Standard Bank

www.standardbank.co.mw

STANDARD BANK PLC

Annual Report for the year ended 31 December 2022

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Annual Report

for the year ended 31 December 2022

MALAWI IS OUR HOME,
WE DRIVE HER GROWTH

Standard Bank *IT CAN BE*™

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

Contents

Our Values

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

MALAWI IS OUR HOME
WE DRIVE HER GROWTH

Tea Estate, Mulanje – **Malawi**

01 Serving our customers
02 Growing our people
03 Delivering to our shareholders
04 Being proactive
05 Working in teams
06 Constantly raising the bar
07 Respecting each other
08 Upholding the highest levels of integrity

Chairperson's and Chief Executive's Report

N.R Kanyongolo, PhD
Chairperson

Mr. P Madinga
Chief Executive

Total dividend per share
MK85.23
2021: MK37.07

Return on equity
↑27%
2021: 21%

Economic Overview

The domestic economy is forecast to have grown by 1.7% in 2022 (2021: 4.2%); the slower growth being attributed to adverse weather which affected crop production. Headline inflation increased materially in the year and averaged 21% (2021: 9.3%). The rise in inflation rate was due to food shortage, supply chain disruption caused by war in Ukraine and the 25% exchange rate devaluation in May. The Kwacha closed the year trading at MK1,034.67/US$ from MK819.44/US$ at the close of 2021. The policy rate was adjusted twice in the year to close at 18% (2021: 12%) to contain inflation rate expectations.

Performance

The Group continued to operate in a challenging operating environment due to market wide forex scarcity and high inflation rates. The Reserve Bank of Malawi (RBM) devalued the Malawi Kwacha in May 2022 by 25% against the US Dollar of which the full effects filtered through in the second half of 2022. Despite the challenges in the operating environment, the Group performed better than expected as it managed to grow its balance sheet which in turn resulted in higher profitability when compared to prior year.

The Group's profit after tax of MK39.2 billion was 58% above prior year. Total revenue grew by 40% year on year driven by growth in both net interest income and non-interest revenue. Net interest income grew by 49% year on year driven by an increase in loans and advances to customers and financial investments which both grew by 14% and 99% year on year respectively. The growth in interest earning assets was as a result of growth in deposits from customers which also grew by 48% year on year.

Non-interest revenue grew by 28% year on year. Notwithstanding restrictions imposed on annual tariff revision, net fees and commissions grew by 15% year on year driven by increase in transaction volumes. Trading revenue grew by 35% year on year anchored by an increase in trading volumes.

Credit impairments were significantly up on prior year due to growth in the customer loan book as well as financial investments which resulted in increase of performing related credit impairments. In addition, credit impairments also grew as a result of downgrade of some accounts owing to lagged effects of COVID-19. The Group will continue its efforts to recover previously written off loans as well as focus on prudent risk taking and management.

Operating costs were 28% up on prior year impacted by increase in prices of goods and services as well as the impact of the 25% devaluation of the kwacha which negatively impacted foreign currency denominated costs. The Group's continued focus on ensuring secure platforms, automation and digitisation in line with strategy resulted into an increase in information technology related costs. The Group continues to focus on cost optimisation initiatives in order to achieve operational efficiency. As a result of higher revenue base and lower cost growth, the cost to income ratio reduced from 52% in prior year to 48% in the current year.

Earnings per share for the year increased from MK106 in 2021 to MK168 in 2022.

Strategy

The Bank's strategy is underpinned on our purpose which says Malawi is our home and we drive her growth. We aspire to be the undisputed number one financial services organisation in Malawi, delivering superior value to all stakeholders, changing lives of our people and the communities that we operate in.

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

The business units and corporate enabling functions work as an integrated whole to service our client's financial needs in a seamless way. We understand that as a Group we need to constantly transform in order to remain relevant to our clients. We have therefore welcomed the digital revolution as one of our biggest opportunities. Following the excellent execution of our strategy, the banking business was crowned the country's 2022 Bank of the Year by the Banker Magazine and Best Bank in Malawi by the Global Finance.

Leadership

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

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

Corporate Governance And Directorship

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

Prospects

Economic headwinds are likely to continue mainly driven by global supply chain disruptions and concerns on foreign currency supply and stability. Headline inflation rate may ease on the back of base effects from the food and foreign exchange markets. Supply of foreign exchange will remain a challenge thereby exerting pressure on the Kwacha.

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

Appreciation

We thank our colleagues on the Board for their guidance and support during the year. We thank the executive team and the staff for the results delivered in 2022. We also thank our customers for their continued support without whom we would have not achieved this good result.

N.R Kanyongolo, PhD
Chairperson

Mr. P Madinga
Chief Executive

23 February 2023

Awards

Our efforts in driving Malawi's growth were recognised with the Bank awarded for:

1. Global Finance

Best Bank 2022, Malawi

2. Banker Magazine by Financial Times

Bank of the Year, 2022

3. Chartered Institute of Customer Management (CICM)

First Runner-Up: Best Customer Service Award

Customer Service Personality 2022 – Phillip Madinga

4. Institute of Marketing in Malawi (IMM)

Best SME initiative of the Year 2022 - Phuka Incubator Hub

5. Employers Consultative Association of Malawi (ECAM)

First position on Quality, Productivity and Innovation

6. Employers Consultative Association of Malawi (ECAM)

Runners up on Corporate Social Responsibility and Inclusive Business

7. Employers Consultative Association of Malawi (ECAM)

Runners up on Managing During Crisis and Workplace wellness

8. Employers Consultative Association of Malawi (ECAM)

Third place on Gender Equity

9. Employers Consultative Association of Malawi (ECAM)

Third place on Youth Employment and Skills Development

Socio-Economic Impact

Our contribution to Malawi's Social Economic Development in 2022

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

Here are some of the key highlights:

Financial Inclusion

The Unayo platform facilitated more than 129,000 transactions, allowing more Malawians to access financial services including the unbanked. Within the past period, a financial partnership with FARMSE enabled the extension of financial services to over 150,000 Malawians most of which were accessing such services for the first time. Unayo also supported small businesses and saw a 26 % growth in the number of Unayo merchants year on year throughout the country.

Education

The Bank hosted 100 girls from rural and urban schools for the commemoration of International Day of the Girl Child that featured a mentorship event conducted by the Group's staff members and hosted at the Group's Head Office and Capital City Branch.

Environmental issues

The Group through Unayo and as part of its social corporate responsibility donated 20,000 pine tree seedlings through Inkosi Yamakosi Gomani the 5th (Ngwenyama) to Ntcheu and Dedza District Councils. This was part of the Group's historic commitment to invest in the environment to unlock and secure an ecologically friendly nation. For Ntcheu, the vision was to replenish a part of the mountain that has fallen victim to deforestation in recent years and is now bare. In Dedza, the authorities utilized the seedlings to create boundaries for schools, roads and households.

Our Approach to Social Impact

We pledge 1% of our net profit after tax to social, economic and environmental (SEE) initiatives. To view our 2021 Report to Society (SEE report), visit: www.standardbank.co.mw

All initiatives are screened and selected by our Corporate Social Responsibility Committee

OUR FLAGSHIP PROGRAMME FOR 2022

Lilongwe Girls donation

In striving to give back to our country by contributing towards access to quality education through various initiatives, we funded the construction of a 112 bed capacity hostel at Lilongwe Girls Secondary School - the largest national girls secondary school in Malawi. The school was experiencing overcrowding and limited boarding facilities to cater for girls with disabilities. The coming of the hostel has alleviated the burden and increased boarding space for students for vulnerable students. Our funding of MK115.6 million was part of the overall spend of MK163.5 million made available through partnership with Press Trust.

Health

The Group donated MK19.3 million towards relief items following Cyclone Ana, MK5.2 million to support cleft lip surgeries under Operation Smile and MK8 million to purchase equipment for Dowa District Hospital in partnership with Nation Publications Limited.

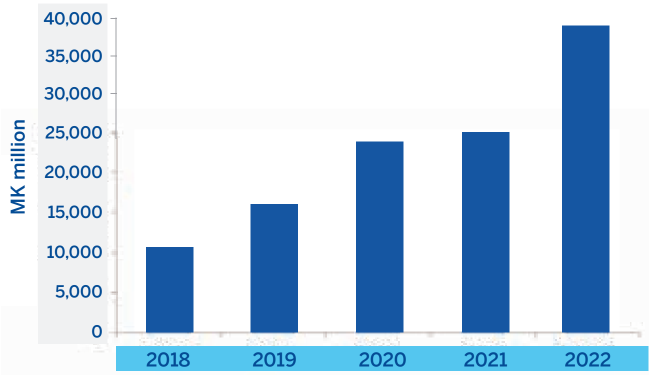
At an employee level, the Group's staff organized themselves to donate blankets and children's toys to Likuni Mission Hospital, the Group matched their initial contribution to bring the total donation to MK1.2 million.

Review of Performance

MK39.2 billion

PROFIT AFTER TAX

58%



CAPITAL ADEQUACY RATIO 23% ↑ 1%	LOANS ADVANCES TO CUSTOMERS MK235.8bn ↑ 14%
RETURN ON EQUITY (ROE) 27% ↑ 6%	DEPOSITS FROM CUSTOMERS MK593.0bn ↑ 48%
COST TO INCOME RATIO 48% ↓ 4%	CREDIT LOSS RATIO (LOANS AND ADVANCES TO CUSTOMERS) 3% ↑ 1%

Arranged and financed pre-export and trade facilities totaling

US$55 million

for the Tobacco and Petroleum sectors.

Our Business Structure

CORPORATE AND INVESTMENT BANKING (CIB)	CONSUMER AND HIGH NET WORTH CLIENTS (CHNW)	BUSINESS AND COMMERCIAL CLIENTS (BCC)	CLIENT SOLUTIONS
Provides corporate and investment banking services to government, parastatals, larger corporates, financial institutions and international counterparties.	CHNW client segment is responsible for the end-to-end lifecycle of clients. CHNW serves individual clients by enabling their daily lives through the provision of relevant solutions throughout their life journeys.	The BCC segment provides broad based client solutions for a wide spectrum of small and medium sized businesses as well as large commercial enterprises. Our client coverage support extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enable their growth.	Client Solutions support the client segments and the Group as a whole. This team works in partnership with the client segments in pursuit of the client value proposition strategy. Client Solutions provide products and services for banking, insurance and investments.

Board of Directors

GENDER 6/ 9 /

1 Ngeyi Ruth Kanyongolo PhD 53
Chairperson

QUALIFICATIONS
PhD in Law (Warwick)

APPOINTED April 2013

2 Phillip Madinga 51
Executive Director

QUALIFICATIONS
Master of Business Administration

APPOINTED June 2021

3 Norah Nsanja ACG 38
Company Secretary

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

APPOINTED June 2019

4 Alex Mkandawire 60
Director

QUALIFICATIONS
Fellow Member of the Association of Chartered Certified Accountants

COMMITTEES

APPOINTED June 2021

5 Gladson Kuyeri 52
Director

QUALIFICATIONS
Master of Communications Management (MCM)

COMMITTEES

APPOINTED June 2022

6 Catherine Mtonda 61
Director

QUALIFICATIONS
Master of Business Administration

COMMITTEES

APPOINTED April 2013

7 Andrew Chioko 68
Director

QUALIFICATIONS
Fellow Member of the Association of Chartered Certified Accountants

COMMITTEES

APPOINTED April 2008
RETIRED February 2022

8 Alan Chinula SC 65
Director

QUALIFICATIONS
LL.B Honours

COMMITTEES

APPOINTED April 2013

9 Jayesh Patel 53
Director

QUALIFICATIONS
M.A. Economics

COMMITTEES

APPOINTED April 2009
RETIRED February 2022

10 Rachel Sibande, PhD 36
Director

QUALIFICATIONS
PhD in Computer Science

COMMITTEES

APPOINTED June 2021

11 David Pinto 49
Director

QUALIFICATIONS
BCom Management Finance

COMMITTEES

APPOINTED May 2017

Committee Memberships

- Board Audit
- Board Human Capital
- Board Technology and Innovation
- Board Risk
- Board Credit
- Committee Chairperson

*The ages above have been revised when compared to 2021. The ages above were as at 31st December 2022 while 2021 ages were as at the date of the annual report publication
* Appointed date reflects date of first appointment at the Annual General Meeting in line with Article 70 of the Articles of Association

Board of Directors

12 Shadreck Ulemu 63
Director

QUALIFICATIONS
MSc Electronic Engineering

COMMITTEES

APPOINTED May 2017

13 Patrick Mweheire 52
Executive Director

QUALIFICATIONS
Master of Business Administration

COMMITTEES

APPOINTED June 2022

14 Sharon Taylor 54
Director

QUALIFICATIONS
Bachelor of Commerce

COMMITTEES

APPOINTED June 2020

15 Margareth Anne Chirwa 42
Director

QUALIFICATIONS
Fellow Member of the Association of Chartered Certified Accountants

COMMITTEES

APPOINTED June 2022

Committee Memberships

- Board Audit
- Board Human Capital
- Board Technology and Innovation
- Board Risk
- Board Credit
- Committee Chairperson

*The ages above have been revised when compared to 2021. The ages above were as at 31st December 2022 while 2021 ages were as at the date of the annual report publication
* Appointed date reflects date of first appointment at the Annual General Meeting in line with Article 70 of the Articles of Association

GENDER 4/ 10/

Country Leadership Council

1 Phillip Madinga 51
Chief Executive

Qualifications
Master of Business Administration

Joined: January 2020

2 John Mhone 39
Chief Financial and Value Management Officer

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

Joined: October 2009

3 William Nuka 58
Head, Engineering

Qualifications
Bachelor of Science in Electrical Engineering

Joined: January 2000

7 Frank Chantaya 46
Head, Corporate and Investment Banking

Qualifications
Bachelor of Business Administration

Joined: April 2008

8 Kondwani Mlilima 49
Chief Risk Officer

Qualifications
Master of Arts Economics

Joined: October 2002

9 Ewen Hiwa 41
Head, Client Solutions

Qualifications
Master of Business Administration

Joined: September 2021

13 Charity Mughogho 52
Head, Consumer and High Net Worth Clients

Qualifications
Master of Science in Strategic Management

Joined: December 1995

14 Alipo Nyondo 47
Head, Innovation, Eco-Systems and Partnerships

Qualifications
Fellow Member of the Association of Chartered Certified Accountants

Joined: August 2012

4 Daniel Mbozi 51
Head, Operations and Real Estate Services

Qualifications
Chartered Management Accountant

Joined: May 2004

5 Nyambura Chege 42
Head, Brand and Marketing

Qualifications
Master of Business Administration

Joined: November 2021

6 Mc Lewen Sikwese 36
Head, Global Markets

Qualifications
MSc. Finance, Economic Policy

Joined: September 2016

10 Zandile Tembo 40
Head, People and Culture

Qualifications
Master of Business Administration

Joined: February 2017

11 Graham Chipande 36
Head, Business and Commercial Clients

Qualifications
Master of Business Administration

Joined: September 2008

12 Norah Nsanja ACG 38
Head, Legal and Company Secretary

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

Joined: May 2012

*The ages above have been revised when compared to 2021. The ages above were as at 31st December 2022 while 2021 ages were as at the date of the annual report publication

Statement of Corporate Governance

CODES AND REGULATIONS

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

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

Board and Directors

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

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

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

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

Skills, Knowledge, Experience and Attributes of Directors

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

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

Board Responsibilities

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

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

Strategy

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

Board Effectiveness and Evaluation

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

Board Meetings

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

Board Meetings - Meeting Attendance

Member	24-Feb-22	26-May-22	29-July-22	01-Dec-22
N.R Kanyongolo, PhD** (Chairperson)	√	√	√	√
Mr. A.A Chioko**	√	N/A	N/A	N/A
Mr. J. Patel **	√	N/A	N/A	N/A
Mr. A. Mkandawire**	√	√	√	√
Mrs. M. A Chirwa**	N/A	√	√	√
Mr. A J W Chinula, SC**	√	√	√	√
Mrs. C Mtonda**	√	√	√	√
Mr. P. Mweheire*	√	√	A	√
Mr. P. Madinga*	√	√	√	√
Mr. S Ulemu**	√	√	√	√
Mr. D Pinto**	√	√	√	√
Mrs. S. Taylor**	A	√	√	√
R. Sibande, PhD**	√	√	√	√
Mr. G. Kuyeri**	N/A	√	√	√

Key

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

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

Board Audit Committee

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

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

The membership of this committee comprised of:

Mr. A.A Chioko	- Chairperson (up to the 24th of February 2022)
Mrs. C. Mtonda	- Chairperson (from the 24th of February 2022)
Mrs. M.A Chirwa	- Member
Mr. A Mkandawire	- Member

The committee met four times during the year.

Board Audit Committee – Meeting attendance

Member	23-Feb-22	25-May-22	28-Jul-22	30-Nov-22
Mr. A. A Chioko	√	N/A	N/A	N/A
Mrs. C. Mtonda	√	√	√	√
Mrs. M.A. Chirwa	N/A	√	√	√
Mr. A. Mkandawire	√	√	√	√

Key

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

Board Credit Committee

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

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

The membership of this committee comprised of:

Mr. J P Patel - Chairperson (up to the 24th of February 2022)
R. Sibande, PhD - Chairperson (from the 24th of February 2022)
Mr. P. Mweheire - Member
Mr. S. Ulemu - Member

The committee met four times during the year.

Board Credit Committee – Meeting attendance

Member	21-Feb-22	24-May-22	26-Jul-22	29-Nov-22
Mr. J P Patel	√	N/A	N/A	N/A
R. Sibande, PhD	N/A	√	√	√
Mr. S. Ulemu	√	√	√	√
Mr. P. Mweheire	√	√	A	√

Key

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

Board Risk Committee

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

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

The membership of this committee comprised of:

Mr. A Chinula, SC - Chairperson
Mr. D Pinto - Member
R Sibande, PhD - Member (up to the 24th of February 2022)
Mr. G. Kuyeri - Member (from the 24th of February 2022)

The committee met four times during the year.

Board Risk Committee - Meeting attendance

Member	22-Feb-22	26-May-22	27-Jul-22	23-Nov-22
Mr. A Chinula, SC	√	√	√	√
Mr. D Pinto	√	√	√	√
R. Sibande, PhD	√	N/A	N/A	N/A
Mr. G. Kuyeri	N/A	√	√	√

Key

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

Board Human Capital Committee

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

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

The membership of this committee comprised of:

Mr. S. Ulemu - Chairperson
Mr. A Chinula, SC - Member
Mrs. S. Taylor - Member
R. Sibande, PhD - Member (from the 24th of February 2022)

The committee met four times during the year.

Board Human Capital Committee - Meeting attendance

Member	22-Feb-22	25-May-22	27-Jul-22	30-Nov-22
Mr. S. Ulemu	√	√	√	√
Mr. A Chinula, SC	√	√	√	√
Mrs. S. Taylor	A	A	√	√
R. Sibande, PhD	N/A	√	√	√

Key

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

Board Technology and Innovation Committee

The role of the Committee is to oversee the governance of technology and information in a way that supports the Group in setting and achieving its strategic objectives. The responsibilities of the Committee include:

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

The membership of this committee comprised of:

Mr. D. Pinto - Chairperson
Mr. J. Patel - Member (up to the 24th of February 2022)
R. Sibande, PhD - Member
Mr. G. Kuyeri - Member (from the 24th of February 2022)

The committee met four times during the year.

Board Technology and Innovation Committee - Meeting attendance

Member	22-Feb-22	25-May-22	27-Jul-22	30-Nov-22
Mr. D Pinto	√	√	√	√
Mr J. Patel	√	N/A	N/A	N/A
R. Sibande, PhD	√	√	√	√
Mr. G. Kuyeri	N/A	√	√	√

Key

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

MANAGEMENT COMMITTEES

Credit Risk Management Committee

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

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

Business and Commercial clients (BCC)/ Consumer and High Net Worth (CHNW) Credit Committee and CIB Credit Committee

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

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

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

Asset and Liability Committee (ALCO)

This Committee is responsible for the management and monitoring of the trading book risk, market risk, the banking liquidity and interest rate risks. The Committee also monitors capital adequacy of the Bank. It comprises the Chief Executive, the Chief Financial and Value Management Officer, the Chief Risk Officer, the Head Treasury and Capital Markets and the Departmental Heads for Global Markets, Corporate and Investment Banking, Consumer and High Net Worth, Business and Commercial Clients, Operations, Transactional Products Services and Investment Banking.

New and Amended Business Products, Processes and Channels Committee (NABPPC)

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

Risk Management Committee (RMC)

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

People Governance Committee (PGOVCO)

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

Country Engineering Steering Committee

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

Internal Procurement Committee (IPC)

The Procurement Committee meets on a monthly basis, is comprised permanent members being the Chief Risk Officer (the Chairperson), Chief Financial and Value Management Officer, Head Consumer and High Net Worth Clients, Head Engineering, Head Operations and Real Estate, Head Legal and Governance and Procurement Manager. Respective business heads are also called upon as subject matter expert when required depending on the items on the agenda. The purpose of the IPC is to ensure that procurement strategies and recommendations are systematic and in line with business priorities, commercial standards and ethical principles before making commitments to suppliers. The committee meets monthly.

Country Leadership Council (CLC)

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

COMPANY SECRETARY

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

GOING CONCERN

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

RELATIONSHIPS WITH SHAREHOLDERS

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

SUSTAINABILITY REPORTING

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

ETHICS AND ORGANISATIONAL INTEGRITY

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

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

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

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

REMUNERATION

Remuneration Philosophy

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

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

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

Remuneration Governance

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

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

- The provision of rewards that enable the attraction, retention and motivation of employees and the development of a high-performance culture;
- The reward strategy that serves to support the development of an engaged, high-performing and diverse employee population, who deliver outstanding business performance;
- Maintaining competitive remuneration in line with our markets, trends and required statutory obligations;
- Reward for performance;
- Appropriate balance fixed and variable remuneration Short-term and long-term incentives; and educating employees on the full employee value proposition.

Remuneration Structure

Non-Executive Directors

Terms of Service

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

Fees

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

Management and Staff

Terms of Service

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

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

Fixed Remuneration

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

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

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

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

Short-Term Incentives

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

Long-Term Incentives

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

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

Post-Employment Benefits

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

The Group's Highlights For The Year

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

The following are the highlights of the year:

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

GROUP SNAPSHOT

	2022	2021
Points of representation	**27**	27
ATMs	**94**	89
Cash deposit machines	**11**	11
POS devices	**1,561**	1,184
Headcount	**789**	755

OUR STAKEHOLDERS

Shareholders

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

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

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

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

Customers

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

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

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

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

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

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

In Consumer and High Net Worth (CHNW) and Business and Commercial Clients (BCC) division, we offer service through Personal Markets and Business Banking.

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

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

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

Employees

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

Talent Management

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

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

Graduate Development Programme

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

Leadership Development

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

Occupation-Directed Education, Training and Development

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

Health Risk Management

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

Independent Counselling and Advisory Services

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

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

Staff Recognition Programme

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

Regulators

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

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

Suppliers

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

Community

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

Health

Standard Bank PLC supports the health sector in the hope of improving access and quality of health care for all Malawians. Each year, the Group identifies areas of need and then supports with philanthropic donations that address highlighted challenges within the sector.

Earlier in 2022, the country was affected by Cyclone Ana that left people displaced in camps with little access to food and shelter. The Group stepped in to support Chapomoka Camp in Chikwawa with food and non-food items worth MK19.3 million. Within the health sector, the Group supported Operation Smile with MK5.2 million to enable them to provide free cleft lip and palette surgeries for children and adults living with the condition. The Group further partnered with Nation Publications Limited for the Mothers' Day Fun Run and donated MK8 million towards the purchase of medical equipment for Dowa District Hospital. At an employee level, the Group's staff organized themselves to donate blankets and children's toys to Likuni Mission Hospital, the Bank matched their initial contribution to bring the total donation to MK1.2 million.

Education

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

For this cause, the Group contributed MK115.6 million towards the completion of a 112-bed capacity, disability friendly hostel at Lilongwe Girls Secondary School to ensure students have a safe and secure place to live during their studies. The Group also continued to support 66 students to complete their education through our Merit Scholarship Fund that contributed MK30.1 million in 2022. At tertiary level, the Group contributed MK20 million towards the Malawi University of Science and Technology (MUST) Student Endowment Fund that will cater for needy students and improvements in the universities' facilities. The Group also purchased teaching and learning materials such as textbooks, pens, calculators and instruments worth MK11 million for Chigoneka CDSS, Chimutu CDSS and Maula Prison Reformatory School. These learning materials support more than 3,000 students in both secondary and primary school levels.

In 2022, the Group hosted 100 girls for an International Day of the Girl Child celebration that features a mentorship event conducted by the Group's staff members and hosted at the Group's Head Office and Capital City Branch.

Financial Inclusion

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

In 2022 the Unayo platform facilitated more than 129,000 transactions, allowing more Malawians to access financial services including the unbanked. The Unayo platform connects businesses and people within communities, across the whole of Malawi and beyond. It is convenient, accessible on the phone via USSD and Mobile App with an easy-to-use interface and local language menu options.

Underpinning all activity on Unayo is the Bank's passion to drive the growth of Malawi by promoting financial inclusion. Within the past period, a financial partnership with FARMSE allowed extension of core financial services to the most marginalized and vulnerable members of Malawian society. Unayo also supported small businesses and saw a 26 % growth in the number of Unayo merchants year on year throughout the country. The platform created earning potential for the unemployed through its Tiyeni Mmo'mo acquisition and referral programme to reward positive promoters as they work together with the platform to grow the base and reach more Malawians.

Youth and Sustainable Development

The Group's commitment to Youth, Women and Sustainable Development is amplified by investment in the Phuka Incubator Hub. Phuka is an initiative that supports budding entrepreneurs to develop the skillset to run successful business ventures. Through a partnership with Synergy Labs, the Group provides entrepreneurs with free co-working space, free business training, exposure to networks and new markets for business growth. In 2022 the Group graduated 68 entrepreneurs through an intensive 6-week programme. These businesses include those in manufacturing, construction, fashion, agribusiness, value addition, amongst others. In response to the rising concerns on climate change and deforestation, the Group donated 20,000 seedlings to the Inkosi Yamakosi Gomani the 5th – who is the National Champion for conservation and forestry in Malawi. The Seedlings were to be distributed to Ntcheu, to be planted on mountain slopes that run bare; and Dedza district for use in schools, homes and road boundaries in the district.

Risk Management and Control

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

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

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

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

RISK MANAGEMENT FRAMEWORK

The Group's approach to risk management is based on well-established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances strong corporate oversight at the Board level with independent risk management structures. Unit heads are specifically responsible for the management of risk within their areas. As such, they are responsible for ensuring that there are appropriate risk management frameworks that are adequate in design, effective in operation and meet minimum Group standards.

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

CLIMATE-RELATED EMERGING RISKS

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

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

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

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

IMPACT OF COVID-19 AND THE RUSSIA-UKRAINE CONFLICT ON RISK MANAGEMENT

The Group's results for the twelve months ended 31 December 2022 reflected the very difficult operating environment. Lagged effects of the COVID-19 pandemic and pass through effects of the Russia-Ukraine war placed considerable strain on our clients across the three business segments. The Group's strong capital position and sound risk management practices, continuing in the crisis, enabled us to respond timeously and prudently.

Risk management has been a cornerstone of the Group's response to the lagged effects of COVID-19 and the ongoing Russia-Ukraine crises, enabling fast, targeted and responsible support of our clients, while preserving the Group's financial position. Our response to the crises was swift and purposeful, and a testament to our operational resilience. As we executed our business continuity measures on an unprecedented scale across the group, we put our people, our customers and our communities front and centre of our response efforts. We provided extensive client relief programmes while carefully monitoring and managing our capital, liquidity and impairment risk metrics.

Client relief programmes included assisting clients who had temporary liquidity constraints as a result of the lagged effects of COVID-19 and the Ukraine war's negative impact on costs of doing business. Where appropriate, the Group increased working capital facilities and also provided loan restructuring opportunities in the form of covenant relaxations and payment holidays. These relief programmes resulted in no change in the present value of the estimated future cash flows resulting in no economic gain or loss (i.e., no net modification gain or loss). Refer to note 14.2 for further detail in this regard.

In addition to the above, the Group heeded the call from the regulator to keep supporting customers through the recovery process (albeit on case-by-case basis) and on fees and commissions charged on its digital banking services. Loan moratoriums were granted to qualifying customers.

We helped ease the liquidity crisis that faced many of our clients, particularly under the Business and Commercial Clients segment. We continue to manage portfolio concentrations, including concentrations in specific client sectors, such as Consumer and High Net Worth (CHNW) where access to loans was eased through pre-scored digital loan offering.

Directors' Report

Incorporation and registered office

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

Principal Activities

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

Financial Performance

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

Dividend

The net profit for the year of **MK39.2 billion** (2021: MK24.8 billion) has been added to retained earnings. A first interim dividend of **MK5 billion** (2021: MK6.7 billion) was paid in June 2022 representing **MK21.31** (2021: MK28.55) per ordinary share. In December 2022, the directors resolved to pay a second interim dividend of **MK3 billion** (2021: Nil) representing **MK12.78** (2021: Nil) per ordinary share. The directors recommend a final dividend of **MK12 billion** (2021: MK2 billion) representing **MK51.14** (2021: MK8.52) per ordinary share to be tabled at the forthcoming Annual General Meeting.

Directorate and Secretary

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

N R Kanyongolo, PhD*	-	Chairperson all year
Mr. A A Chioko*	-	Up to 24th February 2022
Mr. J Patel*	-	Up to 24th February 2022
Mr. A J W Chinula, SC*	-	All year
Mrs. C Mtonda*	-	All year
Mr. S Ulemu*	-	All year
Mr. D Pinto***	-	All year
Mr. P. Madinga*	-	All Year
Mrs. S Taylor**	-	All year
Mr. A Mkandawire*	-	All year
R Sibande, PhD *	-	All year
Mr. P Mweheire****	-	All Year
Mrs. M.A Chirwa*	-	From 24th February 2022
Mr. G. Kuyeri*	-	From 24th February 2022
Mrs. N Nsanja*	-	All Year

*	Malawian
**	South African
***	Portuguese
****	Ugandan

Directors interest

No directors held shares in the Group as at 31 December 2022.

Shareholding analysis

The shareholders of the Group as at 31 December 2022 were as below:

Stanbic Africa Holdings Limited	**60.18%**
NICO Holdings Limited	**19.29%**
Old Mutual Life Assurance Company Limited	**5.72%**
Press Trust	**2.32%**
Magetsi Pension Fund	**1.23%**
National Investment Trust	**1.02%**
Public	**10.24%**
Total	**100.00%**

Auditors

The Group's auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution will be proposed at the forthcoming Annual General Meeting to re-appoint them as auditors for the year ending **31 December 2023.**

N R Kanyongolo, PhD
Chairperson

Mrs. C Mtonda
Director

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Standard Bank PLC, comprising the statements of financial position at 31 December 2022, the income statements, other comprehensive income, changes in equity and cash flows for the year then ended, and the notes comprising significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards and in the manner required by Companies Act, 2013, of Malawi (the "Act").

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

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

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

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

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

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

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

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

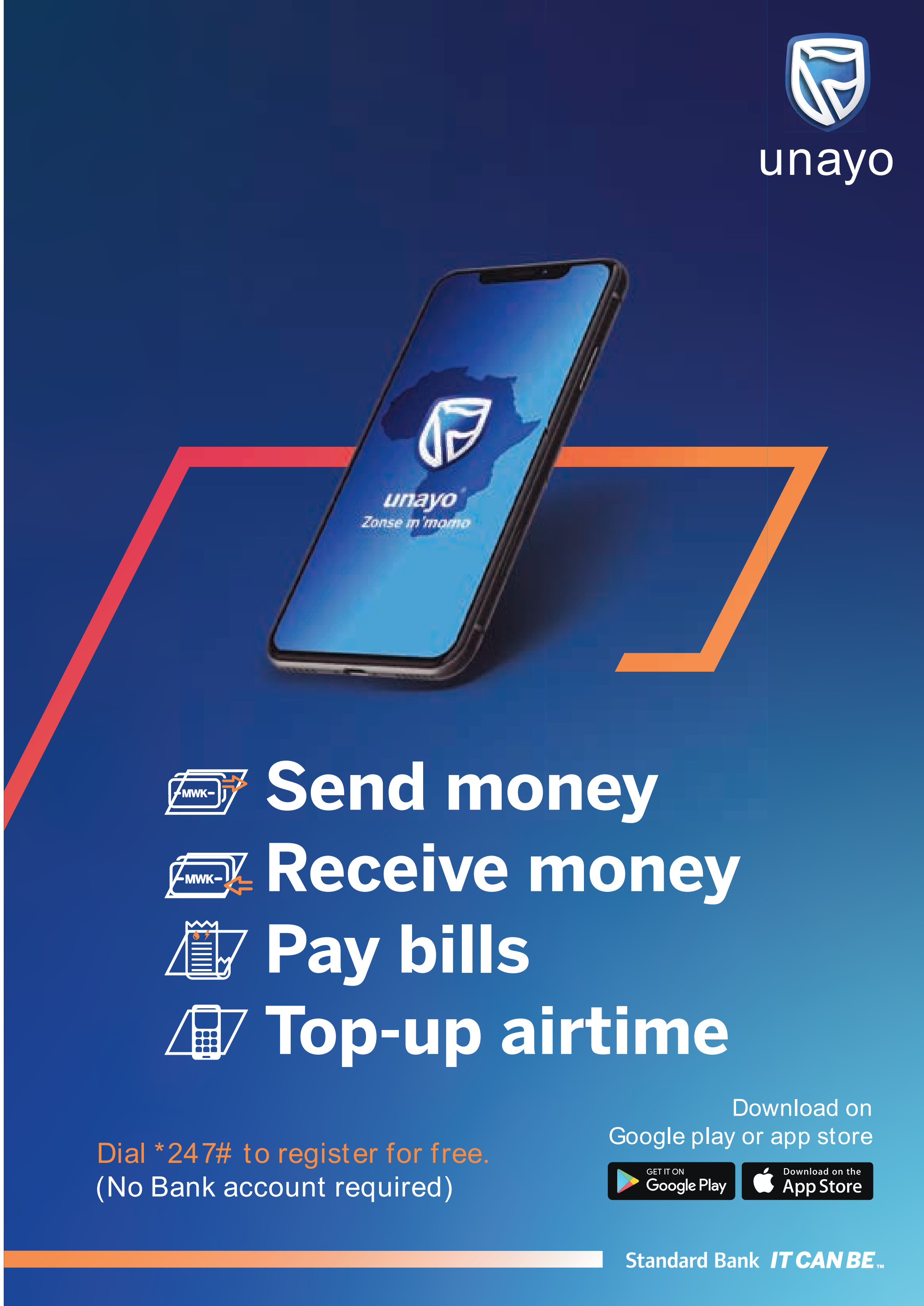
Approval of consolidated and separate financial statements

The consolidated and separate financial statements of Standard Bank PLC, as identified in the first paragraph, were approved by the Board of Directors on **23 February 2023** and are signed on its behalf.

By order of the Board

N R Kanyongolo, PhD
Chairperson

Mrs. C Mtonda
Director



Our People

How We Engaged Our People In 2022

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

1) International Day of the Girl Child

The Group hosted 100 young girls between ages of 9 – 15 years at the Head Office, Capital City Branch and Voice Branch in Lilongwe in commemoration of the international day of the girl child. Over 50 employees volunteered to host the girls and take them through their jobs.

2) Women Leadership Development Programme

The Group has a Women Leadership Programme that aims to increase women representation at leadership level within the Group as part of the Diversity and Inclusion drive. The programme was implemented through a five-modular course which is delivered through individual online learning pathways and live virtual sessions. The first 50 women graduated the programme on 9th June 2022. Our second cohort is underway.

3) Group-wide Culture Journey Launch

The Group launched a culture campaign dubbed H.E.A.R.T aimed at promoting healthy working relationship amongst colleagues and promoting our key themes of learning, innovation and teamwork.

4) Country Leadership Council Open Day

As a way of improving employee experience and ensure the fluid transfer of information and new ideas, the Group organised "Open Days" where staff could interface with any executive member of their choice. These meetings were held both physically and virtually to allow for full participation.

5) Mothers' Day Fun Run

The Group donated MK8 million towards the purchase of medical equipment for the Maternity Ward at Dowa District Hospital. Twenty staff members participated in the 9km Fun Run and ward visit organized by Nations Publications Limited on 2nd November 2022.

Our Sponsorships

1) **Unayo Football League**

The Group unveiled a MK47.6 million sponsorship package for the country's regional football leagues through Unayo. The Unayo Regional Football League attracted 64 Division One football teams that battled in games played over eight months in 29 districts.

2) Malawi Defence Force (MDF) Sports festival

The Group sponsored the 2022 MDF sports festival to the tune of MK7.2 million. The 2022 event was held at the Malawi Armed Forces College (MAFCO) in Salima from 24th to 27th May 2022. The festival had various sporting disciplines including football, netball, basketball, athletics, and other contact sports. To ensure physical fitness and a competitive spirit, the army runs the festival as an annual national event, drawing participants from all the Army Barracks within Malawi.

3) Conferences – We sponsored to a value of MK13.6 million various conferences including the Institute of Chartered Accountants in Malawi (ICAM), Financial Market Dealers Association (FIMDA), Wealth Creation Conference, National Planning Commission Infrastructure conference, the Army Veteran Annual General Meeting, Government Human Resources Directors meetings, Malawi Investment and Trade Centre (MITC) Exporters Conference. At these conferences, we positioned different offerings including Unayo, Affluent proposition, Public Servant account amongst others.

Our Events

1) Be More Race

The Group's iconic Half Marathon event "Be More Race" returned in 2022 under the theme: "Road to Recovery". The theme underscores the nation's position as it recovers from the shocks of the COVID-19 pandemic. Be More Race was patronized by over 2,000 people with a record breaking 1,200 registered runners. The proceeds of approximately MK7.8 million raised on the race were allocated to the purchase of teaching and learning materials for government secondary schools which accumulatively serve 2,000+ students.

2) Investor Day

Management held a virtual session with investors and financial market analysts where they presented and discussed the half year financial results, the strategic focus to keep them appraised of the Group's performance and attract new investors.

3) Report to Society

The Group launched its first ever annual integrated sustainability report, the Report to Society, which highlights the Group's social, economic and environmental (SEE) impact in six focus areas which include health, trade and investment, financial inclusion, amongst others.

4) District Commissioner's (DC) Appreciation Event

To recultivate the relationship between the Group, the DC's and District Chief Executive Officer's (DCEO), the Group invited 35 DCs and DCEOs to a dinner. Part of the conversations were on how DCs can partner with Standard Bank to foster the growth of Malawi.

5) Trade Round Table

As a catalyst to trade and a major enabler in this sector, the Group hosted the inaugural trade round table breakfast with key policy makers within the private and public sector. This platform aimed at bringing together different key stakeholders to table and deliberate on issues around trade, finance and economic development.

6) Be More Golf – The Group hosted Be Spoke Golf tournaments in Blantyre and Dwangwa engaging over 150 clients.

7) Tourism Breakfast – The Group in collaboration with GIZ hosted the Ministry of Tourism and other organisations to a breakfast discussing 3 key projects under the tourism master plan. The meeting discussed how private sector can partner with Government to establish some of the projects under the master plan.

MALAWI IS OUR HOME,
WE DRIVE HER GROWTH / Mulanje Mountain – **Malawi**

Independent Auditor's Report

To the Shareholders of Standard Bank PLC

OUR OPINION

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Standard Bank PLC (the "Company" or "Bank") and its subsidiaries (together the "Group") as at 31 December 2022, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2013 of Malawi.

What we have audited

Standard Bank PLC's consolidated and separate financial statements set out on pages 45 to 192 comprise:

- the consolidated and separate statements of financial position as at 31 December 2022;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

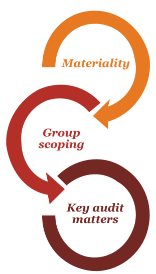
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

OUR AUDIT APPROACH

Overview



Overall Group materiality

- MK 3 002 800 000, which represents 5% of consolidated profit before income tax expense.

Group audit scope

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

Key audit matters

- Expected credit losses (ECL) on Corporate & Investment Banking (CIB) loans and advances; and
- ECL on Consumer and High Net Worth and Business and Commercial Clients (CHNW & BCC) loans and advances.

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

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

Materiality

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

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

Overall Group materiality	*MK 3 002 800 000*
How we determined it	*5% of consolidated profit before income tax expense.*
Rationale for the materiality benchmark applied	*We chose consolidated profit before income tax expense as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our Group audit scope

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

The Group consists of three entities, which comprise the Bank and its two subsidiaries, Standard Bank Bureau De Change Limited and Standard Bank Nominees Limited, all operating in Malawi. The Bank represents 98% of the consolidated profit before income tax expense for the year ended 31 December 2022 and is thus considered to be a financially significant component. We performed full scope audits on the Bank and Standard Bank Bureau De Change Limited due to financial significance and statutory reporting requirements. Standard Bank Nominees Limited is a dormant entity and has no financial significance to the Group.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on Corporate & Investment Banking (CIB) loans and advances *Refer to the notes: 13 & 14 - Loans and advances, 33 - Credit impairment charges, 4(b) - Credit risk, 3(g) - Financial assets and liabilities and 5 - Accounting estimates.*	
As of 31 December 2022, the Group and Bank reported total gross loans and advances to banks and customers of MK224 335 000 000 and recognised an ECL of MK 922 000 000 against these loans and advances. We considered the expected credit losses ("ECL") assessment for CIB exposures to be a matter of most significance to our current year audit due to: • CIB exposures are material to the consolidated and separate financial statements in terms of their magnitude, • the level of subjective judgement applied by management in determining ECL and the related disclosures in the consolidated and separate financial statements, and	We performed the following procedures on the ECL, with the assistance of our economic, credit and actuarial experts: **Evaluation of SICR** We selected a sample of counterparties and assessed their assigned credit rating by: • Testing the inputs into the credit rating systems against the financial information obtained from the counterparty and the Group's 25-point master rating scale; and • Assessing management's assumptions made during the credit risk rating process for reasonability, by obtaining an understanding of the counterparty and industry factors, performing an independent review of the counterparty and comparing the results to those used by management. No exceptions were noted.

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

Key audit matter	How our audit addressed the key audit matter
ECL on Consumer and High Net Worth and Business and Commercial Clients (CHNW & BCC) loans and advances *Refer to the notes; 13 & 14 - Loans and advances, 33 - Credit impairment charges, 4(b) - Credit risk, 3(g) - Financial assets and liabilities and 5 - Accounting estimates.*	
As of 31 December 2022 the Group and Bank reported total gross loans and advances to customers of MK157 353 000 000 and recognised an ECL of MK12 579 000 000 against these loans and advances. The ECL for CHNW & BCC loans and advances (exposures) is material to the consolidated and separate financial statements in terms of their magnitude, the level of subjective judgement applied by management in determining ECL and the related disclosures in the consolidated and separate financial statements, and the effect that the ECL has on the impairment of loans and advances and on the Group's credit risk management processes and operations. This has resulted in this matter being considered a matter of most significance in the audit of the consolidated and separate financial statements. A significant portion of the ECL on CHNW & BCC loans and advances is calculated on a portfolio basis. For Stage 3 exposures in certain portfolios, management assesses the recoverability of those exposures individually. The ECL on CHNW and BCC loans and advances also includes making management judgement to include overlays to adjust for identified risk. For CHNW & BCC, the key areas of significant management judgement within the ECL calculation include: • Evaluation of SICR; • Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement; • Assessment of the ECL raised for individual exposures; and • Assessment of the input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement. **Evaluation of SICR** The Group determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due, ("DPD"), to Stage 2. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to consequently facilitate appropriate impairment coverage. **Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement.** Forward-looking economic expectations are included in the ECL based on the Group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on judgement to predict the outcomes based on the Group's macro-economic outlook expectations.	We performed the following procedures on the ECL, with the assistance of our credit and actuarial experts, considering the impact of Covid-19 **Evaluation of SICR** Management provided us with a quantitative assessment of the Group's calculation of the impact of SICR against the requirements of IFRS 9. With the assistance of our internal modelling specialists, we performed an independent recalculation of the resultant ECL for a sample of portfolios. Our internal modelling specialists tested the assumptions and calculations used in the ECL models. Based on our procedures performed, these were found to be reasonable. We evaluated the reasonableness of behavioural scores used to assess the SICR against the Group's accounting policies. These were found to be reasonable. We evaluated whether the Group has appropriately classified exposures in Stages 1, 2 and 3 by considering the Group's credit reviews, aging of the customer and arrears status. No exceptions were noted. We performed sensitivity analyses to determine the impact of change in credit risk on the ECL recognised. Our analyses were consistent with those calculated by management. **Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement** We assessed the design and implementation of and tested the operating effectiveness of key controls focusing on the: • Generation and approval of the base case economic scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios. We also evaluated the governance processes that have been put in place to review and approve the economic scenarios used in the determination of the forward-looking impact. With the assistance of our internal economic specialists, we assessed both the base case and alternative scenarios generated, including the probability weights applied. Based on our procedures performed, these were found to be reasonable. We evaluated the appropriateness of forward-looking economic expectations included in the ECL by comparing to independent industry data. These were found to be reasonable.

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Standard Bank PLC Consolidated and Separate Financial Statements for the year ended 31 December 2022", which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Standard Bank PLC Annual Report 2022", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

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RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants (Malawi)
Lilongwe

Andrew Vere

9 March 2023

Statements of Financial Position

As at 31 December 2022

	Note	Consolidated 2022 MKm	Consolidated 2021 MKm	Separate 2022 MKm	Separate 2021 MKm
Assets					
Cash and balances held with the Central Bank	8	**56,385**	41,407	**56,199**	41,342
Derivative assets	9	**1,467**	232	**1,467**	232
Non-current assets held-for-sale	10	**584**	740	**584**	740
Trading assets	11	**120**	18,376	**120**	18,376
Pledged assets	12	**-**	40,599	**-**	40,599
Loans and advances to banks	13	**131,454**	96,491	**131,189**	96,464
Loans and advances to customers	14	**235,845**	206,524	**235,845**	206,524
Financial investments	15	**352,645**	177,613	**352,645**	177,613
Investment in subsidiaries	16	**-**	-	**100**	100
Other assets	17	**14,962**	10,716	**15,002**	10,733
Property, equipment and right-of-use assets	18	**21,907**	18,444	**21,907**	18,444
Intangible assets	19	**13,979**	15,493	**13,979**	15,493
Total assets		**829,348**	626,635	**829,037**	626,660
Liabilities					
Derivative liabilities	9	**218**	62	**218**	62
Deposits and loans from banks	21	**20,962**	59,396	**20,962**	59,396
Deposits from customers	22	**593,006**	402,016	**597,753**	406,305
Other liabilities	23	**40,596**	28,943	**40,591**	28,937
Income tax payable	24	**10,565**	7,151	**10,133**	7,058
Provisions	25	**7,807**	5,818	**7,807**	5,818
Deferred tax liabilities	20	**8,142**	6,190	**8,141**	6,191
Total liabilities		**681,296**	509,576	**685,605**	513,767
Equity					
Share capital	26	**234**	234	**234**	234
Share premium	26	**8,492**	8,492	**8,492**	8,492
Revaluation reserve	27	**12,437**	10,718	**12,437**	10,718
Fair value through OCI reserve	27	**386**	314	**386**	314
Retained earnings	27	**126,503**	97,301	**121,883**	93,135
Total equity		**148,052**	117,059	**143,432**	112,893
Total liabilities and equity		**829,348**	626,635	**829,037**	626,660

These financial statements were approved for issue by the Board of Directors on 23 February 2023 and were signed on its behalf by:

N R Kanyongolo, PhD
Chairperson

Mrs. C Mtonda
Director

Income Statements

For the year ended 31 December 2022

	Note	Consolidated 2022 MKm	Consolidated 2021 MKm	Separate 2022 MKm	Separate 2021 MKm
Interest income	28	**85,297**	59,264	**85,321**	59,264
Interest expense	28	**(8,645)**	(7,807)	**(8,719)**	(7,862)
Net interest income	28	**76,652**	51,457	**76,602**	51,402
Fee and commission income	29	**22,778**	18,629	**22,778**	18,629
Fee and commission expense	29	**(3,390)**	(1,775)	**(3,390)**	(1,775)
Net fee and commission income	29	**19,388**	16,854	**19,388**	16,854
Trading income	30	**31,227**	23,206	**29,033**	21,929
Other operating income	31	**608**	131	**1,720**	198
Other gains on financial instruments	32	**110**	-	**110**	-
Total operating income		**127,985**	91,648	**126,853**	90,383
Credit impairment charges	33	**(7,122)**	(4,185)	**(7,122)**	(4,185)
Income after credit impairment charges		**120,863**	87,463	**119,731**	86,198
Staff costs	34	**(23,332)**	(18,196)	**(23,332)**	(18,196)
Depreciation and amortisation	35	**(4,305)**	(4,406)	**(4,305)**	(4,406)
Other operating expenses	36	**(33,170)**	(24,737)	**(33,115)**	(24,600)
Total expenditure		**(60,807)**	(47,339)	**(60,752)**	(47,202)
Profit before income tax expense		**60,056**	40,124	**58,979**	38,996
Income tax expense	37	**(20,854)**	(15,355)	**(20,231)**	(15,023)
Profit for the year attributable to ordinary shareholders		**39,202**	24,769	**38,748**	23,973
Earnings per share					
Basic and diluted (MK per share)	38	**167.53**	105.85	**165.59**	102.45

Statements of Other Comprehensive Income

For the year ended 31 December 2022

	Consolidated		Separate	
	2022 MKm	2021 MKm	**2022 MKm**	2021 MKm
Profit for the year	**39,202**	24,769	**38,748**	23,973
Items that will not be reclassified to profit or loss				
Net revaluation gain on property and equipment	**1,719**	1,125	**1,719**	1,125
Items that may be reclassified subsequently to profit or loss				
Net change in expected credit losses	**(76)**	60	**(76)**	60
Net change in debt financial assets measured at fair value through other comprehensive income (OCI)	**148**	84	**148**	84
	72	144	**72**	144
Total comprehensive income for the year attributable to ordinary shareholders	**40,993**	26,038	**40,539**	25,242

Statements of Changes in Equity

For the year ended 31 December 2022

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

Statements of Changes in Equity

For the year ended 31 December 2022

Consolidated	Share capital MKm	Share premium MKm	Fair value through OCI reserve MKm	Revaluation reserve MKm	Retained earnings MKm	Total MKm
2021						
Balance at 1 January 2021	234	8,492	170	9,593	87,232	105,721
Profit for the year	-	-	-	-	24,769	24,769
Other comprehensive income						
Net revaluation gain on property and equipment	-	-	-	1,125	-	1,125
Change in fair value of financial assets at fair value through OCI net of tax	-	-	144	-	-	144
Total comprehensive income for the year	-	-	144	1,125	24,769	26,038
Transactions with owners of the company						
Dividend declared and paid	-	-	-	-	(14,700)	(14,700)
Total transactions with owners of the company	-	-	-	-	(14,700)	(14,700)
Balance at 31 December 2021	234	8,492	314	10,718	97,301	117,059

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

Statements of Changes in Equity

For the year ended 31 December 2022

Separate 2021	Share capital MKm	Share premium MKm	Fair value through OCI reserve MKm	Revaluation reserve MKm	Retained earnings MKm	Total MKm
Balance at 1 January 2021	234	8,492	170	9,593	83,862	102,351
Profit for the year	-	-	-	-	23,973	23,973
Other comprehensive income						
Net revaluation gain on property and equipment	-	-	-	1,125	-	1,125
Change in fair value of financial assets at fair value through OCI, net of tax	-	-	144	-	-	144
Total comprehensive income for the year	-	-	144	1,125	23,973	25,242
Transactions with owners of the company						
Dividend declared and paid	-	-	-	-	(14,700)	(14,700)
Total transactions with owners of the company	-	-	-	-	(14,700)	(14,700)
Balance at 31 December 2021	234	8,492	314	10,718	93,135	112,893

Statements of Cash Flows

For the year ended 31 December 2022

	Note	Consolidated 2022 MKm	Consolidated 2021 MKm	Separate 2022 MKm	Separate 2021 MKm
Cash flows from operating activities					
Profit before income tax expense		**60,056**	40,124	**58,979**	38,996
Adjustment for non-cash items included within the income statement	42.1	**(66,244)**	(42,101)	**(67,194)**	(42,046)
Increase in income-earning and other assets	42.2	**(153,402)**	(126,677)	**(153,186)**	(126,636)
Increase in deposits and other liabilities	42.3	**136,966**	122,914	**137,427**	123,673
Interest paid		**(9,036)**	(7,258)	**(9,110)**	(7,313)
Interest received		**73,440**	49,148	**73,464**	49,148
Dividend received		**-**	-	**1,000**	-
Income tax paid	24	**(16,054)**	(10,935)	**(15,775)**	(10,560)
Net cash generated from operating activities		**25,726**	25,215	**25,605**	25,262
Cash flows from investing activities					
Capital expenditure on property and equipment	18	**(3,593)**	(1,951)	**(3,593)**	(1,951)
Proceeds from sale of property and equipment		**253**	163	**253**	163
Net cash used in investing activities		**(3,340)**	(1,788)	**(3,340)**	(1,788)
Cash flows from financing activities					
Principal lease repayments	23.1	**(319)**	(310)	**(319)**	(310)
Dividend paid		**(8,190)**	(11,005)	**(8,190)**	(11,005)
Net cash used in financing activities		**(8,509)**	(11,315)	**(8,509)**	(11,315)
Net increase in cash and cash equivalents		**13,877**	12,112	**13,756**	12,159
Cash and cash equivalents at the beginning of the year		**41,407**	29,198	**41,342**	29,086
Effects of exchange rate changes		**1,101**	97	**1,101**	97
Cash and cash equivalents at the end of the year	42.4	**56,385**	41,407	**56,199**	41,342

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2022

1. Reporting Entity

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

General information

Standard Bank PLC provides retail and corporate banking services through its **27** (2021: 27) service centres located across Malawi. The Company is listed on the Malawi Stock Exchange.

The Group's ultimate parent Company is Standard Bank Group Limited, which is a limited liability company incorporated in South Africa and listed on the Johannesburg Securities Exchange with a secondary listing on the Namibian Stock Exchange.

Standard Bank Bureau de Change Limited is a 100% owned subsidiary of Standard Bank PLC whose line of business is foreign currency trading.

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

(e) Changes in accounting policies

The Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated and separate financial statements. There are no new or amended standards that are effective for the current reporting period. The Group also did not early adopt any amended standards during the current reporting period.

Interest rate benchmarks and reference interest rate reform

The Financial Stability Board had initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets.

During the 2021 financial year, the LIBOR's administrator, the Intercontinental Exchange Benchmark Administration Limited, announced it would no longer publish EUR, CHF, JPY and GBP related LIBOR rates for all tenors after 31 December 2021. The IBA has adopted a two-stage approach for the cession of the USD LIBOR rates with the 1 week and 2-month USD LIBOR rates no longer being published after 31 December 2021 and the remaining being the overnight, 1 month, 3-month, 6 month and 12-month rates no longer being published after 30 June 2023. The LIBOR rates which the group was exposed to were replaced by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short Term Rate (ESTR), Tokyo Overnight Average (TONA) and Swiss Average Rate Overnight (SARON).

Given that the LIBOR rates and ARRs are calculated on a different basis, adjustments were be made to contracts that transitioned from LIBOR to ARRs, to ensure economic equivalence.

The Group ceased booking new LIBOR linked exposures from 1 October 2021, apart from in limited circumstances to align with industry guidance and best practice. From this date, new exposures are booked using the ARRs being SOFR, SONIA, ESTR, TONA and SARON. In certain instances, other suitable rates are used, such as Central Bank Policy Rates

The group's established steering committee and working group within treasury and capital management (TCM) continues to monitor the progression of the remaining USD LIBOR linked contracts (1-, 3-, 6- and 12-month tenor rates) to manage the transition to appropriate ARR.

Financial instruments impacted by the reform which are yet to transition

	USD LIBOR 2022 MKm	USD LIBOR 2021 MKm
Derivative assets[1]	-	-
Financial investments	-	-
Loans and advances	-	19,167
Trading assets	-	-
Total assets recognized on the balance sheet subject to IBOR reform	-	19,167

[1] These balances represent the notional amount directly impacted by the IBOR reform.

2. Basis of preparation (Continued)

(f) Going concern

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

3. Significant accounting policies

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

(a) Basis of consolidation

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

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

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

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

(b) Foreign currency transactions

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

(c) Financial assets and financial liabilities

(i) Recognition
The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities at trade date. The trade date for loans, deposits, and other liabilities is however usually the date of the cash flow. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

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

3. Significant accounting policies (Continued)

(c) Financial assets and financial liabilities (continued)

(iv) Fair value measurement (continued)

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

(d) Cash and cash equivalents

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

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

(e) Derivative assets and liabilities

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

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

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

(f) Trading assets and trading liabilities

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

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

(g) Financial assets and financial liabilities

Initial measurement

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

Financial assets

Nature

Amortised cost

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

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

Fair value through OCI

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

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

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

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

Held for trading

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

Designated at fair value through profit or loss

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

Fair value through profit or loss - default

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

Subsequent measurement

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

Amortised cost

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

Fair value through OCI

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

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

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

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

Held for trading

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

3. Significant accounting policies (Continued)

(g) Financial assets and financial liabilities (continued)

Subsequent measurement (continued)

Designated at fair value through profit or loss

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

Fair value through profit or loss – default

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

Impairment

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

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

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

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

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

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

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

3. Significant accounting policies (Continued)

(g) Financial assets and financial liabilities (continued)

Impairment (continued)

Reclassification

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

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

Financial liabilities

Initial classification

Held-for-trading

Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Held-for-trading instruments are designated to be measured at fair value through profit or loss.

Designated at fair value through profit or loss

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

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

Amortised cost

All other financial liabilities not included in the above categories.

Subsequent measurement

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

Held-for-trading

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

Designated at fair value through profit or loss

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

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

Amortised cost

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

Derecognition and modification of financial assets and liabilities.

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

3. Significant accounting policies (Continued)

(h) Loans and advances

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

(i) Property and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

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

(j) Work in progress

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

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

(k) Intangible assets

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

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

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

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

Impairment of non-financial assets

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

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

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

(l) Leases

Lessee accounting policies

Single lessee accounting model

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

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

Lease liabilities

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

3. Significant accounting policies (Continued)

(l) Leases (continued)

Lease liabilities (continued)

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

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

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

Right-of-use assets

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

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

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

Termination of leases

When the Group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised. On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

Interest expense on lease liabilities

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

Depreciation on right of use assets

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

Low value asset or a short-term lease

All leases that meet the criteria as either a lease of a low value asset or a short term lease are accounted for on a straight-line basis over the lease term.

Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.

Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.

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

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

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

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

Lease modifications that are accounted for as a separate lease

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

Separating components of a lease contract

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

Lessor accounting policies

Finance leases

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

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

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

Operating leases

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

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

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

Lessor lease modifications

Finance leases

When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group

3. Significant accounting policies (Continued)

(i) Leases (continued)

Lessor lease modifications (continued)

Finance leases (continued)

accounts for these modifications as a separate new lease.

All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease.

These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.

Operating leases

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

(m) Provisions

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

(n) Income tax expense

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

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

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

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Additional income taxes that arise from the distribution of dividend are recognised at the same time as the liability to pay the related dividend is recognised.

(o) Dividends

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

(p) Interest income and expense

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

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

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

(q) Employee benefits

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

(i) Short-term employee benefits

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

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

(ii) Leave pay liability

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

(iii) Termination benefits

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

(iv) Retirement benefits

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

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

(r) Acceptances, guarantees and letters of credit

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

(s) Fees and commissions

Fee and commission revenue, including accounting transaction fees, card-based commission, documentation and administration fees, electronic

3. Significant accounting policies (Continued)

(s) Fees and commissions (continued)

banking fees, foreign currency service fees, insurance based fees and commissions, and knowledge-based fees and commissions are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

Loan syndication fees, where the Group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

(t) Trading income

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

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

(u) Earnings per share

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

(v) Determination and presentation of operating segments

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

(w) Non-current assets held for sale

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

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

(x) New standards and interpretations not yet adopted

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2022 and have not been applied in preparing these annual consolidated and separate financial statements. The Group does not plan to adopt these standards early:

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

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the group's financial statements.

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

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

The first amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. The impact on the annual financial statements has not yet been fully determined, however not expected to have a significant impact on the group.

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

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

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

(iii) IFRS 16 Leases (narrow scope amendments)

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

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

4. Risk management

(a) Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

Risk measurement and control

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

Risk management approach

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

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

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

Risk appetite and risk tolerance

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

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

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

Risk management

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

(b) Credit risk

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

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

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

Management of credit risk

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

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

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

- **Reviewing and assessing credit risk.** The Credit Function assesses all credit exposures and prepares a watch list which includes all those clients which have some irregularities including excess on allocated limits and loan repayment arrears.

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

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

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

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

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

The table overleaf shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include financial instruments defined and recognised under IAS 32 Financial Instruments: Presentation as well as other financial instruments not recognised. The maximum exposure is shown on a gross basis, before the effect of mitigation through the use of master netting and collateral agreements.

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

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets

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

At 31 December 2022 Consolidated	Note	Gross Carrying amount	SB 1 - 12		SB 13 - 20		SB 21 - 25		Default	Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Interest in suspense on default exposures	Balance sheet expected credit loss on default exposures	Gross default coverage	Non-performing exposures
			Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3						
		MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	%	%
Loans and advances at amortised cost															
CHNW and BCC															
Mortgage loans	14	6,778	5,644	-	-	-	-	1,005	129	129	13	17	99	90%	2%
Vehicle and asset finance	14	11,484	-	-	9,362	-	-	1,967	155	155	-	9	146	100%	1%
Overdrafts	14	12,187	-	-	11,309	-	-	776	102	102	-	17	85	100%	1%
Term Loans	14	126,904	-	-	111,098	-	-	9,736	6,070	6,070	72	845	5,153	99%	5%
CIB															
Corporates	14	92,875	5,298	-	87,122	4	451	-	-	-	-	-	-	-	-
Sovereign	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks	13	131,460	-	-	131,460	-	-	-	-	-	-	-	-	-	-
Gross carrying amount		381,688	10,942	-	350,351	4	451	13,484	6,456	6,456	85	888	5,483	99%	2%
Less: Interest in suspense	14	(888)													
Less: Total expected credit losses for loans and advances	13,14	(13,501)													
Net carrying amount of loans and advances measured at amortised cost		367,299													
Financial investments measured at amortised cost															
Sovereign	15	353,946	-	-	353,946	-	-	-	-						
Gross carrying amount		353,946	-	-	353,946	-	-	-	-						
Less: Total expected credit loss for financial investments	15	(2,097)													
Net carrying amount of financial investments measured at amortised cost		351,849													
Financial investments at fair value through OCI															
Sovereign		299	-	-	299	-	-	-	-						
Gross carrying amount		299	-	-	299	-	-	-	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	27	386													
Total financial investment at fair value through OCI	15	685													

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2022 Consolidated	Note	Gross Carrying amount
		MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	40	19,288
Guarantees	40	117,194
Irrevocable unutilised facilities	40	155
Total exposure to off-balance sheet credit risk		136,637
Expected credit losses for off-balance sheet exposures	25	(231)
Net carrying amount of off-balance sheet exposures		136,406
Total exposure to credit risk on financial assets subject to an expected credit loss		856,239
Add the following other banking activities exposures not subject to ECL:		
Cash and balances held with the Central Bank	8	56,385
Derivative assets	9	1,467
Trading assets	11	120
Pledged assets	12	-
Other financial assets	17	1,692
Total exposure to credit risk		915,903

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

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

At 31 December 2021 Consolidated	Note	Gross Carrying amount	SB 1 - 12		SB 13 - 20		SB 21 - 25		Default	Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Interest in suspense on default exposures	Balance sheet expected credit loss on default exposures	Gross default coverage	Non-performing exposures
			Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3						
		MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	%	%
Loans and advances at amortised cost															
CHNW and BCC															
Mortgage loans	14	8,095	-	-	6,739	-	-	1,159	197	197	48	24	125	76%	2%
Vehicle and asset finance	14	10,755	-	-	8,245	2,275	-	-	235	235	-	21	214	100%	2%
Overdrafts	14	11,732	-	-	6,701	-	4,126	690	215	215	-	25	190	100%	2%
Term loans	14	95,776	-	-	59,257	-	26,828	6,124	3,567	3,567	61	369	3,137	98%	4%
CIB															
Corporates	14	90,258	16,715	-	55,031	18,275	165	72	-	-	-	-	-	-	-
Sovereign	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks	13	96,494	96,494	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount		313,110	113,209	-	135,973	20,550	31,119	8,045	4,214	4,214	109	439	3,666	97%	1%
Less: Interest in suspense	14	(439)													
Less: Total expected credit losses for loans and advances	13,14	(9,656)													
Net carrying amount of loans and advances measured at amortised cost		303,015													
Financial investments measured at amortised cost															
Sovereign	15	161,513	-	-	161,513	-	-	-	-						
Gross carrying amount		161,513	-	-	161,513	-	-	-	-						
Less: Total expected credit loss for financial investments	15	(570)													
Net carrying amount of financial investments measured at amortised cost		160,943													
Financial investments at fair value through OCI															
Sovereign		16,326	-	-	16,326	-	-	-	-						
Gross carrying amount		16,326	-	-	16,326	-	-	-	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	27	314													
Total financial investment at fair value through OCI	15	16,640													

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2021 Consolidated	Note	Gross Carrying amount
		MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	40	15,585
Guarantees	40	87,987
Irrevocable unutilised facilities	40	13,967
Total exposure to off-balance sheet credit risk		117,539
Expected credit losses for off-balance sheet exposures	25	(328)
Net carrying amount of off-balance sheet exposures		117,211
Total exposure to credit risk on financial assets subject to an expected credit loss		597,809
Add the following other banking activities exposures not subject to ECL:		
Cash and balances held with the Central Bank	8	41,407
Derivative assets	9	232
Trading assets	11	18,376
Pledged assets	12	40,599
Other financial assets	17	4,306
Total exposure to credit risk		702,729

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

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

At 31 December 2022 Separate	Note	Gross Carrying amount	SB 1 - 12		SB 13 - 20		SB 21 - 25		Default	Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Interest in suspense on default exposures	Balance sheet expected credit loss on default exposures	Gross default coverage	Non-performing exposures
			Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3						
		MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	%	%
Loans and advances at amortised cost															
CHNW and BCC															
Mortgage loans	14	6,778	5,644	-	-	-	-	1,005	129	129	13	17	99	99%	2%
Vehicle and asset finance	14	11,484	-	-	9,362	-	-	1,967	155	155	-	9	146	100%	1%
Overdrafts	14	12,187	-	-	11,309	-	-	776	102	102	-	17	85	100%	1%
Term Loans	14	126,904	-	-	111,098	-	-	9,736	6,070	6,070	72	845	5,153	99%	5%
CIB															
Corporates	14	92,875	5,298	-	87,122	4	451	-	-	-	-	-	-	-	-
Sovereign	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks	13	131,195	-	-	131,195	-	-	-	-	-	-	-	-	-	-
Gross carrying amount		381,423	10,942	-	350,086	4	451	13,484	6,456	6,456	85	888	5,483	99%	2%
Less: Interest in suspense	14	(888)													
Less: Total expected credit losses for loans and advances	13,14	(13,501)													
Net carrying amount of loans and advances measured at amortised cost		367,034													
Financial investments measured at amortised cost															
Sovereign	15	353,946	-	-	353,946	-	-	-	-						
Gross carrying amount		353,946	-	-	353,946	-	-	-	-						
Less: Total expected credit loss for financial investments	15	(2,097)													
Net carrying amount of financial investments measured at amortised cost		351,849													
Financial investments at fair value through OCI															
Sovereign		299	-	-	299	-	-	-	-						
Gross carrying amount		299	-	-	299	-	-	-	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	27	386													
Total financial investment at fair value through OCI	15	685													

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2022 Separate	Note	Gross Carrying amount
		MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	40	19,288
Guarantees	40	117,194
Irrevocable unutilised facilities	40	155
Total exposure to off-balance sheet credit risk		136,637
Expected credit losses for off-balance sheet exposures	25	(231)
Net carrying amount of off-balance sheet exposures		136,406
Total exposure to credit risk on financial assets subject to an expected credit loss		855,974
Add the following other banking activities exposures not subject to ECL:		
Cash and balances held with the Central Bank	8	56,199
Derivative assets	9	1,467
Trading assets	11	120
Pledged assets	12	-
Other financial assets	17	1,732
Total exposure to credit risk		915,492

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

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

At 31 December 2021 Separate	Note	Gross Carrying amount	SB 1 - 12 Stage 1	SB 1 - 12 Stage 2	SB 13 - 20 Stage 1	SB 13 - 20 Stage 2	SB 21 - 25 Stage 1	SB 21 - 25 Stage 2	Default Stage 3	Total gross carrying amount of default exposures	Securities and expected recoveries on default exposures	Interest in suspense on default exposures	Balance sheet expected credit loss on default exposures	Gross default coverage	Non-performing exposures
		MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm	%	%
Loans and advances at amortised cost															
CHNW and BCC															
Mortgage loans	14	8,095	-	-	6,739	-	-	1,159	197	197	48	24	125	78%	2%
Vehicle and asset finance	14	10,755	-	-	8,245	2,275	-	-	235	235	-	21	214	100%	2%
Overdrafts	14	11,732	-	-	6,701	-	4,126	690	215	215	-	25	190	100%	2%
Term loans	14	95,776	-	-	59,257	-	26,828	6,124	3,567	3,567	61	369	3,137	98%	4%
CIB															
Corporates	14	90,258	16,715	-	55,031	18,275	165	72	-	-	-	-	-	-	-
Sovereign	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks	13	96,467	96,467	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount		313,083	113,182	-	135,973	20,550	31,119	8,045	4,214	4,214	109	439	3,666	97%	1%
Less: Interest in suspense	14	(439)													
Less: Total expected credit losses for loans and advances	13,14	(9,656)													
Net carrying amount of loans and advances measured at amortised cost		302,988													
Financial investments measured at amortised cost															
Sovereign	15	161,513	-	-	161,513	-	-	-	-						
Gross carrying amount		161,513	-	-	161,513	-	-	-	-						
Less: Total expected credit loss for financial investments	15	(570)													
Net carrying amount of financial investments measured at amortised cost		160,943													
Financial investments at fair value through OCI															
Sovereign		16,326	-	-	16,326	-	-	-	-						
Gross carrying amount		16,326	-	-	16,326	-	-	-	-						
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	27	314													
Total financial investment at fair value through OCI	15	16,640													

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2021 Separate	Note	Gross Carrying amount
		MKm
Off-balance sheet exposures		
Letters of credit and banker's acceptances	40	15,585
Guarantees	40	87,987
Irrevocable unutilised facilities	40	13,967
Total exposure to off-balance sheet credit risk		117,539
Expected credit losses for off-balance sheet exposures	25	(328)
Net carrying amount of off-balance sheet exposures		117,211
Total exposure to credit risk on financial assets subject to an expected credit loss		597,782
Add the following other banking activities exposures not subject to ECL:		
Cash and balances held with the Central Bank	8	41,342
Derivative assets	9	232
Trading assets	11	18,376
Pledged assets	12	40,599
Other financial assets	17	4,323
Total exposure to credit risk		702,654

The fair value of collateral that the Group holds relating to loans individually determined to be impaired at 31 December 2022 amounts to **MK85 million** (2021: MK109 million). The collateral consists of securities, mortgages over property and guarantees. The gross carrying amount for modifications during the reporting period that resulted in no economic gain or loss was **MK17,588 million** (2021: MK 3,355 million).

4. Risk management (Continued)

(b) Credit risk (continued)

Credit quality per class of financial assets (continued)

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

The Group holds mortgages over property, registered securities and guarantees as collateral within the following classes:	Consolidated and Separate 2022 MKm	2021 MKm
Consumer and High Net Worth and Business and Commercial Clients		
- Mortgage lending	**15,818**	12,405
- Installment sales and finance leases	**29,372**	23,180
- Other loans and advances and off-balance sheet items	**105,693**	75,116
Corporate and Investment Banking		
- Corporate lending and off-balance sheet items	**192,643**	143,012
	343,526	253,713
Collateral demanded		
Residential property	**119**	1,751
Commercial property	**1,459**	6,143
Vehicle and asset finance	**184**	160
Other (machinery)	**-**	433
	1,762	8,487

Collateral includes:

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

The Group's collateral valuation guidelines outline general requirements covering the valuation of collateral received to mitigate credit risk, specifically related to non-trading limits and exposures and are designed to facilitate a consistent valuation approach to Banking Book Collateral. Credit assessments focus on appropriateness, suitability and recovery of assets proposed and held as collateral. Collateral is regularly verified and treated as a potential loss given default mitigant when there is satisfaction on its value and the Group's legal right to take control and realise such collateral to offset exposures. As at 31 December 2022, guarantees dominated the collateral portfolio in CIB and property in CHNW and BCC.

The unsecured loans and advances in CHNW and BCC were comprised mostly of the personal loan segment.

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

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

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

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

Consolidated	Note	At 31 December 2022 Carrying amount MKm	Offset MKm	Net exposure to credit risk MKm
Cash and balances held with the Central Bank	8	**56,385**	**-**	**56,385**
Derivative assets	9	**1,467**	**-**	**1,467**
Trading assets	11	**120**	**-**	**120**
Pledged assets	12	**-**	**-**	**-**
Loans and advances to banks	13	**131,454**	**-**	**131,454**
Loans and advances to customers	14	**235,845**	**(884)**	**234,961**
Financial investments	15	**352,534**	**-**	**352,534**
Other assets	17	**1,692**	**-**	**1,692**
		779,497	**(884)**	**778,613**

4. Risk management (Continued)

(b) Credit risk (continued)

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

At 31 December 2021

Consolidated	Note	Carrying amount MKm	Offset MKm	Net exposure to credit risk MKm
Cash and balances held with the Central Bank	8	41,407	-	41,407
Derivative assets	9	232	-	232
Trading assets	11	18,376	-	18,376
Pledged assets	12	40,599	-	40,599
Loans and advances to banks	13	96,491	-	96,491
Loans and advances to customers	14	206,524	(320)	206,204
Financial investments	15	177,583	-	177,583
Other assets	17	4,306	-	4,306
		585,518	(320)	585,198

At 31 December 2022

Separate	Note	Carrying amount MKm	Offset MKm	Net exposure to credit risk MKm
Cash and balances held with the Central Bank	8	**56,199**	**-**	**56,199**
Derivative assets	9	**1,467**	**-**	**1,467**
Trading assets	11	**120**	**-**	**120**
Pledged assets	12	**-**	**-**	**-**
Loans and advances to banks	13	**131,189**	**-**	**131,189**
Loans and advances to customers	14	**235,845**	**(884)**	**234,961**
Financial investments	15	**352,534**	**-**	**352,534**
Other assets	17	**1,732**	**-**	**1,732**
		779,086	**(884)**	**778,202**

At 31 December 2021

Separate	Note	Carrying amount MKm	Offset MKm	Net exposure to credit risk MKm
Cash and balances held with the Central Bank	8	41,342	-	41,342
Derivative assets	9	232	-	232
Trading assets	11	18,376	-	18,376
Pledged assets	12	40,599	-	40,599
Loans and advances to banks	13	96,464	-	96,464
Loans and advances to customers	14	206,524	(320)	206,204
Financial investments	15	177,583	-	177,583
Other assets	17	4,323	-	4,323
		585,443	(320)	585,123

Impaired loans and advances to customers

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

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

	Consolidated and Separate	
	2022 MKm	2021 MKm
Impaired loans and advances to customers at 1 January	**4,214**	2,255
Classified as impaired during the year	**5,562**	4,021
Transferred to not impaired during the year	**(973)**	(826)
Amount written off	**(2,347)**	(1,236)
Impaired loans and advances to customers at 31 December	**6,456**	4,214

4. Risk management (Continued)

(b) Credit risk (continued)

Credit portfolio characteristics and metrics in terms of IFRS 9

Default

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

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

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

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

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

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

		Consolidated and Separate	
Loans and advances to customers		**2022**	2021
	Note	**MKm**	MKm
Segmental analysis – industry			
Agriculture		**63,029**	40,765
Construction		**9,043**	7,713
Energy		**5,252**	3,440
Finance, real estate and other business services		**6,367**	5,562
Individuals, community, social and personal services		**100,047**	94,286
Manufacturing		**9,394**	21,035
Transport, storage and communication		**31,422**	21,743
Wholesale		**25,674**	22,072
	14	**250,228**	216,616

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

	Consolidated and Separate	
	2022	2021
Agriculture	**25%**	19%
Construction	**3%**	3%
Energy	**2%**	2%
Finance, real estate and other business services	**3%**	3%
Individuals, community, social and personal services	**40%**	43%
Manufacturing	**4%**	10%
Transport, storage and communication	**13%**	10%
Wholesale	**10%**	10%
	100%	100%

4. Risk management (Continued)

(b) Credit risk (continued)

Industry segmental analysis for stage 3 loans and advances to customers

	Consolidated and Separate	
	2022	2021
	MKm	MKm
Agriculture	**25**	156
Construction	**214**	98
Energy	**-**	-
Finance, real estate and other business services	**1**	7
Individuals, community, social and personal services	**5,406**	3,551
Manufacturing	**-**	24
Mining	**-**	-
Transport, storage and communication	**170**	23
Wholesale	**640**	355
	6,456	4,214

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

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

(c) Liquidity risk

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

Management of liquidity risk

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

Structural liquidity risk management

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

Maturity analysis of financial liabilities by contractual maturity

The table below analyses financial assets and liabilities into relevant maturity rankings based on the remaining period at 31 December 2022 to the contractual maturity date on a discounted basis.

At 31 December 2022		Up to 1 month	1-3 months	3-12 months	Over 1 Year	Undated	Total
Consolidated	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Assets							
Cash and balances held with the Central Bank	8	**56,385**	**-**	**-**	**-**	**-**	**56,385**
Derivative assets	9	**592**	**695**	**180**	**-**	**-**	**1,467**
Trading assets	11	**117**	**-**	**3**	**-**	**-**	**120**
Pledged assets	12	**-**	**-**	**-**	**-**	**-**	**-**
Gross loans and advances to banks	13	**131,460**	**-**	**-**	**-**	**-**	**131,460**
Gross loans and advances to customers	14	**23,204**	**45,745**	**38,917**	**142,362**	**-**	**250,228**
Gross financial iInvestments	15	**32,009**	**85,598**	**94,608**	**142,416**	**111**	**354,742**
Other assets	17	**1,692**	**-**	**-**	**-**	**-**	**1,692**
Total assets		**245,459**	**132,038**	**133,708**	**284,778**	**111**	**796,094**

4. Risk management (Continued)

(c) Liquidity risk (continued)

At 31 December 2022 Consolidated	Note	Up to 1 month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Undated MKm	Total MKm
Liabilities							
Derivative liabilities	9	**218**	-	-	-	-	**218**
Deposits and loans from banks	21	**20,962**	-	-	-	-	**20,962**
Deposits from customers	22	**560,336**	**31,351**	**1,283**	**36**	-	**593,006**
Other liabilities	23	**37,613**	**53**	**239**	**162**	-	**38,067**
Total liabilities		**619,129**	**31,404**	**1,522**	**198**	-	**652,253**
On balance sheet liquidity gap		**(373,670)**	**100,634**	**132,186**	**284,580**	**111**	**143,841**
Off balance sheet exposures							
Letters of credit and guarantees	40	**18,024**	**22,541**	**71,610**	**24,307**	-	**136,482**
Unutilised loan commitments	40	**12**	-	**143**	-	-	**155**
Total off balance sheet exposures		**18,036**	**22,541**	**71,753**	**24,307**	-	**136,637**
Total liquidity gap (on and off balance sheet)		**(391,706)**	**78,093**	**60,433**	**260,273**	**111**	**7,204**

At 31 December 2021 Consolidated	Note	Up to 1 month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Undated MKm	Total MKm
Assets							
Cash and balances held with the Central Bank	8	41,407	-	-	-	-	41,407
Derivative assets	9	146	86	-	-	-	232
Trading assets	11	6,858	17	11,501	-	-	18,376
Pledged assets	12	-	19,808	-	20,791	-	40,599
Gross loans and advances to banks	13	88,300	8,194	-	-	-	96,494
Gross loans and advances to customers	14	31,329	31,975	31,955	121,357	-	216,616
Gross financial investments	15	22,420	27,600	40,081	88,052	30	178,183
Other assets	17	4,306	-	-	-	-	4,306
Total assets		194,766	87,680	83,537	230,200	30	596,213
Liabilities							
Derivative liabilities	9	54	8	-	-	-	62
Deposits and loans from banks	21	56,070	3,326	-	-	-	59,396
Deposits from customers	22	373,291	27,285	1,420	20	-	402,016
Other liabilities	23	26,597	54	219	264	-	27,134
Total liabilities		456,012	30,673	1,639	284	-	488,608
On balance sheet liquidity gap		(261,246)	57,007	81,898	229,916	30	107,605
Off balance sheet exposures							
Letters of credit and guarantees	40	5,485	17,912	54,826	25,349	-	103,572
Unutilised loan commitments	40	-	1,560	6,608	5,799	-	13,967
Total off balance sheet exposures		5,485	19,472	61,434	31,148	-	117,539
Total liquidity gap (on and off balance sheet)		(266,731)	37,535	20,464	198,768	30	(9,934)

4. Risk management (Continued)

(c) Liquidity risk (continued)

At 31 December 2022		Up to 1 month	1-3 months	3 -12 months	Over 1 Year	Undated	Total
Separate	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Assets							
Cash and balances held with the Central Bank	8	56,199	-	-	-	-	56,199
Derivative assets	9	592	695	180	-	-	1,467
Trading assets	11	117	-	3	-	-	120
Pledged assets	12	-	-	-	-	-	-
Gross loans and advances to banks	13	131,195	-	-	-	-	131,195
Gross loans and advances to customers	14	23,204	45,745	38,917	142,362	-	250,228
Gross financial investments	15	32,009	85,598	94,608	142,416	111	354,742
Other assets	17	1,732	-	-	-	-	1,732
Total assets		245,048	132,038	133,708	284,778	111	795,683
Liabilities							
Derivative liabilities	9	218	-	-	-	-	218
Deposits and loans from banks	21	20,962	-	-	-	-	20,962
Deposits from customers	22	565,083	31,351	1,283	36	-	597,753
Other liabilities	23	37,608	53	239	162	-	38,062
Total liabilities		623,871	31,404	1,522	198	-	656,995
On balance sheet liquidity gap		(378,823)	100,634	132,186	284,580	111	138,688
Off balance sheet exposures							
Letters of credit and guarantees	40	18,024	22,541	71,610	24,307	-	136,482
Unutilised loan commitments	40	12	-	143	-	-	155
Total off balance sheet exposures		18,036	22,541	71,753	24,307	-	136,637
Total liquidity gap (on and off balance sheet)		(396,859)	78,093	60,433	260,273	111	2,051

4. Risk management (Continued)

(c) Liquidity risk (continued)

At 31 December 2021		Up to 1 month	1-3 months	3 -12 months	Over 1 Year	Undated	Total
Separate	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Assets							
Cash and balances held with the Central Bank	8	41,342	-	-	-	-	41,342
Derivative assets	9	146	86	-	-	-	232
Trading assets	11	6,858	17	11,501	-	-	18,376
Pledged assets	12	-	19,808	-	20,791	-	40,599
Gross loans and advances to banks	13	88,274	8,193	-	-	-	96,467
Gross loans and advances to customers	14	31,329	31,975	31,955	121,357	-	216,616
Gross financial investments	15	22,420	27,600	40,081	88,052	30	178,183
Other assets	17	4,323	-	-	-	-	4,323
Total assets		194,692	87,679	83,537	230,200	30	596,138
Liabilities							
Derivative liabilities	9	54	8	-	-	-	62
Deposits and loans from banks	21	56,070	3,326	-	-	-	59,396
Deposits from customers	22	377,580	27,285	1,420	20	-	406,305
Other liabilities	23	26,591	54	219	264	-	27,128
Total liabilities		460,295	30,673	1,639	284	-	492,891
On balance sheet liquidity gap		(265,603)	57,006	81,898	229,916	30	103,247
Off balance sheet exposures							
Letters of credit and guarantees	40	5,485	17,912	54,826	25,349	-	103,572
Unutilised loan commitments	40	-	1,560	6,608	5,799	-	13,967
Total off balance sheet exposures		5,485	19,472	61,434	31,148	-	117,539
Total liquidity gap (on and off balance sheet)		(271,088)	37,534	20,464	198,768	30	(14,292)

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

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

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

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

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2022		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing over 1 year	Undated	Gross nominal inflow/(outflow)	Carrying amount
Consolidated	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Non-derivative financial assets									
Cash and balances held with the Central Bank	8	**56,385**	-	-	-	-	-	**56,385**	**56,385**
Trading assets	11	-	**117**	**3**	-	-	-	**120**	**120**
Pledged assets	12	-	-	-	-	-	-	-	-
Gross loans and advances to banks	13	**58,357**	**73,309**	-	-	-	-	**131,666**	**131,454**
Gross loans and advances to customers	14	**8,710**	**28,059**	**90,907**	**20,375**	**147,129**	-	**295,180**	**235,845**
Gross financial investments	15	-	**32,041**	**140,900**	**46,471**	**151,031**	**111**	**370,554**	**352,645**
Other assets	17	-	**1,692**	-	-	-	-	**1,692**	**1,692**
Non-derivative financial liabilities									
Deposits and loans from banks	21	**(19,189)**	**(1,797)**	-	-	-	-	**(20,986)**	**(20,962)**
Deposits from customers	22	**(495,824)**	**(75,036)**	**(32,207)**	**(766)**	**(43)**	-	**(603,876)**	**(593,006)**
Other liabilities	23	-	**(37,613)**	**(133)**	**(159)**	**(162)**	-	**(38,067)**	**(38,067)**
Off balance sheet exposures									
Letters of credit and guarantees	40	-	**(18,024)**	**(38,708)**	**(55,443)**	**(24,307)**	-	**(136,482)**	**(136,482)**
Unutilised loan commitments	40	-	**(12)**	-	**(143)**	-	-	**(155)**	**(155)**
Total non-derivative financial instruments		**(391,561)**	**2,736**	**160,762**	**10,335**	**273,648**	**111**	**56,031**	**(10,531)**

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2022		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Gross nominal inflow/(outflow)	Carrying amount
Consolidated	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Derivative financial assets							
Derivative assets							
Trading:	9	-	-	-	-	-	1,467
Inflow		-	11,877	11,212	7,000	30,089	-
Outflow		-	(12,299)	(10,481)	(6,991)	(29,771)	-
Derivatives liabilities							
Trading:	9	-	-	-	-	-	(218)
Inflow		-	9,460	-	-	9,460	-
Outflow		-	(9,536)	-	-	(9,536)	-
Total derivative financial instruments		-	(498)	731	9	242	1,249

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2021		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing over 1 year	Undated	Gross nominal inflow/(outflow)	Carrying amount
Consolidated	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Non-derivative financial assets									
Cash and balances held with the Central Bank	8	41,407	-	-	-	-	-	41,407	41,407
Trading assets	11	-	7,036	18	13,000	-	-	20,054	18,376
Pledged assets	12	-	-	19,255	-	26,000	-	45,255	40,599
Gross loans and advances to banks	13	71,908	16,391	8,201	-	-	-	96,500	96,491
Gross loans and advances to customers	14	16,515	15,060	48,804	18,244	170,761	-	269,384	206,524
Gross financial investments	15	-	22,514	39,114	31,188	93,023	30	185,869	177,613
Other assets	17	-	4,306	-	-	-	-	4,306	4,306
Non-derivative financial liabilities									
Deposits and loans from banks	21	(52,712)	(3,357)	(3,327)	-	-	-	(59,396)	(59,396)
Deposits from customers	22	(373,292)	(24,473)	(3,325)	(1,083)	(21)	-	(402,194)	(402,016)
Other liabilities	23	-	(26,507)	(171)	(155)	(301)	-	(27,134)	(27,134)
Off balance sheet exposures									
Letters of credit and guarantees	40	-	(16,232)	(46,651)	(15,340)	(25,349)	-	(103,572)	(103,572)
Unutilised loan commitments	40	-	-	(2,399)	(5,770)	(5,798)	-	(13,967)	(13,967)
Total non-derivative financial instruments		(296,174)	(5,262)	59,519	40,084	258,315	30	56,512	(20,769)

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2021		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Gross nominal inflow/(outflow)	Carrying amount
Consolidated	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Derivative financial assets							
Derivative assets							
Trading:	9	-	-	-	-	-	232
Inflow		-	9,145	4,273	-	13,418	-
Outflow		-	(9,272)	(4,293)	-	(13,565)	-
Derivatives liabilities							
Trading:	9	-	-	-	-	-	(62)
Inflow		-	4,403	9,159	-	13,562	-
Outflow		-	(4,464)	(9,281)	-	(13,745)	-
Total derivative financial instruments		-	(188)	(142)	-	(330)	170

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2022		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing over 1 year	Undated	Gross nominal inflow/(outflow)	Carrying amount
Separate	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Non-derivative financial assets									
Cash and balances held with the Central Bank	8	**56,199**	**-**	**-**	**-**	**-**	**-**	**56,199**	**56,199**
Trading assets	11	**-**	**117**	**3**	**-**	**-**	**-**	**120**	**120**
Pledged assets	12	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross loans and advances to banks	13	**58,092**	**73,309**	**-**	**-**	**-**	**-**	**131,401**	**131,189**
Gross loans and advances to customers	14	**8,710**	**28,059**	**90,907**	**20,375**	**147,129**	**-**	**295,180**	**235,845**
Gross financial investments	15	**-**	**32,041**	**140,900**	**46,471**	**151,031**	**111**	**370,554**	**352,645**
Other assets	17	**-**	**1,732**	**-**	**-**	**-**	**-**	**1,732**	**1,732**
Non-derivative financial liabilities									
Deposits and loans from banks	21	**(19,189)**	**(1,797)**	**-**	**-**	**-**	**-**	**(20,986)**	**(20,962)**
Deposits from customers	22	**(500,571)**	**(75,036)**	**(32,207)**	**(766)**	**(43)**	**-**	**(608,623)**	**(597,753)**
Other liabilities	23	**-**	**(37,608)**	**(133)**	**(159)**	**(162)**	**-**	**(38,062)**	**(38,062)**
Off balance sheet exposures									
Letters of credit and guarantees	40	**-**	**(18,024)**	**(38,708)**	**(55,443)**	**(24,307)**	**-**	**(136,482)**	**(136,482)**
Unutilised loan commitments	40	**-**	**(12)**	**-**	**(143)**	**-**	**-**	**(155)**	**(155)**
Total non-derivative financial instruments		**(396,759)**	**2,781**	**160,762**	**10,335**	**273,648**	**111**	**50,878**	**(15,684)**

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2022		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Gross nominal inflow/(outflow)	Carrying amount
Separate	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Derivative financial assets							
Derivative assets							
Trading:	9	-	-	-	-	-	1,467
Inflow		-	11,877	11,212	7,000	30,089	-
Outflow		-	(12,299)	(10,481)	(6,991)	(29,771)	-
Derivatives liabilities							
Trading:	9	-	-	-	-	-	(218)
Inflow		-	9,460	-	-	9,460	-
Outflow		-	(9,536)	-	-	(9,536)	-
Total derivative financial instruments		-	(498)	731	9	242	1,249

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2021		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing over 1 year	Undated	Gross nominal inflow/(outflow)	Carrying amount
Separate	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Non-derivative financial assets									
Cash and balances held with the Central Bank	8	41,342	-	-	-	-	-	41,342	41,342
Trading assets	11	-	7,036	18	13,000	-	-	20,054	18,376
Pledged assets	12	-	-	19,255	-	26,000	-	45,255	40,599
Gross loans and advances to banks	13	71,881	16,391	8,201	-	-	-	96,473	96,464
Gross loans and advances to customers	14	16,515	15,060	48,804	18,244	170,761	-	269,384	206,524
Gross financial investments	15	-	22,514	39,114	31,188	93,023	30	185,869	177,613
Other assets	17	-	4,323	-	-	-	-	4,323	4,323
Non-derivative financial liabilities									
Deposits and loans from banks	21	(52,712)	(3,357)	(3,327)	-	-	-	(59,396)	(59,396)
Deposits from customers	22	(377,579)	(24,473)	(3,325)	(1,083)	(21)	-	(406,481)	(406,305)
Other liabilities	23	-	(26,501)	(171)	(155)	(301)	-	(27,128)	(27,128)
Off balance sheet exposures									
Letters of credit and guarantees	40	-	(16,232)	(46,651)	(15,340)	(25,349)	-	(103,572)	(103,572)
Unutilised loan commitments	40	-	-	(2,399)	(5,770)	(5,798)	-	(13,967)	(13,967)
Total non-derivative financial instruments		(300,553)	(5,239)	59,519	40,084	258,315	30	52,156	(25,127)

4. Risk management (Continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

At 31 December 2021		Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Gross nominal inflow/(outflow)	Carrying amount
Separate	**Note**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Derivative financial assets							
Derivative assets							
Trading:	9	-	-	-	-	-	232
Inflow		-	9,145	4,273	-	13,418	
Outflow		-	(9,272)	(4,293)	-	(13,565)	
Derivatives liabilities							
Trading:	9	-	-	-	-	-	(62)
Inflow		-	4,403	9,159	-	13,562	
Outflow		-	(4,464)	(9,281)	-	(13,745)	
Total derivative financial instruments		-	(188)	(142)	-	(330)	170

4. Risk management (Continued)

(d) Market risk

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

Management of market risks

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

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

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

Exposure to market risks – Trading portfolios

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

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

- A 95% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 5% probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature;
- The VaR measure is dependent upon the Group's position and the volatility of market prices; and
- The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

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

(i) Exposure to market risk – Value at Risk

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

Diversified normal VaR exposures (USD'000)

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

Desk name	High	Min	Average	31-Dec-21	Limit
Bank wide	153	59	64	153	323
Forex trading	153	59	53	153	201
Money markets trading	63	1	12	2	166

Stress tests

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

4. Risk management (Continued)

(d) Market risk (continued)

Diversified Stress VaR exposures (USD'000)

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

Desk name	High	Min	Average	31-Dec-21	Limit
Bank wide *	1,835	28	908	856	3,747
Forex trading	661	4	243	661	3,040
Money markets trading	1,831	7	400	848	870

* combined represents VAR for forex trading and money markets trading

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

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

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

Sensitivity analysis for each type of market risk

Interest rate risk

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

Consolidated and separate	Increase/(decrease) in basis points	Sensitivity of net interest income MKm
2022		
	350	**4,841**
	(350)	**(5,537)**

Consolidated and separate		
2021		
	350	5,305
	(350)	(4,862)

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

Consolidated and separate	Increase/(decrease) in basis points	Sensitivity of equity MKm
2022		
	350	**(10)**
	(350)	**10**

Consolidated and separate		
2021		
	350	(770)
	(350)	770

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

4. Risk management (Continued)

(d) Market risk (continued)

Interest rate gap analysis

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

Consolidated At 31 December 2022	Note	Up to 1 Month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Non rate sensitive MKm	Total MKm
Assets							
Pledged assets	12	-	-	-	-	-	-
Gross loans and advances to banks	13	110,454	20,739	-	-	267	131,460
Gross loans and advances to customers	14	237,808	-	-	-	12,420	250,228
Gross financial investments	15	29,345	79,061	89,164	130,341	26,831	354,742
Total assets		377,607	99,800	89,164	130,341	39,518	736,430
Liabilities							
Deposits and loans from banks	21	6,982	-	-	1,772	12,208	20,962
Deposits from customers	22	305,162	29,942	-	6	257,896	593,006
Total liabilities		312,144	29,942	-	1,778	270,104	613,968
Interest sensitivity gap		65,463	69,858	89,164	128,563	(230,586)	122,462

Consolidated At 31 December 2021	Note	Up to 1 Month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Non rate sensitive MKm	Total MKm
Assets							
Pledged assets	12	-	19,808	-	20,791	-	40,599
Gross loans and advances to banks	13	87,693	8,197	-	-	604	96,494
Gross loans and advances to customers	14	207,862	3,327	-	-	5,427	216,616
Gross financial investments	15	54,733	23,373	84,003	1,854	14,220	178,183
Total assets		350,288	54,705	84,003	22,645	20,251	531,892
Liabilities							
Deposits and loans from banks	21	57,652	-	-	-	1,744	59,396
Deposits from customers	22	208,930	1,285	1,635	8	190,158	402,016
Total liabilities		266,582	1,285	1,635	8	191,902	461,412
Interest sensitivity gap		83,706	53,420	82,368	22,637	(171,651)	70,480

Separate At 31 December 2022	Note	Up to 1 Month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Non rate sensitive MKm	Total MKm
Assets							
Pledged assets	12	-	-	-	-	-	-
Gross loans and advances to banks	13	110,454	20,739	-	-	2	131,195
Gross loans and advances to customers	14	237 808	-	-	-	12,420	250,228
Gross financial investments	15	29,345	79,061	89,164	130,341	26,831	354,742
Total assets		377,607	99,800	89,164	130,341	39,253	736,165
Liabilities							
Deposits and loans from banks	21	6,982	-	-	1,772	12,208	20,962
Deposits from customers	22	308,629	29,942	-	6	259,176	597,753
Total liabilities		315,611	29,942	-	1,778	271,384	618,715
Interest sensitivity gap		61,996	69,858	89,164	128,563	(232,131)	117,450

Separate At 31 December 2021	Note	Up to 1 Month MKm	1-3 months MKm	3-12 months MKm	Over 1 Year MKm	Non rate sensitive MKm	Total MKm
Assets							
Pledged assets	12	-	19,808	-	20,791	-	40,599
Gross loans and advances to banks	13	87,666	8,197	-	-	604	96,467
Gross loans and advances to customers	14	207,862	3,327	-	-	5,427	216,616
Gross financial investments	15	54,733	23,373	84,003	1,854	14,220	178,183
Total assets		350,261	54,705	84,003	22,645	20,251	531,865
Liabilities							
Deposits and loans from banks	21	57,652	-	-	-	1,744	59,396
Deposits from customers	22	213,217	1,285	1,635	9	190,159	406,305
Total liabilities		270,869	1,285	1,635	9	191,903	465,701
Interest sensitivity gap		79,392	53,420	82,368	22,636	(171,652)	66,164

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

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

4. Risk management (Continued)

(e) Currency risk

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

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

Consolidated

At 31 December 2022	USD	GBP	Euro	ZAR	Total
Assets					
Cash and balances held with the Central Bank	3,453	26	55	11	3,545
Loans and advances to banks	30,550	3,169	14,181	9,981	57,881
Loans and advances to customers	38,694	-	2,750	-	41,444
Other assets	493	121	109	3,255	3,978
Derivative assets	77,454	-	-	-	77,454
Total assets	150,644	3,316	17,095	13,247	184,302
Liabilities					
Deposits and loans from banks	9,009	-	2,034	926	11,969
Deposits from customers	93,613	2,891	13,273	634	110,411
Other liabilities	37,567	389	1,720	11,608	51,284
Derivative liabilities	-	-	-	-	-
Total liabilities	140,189	3,280	17,027	13,168	173,664
Net position	10,455	36	68	79	10,638

Consolidated

At 31 December 2021	USD	GBP	Euro	ZAR	Total
Assets					
Cash and balances held with the Central Bank	3,775	19	64	983	4,841
Loans and advances to banks	53,262	1,882	8,324	6,084	69,552
Loans and advances to customers	26,462	-	-	-	26,462
Other assets	247	-	-	4,054	4,301
Derivative assets	31,569	-	-	-	31,569
Total assets	115,315	1,901	8,388	11,121	136,725
Liabilities					
Deposits and loans from banks	154	-	-	7	161
Deposits from customers	90,471	1,682	6,918	702	99,773
Other liabilities	17,318	112	1,225	10,396	29,051
Derivative liabilities	-	-	-	-	-
Total liabilities	107,943	1,794	8,143	11,105	128,985
Net position	7,372	107	245	16	7,740

Separate

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

4. Risk management (Continued)

(e) Currency risk (continued)

Separate

At 31 December 2021	USD	GBP	Euro	ZAR	Total
Assets					
Cash and balances held with the Central Bank	3,772	15	57	983	4,827
Loans and advances to banks	53,262	1,882	8,318	6,084	69,546
Loans and advances to customers	26,462	-	-	-	26,462
Other assets	247	-	-	4,054	4,301
Derivative assets	31,569	-	-	-	31,569
Total assets	115,312	1,897	8,375	11,121	136,705
Liabilities					
Deposits and loans from banks	154	-	-	7	161
Deposits from customers	90,666	1,707	6,937	703	100,013
Other liabilities	17,318	112	1,225	10,396	29,051
Derivative liabilities	-	-	-	-	-
Total liabilities	108,138	1,819	8,162	11,106	129,225
Net position	7,174	78	213	15	7,480

Foreign currency sensitivity analysis

The foreign currency risk sensitivity analysis below reflects the expected financial impact in Kwacha equivalent resulting from a **10%** (2021:10%) shock to foreign currency risk exposures, with respect to derivative financial instruments, foreign denominated balances and accruals.

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

All amounts expressed below are in millions of Malawi Kwacha.

Consolidated

At 31 December 2022	USD	GBP	Euro	ZAR	Total
Sensitivity					
Total net long/(short) position	**10,455**	**36**	**68**	**79**	**10,638**
Impact of 10% weakening of the Kwacha on profit or loss	**1,046**	**4**	**7**	**8**	**1,065**
Impact of 10% strengthening of the Kwacha on profit or loss	**(1,046)**	**(4)**	**(7)**	**(8)**	**(1,065)**

At 31 December 2021					
Sensitivity					
Total net long/(short) position	7,372	107	245	16	7,740
Impact of 10% weakening of the Kwacha on profit or loss	737	11	25	2	775
Impact of 10% strengthening of the Kwacha on profit or loss	(737)	(11)	(25)	(2)	(775)

4. Risk management (Continued)

(e) Currency risk (continued)

Separate

At 31 December 2022	USD	GBP	Euro	ZAR	Total
Sensitivity					
Total net long/(short) position	**9,518**	**8**	**4**	**74**	**9,604**
Impact of 10% weakening of the Kwacha on profit or loss	**952**	**1**	**-**	**7**	**960**
Impact of 10% strengthening of the Kwacha on profit or loss	**(952)**	**(1)**	**-**	**(7)**	**(960)**
At 31 December 2021					
Sensitivity					
Total net long/(short) position	7,174	78	213	15	7,480
Impact of 10% weakening of the Kwacha on profit or loss	717	8	21	2	748
Impact of 10% strengthening of the Kwacha on profit or loss	(717)	(8)	(21)	(2)	(748)

(f) Operational risks

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

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

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

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

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

(g) Compliance risk

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

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

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

(1) Statutory requirements

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

(i) Liquidity reserve requirement

The Group is required to maintain a liquidity reserve amount with the Reserve Bank of Malawi, in cash and/or with registered discount houses, calculated on a biweekly basis, of not less than **3.75%** of local and foreign currency deposits (2021: 3.75% of local currency deposits and foreign currency deposits) of the preceding two weeks' average total deposit liabilities. The Group complied with the liquidity reserve requirement in 2022. In the last two weeks of December 2022, the liquidity reserve was **6.02%** (2021: 4.4%) of average customer deposits.

(ii) Capital adequacy requirement

The Group's available capital is required to be a minimum of **15%** (2021: 15%) of risk weighted assets and contingent liabilities. As at 31 December 2022, the Group's available capital was **23.12%** (2021: 22.36%) of its risk weighted assets and contingent liabilities. The Group has complied with this requirement during the year.

4. Risk management (Continued)

(g) Compliance risk (continued)

(1) Statutory requirements (continued)

(iii) Expected credit losses

Expected credit losses in accordance with Reserve Bank of Malawi guidelines amounts to **MK16.7 billion** (2021: MK10.9 billion). The amount of expected credit losses (including interest in suspense) included in the consolidated and separate financial statements in accordance with IFRS 9 is **MK16.7 billion** (2021: MK10.9 billion).

(2) Prudential aspects of the Group's liquidity

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

(i) Liquidity ratio

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

The Group complied with the liquidity ratio requirements in 2022. At 31 December 2022, the Group's liquidity ratio was **45.13%** (2021: 41.48%).

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

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

(ii) Capital management

Reserve Bank of Malawi sets and monitors the capital requirements for the Group. In implementing current capital requirements, the Reserve Bank of Malawi requires the Group to maintain a minimum ratio of **15%** (2021:15%) of total capital to risk-weighted assets. The Group's regulatory capital is analysed in two parts:

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

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

The calculation of both the above ratios is shown below:

	2022 MKm	2021 MKm
Tier 1 capital		
Share capital and share premium	**8,726**	8,726
Retained earnings and other reserves	**115,550**	88,611
Total tier 1 capital	**124,276**	97,337
Tier 2 capital		
Revaluation reserve on property, loan loss reserve less 50% of investment in a subsidiary	**12,332**	10,654
Total tier 2 capital	**12,332**	10,654
Total regulatory capital	**136,608**	107,991
Risk weighted assets	**590,782**	482,986
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	**23.12%**	22.36%
Total Tier 1 capital expressed as a percentage of total risk weighted assets	**21.04%**	20.15%

The Group has complied with all capital management requirements during the year ended 31 December 2022.

5. Accounting estimates and judgements

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

Key sources of estimates and uncertainty

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

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

ECL measurement period

For the purpose of determining the ECL:

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

ECL measurement period

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

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

CHNW and BCC

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

The Group also determines an appropriate transfer rate of exposures from stage 1 to stage 2 by taking into account the expected levels of arrears status for similar exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR throughout the life of the exposure and consequently facilitate appropriate impairment coverage. Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

CIB

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

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

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

Incorporation of forward looking information in ECL measurement

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

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

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

Default

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

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

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

Write off policy

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

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

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

5. Accounting estimates and judgements (Continued)

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

Curing

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

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

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

A range of base, bullish and bearish forward-looking economic expectations were determined, as at 31 December 2022, for inclusion in the Group's forward-looking process and ECL calculation.

Expectations about the Malawi economy

Base Case

We retain our Gross Domestic Product (GDP) growth forecast at 1.8% year-on-year for 2022 and 3.0% year-on-year for 2023. A lower agricultural outturn combined with rising fertilizer prices, fertilizer supply disruptions and elevated inflation will crimp growth. The government's weak fiscal position will also curtail government spending.

In July, the Ministry of Agriculture decreased expected maize production by 19% year-on-year for the 2022 harvest from 14% expected ealier in May. Production fell to 3.7m metric tonnes from 4.6m metric tonnes in the 2020/21 farming season due to drought, tropical cyclones and inadequate supply of subsidized fertilizer.

Though tobacco production is down nearly 20% year-on-year, prices stayed up throughout the market season, averaging USD2.14/kg. This may support export receipts, with the crop generating USD181.6m at the end of week 19 of 2022.

The foreign exchange rate trading regulations should support the currency's stability. However, via negotiations with the sovereign for an International Monetary Fund (IMF) programme, the IMF seems supportive of a more flexible exchange rate. Notwithstanding the adjustment in the foreign exchange rate, there is little improvement in onshore foreign exchange rate liquidity conditions.

Maize prices are a major contributor to food inflation. Typically, maize prices rise ahead of the harvesting season, but start falling in April when maize supply improves. Notwithstanding the sharp decline in maize production during the 2022 harvest season compared to the national requirement of 3.1m metric tonnes, it still represents a surplus of 0.6m metric tonnes. However, maize supply across the country is uneven, which has kept maize prices elevated.

The government's fiscal consolidation plans will be core to the sovereign debt restructuring initiative. While we understand that the sovereign has engaged with advisors, the timelines around debt restructuring remain unclear.

Bull case

Our bull case sees a stronger economic recovery with GDP growth averaging 5.1% year-on-year during 2022-2025, topping the decade average of 4.15% year-on-year. The government makes progress on an IMF programme with increasing donor inflows encouraging higher economic growth.

Current transfers support an improvement in the balance of payment position. This, combined with higher external borrowings would boost foreign exchange rate reserves. Ample exchange rate reserves would allow the Reserve Bank of Malawi (RBM) scope to supply the onshore market with exchange rate, maintaining a liquid market.

The trajectory of inflation is lower than the base case. Non-food inflation is contained, this is a function of the more stable exchange rate compared to base and ample food supply.

As the economy recovers and the output gaps narrows, this emboldens the Monetary Policy Committee in 2023 to cut the policy rate.

The stronger economic recovery in this scenario supports an improvement in public finances.

Bear case

Our bear case models further shocks stemming from any pandemic resurgence and conflict in Ukraine is assumed to drag on for some time with further upward pressure on food and energy prices.

Uncertainty related to the sovereign's debt restructuring plans may also retard gross capital formation should the sovereign fail to secure financing for projects. Protracted negotiations with the IMF may also stall multilateral financing and donor support.

Scope for countercyclical fiscal policy to support the economy is limited by the lack of fiscal space. The deterioration in public finances continue. Moreover, developmental aid and the loans, including the IMF loans stalls.

Onshore foreign exchange rate liquidity conditions deteriorates and strong upside pressure on the currency develops. The trajectory of inflation is higher than the base case. A higher pace of currency depreciation feeds into headline inflation, with food inflation on the rise as the pandemic disrupts food supply.

With inflation well-above the RBM's medium-term target and the exchange rate rising, the Monetary Policy Committee increases the policy rate. The higher policy rate also weighs on the recovery. That said, the second-round inflationary pressures arising from these fuel price hikes may prove long-lasting. Though the exchange rate has adjusted, further unexpected shifts pose an upside risk to non-food inflation.

Main macroeconomic factors

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

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

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

5. Accounting estimates and judgements (Continued)

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

Main macroeconomic factors (continued)

2021 Macroeconomic factors	Base scenario Next 12 months	Base scenario Remaining forecast period	Bearish scenario Next 12 months	Bearish scenario Remaining forecast period	Bullish scenario Next 12 months	Bullish scenario Remaining forecast period
Inflation rate	10.05	8.45	16.25	10.90	9.80	8.41
Policy rate	12.00	11.08	13.00	12.50	12.00	10.58
3 month treasury bill rate	9.69	8.29	12.14	11.23	9.31	7.77
6 month treasury bill rate	12.52	11.64	15.54	14.35	12.71	11.17
Exchange rate	896.24	1011.87	920.02	1091.77	876.24	988.12
Real GDP	4.20	5.47	2.20	3.77	4.90	5.95

1 The remaining forecast period is 2023 to 2025
2 2021 - The scenario weighing is: Base at 50%, Bull at 15% and Bear at 35%
3 2020 - The scenario weighing is: Base at 50%, Bull at 15% and Bear at 35%

Sensitivity analysis of CIB forward-looking impact on ECL provision

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

Rating reviews of each client are performed at least annually, and this process entails credit analysts completing a credit scorecard and incorporating forward-looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting provision for the individual client. Therefore, the impact of forward-looking economic conditions is embedded into the total provision for each client and cannot be stressed or separated out of the overall provision.

Sensitivity analysis of CHNW and BCC allowances for credit losses on non-impaired loans

The following table shows a comparison of the Group's allowances for credit losses on non-impaired exposures under IFRS 9 as at 31 December 2022 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

	2022 Change of total CHNW and BCC provisions on loans and advances MKm	2022 %	2021 Change of total CHNW and BCC provisions on loans and advances MKm	2021 %
Forward looking impact on IFRS 9 provision	**2,612**		579	
Scenarios				
100% Base	**2,407**	**(8%)**	396	(2%)
100% Bear	**3,142**	**20%**	1,001	5%
100% Bull	**1,708**	**(35%)**	360	3%

(ii) Determining fair values

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

(iii) Current and deferred tax

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

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

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

(iv) Provisions

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

Provisions for legal claims

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

(v) Computer software intangible assets

The Group review assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amounts. The review and testing of assets for impairment

5. Accounting estimates and judgements (Continued)

(v) Computer software intangible assets (continued)

inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

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

During the 2022 financial year, the Group conducted an impairment test in line with IAS 36 Impairment of Assets. The intangible assets were tested for impairment and there were no indications of impairment. Therefore, the computer software assets' recoverable values were determined to be equal to their carrying values.

6. Segment reporting

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

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

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

The Group comprises the following main operating segments:

(i) Corporate and Investment Banking (CIB)

Includes the Group's trading and corporate finance activities, central treasury, loans, deposits and other transactions and balances with corporate customers:

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

(ii) Consumer and High Net Worth clients (CHNW)

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

(iii) Business and Commercial clients (BCC)

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

(iv) Treasury and Capital Management (TCM)

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

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

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

(v) Client segments

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

Operating segments

	CIB		CHNW & BCC		TCM		Total	
Consolidated	**2022 MKm**	2021 MKm	**2022 MKm**	2021 MKm	**2022 MKm**	2021 MKm	**2022 MKm**	2021 MKm
Interest income	**56,607**	36,998	**28,386**	21,796	**304**	470	**85,297**	59,264
Interest expense	**(6,226)**	(6,038)	**(2,411)**	(1,748)	**(2)**	(5)	**(8,639)**	(7,791)
Net interest income	**50,381**	30,960	**25,975**	20,048	**302**	465	**76,658**	51,473
Funding income/ (expense)	**(11,459)**	(6,274)	**9,418**	4,552	**1,815**	778	**(226)**	(944)
Fee and Commission income	**5,446**	4,011	**17,333**	14,723	**(1)**	(105)	**22,778**	18,629
Fee and commission expense	**-**	-	**(3,390)**	(1,774)	**-**	(1)	**(3,390)**	(1,775)
Net fee and commission income	**5,446**	4,011	**13,943**	12,949	**(1)**	(106)	**19,388**	16,854
Trading income	**23,388**	21,929	**7,839**	1,277	**-**	-	**31,227**	23,206
Other operating income	**-**	2	**636**	45	**-**	-	**636**	47
Other gains and losses on financial instruments	**112**	-	**-**	-	**(2)**	-	**110**	-
Operating income	**67,868**	50,628	**57,811**	38,871	**2,114**	1,137	**127,793**	90,636
Credit impairment charges	**(1,671)**	(59)	**(5,451)**	(4,123)	**-**	(3)	**(7,122)**	(4,185)
Income after credit impairments	**66,197**	50,569	**52,360**	34,748	**2,114**	1,134	**120,671**	86,451

6. Segment reporting (Continued)

	CIB		CHNW &BCC		TCM		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Consolidated	**MKm**	MKm	**MKm**	MKm	**MKm**	MKm	**MKm**	MKm
Direct staff costs before allocation	**(3,471)**	(2,735)	**(9,533)**	(7,242)	**(1,089)**	(699)	**(14,093)**	(10,676)
Direct operating expenses before allocation	**(6,066)**	(7,719)	**(17,268)**	(14,371)	**2,716**	2,301	**(20,618)**	(19,789)
Other operating expenses from enabling functions	**(8,067)**	(4,135)	**(16,985)**	(11,555)	**-**	-	**(25,052)**	(15,690)
Total expenditure	**(17,604)**	(14,589)	**(43,786)**	(33,168)	**1,627**	1,602	**(59,763)**	(46,155)
Profit before income tax	**48,593**	35,980	**8,574**	1,580	**3,741**	2,736	**60,908**	40,296
Income tax expense	**(16,050)**	(13,380)	**(3,704)**	(1,143)	**(1,221)**	(873)	**(20,975)**	(15,396)
Profit for the year	**32,543**	22,600	**4,870**	437	**2,520**	1,863	**39,933**	24,900

	CIB		CHNW &BCC		TCM		Total	
Consolidated	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm	**MKm**	MKm	**MKm**	MKm
Assets								
Cash and balances held with the Central Bank	**42,592**	21,627	**9,208**	15,819	**-**	-	**51,800**	37,446
Derivative assets	**1,467**	232	**-**	-	**-**	-	**1,467**	232
Trading assets	**165**	18,421	**-**	-	**-**	-	**165**	18,421
Pledged assets	**-**	40,599	**-**	-	**-**	-	**-**	40,599
Loans and advances to banks	**126,396**	96,491	**5,058**	-	**-**	-	**131,454**	96,491
Loans and advances to customers	**91,939**	89,533	**143,906**	116,991	**-**	-	**235,845**	206,524
Financial investments	**352,383**	172,984	**-**	-	**262**	4,629	**352,645**	177,613
Other assets	**4,150**	1,561	**6,083**	3,282	**4,729**	1,529	**14,962**	6,372
Current and deferred tax assets	**1,959**	2,091	**1,663**	1,466	**-**	-	**3,622**	3,557
Property, equipment and right-of-use assets	**67**	148	**18,011**	15,029	**186**	238	**18,264**	15,415
Non-current assets held for sale	**-**	-	**584**	740	**-**	-	**584**	740
Intangible assets	**-**	-	**76**	113	**13,903**	15,379	**13,979**	15,492
Total assets	**621,118**	443,687	**184,589**	153,440	**19,080**	21,775	**824,787**	618,902
Liabilities								
Derivative liabilities	**218**	62	**-**	-	**-**	-	**218**	62
Deposits and loans from banks	**16,333**	56,803	**4,629**	2,593	**-**	-	**20,962**	59,396
Deposits from customers	**362,688**	216,107	**230,318**	185,909	**-**	-	**593,006**	402,016
Other liabilities and provisions	**25,459**	20,589	**7,928**	12,298	**5,311**	3,110	**38,698**	35,997
Current and deferred tax liabilities	**11,264**	8,650	**19,118**	5,932	**(2,702)**	(1,753)	**27,680**	12,829
Total liabilities	**415,962**	302,211	**261,993**	206,732	**2,609**	1,357	**680,564**	510,300

	CIB		CHNW &BCC		TCM		Total	
Consolidated	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm	**MKm**	MKm	**MKm**	MKm
Shareholders' equity								
Share capital and premium	**-**	-	**-**	-	**8,726**	8,726	**8,726**	8,726
Retained earnings and reserves	**38,056**	45,126	**55,506**	45,543	**45,665**	19,654	**139,227**	110,323
Funding	**167,100**	96,350	**(132,910)**	(98,835)	**(37,920)**	(7,962)	**(3,730)**	(10,447)
Total shareholders' equity	**205,156**	141,476	**(77,404)**	(53,292)	**16,471**	20,418	**144,223**	108,602
Total equity and liabilities	**621,118**	443,687	**184,589**	153,440	**19,080**	21,775	**824,787**	618,902

Reconciliation of information on reportable segments to IFRS measures

	2022	2021
Consolidated	**MKm**	MKm
(i) Revenues		
Total revenues for reportable segments	**127,793**	90,636
Interest expense	**(6)**	(17)
Interdepartmental funding income	**226**	944
Other (expense)/income	**(28)**	85
Consolidated revenue	**127,985**	91,648
(ii) Profit before tax		
Total profit for reportable segments	**60,908**	40,296
Unallocated amounts*	**(852)**	(172)
Consolidated profit before tax	**60,056**	40,124
(iii) Assets		
Total assets for reportable segments	**824,787**	618,902
Unallocated amounts*	**4,561**	7,733
Consolidated total assets	**829,348**	626,635
(iv) Liabilities		
Total liabilities for reportable segments	**680,564**	510,300
Other unallocated amounts*	**732**	(724)
Consolidated total liabilities	**681,296**	509,576

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

Key reporting measures

	CIB		CHNW &BCC		TCM	
	2022	2021	**2022**	2021	**2022**	2021
Consolidated						
Profit after tax (MKm)	**32,543**	22,600	**4,870**	437	**2,520**	1,863
Cost to income ratio	**26%**	29%	**76%**	85%	**(77%)**	(141%)
Number of employees**	**32**	32	**435**	428	**2**	2

** Number of employees is not audited.

7. Accounting classifications and fair values of financial instruments

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

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

(a) Valuation models

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

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

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

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

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

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

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

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

Consolidated		**Level 1**	**Level 2**	**Level 3**	**Total**
At 31 December 2022	**Note**	**Mkm**	**Mkm**	**Mkm**	**Mkm**
Assets					
Cash and balances held with the Central Bank	8	**40,255**	**-**	**-**	**40,255**
Derivative assets	9	**-**	**1,467**	**-**	**1,467**
Trading assets	11	**-**	**120**	**-**	**120**
Pledged assets	12	**-**	**-**	**-**	**-**
Financial investments	15	**-**	**685**	**-**	**685**
Total		**40,255**	**2,272**	**-**	**42,527**
Liabilities					
Derivative liabilities	9	**-**	**218**	**-**	**218**
Total		**-**	**218**	**-**	**218**

Consolidated					
At 31 December 2021					
Assets					
Cash and balances held with the Central Bank	8	35,813	-	-	35,813
Derivative assets	9	-	232	-	232
Trading assets	11	-	18,376	-	18,376
Pledged assets	12	-	40,599	-	40,599
Financial investments	15	-	16,640	-	16,640
Total		35,813	75,847	-	111,660
Liabilities					
Derivative liabilities	9	-	62	-	62
Total		-	62	-	62

Separate					
At 31 December 2022					
Assets					
Cash and balances held with the Central Bank	8	**40,069**	**-**	**-**	**40,069**
Derivative assets	9	**-**	**1,467**	**-**	**1,467**
Trading assets	11	**-**	**120**	**-**	**120**
Pledged assets	12	**-**	**-**	**-**	**-**
Financial investments	15	**-**	**685**	**-**	**685**
Total		**40,069**	**2,272**	**-**	**42,341**
Liabilities					
Derivative liabilities	9	**-**	**218**	**-**	**218**
Total		**-**	**218**	**-**	**218**

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

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

Separate At 31 December 2021	Note	Level 1 Mkm	Level 2 Mkm	Level 3 Mkm	Total Mkm
Assets					
Cash and balances held with the Central Bank	8	35,748	-	-	35,748
Derivative assets	9	-	232	-	232
Trading assets	11	-	18,376	-	18,376
Pledged assets	12	-	40,599	-	40,599
Financial investments	15	-	16,640	-	16,640
Total		35,748	75,847	-	111,595
Liabilities					
Derivative liabilities	9	-	62	-	62
Total		-	62	-	62

Consolidated At 31 December 2021	Note	Level 1 Mkm	Level 2 Mkm	Level 3 Mkm	Total Mkm
Assets					
Cash and balances held with the Central Bank	8	5,594	-	-	5,594
Loans and advances to banks	13	-	96,491	-	96,491
Loans and advances to customers	14	-	-	206,524	206,524
Financial investments	15	-	160,943	30	160,973
Other assets	17	-	-	4,306	4,306
Total		5,594	257,434	210,860	473,888
Liabilities					
Deposits and loans from banks	21	52,712	6,684	-	59,396
Deposits from customers	22	377,579	24,437	-	402,016
Other liabilities	23	-	-	27,134	27,134
Total		430,291	31,121	27,134	488,546

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

Consolidated 31 December 2022	Note	Level 1 Mkm	Level 2 Mkm	Level 3 Mkm	Total Mkm
Assets					
Cash and balances held with the Central Bank	8	**16,130**	**-**	**-**	**16,130**
Loans and advances to banks	13	**-**	**131,454**	**-**	**131,454**
Loans and advances to customers	14	**-**	**-**	**235,845**	**235,845**
Financial investments	15	**-**	**351,849**	**111**	**351,960**
Other assets	17	**-**	**-**	**1,692**	**1,692**
Total		**16,130**	**483,303**	**237,648**	**737,081**
Liabilities					
Deposits and loans from banks	21	**19,189**	**1,773**	**-**	**20,962**
Deposits from customers	22	**490,276**	**102,730**	**-**	**593,006**
Other liabilities	23	**-**	**-**	**38,067**	**38,067**
Total		**509,465**	**104,503**	**38,067**	**652,035**

Separate At 31 December 2022	Note	Level 1	Level 2	Level 3	Total
Assets					
Cash and balances held with the Central Bank	8	**16,130**	**-**	**-**	**16,130**
Loans and advances to banks	13	**-**	**131,189**	**-**	**131,189**
Loans and advances to customers	14	**-**	**-**	**235,845**	**235,845**
Financial investments	15	**-**	**351,849**	**111**	**351,960**
Other assets	17	**-**	**-**	**1,732**	**1,732**
Total		**16,130**	**483,038**	**237,688**	**736,856**
Liabilities					
Deposits and loans from banks	21	**19,189**	**1,773**	**-**	**20,962**
Deposits from customers	22	**495,023**	**102,730**	**-**	**597,753**
Other liabilities	23	**-**	**-**	**38,062**	**38,062**
Total		**514,212**	**104,503**	**38,062**	**656,777**

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

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

Separate		**Level 1**	**Level 2**	**Level 3**	**Total**
At 31 December 2021	**Note**	**Mkm**	**Mkm**	**Mkm**	**Mkm**
Assets					
Cash and balances held with the Central Bank	8	5,594	-	-	5,594
Loans and advances to banks	13	-	96,464	-	96,464
Loans and advances to customers	14	-	-	206,524	206,524
Financial investments	15	-	160,943	30	160,973
Other assets	17	-	-	4,323	4,323
Total		5,594	257,407	210,877	473,878
Liabilities					
Deposits and loans from banks	21	52,712	6,684	-	59,396
Deposits from customers	22	381,867	24,438	-	406,305
Other liabilities	23	-	-	27,128	27,128
Total		434,579	31,122	27,128	492,829

(d) Estimation of fair values

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

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

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

(d) Estimation of fair values (continued)

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

Item and description	Valuation technique	Main inputs and assumptions
Deposits and debt funding		
Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the Group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above.	For level 2 and 3 fair value hierarchy items - discount rate

Consolidated	Note	Fair value through profit or loss - default	Fair value through OCI	Held for trading	Amortised cost	Carrying Amount	Fair value
		Mkm	Mkm	Mkm	Mkm	Mkm	Mkm
At 31 December 2022							
Assets							
Cash and balances held with the Central Bank	8	40,255	-	-	16,130	56,385	56,385
Derivative assets	9	-	-	1,467	-	1,467	1,467
Trading assets	11	-	-	120	-	120	120
Pledged assets	12	-	-	-	-	-	-
Loans and advances to banks	13	-	-	-	131,454	131,454	131,454
Loans and advances to customers	14	-	-	-	235,845	235,845	235,845
Financial investments	15	111	685	-	351,849	352,645	349,397
Other assets	17	1,692	-	-	-	1,692	1,692
Total		42,058	685	1,587	735,278	779,608	776,360
Liabilities							
Derivative liabilities	9	-	-	218	-	218	218
Deposits and loans from banks	21	-	-	-	20,962	20,962	20,962
Deposits from customers	22	-	-	-	593,006	593,006	593,006
Other liabilities	23	-	-	-	38,067	38,067	38,067
Total		-	-	218	652,035	652,253	652,253

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

(d) Estimation of fair values (continued)

Consolidated	Note	Fair value through profit or loss - default	Fair value through OCI	Held for trading	Amortised cost	Carrying Amount	Fair value
		Mkm	Mkm	Mkm	Mkm	Mkm	Mkm
At 31 December 2021							
Assets							
Cash and balances held with the Central Bank	8	35,813	-	-	5,594	41,407	41,407
Derivative assets	9	-	-	232	-	232	232
Trading assets	11	-	-	18,376	-	18,376	18,376
Pledged assets	12	-	40,599	-	-	40,599	40,599
Loans and advances to banks	13	-	-	-	96,491	96,491	96,491
Loans and advances to customers	14	-	-	-	206,524	206,524	206,524
Financial investments	15	30	16,640	-	160,943	177,613	177,522
Other assets	17	4,306	-	-	-	4,306	4,306
Total		40,149	57,239	18,608	469,552	585,548	585,457
Liabilities							
Derivative liabilities	9	-	-	62	-	62	62
Deposits and loans from banks	21	-	-	-	59,396	59,396	59,396
Deposits from customers	22	-	-	-	402,016	402,016	402,016
Other liabilities	23	-	-	-	27,134	27,134	27,134
Total		-	-	62	488,546	488,608	488,608

Separate	Note	Fair value through profit or loss - default	Fair value through OCI	Held for trading	Amortised cost	Carrying Amount	Fair value
At 31 December 2022		Mkm	Mkm	Mkm	Mkm	Mkm	Mkm
Assets							
Cash and balances held with Central Bank	8	**40,069**	**-**	**-**	**16,130**	**56,199**	**56,199**
Derivative assets	9	**-**	**-**	**1,467**	**-**	**1,467**	**1,467**
Trading assets	11	**-**	**-**	**120**	**-**	**120**	**120**
Pledged assets	12	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to banks	13	**-**	**-**	**-**	**131,189**	**131,189**	**131,189**
Loans and advances to customers	14	**-**	**-**	**-**	**235,845**	**235,845**	**235,845**
Financial investments	15	**111**	**685**	**-**	**351,849**	**352,645**	**349,397**
Other assets	17	**1,732**	**-**	**-**	**-**	**1,732**	**1,732**
Total		**41,912**	**685**	**1,587**	**735,013**	**779,197**	**775,949**
Liabilities							
Derivative liabilities	9	**-**	**-**	**218**	**-**	**218**	**218**
Deposits and loans from banks	21	**-**	**-**	**-**	**20,962**	**20,962**	**20,962**
Deposits from customers	22	**-**	**-**	**-**	**597,753**	**597,753**	**597,753**
Other liabilities	23	**-**	**-**	**-**	**38,062**	**38,062**	**38,062**
Total		**-**	**-**	**218**	**656,777**	**656,995**	**656,995**

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

(d) Estimation of fair values (continued)

Separate At 31 December 2021	Note	Fair value through profit or loss - default Mkm	Fair value through OCI Mkm	Held for trading Mkm	Amortised cost Mkm	Carrying Amount Mkm	Fair value Mkm
Assets							
Cash and balances held with Central Bank	8	35,748	-	-	5,594	41,342	41,342
Derivative assets	9	-	-	232	-	232	232
Trading assets	11	-	-	18,376	-	18,376	18,376
Pledged assets	12	-	40,599	-	-	40,599	40 599
Loans and advances to banks	13	-	-	-	96,464	96,464	96,464
Loans and advances to customers	14	-	-	-	206,524	206,524	206,524
Financial investments	15	30	16,640	-	160,943	177,613	177,522
Other assets	17	4,323	-	-	-	4,323	4,323
Total		40,101	57,239	18,608	469,525	585,473	585,382
Liabilities							
Derivative liabilities	9	-	-	62	-	62	62
Deposits and loans from banks	21	-	-	-	59,396	59,396	59,396
Deposits from customers	22	-	-	-	406,305	406,305	406,305
Other liabilities	23	-	-	-	27,128	27,128	27,128
Total		-	-	62	492,829	492,891	492,891

8. Cash and balances held with the Central Bank

See accounting policy in Note 3 (d)

	Consolidated		Separate	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm
Cash balances	**20,137**	19,780	**19,951**	19,715
Balances with the Reserve Bank of Malawi	**36,248**	21,627	**36,248**	21,627
	56,385	41,407	**56,199**	41,342

Included within balances with Reserve Bank of Malawi of **MK36,248 million** (2021: MK21,627 million) is **MK20,118 million** (2021: MK16,032million) that primarily comprises of liquidity reserving requirement held with the Reserve Bank of Malawi and is available for use by the Group subject to certain restrictions and limitations. These balances are primarily held at FVTPL. The balance at amortised cost is regarded as having a low probability of default, therefore the ECL is insignificant.

9. Derivative assets and liabilities

See accounting policy in Note 3 (e)

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

	Consolidated and Separate			
	2022		2021	
	MKm	**MKm**	MKm	MKm
	Asset	**Liability**	Asset	Liability
Foreign exchange derivatives	**1,467**	**218**	232	62

At 31 December 2022, **MK Nil** (2021:MK Nil) of derivative assets/liabilities are expected to be recovered more than twelve months after the reporting date.

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

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

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

All derivatives are held-for-trading.

10. Non-current assets held for sale

During 2021, the Group's board approved the disposal of a property. The requirements of IFRS 5 were met during 2021 and based on these, the asset had been included in non-current assets held for sale on the statement of financial position. The asset is measured at the lower of the carrying amount and fair value less costs to sell. The fair value less costs to sell is based on an assessment of what management believes a purchaser would value the assets. The sale is expected to be completed in 2023.

The properties were not impaired at 31 December 2022, the total net carrying value of the assets amounted to **MK584 million** (2021: MK740 million).

11. Trading assets

See accounting policy in Note 3 (f)

Trading assets	Consolidated and Separate	
	2022	2021
	MKm	MKm
Treasury bills	**120**	18,376
	120	18,376
Comprising:		
Treasury bills	**120**	18,376
	120	18,376

At 31 December 2022, **MK Nil** (2021:MK Nil) of trading assets are expected to be recovered more than twelve months after the reporting date.

12. Pledged assets

See accounting policy in Note 3 (g)

	Consolidated and Separate				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net fair value
2022	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Government bond	**-**	**-**	**-**	**-**	**-**
2021					
Government bond	40,599	(36,554)	40,599	(36,554)	4,045

The assets pledged by the Group are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets. These transactions are conducted under terms that are customary to standard repurchase agreements and securities borrowing activities. During the year, the Group borrowed **MK Nil** (2021: MK36 billion) from the Reserve Bank of Malawi of which the Group pledged Government bonds.

At 31 December 2022 **MK Nil** (2021: MK26,000million) pledged assets are expected to be recovered more than twelve months after the reporting date.

13. Loans and advances to banks

See accounting policy in Note 3 (h)

	Consolidated		Separate	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm
Loans and advances to other banks	**57,801**	71,302	**57,536**	71,275
Loans and advances with related banks (Note 43)	**73,659**	25,192	**73,659**	25,192
Gross loans and advances to banks	**131,460**	96,494	**131,195**	96,467
Less: Expected credit losses for loans and advances to banks measured at amortised cost	**(6)**	(3)	**(6)**	(3)
Net balances with banking institutions	**131,454**	96,491	**131,189**	96,464

At 31 December 2022 **MK Nil** (2021: MK Nil) loans and advances to banks are expected to be recovered more than twelve months after the reporting date.

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

Income statement movements

Consolidated and separate	Opening ECL 1 January 2022	Total trans-fers between stages	ECL on new exposures raised	Change in ECL due to modifica-tions	Sub-sequent changes in ECL	Change in ECL due to derecog-nition	Net ECL raised/ (released)	Other move-ments	Closing ECL 31 December 2022
	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm
Bank									
Stage 1	**3**	**-**	**1**	**-**	**2**	**-**	**3**	**-**	**6**
Total	**3**	**-**	**1**	**-**	**2**	**-**	**3**	**-**	**6**

Consolidated and separate	Opening ECL 1 January 2021	Total trans-fers between stages	ECL on new exposures raised	Change in ECL due to modifica-tions	Sub-sequent changes in ECL	Change in ECL due to derecog-nition	Net ECL raised/ (released)	Other move-ments	Closing ECL 31 December 2021
	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm	Mkm
Bank									
Stage 1	4	-	-	-	(1)	-	(1)	-	3
Total	4	-	-	-	(1)	-	(1)	-	3

Loss allowance

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

Loans and advances are analysed as follows:

Consolidated	Gross loans and advances to banks		Expected credit loss (ECL) excluding interest in suspense	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm
Loans and advances to banks:				
Corporate and Investment Banking (Note 13)	**131,460**	96,494	**6**	3

Separate	Gross loans and advances to banks		Expected credit loss (ECL) excluding interest in suspense	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm
Loans and advances to banks:				
Corporate and Investment Banking (Note 13)	**131,195**	96,467	**6**	3

14. Loans and advances to customers

See accounting policy in Note 3 (h)

	Consolidated and Separate	
	2022	2021
	MKm	MKm
Loans and advances to staff at amortised cost	**7,628**	10,773
Loans and advances to customers at amortised cost	**242,600**	205,843
Gross loans and advances to customers	**250,228**	216,616
Less: Interest in suspense	**(888)**	(439)
- Expected credit losses for loans and advances to customers measured at amortised cost	**(13,495)**	(9,653)
Net loans and advances to customers	**235,845**	206,524

At 31 December 2022, **MK147,129 million** (2021: MK170,761 million) of loans and advances to customers are expected to be recovered more than twelve months after the reporting date.

14. Loans and advances to customers (Continued)

Gross loans and advances to customers

Consumer and High Net Worth and Business and Commercial Clients	Consolidated and Separate 2022 MKm	2021 MKm
Overdrafts	**12,187**	11,732
Term loans	**126,904**	95,776
Vehicle and asset finance	**11,484**	10,755
Mortgages	**6,778**	8,095
	157,353	126,358
Corporate and Investment Banking		
Overdrafts	**15,833**	27,994
Term loans	**77,028**	62,238
Vehicle and asset finance	**14**	26
	92,875	90,258
Total gross loans and advances to customers	**250,228**	216,616

Gross Loans and advances to customers are analysed as follows:

Consolidated and separate	Gross loans and advances to customers 2022 MKm	2021 MKm	Expected credit loss (ECL) excluding interest in suspense 2022 MKm	2021 MKm
Loans and advances to customers				
Consumer and High Net Worth and Business and Commercial	**157,353**	126,358	**12,579**	8,927
Corporate and Investment Banking	**92,875**	90,258	**916**	726
Total	**250,228**	216,616	**13,495**	9,653

Vehicle and asset finance

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

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

Gross investment in vehicle and asset finance:	Consolidated and Separate 2022 MKm	2021 MKm
Not later than one year	**2,370**	2,541
Later than one year but less than five years	**12,272**	10,484
	14,642	13,025
Unearned future finance income on vehicle and asset finance	**(3,144)**	(2,244)
Net investment in finance leases	**11,498**	10,781
The net investment in vehicle and asset finance is analysed as follows:		
Not later than one year	**2,214**	2,470
Later than one year but less than five years	**9,284**	8,311
	11,498	10,781

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

Income statement movements

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

Income statement movements

Consolidated and separate	Opening ECL 1 January 2021 MKm	Total transfers between stages MKm	ECL on new exposure raised MKm	Change in ECL due to modifications MKm	Subsequent changes in ECL MKm	Change in ECL due to derecognition MKm	Net ECL raised/ (released) MKm	Other movements* MKm	Closing ECL 31 December 2021 MKm
Stage 1	2,730	(1,760)	3,326	-	(181)	(548)	837	(1)	3,566
Stage 2	1,912	(456)	960	-	8	(3)	509	-	2,421
Stage 3*	2,210	2,216	744	-	(11)	-	2,949	(1,054)	4,105
Total	6,852	-	5,030	-	(184)	(551)	4,295	(1,055)	10,092

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

14. Loans and advances to customers (Continued)

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

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

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

* Other movement includes interest in suspense in the year.

14. Loans and advances to customers (Continued)

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

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

Consolidated and separate	Opening ECL 1 January 2021 Mkm	Transfers between stages (To)/ from stage 1 Mkm	From/(to) stage 2 Mkm	From/(to) stage 3 Mkm	Total Mkm	Net ECL raised/ (released) Mkm	TVM Unwind and IIS movements Mkm	Impaired accounts written off Mkm	Other movements* Mkm	Closing ECL 31 December 2021 Mkm
Mortgage										
Stage 1	32	-	(22)	(31)	(53)	(39)	-	-	28	21
Stage 2	73	22	-	(28)	(6)	10	-	-	(1)	82
Stage 3*	218	31	28	-	59	49	-	(11)	(130)	126
Total	323	53	6	(59)	-	20	-	(11)	(103)	229
Vehicle and asset finance										
Stage 1	284	-	-	(105)	(105)	(90)	-	-	20	214
Stage 2	302	-	-	-	-	3	-	-	(18)	287
Stage 3*	(234)	105	-	-	105	105	-	(4)	148	15
Total	352	105	-	(105)	-	18	-	(4)	150	516
Corporate										
Stage 1	715	-	166	-	166	(32)	-	-	(20)	663
Stage 2	185	(166)	-	-	(166)	(144)	-	-	22	63
Stage 3*	-	-	-	-	-	-	-	-	-	-
Total	900	(166)	166	-	-	(176)	-	-	2	726
Overdraft										
Stage 1	380	-	(68)	(19)	(87)	(28)	-	(7)	-	345
Stage 2	296	68	-	(69)	(1)	(90)	-	-	5	211
Stage 3*	78	19	69	-	88	141	-	-	(29)	190
Total	754	87	1	(88)	-	23	-	(7)	(24)	746
Term										
Stage 1	1,319	-	(220)	(1,461)	(1,681)	1,026	-	(24)	2	2,323
Stage 2	1,056	220	-	(503)	(283)	730	-	-	(8)	1,778
Stage 3*	2,148	1,461	503	-	1,964	2,654	-	(1,190)	162	3,774
Total	4,523	1,681	283	(1,964)	-	4,410	-	(1,214)	156	7,875
Total										
Stage 1	2,730	-	(144)	(1,616)	(1,760)	837	-	(31)	30	3,566
Stage 2	1,912	144	-	(600)	(456)	509	-	-	-	2,421
Stage 3*	2,210	1,616	600	-	2,216	2,949	-	(1,205)	151	4,105
Total	6,852	1,760	456	(2,216)	-	4,295	-	(1,236)	181	10,092

* Other movement includes interest in suspense in the year.

14. Loans and advances to customers (Continued)

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

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

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

- The net ECL on exposures raised of **MK6,161 million** (2021: MK4,295 million) primarily relates to the growth in gross carrying amount of:
  - CIB term loans of **MK14,790 million** offset by a decrease of **MK12,161 million** on overdrafts.
  - CHNW and BCC term loans of **MK31,128 million.**

- The increase in the net ECL was also due to downgrades of some accounts owing to the lagged effects of COVID-19.

Loss allowance

Net impairments raised less recoveries of amounts written off in previous years equals income statement impairment charge (refer to credit impairment charges note 33)

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

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

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

Subsequent changes in ECL were driven by:

- Impact on the measurement of ECL due to changes in PDs, EADs and LGD in the period arising from regular refreshing of inputs to models.
- Impact on the measurement of ECL due to changes made to models and assumptions.
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.
- Deteriorating country macroeconomic factors that affected sovereign rating risk among others.

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

Year ended 31 December 2022	**Consolidated and Separate**
Stage 2	**MKm**
Gross amortised cost before modification	**125**
Net modification loss	**(3)**

Year ended 31 December 2021	**Consolidated and Separate**
Stage 2	MKm
Gross amortised cost before modification	509
Net modification loss	(2)

The gross carrying amount for modifications during the reporting year that resulted in no economic gain or loss (i.e. no net economic gain or loss) is **MK17,588 million** (2021: MK3,355 million).

CHNW and BCC clients with an exposure of **MK17,558 million** (2021: MK3,355 million) as well as CIB clients with exposure totalling **Nil** (2021: Nil) qualified for COVID-19 relief, including increased liquidity facilities, loan restructuring, covenant relaxations and payment holidays.

15. Financial investments

See accounting policy in Note 3 (g)

	Consolidated and Separate	
	2022	2021
	MKm	MKm
Gross debt financial investments measured at amortised cost	**353,946**	161,513
Less: Expected credit losses for debt financial investments measured at amortised cost (note 15.1)	**(2,097)**	(570)
Net debt financial investments measured at amortised cost	**351,849**	160,943
Financial investments measured at fair value through profit or loss	**111**	30
Debt financial investments measured at fair value through OCI	**685**	16,640
	352,645	177,613

At 31 December 2022 **MK151,031 million** (2021: MK93,023 million) of financial investments are expected to be recovered more than twelve months after the reporting date.

	Consolidated and Separate	
Financial investments by category	**2022**	2021
	MKm	MKm
Net debt financial investments measured at amortised cost		
Treasury bills and bonds	**351,849**	160,943
Financial investments measured at fair value through profit or loss		
Equity investment in National Switch Limited	**111**	30
Debt financial investments measured at fair value through OCI		
Treasury bills and bonds	**685**	16,640

15. Financial investments (continued)

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

Income statement movements

Consolidated and Separate	Opening ECL 1 January MKm	Total transfers between stages MKm	ECL on new exposure raised MKm	Subsequent changes in ECL MKm	Change in ECL due to derecognition MKm	Net ECL raised/ (released) MKm	Other movements MKm	Closing ECL 31 December MKm
2022								
Sovereign								
Stage 1	**570**	**-**	**1,327**	**333**	**(135)**	**1,525**	**2**	**2,097**
Total	**570**	**-**	**1,327**	**333**	**(135)**	**1,525**	**2**	**2,097**
2021								
Sovereign								
Stage 1	372	-	403	(23)	(181)	199	(1)	570
Total	372	-	403	(23)	(181)	199	(1)	570

15.2 Reconciliation of FVOCI reserve movements

Consolidated and Separate	1 January MKm	Net change in fair value MKm	Realised fair value adjustments and reversal to profit or loss MKm	Net expected credit loss (released)/ raised during the period MKm	31 December MKm
2022					
Sovereign					
Stage 1	**314**	**148**	**-**	**(76)**	**386**
Total	**314**	**148**	**-**	**(76)**	**386**
2021					
Sovereign					
Stage 1	170	84	-	60	314
Total	170	84	-	60	314

Loss allowance

The ECL on new exposures raised primarily relates to the growth in the gross carrying amount of financial investments and the impact of the 2 notch downgrade on the Sovereign risk rating.

16. Investment in subsidiaries

See accounting policy in Note 3 (a)

	Separate 2022 MKm	2021 MKm
Investment in Standard Bank Bureau De Change Limited	**100**	100

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

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

17. Other assets

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

	Consolidated 2022 MKm	Consolidated 2021 MKm	Separate 2022 MKm	Separate 2021 MKm
Financial assets				
Remittances in transit*	**-**	1,348	**-**	1,348
Sundry receivables**	**1,692**	2,958	**1,732**	2,975
	1,692	4,306	**1,732**	4,323
Non financial assets				
Inventory***	**47**	55	**47**	55
Staff loan employee benefits***	**11,350**	4,678	**11,350**	4,678
Prepayments: other ***	**1,873**	1,677	**1,873**	1,677
	13,270	6,410	**13,270**	6,410
Total Balance at 31 December	**14,962**	10,716	**15,002**	10,733

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

	Consolidated: Less than 12 months after reporting period MKm	Consolidated: More than 12 months after reporting period MKm	Consolidated: Total MKm	Separate: Less than 12 months after reporting period MKm	Separate: More than 12 months after reporting period MKm	Separate: Total MKm
2022						
Non financial assets						
Inventory***	**47**	**-**	**47**	**47**	**-**	**47**
Staff loan employee benefits***	**2,030**	**9,320**	**11,350**	**2,030**	**9,320**	**11,350**
Prepayments: other***	**1,873**	**-**	**1,873**	**1,873**	**-**	**1,873**
Total	**3,950**	**9,320**	**13,270**	**3,950**	**9,320**	**13,270**
2021						
Non financial assets						
Inventory***	55	-	55	55	-	55
Staff loan employee benefits***	642	4,036	4,678	642	4,036	4,678
Prepayments: other***	1,629	48	1,677	1,629	48	1,677
Total	2,326	4,084	6,410	2,326	4,084	6,410

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

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

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

Consolidated and Separate	Freehold land and buildings	Leasehold land and buildings	Motor vehicles	Computers	Fixtures and fittings	Work in progress	Right-of-use assets	Total
Cost or valuation	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Balance at 1 January 2022	**5,420**	**8,434**	**1,158**	**6,158**	**5,949**	**289**	**1,163**	**28,571**
Additions during the year	**10**	**233**	**377**	**1,475**	**1,365**	**133**	**236**	**3,829**
Revaluation during the year	**729**	**1,204**	**-**	**-**	**-**	**-**	**-**	**1,933**
Transfers during the year	**-**	**63**	**-**	**155**	**25**	**(243)**	**-**	**-**
Reclassification to non-current assets held-for-sale	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
Disposals/Terminations during the year	**-**	**-**	**(40)**	**(121)**	**(264)**	**-**	**-**	**(425)**
Balance at 31 December 2022	**6,159**	**9,933**	**1,495**	**7,667**	**7,075**	**179**	**1,399**	**33,907**
Balance at 1 January 2021	5,126	7,795	987	5,958	6,303	204	1,028	27,401
Additions during the year	368	-	171	710	463	239	135	2,086
Revaluation during the year	406	577	-	-	-	-	-	983
Transfers during the year	-	73	-	(11)	22	(105)	-	(21)
Reclassification to non-current assets held for sale	(480)	-	-	-	-	-	-	(480)
Disposals/terminations during the year	-	(11)	-	(499)	(839)	(49)	-	(1,398)
Balance at 31 December 2021	5,420	8,434	1,158	6,158	5,949	289	1,163	28,571
Accumulated depreciation								
Balance at 1 January 2022	**-**	**508**	**754**	**4,170**	**3,943**	**-**	**752**	**10,127**
Depreciation charge for the year	**173**	**463**	**149**	**906**	**811**	**-**	**289**	**2,791**
Transfers during the year	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**
Reclassification to non-current assets held-for-sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Eliminated on revaluation	**(173)**	**(355)**	**-**	**-**	**-**	**-**	**-**	**(528)**
Eliminated on disposal	**-**	**-**	**(38)**	**(117)**	**(237)**	**-**	**-**	**(392)**
Balance at 31 December 2022	**-**	**616**	**865**	**4,959**	**4,517**	**-**	**1,043**	**12,000**

Consolidated and Separate	Freehold land and buildings	Leasehold land and buildings	Motor vehicles	Computers	Fixtures and fittings	Work in progress	Right-of-use assets	Total
Accumulated depreciation	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**	**MKm**
Balance at 1 January 2021	-	437	636	3,827	3,842	-	396	9,138
Depreciation charge for the year	164	552	118	823	880	-	356	2,893
Transfers during the year	-	-	-	-	-	-	-	-
Reclassification to non-current assets held-for-sale	(14)	-	-	-	-	-	-	(14)
Eliminated on revaluation	(150)	(474)	-	-	-	-	-	(624)
Eliminated on disposal	-	(7)	-	(480)	(779)	-	-	(1,266)
Balance at 31 December 2021	-	508	754	4,170	3,943	-	752	10,127
Carrying amount At 31 December 2022	**6,159**	**9,317**	**630**	**2,708**	**2,558**	**179**	**356**	**21,907**
At 31 December 2021	5,420	7,926	404	1,988	2,006	289	411	18,444

Brick & Mortar Limited independent valuers, valued land and buildings at 31 December 2022. Land and buildings were revalued by Joshua Mabvuto Beka Mkuziwaduka BSc. Land Mgmt. (Est.), Dip, Cert. Land Admin, MSIM. Valuations were made on the basis of the open market value. The carrying values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to revaluation reserves and this reserve is not distributable until realised.

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

At 31 December 2022, **MK19,766 million** (2021: MK15,874 million) property and equipment and right-of-use assets are expected to be realised more than twelve months after the reporting date.

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

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

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

Fair value hierarchy	Level 1	Level 2	Level 3	Total
Consolidated and Separate	**MKm**	**MKm**	**MKm**	**MKm**
At 31 December 2022				
Freehold land and buildings	-	-	**6,159**	**6,159**
Leasehold land and buildings	-	-	**9,317**	**9,317**
	-	-	**15,476**	**15,476**
At 31 December 2021				
Freehold land and buildings	-	-	5,420	5,420
Leasehold land and buildings	-	-	7,926	7,926
	-	-	13,346	13,346

Level 3 fair value measurements - reconciliation

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

	Freehold land and buildings	Leasehold land and buildings	Total
	MKm	**MKm**	**MKm**
Opening Balance 1 January 2022	**5,420**	**7,926**	**13,346**
Acquisitions	**10**	**233**	**243**
Disposals	**-**	**-**	**-**
Reclassification to non-current assets held-for-sale	**-**	**(1)**	**(1)**
Transfer from WIP	**-**	**63**	**63**
Amounts recognised in profit or loss			
Depreciation and impairment	**(173)**	**(463)**	**(636)**
Gains recognised in other comprehensive income	**902**	**1,559**	**2,461**
Closing balance 31 December 2022	**6,159**	**9,317**	**15,476**
Opening Balance 1 January 2021	5,126	7,358	12,484
Acquisitions	368	-	368
Disposals	-	(4)	(4)
Reclassification to non-current assets held-for-sale	(466)	-	(466)
Transfer from WIP	-	73	73
Amounts recognised in profit or loss			
Depreciation and impairment	(164)	(552)	(716)
Gains recognised in other comprehensive income and income statement	556	1,051	1,607
Closing balance 31 December 2021	5,420	7,926	13,346

Valuation techniques used to determine level 3 fair values

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

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

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

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

Valuation techniques and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers -the present value of net cashflows to be generated from the property taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cashflows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the building and its location, tenant quality and lease terms.	Rental per square metre – **MK4,000 to MK12,000** (2021: MK1,000 to MK8,000) Vacancy rate - **5% to 20%** (2021:12% to 15%) Yield - **9% to 11%** (2021: 6.5% to 9.75%) Outgoings – **15% to 30%** (2021: 10% to 20%) Construction cost per square metre – **US$1,000.00** (2021: US$784.66) Inflation – **21%** (2021:9.3%)	The estimated fair value would increase (decrease) if : - Expected market rental growth were higher (lower) - Void periods were shorter (longer) - The occupancy rate was higher (lower) - Rent free periods were shorter (longer) or - The risk adjusted discount rate were lower (higher)

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

	Consolidated and Separate	
	2022	2021
	MKm	MKm
Cost	**7,405**	6,915
Accumulated depreciation and impairment losses	**(4,008)**	(3,729)
Net carrying amount	**3,397**	3,186

19. Intangible assets – software

See accounting policy in Note 3 (k)

	Consolidated and Separate	
	2022	2021
Cost	**MKm**	MKm
Balance at 1 January	**22,290**	22,270
Transfers in	**-**	20
Balance at 31 December	**22,290**	22,290
Accumulated amortisation and impairment losses		
Balance at 1 January	**6,797**	5,281
Amortisation during the year	**1,514**	1,513
Reclassification	**-**	3
Balance at 31 December	**8,311**	6,797
Carrying amount	**13,979**	15,493

At 31 December 2022 **MK12,465 million** (2021: MK13,980 million) intangible assets are expected to be realised more than twelve months after the reporting date.

20. Deferred tax assets and liabilities

See accounting policy in Note 3 (n)

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

	Deferred tax asset		Deferred tax Liability		Net	
Consolidated	**2022**	2021	**2022**	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm	**MKm**	MKm
Other provisions	**3,510**	**2,604**	**-**	-	**3,510**	2,604
Impairment charges on loans and advances, financial investments and off-balance sheet items	**3,104**	**2,089**	**-**	-	**3,104**	2,089
Property and equipment and intangibles	**-**	**-**	**(3,839)**	(4,343)	**(3,839)**	(4,343)
Fair value adjustments and receivables	**-**	**1**	**(8,403)**	(4,764)	**(8,403)**	(4,763)
Revaluation reserve	**-**	**-**	**(2,514)**	(1,777)	**(2,514)**	(1,777)
	6,614	**4,694**	**(14,756)**	(10,884)	**(8,142)**	(6,190)

	Deferred tax asset		Deferred tax Liability		Net	
Separate	**2022**	2021	**2022**	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm	**MKm**	MKm
Other provisions	**3,510**	2,604	**-**	-	**3,510**	2,604
Impairment charges on loans and advances, financial investments and off-balance sheet items	**3,104**	2,089	**-**	-	**3,104**	2,089
Property and equipment and intangibles	**-**	-	**(3,839)**	(4,343)	**(3,839)**	(4,343)
Fair value adjustments and receivables	**-**	-	**(8,402)**	(4,764)	**(8,402)**	(4,764)
Revaluation reserve	**-**	-	**(2,514)**	(1,777)	**(2,514)**	(1,777)
	6,614	4,693	**(14,755)**	(10,884)	**(8,141)**	(6,191)

Deferred tax is calculated, in full, on all temporary differences under the liability method using the enacted tax rate of **30%** (2021:30%). The movement on the deferred tax account is as follows:

	Consolidated		Separate	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm
Balance at 1 January	**(6,190)**	(4,449)	**(6,191)**	(4,449)
Profit or loss (Note 37)	**(1,152)**	(1,222)	**(1,150)**	(1,223)
Movement through OCI	**(800)**	(519)	**(800)**	(519)
Balance at 31 December	**(8,142)**	(6,190)	**(8,141)**	(6,191)

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

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

20. Deferred tax assets and liabilities (Continued)

	As at 1 January 2021 MKm	(Charged)/ credited to profit or loss MKm	(Charged)/ credited to equity MKm	As at 31 December 2021 MKm
Consolidated				
Other provisions	1,991	613	-	2,604
Expected credit losses on loans and advances, financial investments and off-balance sheet items	1,590	497	-	2,087
Property and equipment	(4,829)	486	-	(4,343)
Fair value adjustments and receivables	(1,905)	(2,818)	(37)	(4,760)
Revaluation reserve	(1,296)	-	(482)	(1,778)
	(4,449)	(1,222)	(519)	(6,190)

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

Separate				
Other provisions	1,991	613	-	2,604
Expected credit losses on loans and advances, financial investments and off-balance sheet items	1,593	497	-	2,090
Property and equipment	(4,829)	486	-	(4,343)
Fair value adjustments and receivables	(1,908)	(2,819)	(37)	(4,764)
Revaluation reserve	(1,296)	-	(482)	(1,778)
	(4,449)	(1,223)	(519)	(6,191)

21. Deposits and loans from banks

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

	Consolidated and Separate	
	2022 MKm	2021 MKm
Balances due to related banks (Note 43)	**13,632**	5,047
Balances due to other banks	**7,330**	54,349
	20,962	59,396

At 31 December 2022, **Nil** (2021: Nil) of deposits and loans from banks are expected to be settled more than twelve months after the reporting date

22. Deposits from customers

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

	Consolidated		Separate	
Consumer and High Net Worth and Business and Commercial Clients	**2022 MKm**	2021 MKm	**2022 MKm**	2021 MKm
Current and demand deposits	**132,438**	106,285	**132,438**	106,285
Savings accounts	**32,433**	30,253	**32,433**	30,253
Fixed deposit accounts	**24,906**	15,895	**24,906**	15,895
Foreign currency deposit accounts	**40,541**	33,476	**40,541**	33,476
	230,318	185,909	**230,318**	185,909
Corporate and Investment Banking				
Current and demand deposits	**144,924**	84,615	**149,671**	88,904
Savings accounts	**3,007**	4,178	**3,007**	4,178
Fixed deposit accounts	**143,185**	59,012	**143,185**	59,012
Foreign currency deposit accounts	**71,572**	68,302	**71,572**	68,302
	362,688	216,107	**367,435**	220,396
Total deposits from customers	**593,006**	402,016	**597,753**	406,305

At 31 December 2022, **MK43 million** (2021: MK21 million) of deposits from customers are expected to be settled more than twelve months after the reporting date.

Included in customer deposits were deposits of **MK1,145 million** (2021: MK616 million) held as collateral for irrevocable commitments under import letters of credit and guarantees.

Some deposits carry fixed interest rates. Most customer deposits are at variable rate (see note 41).

23. Other liabilities

See accounting policy in note 3 (c)

	Consolidated		Separate	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm
Financial liabilities				
Items in transit	**1,213**	3,701	**1,213**	3,701
Lease liabilities (Note 23.1)	**481**	565	**481**	565
Trade payables	**12**	92	**12**	92
Accruals	**4,218**	3,042	**4,213**	3,036
Due to Standard Bank of South Africa (Note 43)	**23,191**	13,860	**23,191**	13,860
Unclaimed balances	**2,159**	2,016	**2,159**	2,016
Other**	**6,793**	3,858	**6,793**	3,858
	38,067	27,134	**38,062**	27,128
Non financial liabilities				
Contract liabilities - deferred income (Note 23.2)*	**2,529**	1,809	**2,529**	1,809
	40,596	28,943	**40,591**	28,937

*Contract liabilities - At 31 December 2022, **MK Nil** (2021: MK Nil) contract liabilities were maturing more than twelve months after the reporting date.

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

23.1 Reconciliation of lease liabilities

	Consolidated and Separate					
	Balance at 1 January	Additions	Early terminations/ Cancellations	Interest expense	Payments*	Balance at 31 December
	MKm	MKm	MKm	MKm	MKm	MKm
2022						
Buildings	**565**	**235**	**-**	**66**	**(385)**	**481**
Total	**565**	**235**	**-**	**66**	**(385)**	**481**
2021						
Buildings	716	158	-	86	(395)	565
Total	716	158	-	86	(395)	565

*These amounts include the principal lease repayments as disclosed in the statements of cash flows of **MK319 million** (2021:MK310 million) for Consolidated and Separate. The remainder represents interest expense paid during the year.

Maturity analysis of lease liabilities

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

	Consolidated and Separate			
	Within 1 year	Greater than 1 year but less than 5 years	More than 5 years	Total
	MKm	MKm	MKm	MKm
2022				
Buildings	**319**	**162**	**-**	**481**
2021				
Buildings	305	253	7	565

23.2 Contract liabilities - deferred income

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

	Consolidated and Separate	
	2022	2021
	MKm	MKm
Letters of credit and guarantees	**557**	551
Other - loan commitments/origination	**1,972**	1,258
Total	**2,529**	1,809

Significant changes in contract liabilities

Contract liabilities in the year increased as a result of increase in origination fees from loans and advances originated during the year coupled with letters of credit and guarantee fees arising from contracts entered during the year deferred to future periods.

24. Income tax payable

See accounting policy in Note 3 (n)

	Consolidated		Separate	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm
Balance at 1 January	**7,151**	4,031	**7,058**	3,886
Provisions raised during the year (Note 37)	**19,702**	14,133	**19,081**	13,800
Income tax payments during the year	**(16,054)**	(10,935)	**(15,775)**	(10,560)
Tax credits utilised during the year	**(234)**	(78)	**(231)**	(68)
Balance at 31 December	**10,565**	7,151	**10,133**	7,058

At 31 December 2022, **MK Nil** (2021: MK Nil) income tax is payable more than twelve months after the reporting date.

25. Provisions

See accounting policy in Note 3 (m)

	Consolidated and Separate			
	Performance and deferred bonus	Sundry*	Expected credit loss for off-balance sheet exposures	Total
	MKm	MKm	MKm	MKm
Balance at 1 January 2022	**2,382**	**3,108**	**328**	**5,818**
Provisions raised during the year	**3,869**	**1,503**	**72**	**5,444**
Provisions released during the year	**(2,645)**	**(641)**	**(169)**	**(3,455)**
Balance at 31 December 2022	**3,606**	**3,970**	**231**	**7,807**
Balance at 1 January 2021	2,133	2,061	274	4,468
Provisions raised during the year	2,213	1,285	128	3,626
Provisions released during the year	(1,964)	(238)	(74)	(2,276)
Balance at 31 December 2021	2,382	3,108	328	5,818

Performance and deferred bonus

A significant portion of the provisions are staff performance-based bonuses which are expected to be settled in full by the first quarter of the year 2023.

*Included within sundry provisions are severance pay provisions for ex staff and retired employees whose cases are in court, legal provisions for outstanding court cases and sundry provisions.

Reconciliation of expected credit losses for off-balance sheet exposures

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

	Consolidated and Separate
	MKm
Stage 1 impairments:	
Balance at 1 January 2021	274
Impairment loss for the year:	
ECL on new exposure raised	128
Subsequent change in ECL	(29)
Change in ECL due to derecognition	(45)
Net impairments raised	54
Other movements	-
Balance at 31 December 2021	328

Loss allowance

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

26. (i) Share capital

	Consolidated and Separate	
	2022	2021
	MKm	MKm
Issued and fully paid up as at 31 December	**234**	234

At 31 December 2022 the total authorised share capital comprised **240 million** ordinary shares of **MK1 each** (2021: 240 million ordinary shares of MK1 each).

(ii) Share premium

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

27. Reserves

(i) Revaluation reserve

Balance at 1 January	**10,718**	9,593
Revaluation surplus during the year	**2,455**	1,607
Deferred tax on revaluation surplus	**(736)**	(482)
Balance at 31 December	**12,437**	10,718

The revaluation reserve comprises the surplus on revaluation of the Group's land and buildings in accordance with the Group's policy on land and buildings. The carrying values of the properties were adjusted to the revalued amounts and the resultant surplus, net of deferred tax, was credited to revaluation reserves in shareholders' equity and this reserve is not distributable until realised.

27. Reserves (continued)

(ii) Fair value through OCI reserve

	Consolidated and Separate 2022 MKm	2021 MKm
Balance at 1 January	**314**	170
Expected credit losses on financial instruments at fair value through OCI	**(76)**	60
Net gain from changes in fair value	**212**	121
Deferred income taxes	**(64)**	(37)
Balance at 31 December	**386**	314

(iii) Retained earnings

	Consolidated 2022 MKm	Consolidated 2021 MKm	Separate 2022 MKm	Separate 2021 MKm
Balance at 31 December	**97,301**	87,232	**93,135**	83,862
Dividends declared and paid	**(10,000)**	(14,700)	**(10,000)**	(14,700)
Profit for the year	**39,202**	24,769	**38,748**	23,973
Balance at 31 December	**126,503**	97,301	**121,883**	93,135

28. Net interest income

See accounting policy in Note 3 (p)

	Consolidated 2022 MKm	Consolidated 2021 MKm	Separate 2022 MKm	Separate 2021 MKm
Interest income				
Loans and advances	**41,397**	30,986	**41,397**	30,986
Financial investments – FVTOCI	**1,301**	1,598	**1,301**	1,598
Financial investments – Amortised cost	**42,187**	24,704	**42,187**	24,704
Cash and short term funds	**412**	1,976	**436**	1,976
	85,297	59,264	**85,321**	59,264
Interest expense				
Customer deposits	**8,553**	7,709	**8,627**	7,764
Deposits by banks	**13**	6	**13**	6
Interest on lease liabilities	**66**	86	**66**	86
Borrowed funds	**13**	6	**13**	6
	8,645	7,807	**8,719**	7,862
Net interest income	**76,652**	51,457	**76,602**	51,402

Total interest income and expense calculated using the effective interest rate method reported above that relate to financial assets or financial liabilities that are not valued at fair value through profit or loss are **MK85,297 million** (2021: MK59,264 million) and **MK8,645 million** (2021: MK7,807 million) respectively.

29. Net fee and commission income

See accounting policy in Note 3 (s)

	Consolidated and Separate 2022 MKm	2021 MKm
Fee and commission income		
Point of representation fees	**1,848**	1,785
Card based commissions	**3,619**	2,946
Electronic banking fees	**2,299**	2,241
Foreign currency service fees	**4,184**	1,780
Documentation and administration fees	**4,545**	5,045
Knowledge based fees	**629**	10
Insurance commission	**1,747**	1,245
Penalty based fees	**102**	101
Guarantee fees	**1,380**	1,681
ATM fees	**94**	43
Custody fees	**431**	279
Other	**1,900**	1,473
	22,778	18,629
Fee and commission expense		
Interbank transactions	**(3,390)**	(1,775)
Net fee and commission income	**19,388**	16,854

All fee and commission revenue/ (expense) reported above relates to financial assets or liabilities not carried at fair value through profit or loss for the Group and Company.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

Revenue recognised that was included in the contract liability balance at the start of the period	Consolidated and Separate 2022 MKm	2021 MKm
Letters of credit and guarantees	**301**	228
Other - overdrafts, commitments and loan origination	**1,239**	1,091
	1,540	1,319

Refer to accounting policy in Note 3 (s) that describes the types of revenues recognised on a point in time basis and on the overtime basis.

30. Trading income

See accounting policy in Note 3 (t)

	Consolidated		Separate	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm
Foreign exchange	**28,655**	21,780	**26,461**	20,503
Trading income on debt securities	**2,572**	1,426	**2,572**	1,426
	31,227	23,206	**29,033**	21,929

31. Other operating income

Sundry income	**608**	131	**720**	198
Dividend income	**-**	-	**1,000**	-
	608	131	**1,720**	198

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

32. Other gains on financial instruments

See accounting policy in Note 3 (g)

	Consolidated and Separate	
	2022	2021
	MKm	MKm
Gains on debt realisation of financial assets measured at fair value through OCI	**110**	-

33. Credit impairment charges

See accounting policy in Note 3 (g)

Net expected credit losses raised and released		
- Loans and advances to banks (Note 13)	**3**	(1)
- Loans and advances to customers (Note 14)	**6,161**	4,295
- Financial investments (Note 15)	**1,449**	259
- Letters of credit, bank acceptances and guarantees (Note 25)	**(121)**	54
Recoveries on loans and advances previously written off	**(373)**	(424)
Modification losses on distressed financial assets (Note 14)	**3**	2
	7,122	4,185

34. Staff costs

	Consolidated and Separate	
	2022	2021
	MKm	MKm
Salaries and allowances	**21,468**	16,615
Retirement benefit costs	**1,864**	1,581
	23,332	18,196

35. Depreciation and amortisation

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

Depreciation (Note 18)	**2,791**	2,893
Amortisation of intangible assets (Note 19)	**1,514**	1,513
	4,305	4,406

36. Other operating expenses

	Consolidated		Separate	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm
Franchise fees	**3,778**	2,706	**3,778**	2,706
Auditor's remuneration and fees for other services	**329**	282	**329**	282
Motor vehicle and fuel costs	**322**	187	**322**	187
Software, IT costs and other services	**8,349**	6,779	**8,349**	6,779
Communication costs	**1,596**	1,152	**1,596**	1,152
Travel and entertainment expenses	**1,238**	659	**1,238**	659
Recurrent expenditure on property and equipment	**1,532**	1,094	**1,532**	1,094
Marketing and advertising expenses	**1,320**	1,212	**1,320**	1,212
Stationery and printing expenses	**248**	133	**248**	133
Training expenses	**384**	242	**384**	242
Insurance and security costs	**3,762**	3,420	**3,762**	3,420
Premises expenses	**314**	301	**314**	301
Professional fees	**1,367**	902	**1,367**	902
Indirect taxes	**3,804**	2,595	**3,804**	2,595
Operational risk losses	**908**	801	**908**	801
Administration and membership fees	**166**	102	**166**	102
Commission paid	**251**	438	**203**	311
Coverage expenses	**522**	612	**522**	612
Foreign exchange differences	**1,963**	350	**1,974**	349
Other expenses	**1,017**	770	**999**	761
	33,170	24,737	**33,115**	24,600

37. Income tax expense

See accounting policy in Note 3 (n)

	Consolidated		Separate	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	Mkm
Current tax @ **30%** (2021: 30%) - Current	**19,702**	14,133	**19,081**	13,800
Deferred tax (Note 20)	**1,152**	1,222	**1,150**	1,223
	20,854	15,355	**20,231**	15,023

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Consolidated		Separate	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	Mkm
Profit before income tax expense	**60,056**	40,124	**58,979**	38,996
Tax calculated at the statutory tax rate of 30%	**18,017**	12,037	**17,694**	11,699
Tax effect of:				
Expenses not deductible for tax purposes	**3,279**	3,387	**2,979**	3,393
Non-taxable income for tax purposes	**(442)**	(69)	**(442)**	(69)
Total income tax expense in profit or loss	**20,854**	15,355	**20,231**	15,023

38. Earnings per share

See accounting policy in Note 3 (u)

Net profit attributable to equity holders (MKm)	**39,202**	24,769	**38,748**	23,973
Weighted average number of ordinary shares in issue (millions)	**234**	234	**234**	234
Basic earnings per share (expressed in MK per share)	**167.53**	105.85	**165.59**	102.45
Diluted earnings per share (expressed in MK per share)	**167.53**	105.85	**165.59**	102.45

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

39. Dividends per share

See accounting policy in Note 3 (o)

Interim dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. The directors recommend a final dividend in respect of the year ended 31 December 2022 of **MK51.14** (2021: MK8.52) per ordinary share representing **MK12 billion** (2021: MK2 billion).

A first interim dividend of **MK21.31** (2021: MK28.55) per ordinary share representing **MK5 billion** (2021: MK6.7 billion) was paid in the year. In December 2022, the directors resolved to pay a second interim dividend of **MK3 billion** (2021: Nil) representing **MK12.78** (2021: Nil) per ordinary share. Therefore, total dividend for the year is **MK85.23** per share (2021: MK37.07), amounting to a total of **MK20 billion** (2021: MK8.7 billion).

40. Unrecognised financial instruments, contingent liabilities and commitments

a) Legal proceedings

There are a number of legal proceedings outstanding against the Group as at 31 December 2022. Management is accordingly satisfied that the legal proceedings currently pending against the Group should not have a material adverse effect on the Group's consolidated financial position and the directors are satisfied that the Group has adequate provisions in place to meet claims that may succeed.

b) Capital commitments and contingent liabilities

In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

The contractual amounts of the Group's off balance sheet position financial instruments that commit it to extend credit to customers are as follows:

	Consolidated and Separate	
	2022	2021
	MKm	MKm
Contingent liabilities		
Acceptances and letters of credit	**19,288**	15,585
Guarantees and performance bonds	**117,194**	87,987
	136,482	103,572

	Consolidated and Separate	
	2022	2021
	MKm	MKm
Commitments		
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**26,945**	46,204
Authorised but not yet contracted capital commitments on property and equipment	**2,801**	2,040
	29,746	48,244

Included in undrawn formal stand-by facilities, credit lines and other commitments to lend are irrevocable commitments amounting to **MK155 million** (2021: MK13,967million).

c) Operating lease commitments

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

	Consolidated and Separate	
	2022	2021
	MKm	MKm
Low value assets and short-term leases (IFRS 16)		
Within 1 year	**-**	-
	-	-

41. Effective interest rates of financial assets and financial liabilities

The effective interest rates for the principal financial assets and liabilities at 31 December were in the following ranges:

Consolidated and Separate	2022	
	In MK	In US$
Assets		
Government securities	**13.99%-26.80%**	**-**
Loans and advances to banks	**15%**	**4.13%-4.70%**
Loans and advances to customers	**8.40% - 28.30%**	**3.89% - 13.71%**
Liabilities		
Customer deposits	**0.1% -13.5%**	**0.1% - 4.0%**

Consolidated and Separate	2021	
	In MK	In US$
Assets		
Government securities	11.99%-24.01%	-
Loans and advances to banks	11.98%	0.14%-0.32%
Loans and advances to customers	10.00% -24.20%	3.5% - 10.0%
Liabilities		
Customer deposits	0.1% -13.25%	0.1% - 4.0%

42. Statement of cash flows notes:

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

	Consolidated		Separate	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm
Armotisation of intangibles (note 35)	**1,514**	1,513	**1,514**	1,513
Depreciation of property and equipment and ROU (note 35)	**2,791**	2,893	**2,791**	2,893
Expected credit losses (note 33)	**7,492**	4,607	**7,492**	4,607
Modification loss on distressed financial assets (note 33)	**3**	2	**3**	2
Other gains on financial instruments (note 32)	**(110)**	-	**(110)**	-
Gains on sale of property and equipment	**(78)**	11	**(78)**	11
Fair value adjustments to derivatives assets	**(1,235)**	370	**(1,235)**	370
Fair value adjustments to derivatives liabilities	**157**	(57)	**157**	(57)
Fair value adjustments to trading liabilities	**-**	-	**-**	-
Fair value adjustments to trading assets	**(15)**	16	**(15)**	16
Spread provision adjustment	**(111)**	1	**(111)**	1
Interest income (note 28)	**(85,297)**	(59,264)	**(85,321)**	(59,264)
Interest expense (note 28)	**8,645**	7,807	**8,719**	7,862
Dividend income (note 31)	**-**	-	**(1,000)**	-
	(66,244)	(42,101)	**(67,194)**	(42,046)

42.2 Increase in income-earning and other assets

	Consolidated		Separate	
	2022	2021	**2022**	2021
	MKm	MKm	**MKm**	MKm
Trading assets	**17,462**	(14,533)	**17,462**	(14,533)
Pledged assets	**40,599**	(27,671)	**40,599**	(27,671)
Financial investments	**(164,743)**	(26,433)	**(164,743)**	(26,433)
Loans and advances to banks	**(11,015)**	(12,252)	**(11,015)**	(12,252)
Loans and advances to customers	**(25,933)**	(43,148)	**(25,933)**	(43,148)
Other assets	**(9,772)**	(2,640)	**(9,556)**	(2,599)
	(153,402)	(126,677)	**(153,186)**	(126,636)

42.3 Increase in deposits and other liabilities

Deposits and loans from banks	**(39,997)**	27,924	**(39,997)**	27,924
Deposits from customers	**166,678**	83,264	**167,138**	84,022
Other liabilities	**10,285**	11,726	**10,286**	11,727
	136,966	122,914	**137,427**	123,673

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

Cash and balances with Reserve Bank of Malawi (note 8)	**56,385**	41,407	**56,199**	41,342

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

43. Related party transactions

The Group is controlled by Stanbic Africa Holdings Ltd, a Bank incorporated in the United Kingdom. The ultimate parent company of the Group is Standard Bank Group Limited, incorporated in the Republic of South Africa. There are other companies which are related to Standard Bank PLC through common shareholdings.

In the normal course of business, a number of banking transactions are entered into with related parties at arm's length. These include loans, deposits and foreign currency transactions. The parent company also provides professional and technical consultancy services for which it charges market rates. The outstanding balances at the year end and related expense and income for the year are as follows:

	Separate	
	2022	2021
	MKm	MKm
Balances due from related parties		
Derivative assets		
Standard Bank of South Africa – Fellow subsidiary	**448**	157
Loans and advances to banks		
Standard Bank of South Africa – Fellow subsidiary	**3,146**	606
Standard Bank Mauritius – Fellow subsidiary	**70,513**	24,586
Balances due from related banks (Note 13)	**73,659**	25,192
Loans and advances to customers		
Balances due from directors and other key management personnel	**1,659**	1,385
Balances due from other related parties	**76**	27
	1,735	1,412
Other assets		
Balance due from Standard Bank Bureau De Change Limited - subsidiary	**40**	16
Balance due from Standard Bank of South Africa – Fellow subsidiary	**143**	447
	183	463
Interest income earned from related banks	**1,090**	61
Trading income from related banks	**312**	200
Franchise fees earned from Standard Bank Bureau De Change Limited	**112**	67

The amounts due from related party banks relate to nostro accounts and are not secured.

The amounts due from related party banks are at market related interest rates and are short term in nature.

The loans issued to directors are repayable over two years and are granted at market related interest rates and are secured by the asset being purchased. The loans issued to key management personnel follow staff loans policy.

No stage 3 expected credit losses have been recorded against balances with related parties outstanding during the year.

	Separate	
	2022	2021
	MKm	MKm
Balances due to related parties		
Deposits from customers		
Balances due to directors and other key management personnel	**98**	100
Balances due to other related parties	**4,794**	3,531
Standard Bank Bureau De Change Limited – Subsidiary	**4,747**	4,288
	9,639	7,919
Deposits and loans from banks		
Standard Bank of South Africa – Fellow subsidiary	**13,627**	5,042
Stanbic Zimbabwe – Fellow subsidiary	**3**	3
Stanbic Zambia – Fellow subsidiary	**2**	2
Balances due to related party banks (Note 21)	**13,632**	5,047
Other liabilities		
Standard Bank of South Africa - Fellow subsidiary (Note 23)	**23,191**	13,860
Balances due to related parties	**23,191**	13,860
Derivative liabilities		
Standard Bank of South Africa – Fellow subsidiary	**-**	62
Contingencies		
Letter of guarantee – Standard Bank of South Africa – Fellow subsidiary	**12,167**	10,680
Letter of guarantee – Industrial and Commercial Bank of China	**7,544**	10,205
	19,711	20,885
Key management compensation		
Salaries and other short-term benefits	**2,001**	1,137
Contributions to defined contribution plans	**202**	140
	2,203	1,277

43. Related party transactions (Continued)

	Separate	
	2022	2021
	MKm	MKm
Interest expense to related banks	**-**	45
Staff costs paid to related banks	**2**	58
Training cost to related banks	**32**	40
Franchise fees – Standard Bank of South Africa (Note 36)	**3,778**	2,706
Information technology fees and other services - Standard Bank of South Africa	**5,302**	4,816
Dividends paid - Stanbic Africa Holdings Limited	**6,018**	8,846
Directors remuneration		
Non-executive directors – fees	**76**	61
Non-executive directors – expenses	**96**	76
Executive directors salaries and other short-term benefits	**341**	449
	513	586

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

The fees for the Directors for 2022 are as detailed below:

N.R Kanyongolo, PhD	MK10.2million
Mr. J P Patel	MK1.2million
Mr. A A Chioko	MK1.2million
Mr. A J W Chinula, SC	MK8.0million
Mrs. C Mtonda	MK8.0million
Mr. S Ulemu	MK8.0million
Mr. D Pinto	MK8.0million
R. Sibande, PhD	MK8.0million
Mr. A. Mkandawire	MK8.0million
Mr. G. Kuyeri	MK8.0million
Mrs. M.A. Chirwa	MK8.0million

44. Inflation and exchange rates

The foreign currencies affecting most of the operations of the Group are United States Dollar, British Pound and South African Rand. The average of selling and buying exchange i.e. rate at year end of these currencies and the country's national index price which presents inflation rate were as follows:

	2022	2021	2020
United States Dollar (USD)	**1,034.67**	819.44	773.11
Sterling Pound (GBP)	**1,282.60**	1,107.35	1,054.99
South African Rand (ZAR)	**62.69**	51.30	52.69
Inflation rates as at 31 December (%)	**25.4**	11.5	7.6

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

United States Dollar (USD)	**1,033.68**
Sterling Pound (GBP)	**1,280.21**
South African Rand (ZAR)	**57.43**

45. Subsequent events

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

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Footprint in Malawi