-	(53 698)	(53 698)	-	(29 254)	(29 254)
Directors' remuneration - Executive	-	(905 142)	(905 142)	-	(737 764)	(737 764)
Directors' remuneration - Non executive	(71 653)	(415 721)	(487 374)	(111 699)	(319 056)	(430 755)
Staff costs	(9 460 038)	(45 477 279)	(54 937 317)	(6 815 704)	(32 315 839)	(39 131 543)
Communication and accommodation expenses	(2 495 485)	(13 727 883)	(16 223 368)	(2 051 534)	(10 906 225)	(12 957 759)
Depreciation and amortisation	(541 439)	(5 959 986)	(6 501 425)	(546 985)	(3 071 111)	(3 618 096)
Depreciation of ROU Asset	(53 397)	(1 829 224)	(1 882 621)	(82 612)	(1 582 439)	(1 665 051)
Sundry business charges	(10 726 483)	(22 096 689)	(32 823 172)	(2 479 996)	(10 499 643)	(12 979 639)
Repairs and maintenance (office equipment costs)	(2 756 495)	(6 692 294)	(9 448 789)	(2 185 583)	(3 908 357)	(6 093 940)
Totals	(26 792 352)	(98 185 069)	(124 977 421)	(14 654 800)	(63 989 959)	(78 644 759)

*Non-assurance services expense relates to the following:

	Group - 2024			Group - 2023		
	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	-	(10 092)	(10 092)	-	-	-
Tax services	-	(21 012)	(21 012)	-	(10 721)	(10 721)
Other non-audit services	-	(22 594)	(22 594)	-	(18 533)	(18 533)
Total	-	(53 698)	(53 698)	-	(29 254)	(29 254)

38. Impairment losses on financial assets

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Loans and advances	(4 723 925)	(4 561 096)	-	-
Client funds under management	-	-	-	-
Insurance receivables	-	-	-	-
Other receivables	(650)	(2 331)	-	-
Total impairment losses on financial assets	(4 724 575)	(4 563 427)	-	-

39. Net other finance costs

	Group		Company	
	2024 K'000	**2023 K'000**	**2024 K'000**	**2023 K'000**
Interest on loans	(1 828 875)	(576 761)	(325 917)	(532 953)
Interest on lease liabilities	(2 045 975)	(1 328 758)	(21 186)	(21 186)
Exchange gains	216 995	742 771	21 008	71 009
	(3 657 855)	(1 162 748)	(326 095)	(483 130)

40. Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2024 was based on profit attributable to ordinary shareholders of K72 008 967 (2023: K30 912 116 000) and a weighted average number of ordinary shares outstanding of 1 043 041 thousand (2023: 1 043 041 thousand) calculated as follows:

	Group	
	2024	**2023**
Profit for the year (K'000)	134 393 010	58 717 243
Non-controlling interest (K'000)	(62 384 043)	(27 805 127)
Profit attributable to owners of the parent	72 008 967	30 912 116
Weighted average number of ordinary shares in issue throughout the year	1 043 041	1 043 041
Basic and diluted earnings per share	69.04	29.64

41. Dividends

	Group		Company	
	2024	**2023**	**2024**	**2023**
Unpaid dividends at the beginning of the year	6 363 045	3 981 082	2 733 436	1 447 468
Dividends declared in the year	25 455 637	20 704 486	12 516 493	9 387 370
Dividends paid	(24 502 638)	(18 322 523)	(12 235 309)	(8 101 402)
Unpaid dividend at the end of the year	7 316 044	6 363 045	3 014 620	2 733 436

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 technics.

- **Treasury function**
  Manages the liquidity risks for banking operations, and reports to management and the board regularly.

- **Internal Audit**
  Monitors adequacy and effectiveness of internal controls and risk management practices across the Group. Also provides assurance on all aspects of the business.

- **Group Risk Management and Compliance Function**
  Coordinates the risk management processes and assisting the Group Risk Committee in aiding identification of risks.

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 K1 billion and a minimum solvency ratio of 100% for life fund and Shareholders funds and 120% for the company as a whole. Below is the company's compliance positions:

	2024 K'm	2023 K'm
Minimum capital		
Share capital	33	33
Share premium	1 358	1 358
Total	1 391	1 391

Solvency margin

	With waiver		Without waiver	
	IFRS 17 2024 %	IFRS 4 2023 %	IFRS17 2024 %	IFRS 4 2023 %
Life fund	145	108	121	100
Whole company	228	194	191	147

Nico Life Insurance has been granted a final extension to comply with the Minimum Capital and Solvency Directive by 31 December 2025 or at the time this directive is reviewed whichever comes first. The waiver allows for reduced risk charges on equity investments of more than 30% in listed and unlisted companies, and on investments in unlisted securities and collective investment schemes and other assets. The Company has met the minimum capital for life insurers and solvency ratio for life fund, shareholders fund and for the whole Company, with and without the waiver, in the year. The Company set aside funds from the shareholders fund to meet the minimum capital requirement of the life fund without the waiver. This is in line with the Company's non-distributable reserve policy.

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 2024 was as follows: -

Capital Adequacy Requirement

	Consolidated and Separate	
	2024	**2023**
Tier 1 capital	**K'000**	**K'000**
Share capital and share premium	13 559 474	13 559 474
Retained earnings and other reserves	97 835 602	35 793 864
Total tier 1 capital	111 395 076	49 353 338
Tier 2 capital		
Revaluation reserve on property, loan loss reserve less 50% of investment in a subsidiary	26 100 760	5 293 268
Total tier 2 capital	26 100 760	5 293 268
Total regulatory capital	137 495 836	54 646 606
Risk weighted assets	484 940 604	301 892 754
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	28.35%	18.10%
Total Tier 1 capital expressed as a percentage of total risk weighted assets	22.97%	16.35%

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 2024 the Bank's liquidity Ratio 1 was 40.49% (2023: 33.06%)

Liquidity Ratio 2 : Net liquidity (total liquid assets less suspense account in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20%.

As at 31 December 2023 the Bank's Liquidity Ratio 2 was 40.50% (2023: 33.06%)

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 will be required to implement Basel 3 effective 1 January 2025. Basel 3 introduces two new significant liquidity ratios, namely : Liquidity Coverage Ratio and Net Stable funding ratio. The Bank participated in a pilot run from 1 June 2024 to 31 December 2024. The results of the pilot indicated that the Bank would be in a position to comply with the new requirements.

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 2024 and (2023: 7.75% 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:

Solvency margin	**2024 K'000**	**2023 K'000**
Net assets available to meet solvency	11 665 402	7 360 449
Net premium	20 622 465	16 375 966
Solvency margin (%)	57	45
Minimum requirement by regulator (Reserve Bank of Malawi) (%)	20	20
Paid up capital		
Share capital	9 000	9 000
Share premium	1 195 618	1 195 618
Total paid up capital	1 204 618	1 204 618
Minimum requirement by regulator (Reserve Bank of Malawi):		
As at 31 December	750 000	750 000

42. Risk Management (Continued)

42.3 Capital Risk Management Business (Continued)

42.3.5 Capital management – Short-term Insurance Business (Continued)

(a) NICO Insurance (Zambia) Limited

The Group manages the capital in NICO Insurance (Zambia) Limited with the following objectives;

To comply with the insurance capital requirements that the regulator has set for the insurance market. In this respect the Group manages its capital on a basis of not less than 100% of its minimum capital position presented in the table below. Management considers the quantitative threshold of 100% sufficient to maximise shareholders' return and to support the capital required to write its businesses in Zambia;

To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Minimum capital

The defined Group capital includes equity and the share premium.

Group

	2024	**2023**
	K'000	**K'000**
Total shareholder funds	2 683 299	2 746 109
Minimum required share capital	623 681	653 012
Company issued share capital	885 689	927 341
Excess	262 008	274 329
Excess as % of minimum capital	42%	42%

The Company is compliant with the externally imposed capital requirement in accordance with Section 41 of the Insurance Act of Zambia, which is currently K10 million. However, the statutory instrument No 105 of 2022, which brought into operation the Insurance Act No 38 of 2021 from 30 December 2022, contains new rules on minimum capital requirements. The Company is required to provide a roadmap covering the three year transition period to demonstrate how it will be fully complaint with the new provisions. This roadmap was provided to the Regulator.

42.4 Credit Risk Management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk arises principally from its holding position of cash and cash equivalents, loans and advances to customers and banks, insurance receivables and investment securities.

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.1 Exposure of credit risk

The carrying amount of financial assets represents the maximum credit exposure without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

		31 December 2024			31 December 2023
Summary	**Note**	**Gross Amount**	**Impairment**	**Net Amount**	**Net Amount**
Balance with central bank	5	125 622 213	111 804	125 510 409	48 657 928
Short term deposits	6a	104 079 820	18 587	104 061 233	74 286 390
Placements with the banks	6b	119 975 348	126 064	119 849 284	85 252 938
Treasury notes	16	678 394 335	560 221	677 834 114	439 255 671
Promissory notes	16	958 835	1	958 834	642 997
Treasury bills	16	81 249 326	8 900	81 240 426	39 505 786
Loans and advances to customers - loans and overdrafts	7	238 268 962	13 011 170	225 257 792	144 455 660
Loans and advances to customers - finance lease	7	2 013 156	97 283	1 915 873	2 348 857
Loans and advances to customers - mortgage advances	7	7 903 891	135 584	7 768 307	6 622 811
Reinsurance contract assets	27	38 582 722	-	38 582 722	41 872 545
Loans and debentures	16	2 248 700	-	2 248 700	1 846 362
Client Funds Under Management	19b	275 505 701	-	275 505 701	170 613 700
Other receivables	9a	23 217 696	35 191	23 182 505	13 431 864
Total recognised		1 698 020 705	14 104 805	1 683 915 900	1 068 866 161
Summary					
Loan commitments		2 195 975	1 954	2 194 021	3 793 234
Letters of credit and guarantee		98 361 926	87 542	98 274 384	25 423 875
TOTAL UNRECOGNISED		100 557 901	89 496	100 468 405	29 217 109
Summary					
TOTAL		1 798 578 606	14 194 301	1 784 384 305	1 098 083 270

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 2024			31 December 2023
	Gross Amount	**Impairment**	***Subtotal - Net Amount**	**Net Amount**
Balance with central bank	125 622 213	111 804	125 510 409	48 657 928
Short term deposits	104 079 820	18 587	104 061 233	74 286 390
Placements with the banks	119 975 348	126 064	119 849 284	85 252 938
Treasury notes	678 394 335	560 221	677 834 114	439 255 671
Promissory notes	958 835	1	958 834	642 997
Treasury Bills	81 249 326	8 900	81 240 426	39 505 786
Loans and advances to customers - loans and overdrafts	223 697 826	1 208 666	222 489 160	137 292 989
Loans and advances to customers - finance lease	1 924 109	30 930	1 893 179	2 277 300
Loans and advances to customers - mortgage advances	6 616 886	-	6 616 886	6 717 588
Reinsurance contract assets	38 582 722	-	38 582 722	41 872 545
Loans and debentures	2 248 700	-	2 248 700	1 846 362
Client Funds Under Management	275 505 701	-	275 505 701	170 613 700
Other receivables	23 217 696	35 191	23 182 505	13 431 864
TOTAL RECOGNISED	1 682 073 517	2 100 364	1 679 973 153	1 061 713 980
Loan commitments	2 195 975	1 954	2 194 021	3 793 234
Letters of credit and guarantee	98 361 926	87 542	98 274 384	25 423 875
TOTAL UNRECOGNISED	100 557 901	89 496	100 468 405	29 217 109
TOTAL	1 782 631 418	2 189 860	1 780 441 558	1 090 931 089

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.1 Exposure of credit risk (Continued)

Stage 2: Lifetime ECL

	31 December 2024			31 December 2023
	Gross Amount	**Impairment**	**Net Amount**	**Net Amount**
Loans and advances to customers - loans and overdrafts	2 994 081	185 048	2 809 033	3 396 491
Loans and advances to customers - finance lease	5 645	235	5 410	63 726
Loans and advances to customers - mortgage advances	377 096	67 792	309 304	161 534
TOTAL RECOGNISED	3 376 822	253 075	3 123 747	3 621 751

Stage 3: Lifetime ECL

	31 December 2024			31 December 2023
	Gross Amount	**Impairment**	**Net Amount**	**Net Amount**
Loans and advances to customers- loans & overdrafts	11 577 055	11 617 456	(40 401)	3 766 180
Loans and advances to customers- finance lease	83 402	66 118	17 284	7 831
Loans and advances to customers- mortgage advances	909 909	67 792	842 117	(243 581)
TOTAL RECOGNISED	12 570 366	11 751 366	819 000	3 530 430

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.

	Loss Allowance 31 December 2023	**Net movement during the year**	**Loss Allowance 31 December 2024**
Balance with central bank	43 344	68 460	111 804
Short term deposits	38 831	(20 244)	18 587
Placements with the banks	75 943	50 121	126 064
Treasury notes	410 297	149 924	560 221
Promissory notes	182	(181)	1
Treasury bills	1 311	7 589	8 900
Loans and advances to customers - loans and overdrafts	8 405 847	4 605 323	13 011 170
Loans and advances to customers - finance lease	84 913	12 370	97 283
Loans and advances to customers - mortgage advances	376 382	(240 798)	135 584
Client Funds Under Management	-	-	-
Other receivables	29 961	5 230	35 191
TOTAL RECOGNISED	9 467 011	4 637 794	14 104 805
Loan commitments	3 379	(1 425)	1 954
Letters of credit and guarantee	22 647	64 895	87 542
TOTAL UNRECOGNISED	26 026	63 470	89 496
TOTAL	9 493 037	4 701 264	14 194 301

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 2023	Net movement during the year	Loss Allowance 31 December 2024
Balance with central bank	43 344	68 460	111 804
Short term deposits	38 831	(20 244)	18 587
Placements with the banks	75 943	50 121	126 064
Treasury notes	410 297	149 924	560 221
Promissory notes	182	(181)	1
Treasury Bills	1 311	7 589	8 900
Loans and advances to customers - loans and overdrafts	3 787 826	(2 579 160)	1 208 666
Loans and advances to customers - finance lease	14 629	16 301	30 930
Client Funds under management	-	-	-
Other receivables	29 961	5 230	35 191
TOTAL RECOGNISED	4 402 324	(2 301 960)	2 100 364
Loan commitments	3 379	(1 425)	1 954
Letters of credit and guarantee	22 647	64 895	87 542
TOTAL UNRECOGNISED	26 026	63 470	89 496
TOTAL	**4 428 350**	**(2 238 490)**	**2 189 860**

Stage 2: Lifetime ECL

	Loss Allowance 31 December 2023	Net movement during the year	Loss Allowance 31 December 2024
Loans and advances to customers - loans and overdrafts	591 540	(406 492)	185 048
Loans and advances to customers - finance lease	2 576	(2 341)	235
Loans and advances to customers – mortgage advances	-	67 792	67 792
TOTAL RECOGNISED	594 116	(341 041)	253 075

Stage 3: Lifetime ECL

	Loss Allowance	Net movement during the year	Loss Allowance
Loans and advances to customers - loans and overdrafts	4 026 481	7 590 975	11 617 456
Loans and advances to customers - finance lease	67 708	(1 590)	66 118
Loans and advances to customers- mortgage advances	376 382	(308 590)	67 792
TOTAL RECOGNISED	4 470 571	7 280 795	11 751 366

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 - 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	23 122 320	33 887	16 960	11 135	33 394	23 217 696	(35 191)	23 182 505
TOTAL RECOGNISED	1 622 720 752	8 416 395	3 342 950	22 270	63 518 338	1 698 020 705	(14 104 805)	1 683 915 900
Loan commitments	2 195 975	-	-	-	-	2 195 975	(1 954)	2 194 021
Letters of credit and guarantee	98 361 926	-	-	-	-	98 361 926	(87 542)	98 274 384
TOTAL UNRECOGNISED	100 557 901	-	-	-	-	100 557 901	(89 496)	100 468 405
TOTAL	1 723 278 653	8 416 395	3 342 950	22 270	63 518 338	1 798 578 606	(14 194 301)	1 784 384 305

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.3 Credit risk profiling (Continued)

Credit risk profiling - 2023

	0-29 days	30-59 days	60-89 days	90-180 days	More than 181 days	*Subtotal - Gross carrying amount	Loss allowance	*Subtotal - Total
Balance with central bank	48 701 272	-	-	-	-	48 701 272	(43 344)	48 657 928
Short term deposits	61 773 042	12 552 179	-	-	-	74 325 221	(38 831)	74 286 390
Placements with the banks	85 328 881	-	-	-	-	85 328 881	(75 943)	85 252 938
Treasury notes	436 094 347	-	-	-	3 571 622	439 665 969	(410 297)	439 255 672
Promissory notes	643 179	-	-	-	-	643 179	(182)	642 997
Treasury bills	39 507 097	-	-	-	-	39 507 097	(1 311)	39 505 786
Loans and advances to customers - loans and overdrafts	141 080 815	-	3 988 031	-	7 792 661	152 861 507	(8 405 847)	144 455 660
Loans and advances to customers - finance lease	2 291 929	-	66 302	-	75 538	2 433 769	(84 913)	2 348 856
Loans and advances to customers - mortgage advances	6 717 588	-	161 534	-	132 801	7 011 923	(376 382)	6 635 541
Reinsurance contract assets		-	-	-	41 872 545	41 872 545	-	41 872 545
Loans and debentures	1 846 362	-	-	-	-	1 846 362	-	1 846 362
Client Funds under management	170 613 700	-	-	-	-	170 613 700	-	170 613 700
Other receivables	13 344 455	67 647	10 726	6 939	32 058	13 461 825	(29 961)	13 431 864
TOTAL RECOGNISED	1 007 942 667	12 619 826	4 226 593	6 939	53 477 225	1 078 273 250	(9 467 011)	1 068 806 239
Loan commitments	3 796 613	-	-	-	-	3 796 613	(3 379)	3 793 234
Letters of credit and guarantee	25 446 522	-	-	-	-	25 446 522	(22 647)	25 423 875
TOTAL UNRECOGNISED	29 243 135	-	-	-	-	29 243 135	(26 026)	29 217 109
TOTAL	1 037 185 802	12 619 826	4 226 593	6 939	53 477 225	1 107 516 385	(9 493 037)	1 098 023 348

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.

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)

42.4.4 Distribution of credit exposures by sector (Continued)

2023

	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	-	-	-	-	-	-	2 025 781	-	-	-	3 412	-	-	2 029 193
Mining and quarrying	-	-	-	-	-	-	-	-	-	-	18	-	-	18
Manufacturing	-	-	-	-	-	-	8 088 019	-	-	-	2 666	-	-	8 090 685
Electricity, gas, water and energy	-	-	-	-	-	-	8 076 315	-	486 362	-	1 073	-	-	8 563 750
Construction	-	-	-	-	-	-	2 407 806	-	-	-	2 538	-	-	2 410 344
Wholesale and retail trade	-	-	-	-	-	-	18 711 794	-	-	-	2 294	-	-	18 714 088
Restaurants and hotels	1	-	-	-	-	-	566 278	-	1 110 000	-	1 463	-	-	1 677 742
Transport, storage and communications	-	-	-	-	-	-	1 675 810	-	-	-	3 920	-	-	1 679 730
Financial services	48 701 272	74 325 221	85 328 881	439 728 615	643 179	39 507 097	7 105 651	41 872 545	250 000	170 613 700	635 463	-	-	908 711 624
Community, social and personal services	-	-	-	-	-	-	113 625 739	-	-	-	28 314	-	-	113 654 053
Real estate	-	-	-	-	-	-	24 007	-	-	-	68	-	-	24 075
Other sectors	-	-	-	-	-	-	-	-	-	-	12 780 596	3 796 613	25 446 522	42 023 731
Carrying amount	**48 701 273**	**74 325 221**	**85 328 881**	**439 728 615**	**643 179**	**39 507 097**	**162 307 200**	**41 872 545**	**1 846 362**	**170 613 700**	**13 461 825**	**3 796 613**	**25 446 522**	**1 107 579 033**

42. Risk Management (Continued)

42.4 Credit Risk Management (Continued)

42.4.5 Cash and cash equivalents

The Group's cash and cash equivalents are held with financial institution counterparties that have high credit ratings.

42.4.6 Government securities

The Group's investments in government securities are issued by the Malawi government and are considered secure. Reputable financial institutions are used for investing and cash handling purposes within the group's strict guidelines on investments and institution exposure limits.

42.4.7 Placements

The Group invested in liquid short term assets. These do not pause a risk of default due to the high credit rating of the counterparties. For 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	2024	2023
Nominal GDP	(US$ at PPP)	Base	**40.07**	26.00
		Favourable	**40.47**	25.75
		Worst	**39.28**	25.49
		Weighted	**39.94**	25.93
Real GDP	(US$)	Base	**11 942 491.09**	1 607 528.00
		Favourable	**12 897 890.38**	1 591 611.80
		Worst	**11 708 234.53**	1 575 538.00
		Weighted	**12 182 872.00**	1 602 705.40
Real private consumption	(US$)	Base	**1 591 159.00**	1 519 732.00
		Favourable	**1 718 451.72**	1 504 685.10
		Worst	**1 559 947.80**	1 489 489.30
		Weighted	**1 623 186.17**	1 515 172.80
Exchange rate	Malawi kwacha per USD (average)	Base	**1 751.00**	1 683.33
		Favourable	**3 000.00**	2 020.00
		Worst	**3 500.00**	2 104.20
		Weighted	**3 250.00**	2 205.20
Lending interest rate	Average borrowing rate on loans	Base	**26.00**	26.00
		Favourable	**24.90**	26.31
		Worst	**36.00**	26.50
		Weighted	**30.50**	26.10
Public debt	USD value of sovereign debt	Base	**8 750 000.00**	9 400 000.00
		Favourable	**8 925 000.00**	9 591 836.80
		Worst	**9 187 500.00**	9 588 939.40
		Weighted	**8 975 000.00**	9 409 400.00

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	2024	2023
Deposit interest rate	Average interest rate on deposits	Base	**4.27**	6.50
		Favourable	**12.00**	8.20
		Worst	**4.27**	7.80
		Weighted	**6.85**	8.00
GDP per head	($ at PPP)	Base	**1 700.00**	1 876.60
		Favourable	**1 566.68**	1 244.70
		Worst	**850.49**	1 273.80
		Weighted	**1 372.39**	1 876.60
Goods: exports	USD value of good exported	Base	**0.94**	1.05
		Favourable	**0.98**	0.93
		Worst	**0.75**	0.95
		Weighted	**0.89**	1.05
Goods: imports	USD value of good imported	Base	**(3.19)**	(2.28)
		Favourable	**(3.51)**	(2.75)
		Worst	**(2.59)**	(2.82)
		Weighted	**(3.10)**	(2.28)
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 2024 and beyond have been attached to the three forecast scenarios based on management view of the future economic outlook. A weighted average ECL for the three scenarios has been derived as follows; Base case 30%; Worse case 50% and Favourable case 30%; (2023: Base case 30%; Worse case 50% and Favourable case 30%).

42.4.15 Modified financial assets

As a result of the Group's forbearance activities financial assets might be modified with the aim of arriving at a repayment plan that enables the counterparty to settle the outstanding liability without significant difficulty. Such modified or restructured facilities are flagged in the bank's core banking system to enable ease of identification. The following tables refer to modified financial assets where modification does not result in derecognition.

Financial assets (with loss allowance based on lifetime ECL) modified during the period	**Year ended 2024**	**Year ended 2023**
Gross carrying amount before modification	7 875 738	3 263 503
New restructures	2 129 086	2 463 907
Loss allowance before modification	(197 752)	(20 199)
Net amortised cost before modification	9 807 072	5 707 211
Repayment post modification	(509 046)	(275 181)
Net amortised cost after modification	9 298 026	5 432 030

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.

42. Risk Management (Continued)

42.5 Liquidity Risk Management (Continued)

Management of liquidity risk (Continued)

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	**18 693**	**23 082**	**19 706**	**17 440**	**12 957**	**45 087**	**136 965**
Insurance contract cash flows	18 693	23 082	19706	17 440	12 957	45 087	136 965
Life risk and annuities	-	-	-	-	-	-	-
Life savings	-	-	-	-	-	-	-
Reinsurance contract cash flows							
Life risk and annuities	-	-	-	-	-	-	-
Investment contract cash flows	665 020	-	-	-	-	-	-
Deposit administration contracts	665 020	-	-	-	-	-	-
Other contracts	-	-	-	-	-	-	665 020
Net policyholder cash flows	683 713	23 082	19 706	17 440	12 957	45 087	801 985

Year ended 31 December 2023 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							
Insurance contract cash flows	10 041	20 834	26 926	32 838	39 010	1 527 395	1 657 043
Life risk and annuities	10 041	20 834	26 926	32 838	39 010	1 527 395	1 657 043
Life savings							
Reinsurance contract cash flows	-	-	-	-	-	-	-
Life risk and annuities	-	-	-	-	-	-	-
Investment contract cash flows	647 983	-	-	-	-	-	647 983
Deposit administration contracts	647 983	-	-	-	-	-	647 983
Other contracts							
Net policyholder cash flows	658 023	20 834	26 926	32 838	39 010	1 527 395	2 305 026

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.

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	35 887 200	341 050	816 912	-	37 045 162	30 131 429
Total assets	208 514 925	198 966 763	463 928 196	1 685 587 896	2 556 997 780	2 357 628 123

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	899 556 911	160 321 465	136 480 234	954 222 160	2 150 580 770	2 113 193 173
Net liquidity gap	**(691 041 986)**	**38 645 298**	**351 531 018**	**1 570 450 329**	**1 269 584 659**	
Cumulative liquidity gap	**(691 041 986)**	**(625 396 688)**	**(300 865 670)**	**1 269 584 659**		

42. Risk Management (Continued)

42.5 Liquidity Risk Management (Continued)

Maturity profiles (Continued)

2023

Assets	Up to 1 month	1 – 3 month	3 – 12 month	Over 1 year	Total	Carrying amount
Cash and cash equivalents	99 154 829	83 227 013		-	182 381 842	182 381 842
Short term investments	-	6 201 445	-	-	6 201 445	6 201 445
Government securities	536 301	38 853 111	44 235 835	756 308 286	839 933 533	473 677 446
Placements with other banks	85 328 881	-	-	-	85 328 881	85 328 881
Loans and advances	6 967 445	4 078 821	32 279 772	200 920 401	244 246 439	`153 816 440
Reinsurance contract assets	-	-	40 058 676	-	40 058 676	40 058 676
Investment in equity shares	-	-	-	384 573 540	384 573 540	384 573 540
Loans and debentures	-	-	-	1 846 362	1 846 362	1 846 362
Client fund under management	22 977 353	37 228 602	80 952 795	30 454 833	171 613 583	170 613 700
Other receivables	12 094 656	150 521	2 266 827	-	14 512 004	17 041 533
Total assets	227 059 465	169 739 513	199 793 905	1 374 103 422	1 970 696 305	1 515 539 865

2023

Liabilities	Up to 1 month	1 – 3 month	3 – 12 month	Over 1 year	Total	Carrying amount
Trade and other payables	50 573 342	46 974	7 248 720	-	57 869 036	57 869 036
Client fund payable	38 750 913	51 212 646	39 270 974	38 596 096	167 830 629	167 830 629
Domestic deposits (current & savings)	453 535 827	39 180 588	5 693 577	446 215	498 856 207	497 745 003
Insurance contract liabilities	-	-	-	653 300 260	653 300 260	653 300 260
Reinsurance contract liabilities	-	-	-	305 000	305 000	305 000
Interest bearing loan	2 217 357	781 086	3 211 902	5 952 724	12 163 069	9 927 484
Total liabilities	545 077 439	91 221 294	55 425 173	698 600 295	1 390 324 201	1 386 977 412
Net liquidity gap	**(318 017 974)**	**78 518 219**	**144 368 732**	**675 503 127**	**582 185 977**	
Cumulative liquidity gap	**(318 017 974)**	**(239 499 755)**	**(95 131 023)**	**580 372 104**		

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.

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 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	62 775 880	-	5 223 043	-	67 998 923
Total assets	101 448 471	4 028 417	7 683 712	250 579	113 411 179
Liabilities					
Customer deposits	66 346 950	2 746 030	4 260 535	12 124	73 365 639
Other liabilities	38 034 022	15 179	-	192 543	38 241 744
Total liabilities	104 380 972	2 761 209	4 260 535	204 667	111 607 383
Net position	(2 932 501)	1 267 208	3 423 177	45 912	1 803 796
Movement in foreign currency rates	(1 000)	(2 000)	1 000	2 000	
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	

Group - At 31 December 2023

	USD	GBP	EURO	ZAR	Total
Assets					
Balances with banks	37 120 765	1 935 550	3 623 468	(13 825)	42 665 958
Cash balances	1 865 366	10 724	88 128	8 559	1 972 777
Loans and advances to customers	1 349 885	-	-	-	1 349 885
Other receivables	36 124 280	-	-	-	36 124 280
Total assets	76 460 296	1 946 274	3 711 596	(5 266)	82 112 900

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	65 792 900	1 906 028	3 652 794	21 665	71 373 387
Other liabilities	8 684 932	22 835	85	3	8 707 855
Total liabilities	74 477 832	1 928 863	3 652 879	21 668	80 081 242
Net position	1 982 464	17 411	58 717	(26 934)	2 031 658
Movement in foreign currency rates	1 000bp	2 000bp	(1 000bp)	(2 000bp)	
Change in income (K'000)	203 162	406 324	(203 162)	(406 324)	
Change in equity (K'000)	142 213	284 427	(142 213)	(284 427)	

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 2024

	USD	GBP	EURO	ZAR	Total
Assets					
Balances with banks	150 770	-	-	-	150 770
Total assets	150 770	-	-	-	150 770
Liabilities					
Other liabilities	66 349	-	-	-	66 349
Total liabilities	66 349	-	-	-	66 349
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)	

Company - At 31 December 2023

	USD	GBP	EURO	ZAR	Total
Assets					
Balances with banks	98 176	-	-	-	98 176
Total assets	98 176	-	-	-	98 176

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
Liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
Net position	98 176	-	-	-	98 176
Movement in foreign currency rates	1000bp	2000bp	(1000bp)	(2000bp)	
Change in income (K'000)	9 818	19 635	(9 818)	(19 635)	
Change in equity (K'000)	6 872	13 745	(6 872))	(13 745)	

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 2024 the Group had the following financial assets that are exposed to equity risk.

Financial assets	2024	2023
Blantyre Hotels plc	38 241 909	3 443 905
Standard Bank Malawi plc	258 133 376	161 322 819
Airtel Malawi plc	10 054 493	8 100 293
Illovo Sugar Malawi plc	1 248 424	1 160 828
Press Corporation plc	20 669 461	19 767 764
Old Mutual plc	1 384 880	1 065 287
National Bank of Malawi plc	107 696 040	65 458 148
National Investment Trust plc	7 175 990	6 657 476
FMB Capital Holdings plc	7 716 752	2 398 251
Telekom Networks Malawi plc	23 616 238	17 667 674
Mpico plc	1 373 968	1 112 225
Airtel Networks Zambia plc	-	35 508
ICON Properties plc	68 893 330	66 801 209
NICO Holdings plc (held by Administration Fund)	17 682 325	6 312 516
NBS Bank plc	27 553 517	11 366 176
FDH Bank plc	13 033 930	5 374 290
Sunbird Tourism plc	165 436	93 450
Total listed shares	604 640 069	378 137 819

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:

	2024	2023
Increase/decrease in equity	60 464 007	37 813 782
Increase/decrease in profit or loss	60 464 007	37 813 782

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 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	6 075 226	4 119 144	224 747 602	-	234 941 972	234 941 972
Customers	-	-	-	-	-	-
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

42. Risk Management (Continued)

42.6 Market Risk Management (Continued)

42.6.3 Interest rate risk management (Continued)

Exposure to interest rate risk (Continued)

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

Group - 31 December 2023

Financial assets	**Less than 1 month**	**1 - 3 months**	**3 months above**	**Non-interest bearing**	**Total**	**Carrying amount**
Cash and cash equivalents	174 262 389	4 366 952	3 752 500	-	182 381 842	182 381 842
Short-term investments	-	6 201 445	-	-	6 201 445	6 201 445
Placements	85 328 881	-	-	-	85 328 881	85 328 881
Loans and advances to Customers	6 967 445	4 078 836	142 770 174	-	153 816 440	153 816 440
Re-insurance contract asset	-	-	-	38 988 420	38 988 420	38 988 420
Government securities	85 328 881	2 236 712	386 111 853	-	473 677 446	473 677 446
Investment in equity shares	-	-	-	384 573 540	384 573 540	384 573 540
Loans and debentures	-	-	1 846 362	-	1 846 362	1 846 362
Client funds under management	21 977 469	37 228 602	80 952 795	30 454 834	170 613 700	170 613 700
Other Receivables	-	-	-	17 041 533	17 041 533	17 041 533
Total financial assets	373 865 066	54 112 532	615 433 684	471 058 327	1 514 469 609	1 514 469 609

Financial liabilities	**Less than 1 month**	**1 - 3 months**	**3 months above**	**Non-interest bearing**	**Total**	**Carrying amount**
Trade and other payables	-	26 569 638	-	37 403 450	63 973 088	63 973 088
Client funds payables	38 750 913	51 212 646	39 270 974	38 596 096	167 830 629	167 830 629
Domestic deposits (current & savings)	429 500 689	39 180 588	6 139 792	-	474 821 069	497 745 003
Insurance contract liabilities	-	-	-	649 731 282	649 731 282	649 731 282
Re-insurance contract liabilities	-	-	-	305 000	305 000	305 000
Interest bearing loans and borrowings	2 217 357	781 086	6 929 041	-	9 927 484	9 927 484
Total financial liabilities	470 468 959	117 743 958	52 339 807	726 035 828	1 366 588 552	1 389 512 486
Interest sensitivity gap	**(96 603 893)**	**(63 631 426)**	**563 093 877**	**(254 977 501)**	**147 881 057**	**124 957 123**

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 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	6 276 327	-	376 116	-	6 652 443	6 652 443
Trade and other payables	-	-	-	-	-	-
Interest bearing loans and borrowings	-	-	458 333	-	458 333	458 333
Total financial liabilities	-	-	458 333	-	458 333	458 333
Interest sensitivity gap	**6 276 327**	**-**	**(82 217)**	**-**	**6 194 110**	

Company - 31 December 2023

Financial assets	**Less than 1 month**	**1 - 3 months**	**3 months above**	**Non-interest bearing**	**Total**	**Carrying amount**
Cash and cash equivalents	4 050 080	-	3 752,500	-	7 802 580	7 802 580
Short-term investments	-	-	-	-	-	-
Placements	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total financial assets	4 050 080	-	3 752 500	-	7 802 580	7 802 580
Trade and other payables	-	-	-	-	-	-
Interest bearing loans and borrowings	-	-	2 291 667	-	2 291 667	2 291 667
Total financial liabilities	-	-	2 291 667	-	2 291 667	2 291 667
Interest sensitivity gap	**4 050 080**	**-**	**1 460 833**	**-**	**5 510 913**	

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 - 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		779 174 335	24 635 924	803 810 259	604 640 069	187 774 769	11 395 421	803 810 259

Group - 2023

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	187 815 142	-	187 815 142	-	187 815 142	-	187 815 142
Investment in equity shares	15	374 848 461	9 725 079	384 573 540	378 137 819	-	6 435 721	384 573 540
Loan and debentures	16	1 846 362	-	1 846 362	-	-	1 846 362	1 846 362
Total		564 509 965	9 725 079	574 235 044	378 137 819	187 815 142	8 282 083	574 235 044

42. Risk Management (Continued)

42.7 Accounting classifications and fair values (Continued)

Financial instruments measured at fair value (Continued)

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	-	15 860 606	15 860 606	12 568 585	-	3 295 021	15 863 606
Total		-	15 860 606	15 860 606	12 568 585	-	3 295 021	15 863 606

Company - 2023

Financial Assets	Note	Financial instruments designated at FVTPL	Financial instruments designated at FVTOCI	Total	Level 1	Level 2	Level 3	Total
Shares	15	2 804 021	206 000	3 010 021	-	-	3 010 021	3 010 021
Total		2 804 021	206 000	3 010 021	-	-	3 010 021	3 010 021

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 - 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)

42.7 Accounting classifications and fair values (Continued)

Financial instruments not measured at fair value (Continued)

Group - 2023

	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	-	-	182 381 842	182 381 842
Short-term investments	6.1	-	-	6 201 445	6 201 445
Placements with other banks	6.2	-	-	85 328 881	85 328 881
Loans and advances to customers	7.1	-	-	153 816 440	153 816 440
Client funds under management	9.2	-	-	170 613 700	170 613 700
Other receivables	9.1	-	-	15 961 393	15 961 393
Loans and debentures	16	1 846 362	-	-	1 846 362
Government securities	14	187 815 142	-	285 862 304	473 677 446
Shares	15	374 484 461	9 725 079	-	384 209 540
Financial liabilities					
Trade and other payables	21	-	-	63 872 119	63 872 119
Client funds payable	22	-	-	167 830 629	167 830 629
Deposits and customer accounts	23	-	-	497 745 003	497 745 003
Interest bearing loans and borrowings	24	-	-	9 927 484	9 927 484

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.

42. Risk Management (Continued)

42.8 Other Risk Management (Continued)

42.8.6 Claims development (Continued)

General insurance claims- gross
Estimates of claims (gross of reinsurance and undiscounted)

MWK' million	Total	2024	2023	2022	2021	2020	2019	2018	Prior
At end of accident year		22,966	24,188						
one year later			29,758	48,819					
two years later				50,997	14,309				
three years later					14,164	13,529			
four years later						13,045	19,656		
five years later							25,130	8,462	
six years later								8,488	8,932
seven years later									11,333
Cumulative Payments to date		(7,061)	(19,702)	(35,674)	(13,584)	(12,584)	(25,035)	(8,411)	(8,960)
Gross cumulative claim Liabilities (OCR+IBNR)	44,869	15,905	10,056	15,323	579	461	95	77	2,373
Effect of discounting	(4,836)								
Risk Adjustment	2,458								

General insurance claims- net
Estimates of claims (net of reinsurance and undiscounted)

MWK' million	Total	2024	2023	2022	2021	2020	2019	2018	Prior
At end of accident year		13,768	13,310						
one year later			16,979	10,581					
two years later				11,073	11,018				
three years later					10,808	8,731			
four years later						8,662	12,797		
five years later							12,809	6,128	
six years later								6,148	4,953
seven years later									5,106
Cumulative Payments to date		(4,954)	(14,046)	(9,573)	(10,287)	(8,469)	(12,743)	(6,087)	(4,986)
Net cumulative claim Liabilities (OCR+IBNR)	14,209	8,813	2,933	1,501	521	193	66	61	120
Effect of discounting	(2,387)								
Risk Adjustment	468								

42.8.7 Concentration of insurance risks and policies mitigating the concentrations

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's resources. The Group monitors the concentration of risk by geographical segment and class of business.

The Group has exposure to all major lines of insurance business with very limited exposure to specialised areas of insurance. This exposure is consistent with the market and the Group's reinsurance policy limits the losses in any one class of business.

42.9 Long term insurance risks

The primary insurance activity carried out by the Group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to life, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Group also has exposure to market risk through its insurance and investment activities.

The Group manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses and scenario analyses.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

42. Risk Management (Continued)

42.9 Long term insurance risks (Continued)

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 unit cost inflation assumption and risk-free investment return assumption have been set at 33.2% and 36.2%, 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 2024.The risk discount rate has been increased from 41.0% to 43.2% to maintain a 700-basis point gap to the risk-free investment return assumption.

ii) Expenses

The Individual Life (IL) unit maintenance cost assumption (IFRS4) was increased to K 90,599 (FY2023: K 69,482). The IL unit acquisition cost assumption was increased to K 117,141 (FY2023: K 88,608). The Annuity unit maintenance cost assumption was increased to at K 53,294 (FY2023: K 40,000). The Annuity unit acquisition cost assumption was increased to K 46,171 (FY2023: K 38,844). The assumed year 1 and year 2+ Group Life and Group Funeral expense ratio assumptions (as % gross earned premium) decreased from 20.3% to 19.6%. The Credit Life expense ratio assumption (as % gross earned premium) has increased from 16.3% to 18.9%.

iii) Mortality and loss ratios

The assumed year 1 and year 2+ Claim Ratio's for Group Life and Group Funeral business was increased from 30% to 38.4%. The assumed year 1 and year 2+ Loss Ratios for Credit Life business were maintained at 30%.

The Individual mortality assumption was maintained at 100% of SA85-90 Heavy mortality table and the AIDS mortality assumption at 100% of HA2M/HA2F AIDS adjustment. The Annuity mortality assumption was maintained at 100% of a (55) mortality table.

iii)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.

6) 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 inn 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 liabiIities).
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.

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
Segment Cashflows										
From Operating Activities	21 217 043	1 167 990	5 409 321	54 759 320	(2 560 491)	1 404 279	1 892 654	83 290 116	(4 723 696)	78 566 420
From Investing Activities	43 636 405	206 445	(5 113 848)	(22 103 121)	8 326 377	5 719 873	(668 939)	30 003 192	(6 431 043)	23 572 149
From Financing Activities	(11 554 667)	(1 090 993)	(2 778 993)	23 349 776	(13 177 962)	(3 324 343)	(389 201)	(8 966 383)	(3 133 603)	(12 099 986)
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

43 Operating segments (Continued)

Operating segments - 2023

	Long term insurance	Pension administration	Short term insurance	Banking	Investment	Asset management	Information technology	Total before eliminations	Eliminated on consolidation	Total
Gross revenue	40 655 527	5 183 763	56 314 076	146 820 968	20 609 955	32 476 365	5 994 569	308 055 223	(25 934 952)	282 120 271
Insurance service result	5 076 307	-	3 674 386	-	-	-	-	8 750 693	-	8 750 693
Net other operating costs	(493 341)	(3 909 054)	(5 202 210)	(96 098 786)	(5 946 236)	(27 515 791)	(5 427 736)	(144 593 154)	11 013 425	(133 579 729)
Profit before tax	26 674 446	1 257 521	671 279	49 720 703	14 703 312	4 943 427	537 828	98 508 516	(14 921 527)	83 586 989
Profit after tax	25 719 163	869 966	238 292	29 378 138	13 623 369	3 452 476	357 366	73 638 770	(14 921 527)	58 717 243
Other Information										
Segment Assets	666 941 256	4 745 373	70 049 960	657 716 408	32 357 421	171 894 118	1 614 635	1 605 319 171	(38 094 255)	1 567 224 916
Segment Liabilities	593 526 398	1 605 324	55 850 629	608 019 396	5 353 503	169 341 918	855 764	1 434 552 931	(28 334 501)	1 406 218 430
Capital Expenditure	109 326	18 261	184 533	13 819 264	289 270	98 477	349 764	14 868 896	-	14 868 896
Segment Cashflows										
From Operating Activities	(1 218 932)	454 536	2 638 896	95 534 871	(3 260 724)	(21 011 980)	822 547	73 959 214	(14 504 268)	59 454 946
From Investing Activities	29 856 793	154 142	3 724 941	(13 793 702)	16 687 457	22 302 766	(334 130)	58 598 267	(20 581 119)	38 017 148
From Financing Activities	(2 099 307)	(221 276)	(2 068 590)	(13 164 492)	(9 090 307)	(3 424 455)	(254 578)	(30 323 005)	14 921 527	(15 401 478)
Composition of gross revenue										
Insurance revenue	28 113 989	-	52 892 081	-	-	-	-	81 006 070	-	81 006 070
Income from banking operations	-	-	-	-	-	-	-	146 820 968	(127 337)	146 693 636
Fees and commission income	-	5 012 780	-	146 820 968	4 044 139	7 066 154	5 994 201	22 117 274	(8 333 362)	13 783 912
Interest income	1 823 527	170 983	3 292 158	-	1 411 183	25 410 211	368	32 107 430	2 440 811	29 666 619
Other investment income	10 718 011	-	130 837	-	15 154 633	-	-	26 003 481	(1 503 447)	10 970 034
Gross revenue	40 655 527	5 183 763	56 315 076	146 820 968	20 609 955	32 476 365	5 994 569	308 055 223	(7 523 335)	282 120 271

43. Operating segments (Continued)

Geographical segments

	Malawi 2024	Malawi 2023	Zambia 2024	Zambia 2023	Eliminated on consolidation 2024	Eliminated on consolidation 2023	Total 2024	Total 2023
Gross revenue	507 443 348	280 990 041	38 846 618	27 065 182	(29 844 722)	(25 934 952)	516 445 244	282 120 271
Insurance service result	47 705 685	7 031 594	45 569 637	1 719 101	(1 800 000)	-	51 475 322	8 750 693
Net other operating costs	(231 466 528)	(140 864 046)	(5 068 939)	(3 729 108)	14 629 940	11 013 425	(221 905 527)	(133 579 729)
Profit before tax	213 359 592	99 668 336	1 258 196	1 159 820	(16 866 397)	(14 921 527)	197 751 391	83 586 989
Profit after tax	150 540 238	74 695 639	719 169	1 056 869	(16 866 397)	(14 921 527)	134 393 010	58 717 243
Other Information								
Segment Assets	2 579 841 000	1 587 590 095	19 282 288	17 729 579	(168 300 211)	(39 150 290)	2 430 823 077	1 564 797 511
Segment Liabilities	2 294 112 123	1 419 141 482	16 635 869	15 411 448	(156 391 236)	(28 334 501)	2 154 356 756	1 406 560 088
Capital Expenditure	24 197 049	14 827 279	241 143	41 617	-	-	24 438 192	14 868 896
Segment Cashflows								
From Operating Activities	88 103 896	73 594 481	1 024 534	364 733	(4 723 696)	(14 504 268)	84 404 734	59 454 946
From Investing Activities	25 080 667	58 655 870	(950 752)	(57 603)	(6 431 043)	(20 581 119)	17 698 872	38 017 148
From Financing Activities	(8 511 977)	(29 884 812)	(419 443)	(438 193)	(3 133 603)	14 921 527	(12 065 023)	(15 401 478)
Composition of gross revenue								
Insurance revenue	95 501 654	54 663 988	37 658 198	26 342 082	-	-	133 159 852	81 006 070
Income from banking operations	284 869 605	146 820 968	-	26 342 082	1 772 193	(127 332)	286 641 798	146 693 636
Fees and commission income	33 884 431	22 117 274	-	-	(12 674 999)	(8 333 362)	21 209 432	13 783 912
Interest income	60 602 639	31 384 330	1 188 420	723 100	(2 051 341)	(2 440 811)	59 739 718	29 666 619
Other investment income	32 585 019	26 003 481	-	-	(16 890 575)	(15 033 447)	15 694 444	10 970 034
Gross revenue	507 443 348	280 990 041	38 846 618	53 407 264	(29 844 722)	(25 934 952)	516 445 244	282 120 271

44. Employee benefits liabilities

	2024	2023	2024	2023
Expense recognised in the profit or loss				
Pension costs	3 775 700	2 164 677	209 864	172 864

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.

Maximum %	**Minimum Period**
25%	12 months
50%	24 months
75%	36 months
100%	48 months

Movement in employee Share Ownership

	31-Dec-24	31-Dec-23
	Number of shares	Number of shares
Outstanding at the beginning of the year	6 593 533	6 818 708
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	105 375	225 175
Expired during the year	-	-
Outstanding at the end of the year	6 4 88 158	6 593 533

3 148 200 shares were allotted to qualifying employees in 2022. The shares will be vested over a four year period as noted above. No Shares were allotted in 2024.

45. Contingent liabilities and commitments

(a) Capital commitments

As at 31 December 2024, the authorised but not yet contracted for capital commitments for property and equipment were K33.1 billion (2023: K18.3 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 the 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. Significant is a claim for K3.0 billion which had arisen from a dispute over a forex forward contract several years ago. The Bank won the case in the High Court of Malawi, Commercial Division. The case is now subject of an appeal before the Supreme Court of Malawi. The appeal is far from ready to be heard as there is an application pending on security of costs. Directors are accordingly satisfied that the legal proceedings currently pending against the Group will not have a material adverse effect on the Group's consolidated financial position and the Directors are satisfied that the Group has adequate provisions in place to meet claims that may arise.

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	
				Restated
	2024	**2023**	**2024**	**2023**
	K'000	K'000	K'000	K'000
Acceptances and letters of credit	37 867 899	7 813 086	-	-
Currency swaps	-	-	-	-
Performance and financial guarantees *	58 298 052	10 667 578	3 405 840	1 702 920
Undrawn formal stand-by facilities credit lines and other commitments to lend	2 195 975	3 560 018	-	-
Total unrecognized financial assets	98 361 926	22 040 682	3 405 840	1 702 920
Other Commitments				
Authorized but not yet contracted capital commitments on property and equipment	32 139 605	17 237 137	-	-
Total other commitments	32 139 605	17 237 137	-	-

*During the current year, the Company identified an omission in the disclosure of a performance guarantee issued to NBS Bank Plc amounting to K1.7 billion. This guarantee, which was outstanding as of 31 December 2023, was erroneously omitted from the prior year's financial statements.

As a result, the comparative figures for guarantees and performance bonds have been restated to accurately reflect this obligation. This restatement has no impact on the Company's financial position or performance but ensures proper disclosure of contingent liabilities.

46. Cashflow information

46.1 Increase in operating assets- banking business

	Group	
	2024	**2023**
	K'000	**K'000**
Changes in loans and advances	(81 125 533)	**(16 157 286)
Changes in equity instruments	-	**(42 024)
Changes in placements with other institutions	(56 316 604)	**(26 520 008)
Changes in other assets	(13 396 811)	**(2 359 541)
Changes in money market investments	(309 804 026)	**(63 182 646)
Change in operating assets	**(460 642 974)**	**(108 261 505)**

46.1 Increase in operating liabilities- banking business

	Group	
	2024	**2023**
	K'000	**K'000**
Changes in customer deposits	188 206 656	**153 079 656
Changes in liabilities to financial institutions	224 649 953	**1 017 596
Changes in other liabilities	10 492 050	**9 781 070
Change in operating liabilities	**423 348 659**	****163 878 322**

46.2 Interest Received and Paid – Banking Activities Restated

Included within cash receipts from customers and cash payments to employees and suppliers in the cashflow are interest received of K234.2 billion (2023: K110.1 billion) and interest paid of K79.4 billion (2023: K44.2 billion), respectively. These amounts relate to the banking operations and are classified as operating activities in accordance with IAS 7, as they represent cash flows arising from the principal revenue-generating activities of the banking component.

**. Refer to note 1.3 to the financial statements for details relating to the restatement.

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

	2024	2023
United States Dollar (USD) to Malawian Kwacha (MWK)	1 733.83	1 683.33
United States Dollar (USD) to Zambian Kwacha (ZMW)	27.80	25.78
United States Dollar (USD) to Ugandan Shilling (USH)	3 673	3 815.00
United States Dollar (USD) to Mozambique Metical (MT)	63.90	63.89
South Africa Rand (ZAR) to Malawian Kwacha (MK)	95.16	94.49
British Pound (GBP) to Malawian Kwacha (MK)	2 244.67	2 222.26
Inflation rates as at 31 December (%)	28.10	27

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)	28.81
United States Dollar (USD) to Ugandan Shilling (USH)	3 665.00
United States Dollar (USD) to Mozambique Metical (MT)	63.88
South Africa Rand (ZAR) to Malawian Kwacha (MK)	98.08
British Pound (GBP) to Malawian Kwacha (MK)	2 309.10
Inflation (February) (%)	30.7

49. Environmental, Social and Governance (ESG)

Climate Change and impact on the Group
The Group will for the year ended 31 December 2024 prepare a separate sustainability report which will detail ESG matters in relation to the NICO Group.