



INVESTMENT BANK



Annual report | 2025

---



# Contents

<b>CDH Investment Bank profile</b>	<b>2</b>
<b>Vision, mission and core values</b>	<b>3</b>
<b>Our services</b>	<b>4</b>
<b>Bank organizational structure</b>	<b>5</b>
<b>Corporate governance</b>	<b>6</b>
<b>Financial highlights</b>	<b>11</b>
<b>Our performance</b>	<b>13</b>
<b>Chairman's statement</b>	<b>14</b>
<b>Chief Executive Officer's statement</b>	<b>16</b>
<b>Our structure</b>	<b>19</b>
<b>Board of directors</b>	<b>20</b>
<b>Executive management</b>	<b>21</b>
<b>CDH Investment Bank corporate social responsibility</b>	<b>23</b>
<b>Annual economic review</b>	<b>49</b>
<b>Financial statements</b>	<b>67</b>
<b>Directors' report</b>	<b>68</b>
<b>Corporate governance report</b>	<b>70</b>
<b>Director's responsibility statement</b>	<b>73</b>
<b>Independent auditor's report</b>	<b>74</b>
<b>Statement of financial position</b>	<b>79</b>
<b>Statement of profit or loss and other comprehensive income</b>	<b>80</b>
<b>Statement of changes in equity</b>	<b>81</b>
<b>Statement of cash flows</b>	<b>82</b>
<b>Notes to the financial statements</b>	<b>83</b>

# CDH Investment Bank profile

## Who we are

**CDH Investment Bank is the leading investment bank in Malawi. The bank is licensed with the Reserve Bank of Malawi and is a member of Continental Holdings Limited, a financial services group registered in Malawi. CDH Investment Bank opened for business on 2 April 2012 following the successful conversion from Continental Discount House Limited (CDH) which had operated in the financial services sector for 14 years since August 1998.**

**CDH Investment Bank offers investment banking and commercial banking services. It is a deposit-taking investment bank. The bank's unique value proposition is the provision of bespoke financial services and corporate financial advisory. The bank is also a market maker in the trading of over-the-counter financial securities.**

**Our approach is commitment to an "on-going client-advisor relationship" and delivery of tailor-made financial solutions to clients who wish to grow their businesses.**

**CDH Investment Bank leads in mobilizing resources from both local and international capital markets for investment in Malawi's groundbreaking projects and transactions.**



## **Our vision**

To be the leading specialist Bank in Malawi

## **Our mission**

To deliver financial solutions to our clients by effectively utilizing the best human capital and technology. We are committed, through good corporate governance, to meeting the requirements of our shareholders and the regulators

## **Core values**

### **Integrity**

Developing within ourselves strong principles, sound judgement, and the resilience needed to do the right thing. We are honest, accountable, consistent, authentic, professional and transparent

### **Respect**

Every person is important. We are respectful, valuing diversity, committed, active listeners, open-minded and cooperative

### **Innovation**

Our relentless pursuit of new possibilities and the courage to embrace and impart change

### **Trust**

The currency of all our relationships. We are trustworthy, transparent, accountable, and authentic

### **Teamwork**

Playing our part to the best of our ability. We are dependable, trustworthy, cooperative, flexible, communicative, collaborative, motivating, celebrating success, supportive and active participants

### **Equity**

Universality of fairness and justice

# Our services

## Commercial banking

1. Current, call and savings accounts
2. Term and investment accounts
3. Foreign currency denominated accounts
4. Trade finance
5. Overdrafts
6. Term loans
7. Asset finance
8. Invoice discounting
9. Digital banking (internet, mobile and cards)

## Investment banking

1. Capital raising (debt and equity)
2. Financial restructurings
3. Company valuations
4. Stock exchange listings, delisting's
5. Management and leveraged buyouts
6. Mergers, demergers, acquisitions and divestitures
7. Assets backed securities
8. Financial advisory
9. Project finance

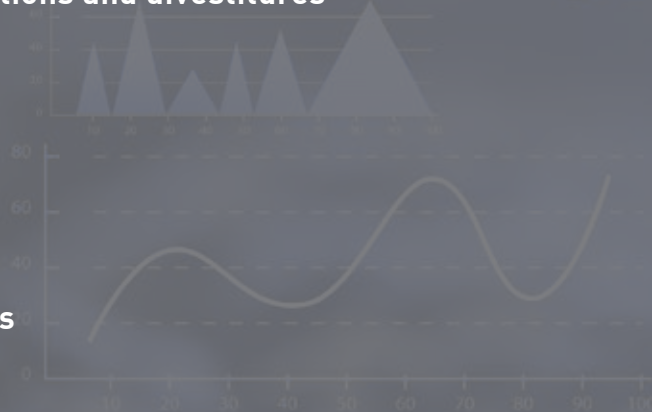
## Treasury

1. Trading of financial securities
2. Foreign exchange
3. Derivatives

## Target market

The Bank serves a select niche market grouping of:

1. Corporates
2. High net worth individuals
3. Government and state owned enterprises
4. International organizations and agencies
5. Medium scale enterprises (MEs)

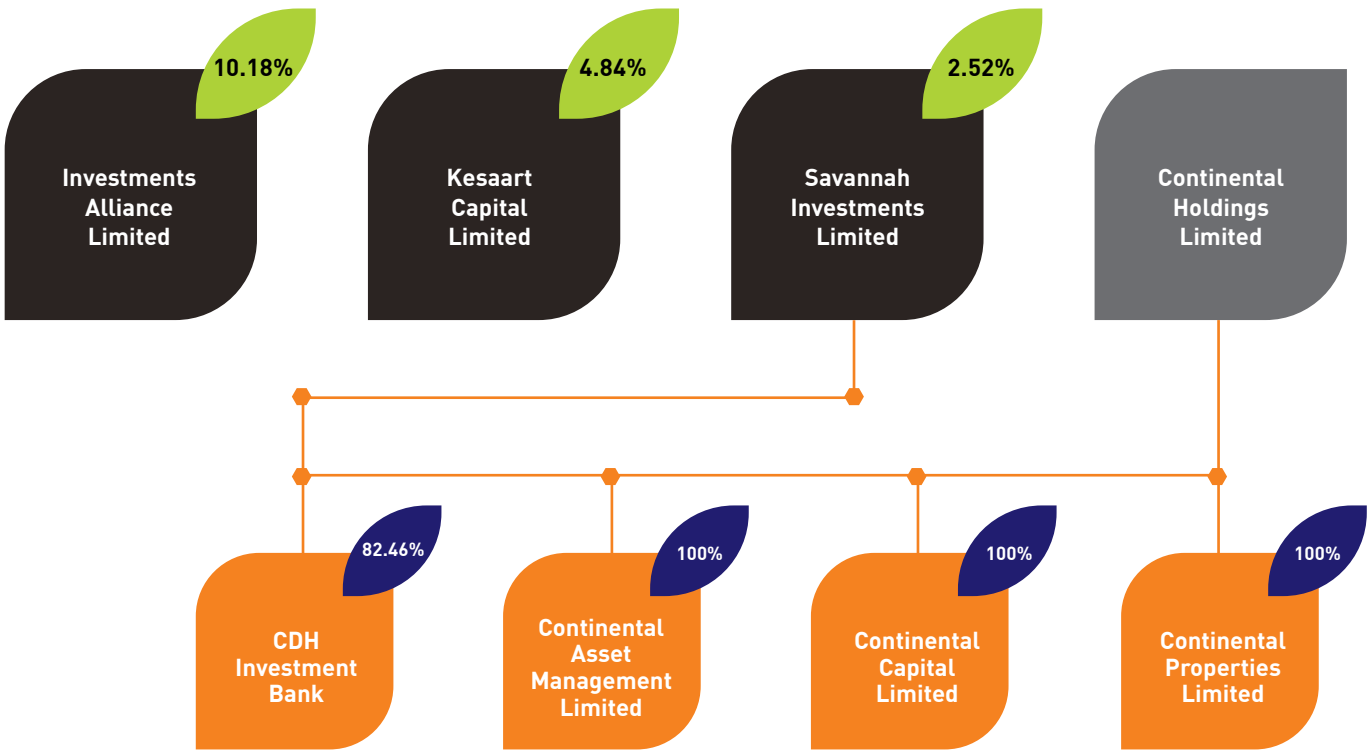


# Overview of the CDH Investment Bank organizational structure

This year marks CDH Investment Bank’s 14<sup>th</sup> anniversary. Through our journey, we have held steadfast to our purpose to deliver financial solutions to our clients by effectively utilizing the best human capital and information technology. CDH Investment Bank is committed, through good corporate governance and compliance to meeting the requirements of its shareholders and regulatory authorities.

CDH Investment Bank has delivered a strong financial performance yet again, in a challenging operating environment, a clear demonstration of our disciplined execution of strategy.

CDH Investment Bank is a subsidiary of Continental Holdings Limited, which is itself 61.00% owned by Trans Africa Holdings Limited (TAH), 14.44% by Press Trust, 9.98% by an Employee Share Ownership Programme (ESOP) and 14.58% by various minorities. Other companies within the group include Continental Asset Management Limited, Continental Asset Management Nominees Limited, Continental Capital Limited and Continental Properties Limited.



# Corporate governance

CDH Investment Bank recognizes that good corporate governance is instrumental in ensuring the attainment of its objectives for the benefit of its shareholders whilst taking cognizance of the interests of all other stakeholders. The bank is committed to the highest level of corporate governance and the implementation of effective structures, policies and practices that improve corporate governance and create sustainable value for the shareholders and other stakeholders.

Our corporate governance practices are periodically reviewed and improved by benchmarking them against internationally accepted best practices. The board is responsible for reviewing the bank's strategy and monitoring its implementation. The Chief Executive Officer is responsible for strategic leadership of the business.

## Board of directors

CDH Investment Bank's board has a balance of executive, non-executive and independent directors.

The board continues to ensure that governance structures and processes are effective to ensure proper discharge of its oversight role.

The board recognizes its responsibility in creating value by providing ethical leadership, promoting the bank's vision and upholding its values. The board members act in the best interest of the bank and its stakeholders at all times.

The board of CDH Investment Bank comprises the following:

Name	Nationality
Franklin Kennedy (Chairperson)	Canadian
Kofi Sekyere	Ghanaian
Robert Abbey	Ghanaian
Thoko Mkavea	Malawian
Charles Asare	Ghanaian
John McGrath	Australian
Elias Malion	Malawian
Sydney Chikoti	Malawian
Kingsley Zulu	Malawian
Joyce Gundani	Malawian
Beatrix Mosiwa	Malawian (up to 30 June 2025)

## Board sub-committees and members

The board has the following standing sub-committees:

Name of sub-committee	Chairperson	Members
Finance, Business and Information Technology	Kofi Sekyere	<ul style="list-style-type: none"><li>• Robert Abbey</li><li>• Thoko Mkavea</li></ul>
Human Resources and Remuneration	John McGrath	<ul style="list-style-type: none"><li>• Kofi Sekyere</li><li>• Robert Abbey</li></ul>
Risk and Compliance	Joyce Gundani	<ul style="list-style-type: none"><li>• John McGrath</li><li>• Charles Asare</li></ul>
Audit	Sydney Chikoti	<ul style="list-style-type: none"><li>• Elias Malion</li><li>• Kingsley Zulu</li></ul>

## Risk management

The board of CDH Investment Bank regards risk management as a key discipline within the bank's operations. The day-to-day responsibility for identifying, managing, and mitigating emerging risks lies with management. Management is accountable to the board for designing, implementing and monitoring the system and processes of risk management and compliance. The bank maintains separate risk and compliance functions to ensure adherence to the law, its policies and standards. Our risk management process is aligned with our strategic business planning process and is embedded throughout our management reporting and performance management systems. The bank ensures periodic review of risk reports and is constantly mitigating emerging risks to manage the banks' exposure.

## Executive management

CDH Investment Bank's executive management deals with all material matters relating to implementing the bank's strategy, monitoring performance and considering policies and approving significant transactions within its mandate. The management team consists of seasoned bankers and professionals that are driven to make CDH Investment Bank a leading financial institution by prudently managing the assets of the bank to provide adequate return to the investors.

# Corporate governance

The executive management of CDH Investment Bank comprises of the following:

Name	Designation
Thoko Mkavea	Chief Executive Officer/Managing Director
Kelvin Mkulichi	Chief Finance Officer
Zondwayo Mafuleka	Chief Treasury Officer
Jamal Kamoto	Chief Business Development Officer
Daniel Mwangwela	Chief Legal Officer and Company Secretary
James Chikoti	Chief Operating Officer
Chris Chirwa	Chief Information Officer
Christopher Ngwira	Chief Internal Auditor
Ivy Kwatiwani	Chief Human Capital Development Officer
Sungani Mkandawire	Chief Credit Officer
Robert Malipa	Chief Risk and Compliance Officer
John Chimankire	Chief Investment Banking Officer

## Our culture

CDH Investment Bank is committed to continuous growth, excellence and innovation. As a dynamic investment bank, we appreciate the role our people play in our success. We remain committed to investing in intellectual capital by attracting talented, qualified, and culturally aligned individuals to our team.

Every team member plays a vital role in our success, and we are committed to providing all employees with opportunities to realize their full potential. We strongly encourage both formal and informal development, supporting our staff in enhancing their skills through ongoing education, industry interactions, and exposure to local and international peers.

Recognizing and rewarding top talent remains a key priority for us. We continually improve our employee engagement and recognition programs to celebrate exceptional performance, while also identifying areas for improvement and providing support to elevate performance standards.

Our open-door policy fosters a culture of idea-sharing and collaboration at all levels, aimed at enriching our service delivery and organizational effectiveness.

Our customers' expectations for excellent service drive us to innovate and develop solutions that meet their evolving financial needs. Emphasizing creativity and forward-thinking, we have introduced multiple industry-first innovations that have positioned us as leaders in the sector.

We are proud of our team's dedication and resilience in upholding our principles and standards of excellence. As we look ahead, capacity development remains at the core of our strategic priorities, ensuring that our people continue to grow and contribute to the bank's sustained success.

# Corporate governance

## Corporate social responsibility

We are committed to upholding the highest standards of governance and ethics, consistently delivering solutions and services which meet customer expectations.

Our corporate social responsibility initiatives involve our employees and demonstrate our commitment to sustainable and responsible business practices which empower our partners and the communities we serve. We strive to minimize the environmental impact of our business practices, reinforcing our dedication to sustainable and responsible growth to positively contribute to societal development aligned with global trends.



# Investment banking services

We provide specialised, well researched financial advice to organizations confronted with complex financial challenges. Our market leadership in investment banking is defined by a combination of determination and commitment to create value for our clients.



Government backed  
term note

Lead arranger  
2024



Salima Lilongwe  
Water Project  
debt issuance and  
financial advisory

Lead arranger  
2024



Equity  
valuation

Lead advisor  
2024



Financial  
advisory

Lead advisor  
2023



Establishment of a  
national development  
finance institution in  
Malawi

Lead arranger  
2019



Acquisition

Lead arranger  
2013



Rights issue

Lead arranger  
2017



Capital restructuring  
through a court approved  
scheme of arrangement  
and delisting

Lead arranger  
2016



Delisting

Lead arranger  
2011



INVESTMENT BANK

# Key financial highlights

▶ Total assets

**82%**

increase

▶ Customer deposits

**84%**

increase

▶ Investment funds

**83%**

increase

▶ Profitability

**84%**

increase

▶ Return on equity

**76%**

▶ Return on assets

**6%**



INVESTMENT BANK





INVESTMENT BANK

# Our performance

# Chairman's statement

**Franklin Kennedy**  
Chairperson



## Global and domestic economic overview

The global economy in 2025 demonstrated limited resilience, supported initially by moderating inflation and a gradual easing of monetary tightening in advanced economies. However, this fragile stability has been undermined by escalating geopolitical tensions, particularly the ongoing conflict involving the United States, Israel, and Iran. The resulting uncertainty has heightened risks to global growth through rising energy prices, disrupted supply chains, and tightening financial conditions.

Against this backdrop, the global outlook has become increasingly uncertain, with risks firmly skewed to the downside.

Domestically, Malawi's economic environment remained highly constrained. Persistent foreign exchange shortages continued to limit the importation of essential goods, including fuel, with significant adverse effects on business operations and productivity. Although headline inflation moderated to an average of 28.4% in 2025 from 32.2% in 2024, it remained elevated and reflective of structural imbalances within the economy.

The Reserve Bank of Malawi maintained a tight monetary policy stance, holding the policy rate at 26.0% and increasing the Liquidity Reserve Requirement to 10.0% by year-end. Despite these measures, economic activity remained subdued, with GDP registering moderate growth to 2.7% in 2025 from 1.7% in 2024 and 1.9% in 2023, underscoring the continued fragility of the domestic economy.

## Performance overview

In this challenging operating environment, CDH Investment Bank delivered a strong financial performance. This outcome reflects the resilience of the Bank's business model, disciplined execution of its strategy, and a continued focus on prudent risk management and operational efficiency.

## Governance and board oversight

The Board remains firmly committed to maintaining the highest standards of corporate governance, regulatory compliance, and strategic oversight. During the year, Board subcommittees played a critical role in strengthening risk management frameworks, enhancing internal controls, and ensuring that the Bank operates within an increasingly demanding regulatory environment.

As the Bank grows in scale and complexity, the Board will continue to prioritise transparency, accountability, and alignment with stakeholder interests.

## Regulatory environment

The Malawian financial sector experienced notable regulatory developments in 2025, aimed at strengthening financial stability, enhancing market discipline, and improving depositor protection.

Key reforms included the increase in deposit insurance coverage, amendments to foreign currency management regulations providing greater flexibility in utilisation and conversion, and the introduction of enhanced Fit and Proper requirements across authorised dealer institutions.

Additional directives governing foreign exchange operations, licensing frameworks, and the repatriation of export proceeds further reinforced transparency and accountability within the financial system.

The Board welcomes these developments and remains confident that they will contribute to a more stable and credible financial sector. The Bank continues to proactively align its policies, systems, and governance structures with these evolving regulatory expectations.

### Financial performance and strategic direction

The Bank recorded a significant increase in profitability, with net profit after tax rising by 84% to K43.2 billion, compared to K23.53 billion in 2024. This performance was driven by strong growth in both net interest income and non-interest income, reflecting the Bank's diversified revenue streams and effective execution across its core business lines.

Looking ahead, the global and domestic economic outlook remains highly uncertain and tilted to the downside. While international institutions have published baseline growth projections for 2026, these are contingent on a relatively short-lived geopolitical disruption. Current developments suggest a more prolonged period of instability, with potential for sustained pressure on energy prices, inflation, and global financial conditions.

For Malawi, structural constraints including foreign exchange shortages, elevated inflation, and fiscal pressures are likely to persist in the near term, limiting the pace of economic recovery. As such, the operating environment is expected to remain challenging.

Within this context, CDH Investment Bank remains focused on preserving resilience while positioning for long-term

growth. Strategic priorities will include:

- Continued investment in human capital to build a high-performing and future-ready workforce;
- Strengthening investment banking and capital markets capabilities;
- Accelerating digital transformation to enhance efficiency and customer experience; and
- Deepening client relationships through tailored and innovative financial solutions.

### Appreciation

On behalf of the Board, I extend my sincere appreciation to our employees for their commitment and professionalism, to our customers for their continued trust, and to our shareholders for their unwavering support.

I also acknowledge the constructive engagement of our regulators and policymakers, as well as the valuable contributions of my fellow Board members in guiding the Bank through a complex and uncertain operating environment.

### Conclusion

The current environment presents significant challenges, but the Bank's strong performance, sound governance, and disciplined strategy provide a solid foundation for navigating uncertainty. The Board remains confident in the Bank's ability to sustain its resilience and continue delivering long-term value to all stakeholders.



**Franklin Kennedy**  
Chairperson

# Chief Executive Officer's statement



**Thoko Mkavea**  
Chief Executive Officer

## Economic outlook

In 2025, Malawi continued to face a challenging economic environment marked by persistent foreign exchange shortages and elevated inflation, both of which weighed on business activity. The lower-than-expected agricultural output from the 2022/2023 growing season, combined with election-related spending pressures, contributed to sustained inflationary conditions.

Average inflation moderated to approximately 28.4% in 2025, down from 32.2% in 2024, but remained high in real terms. In response to these pressures, the Reserve Bank of Malawi maintained a tight monetary policy stance, with the policy rate at 26.0% and the Liquidity Reserve Requirement ratio at 10.0% by year-end.

Economic activity showed modest improvement, with GDP growth estimated at 2.7% in 2025 compared to 1.7% in 2024. While this reflects a recovery, growth remained subdued and below the levels required for broad-based economic expansion.

## Our performance

Against this backdrop, I am pleased to report a strong financial performance for 2025. Net profit after tax increased by 84% to K43.22 billion, driven by solid contributions from both our commercial banking and trading operations.

This performance was underpinned by a 69% increase in operating income. Net interest income grew by 69%, from K17.554 billion to K25.424 billion, while non-interest income rose by 81%, from K35.350 billion to K64.139 billion.

As a result, our cost-to-income ratio improved significantly to 28.8%, compared to 39% in the prior year, despite a 54% increase in operating expenses.

The Bank remains well-capitalized, with Tier I and total capital adequacy ratios of 28%, comfortably above the regulatory minimums of 10% and 15%, respectively. Our liquidity ratio stood at 64%, well above the required 25%, reflecting disciplined liquidity management.

## Investment banking

Investment banking remains a core pillar of our business, supported by our 28-year track record in Malawi's financial services sector. We remain focused on strengthening this unit by attracting, developing, and retaining top talent to support the growth of Malawi's capital markets.

## Trading and treasury operations

Our trading and treasury operations recorded strong growth in 2025. Fixed-income trading volumes increased significantly, with the Bank playing a leading role in the secondary market for fixed income securities.

However, foreign exchange trading volumes remained constrained due to ongoing currency shortages.

Our Asset and Liability Management (ALM) framework and treasury systems continued to support effective liquidity management and a well-structured funding base.

## Commercial banking

Our commercial banking strategy continues to focus on deepening client relationships and leveraging cross-selling opportunities. This approach has supported a high-quality asset portfolio and a stable deposit base.

In corporate banking, we maintained prudent credit management and administration practices to enhance asset quality. While we remain committed to providing competitive lending solutions, we have placed greater emphasis on transactional banking services, including current accounts, cash management, tax payments, and bulk payment solutions.

Our digital platforms continue to play a critical role in delivering efficient and accessible banking services.

With an enhanced product offering, we have made meaningful progress in expanding market share across key segments. Looking ahead, we remain focused on building a sustainable and profitable commercial banking franchise, anchored on customer-centricity, tailored solutions, and a strong transaction banking proposition.

Continued investment in staff development, particularly in corporate and private banking, will further strengthen our client engagement and service delivery.

## Strategic direction

We remain focused on advancing the Bank's transformation by leveraging our talented workforce, strengthening partnerships, and refining our business model.

Talent development remains a key priority. Our enhanced employee value proposition will support continuous upskilling and empowerment, ensuring our teams are well-positioned to meet evolving client needs.

## Appreciation

I am immensely proud of the achievements of CDH Investment Bank over the past year. I extend my sincere gratitude to our 106 employees for their dedication and outstanding performance. I also thank the Board of Directors for their continued guidance and strategic oversight.

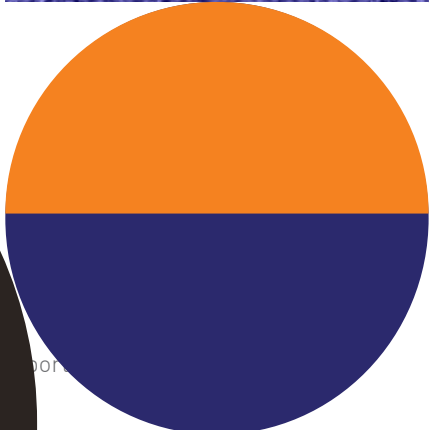
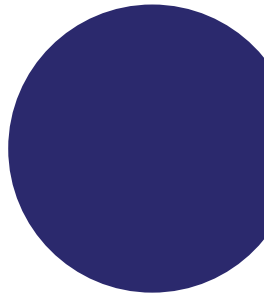
To our valued customers, we deeply appreciate your trust and loyalty, which remain central to our success.

Despite a challenging operating environment, CDH Investment Bank has continued to demonstrate resilience and adaptability. With a clear strategy, strong talent base, and unwavering commitment to delivering value, we are confident in our ability to further strengthen our position as Malawi's leading specialist bank.



**Thoko Mkavea**

Chief Executive Officer





INVESTMENT BANK

# Our structure

# Board of directors



**Franklin Kennedy**  
Chairman



**Kofi Sekyere**  
Director



**Robert Abbey**  
Director



**Thoko Mkavea**  
Director



**Charles Asare**  
Director



**John McGrath**  
Director



**Elias Malion**  
Director



**Sydney Chikoti**  
Director



**Kingsley Zulu**  
Director



**Joyce Gundani**  
Director

# Executive management



**Thoko Mkavea**  
Chief Executive Officer



**Kelvin Mkulichi**  
Chief Finance Officer



**Zondwayo Mafuleka**  
Chief Treasury Officer



**Jamal Kamoto**  
Chief Business  
Development Officer



**Daniel Mwangwela**  
Chief Legal Officer and  
Company Secretary



**James Chikoti**  
Chief Operating Officer



**Chris Chirwa**  
Chief Information Officer



**Christopher Ngwira**  
Chief Internal Auditor



**Ivy Kwatiwani**  
Chief Human Capital  
Development Officer



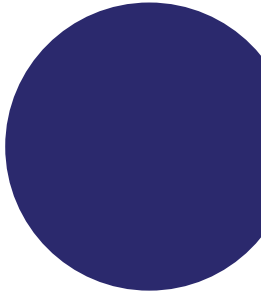
**Sungani Mkandawire**  
Chief Credit Officer



**Robert Malipa**  
Chief Risk and Compliance Officer



**John Chimanikire**  
Chief Investment Banking Officer





INVESTMENT BANK

# Corporate social responsibility

# CDH Investment Bank corporate social responsibility 2025

CDH Investment Bank continues to support various growth and development initiatives through its corporate social responsibility programs. The bank supported a variety of activities in health, sports, education, and other activities of national interest in 2025 as part of our commitment to foster sustainable growth and make a meaningful difference in the communities we serve.

Highlights of the 2025 corporate social responsibility initiatives include:

1. Bank's stakeholder engagement
2. Health initiatives
3. Education
4. Environmental initiatives
5. Sports development
6. Staff engagement
7. Banks' corporate partnerships with professional bodies
8. Awards

## 1. Bank's stakeholder engagement

### CDH Investment Bank hosts Members of Parliament engagement cocktail party

CDH Investment Bank on 23 October 2025 hosted a cocktail party for the newly elected Members of Parliament. The event provided a platform for the Bank to share updates on its initiatives and investment services. The Bank reaffirmed its commitment to ongoing dialogue with government stakeholders to support national development. The cocktail was a great opportunity for stakeholders to network and appreciate the Bank's vision and partnership opportunities. The members of parliament's valued the direct engagement, recognizing its role in informing policy and fostering a stable, inclusive economy. These are highlights from the cocktail party.



The Clerk of Parliament, Mrs Fiona Kalembe giving her remarks at the cocktail party

# CDH Investment Bank corporate social responsibility 2025



Some Members of Parliament at the cocktail interacting with staff of CDH Investment Bank



Jovial moments at the cocktail



CDH Investment Bank Chief Business Development Officer, Mr Jamal Kamoto giving remarks on behalf of the Chief Executive Officer/Managing Director

# CDH Investment Bank corporate social responsibility 2025

## 2. Health initiatives

### CDH Investment Bank partners with Nation Publications Limited



Ivy Kwatiwani, Chief Human Capital Development Officer, CDH Investment Bank (right) hands over a cheque to Nation Publications Limited Sunday Editor, Mr Emmanuel Luciano

CDH Investment Bank supported the Mothers Fun Run Sleepover Challenge at Santhe Health Centre in Kasungu, as part of the safe motherhood campaign by Nation Publications Limited. Some members of staff of CDH Investment Bank participated in a sleepover at the centre. The sleepover provided an opportunity to demonstrate the bank's commitment to improving maternal health in rural communities.

CDH Investment Bank sponsored the Nation Publications Limited's annual Mothers' Fun Run initiative which took place on Saturday, November 22, 2025, in Kasungu. This partnership reflects the bank's dedication to promoting health, well-being, and community development. The bank believes initiatives like the Mothers' Fun Run play a vital role in raising awareness about maternal health and ensuring that mothers receive the care and support they need during childbirth. Through this collaboration, partners aim to contribute to reducing maternal mortality and supporting healthcare efforts in Kasungu and beyond.

# CDH Investment Bank corporate social responsibility 2025

CDH Investment Bank invests in life-changing surgeries through Beit Cure



Mr Zondwayo Mafuleka, Chief Treasury Officer of CDH Investment Bank (3<sup>rd</sup> right) hands over a cheque to Mr Davie Simengwa, Director of Programs and Development Beit Cure International Hospital (2<sup>nd</sup> right) while Ms Ulemu Jumbe, Treasury Sales Manager looks on

CDH Investment Bank donated K3 million to Beit Cure International Hospital as part of its efforts to improve health in children. The donation was channeled to support the hospital in conducting life-changing reconstructive and orthopedic surgeries.

# CDH Investment Bank corporate social responsibility 2025

CDH Investment Bank contributes to advancing the WASH (water, sanitation, and hygiene) agenda

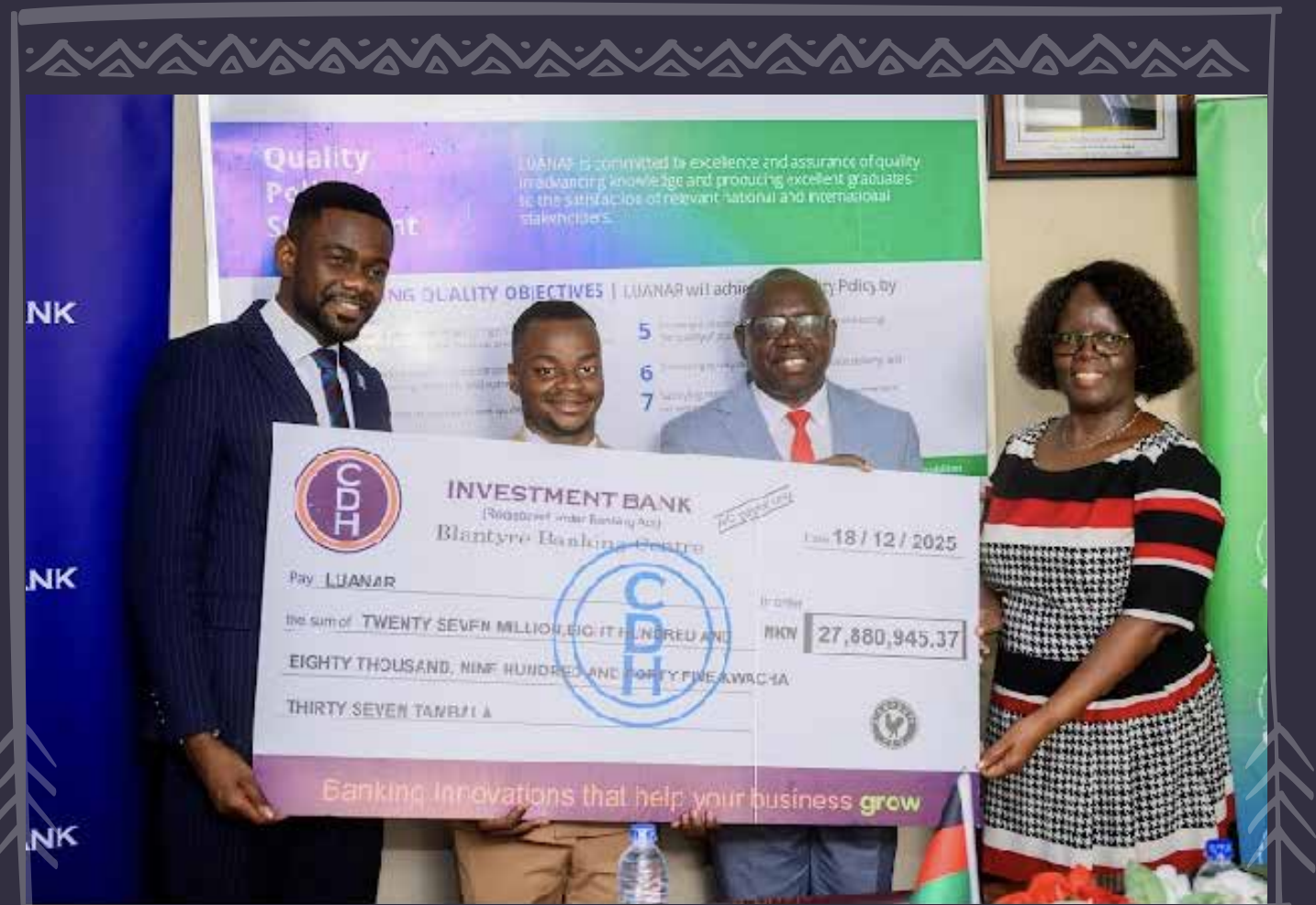


Mrs Jennie Madinga, CDH Investment Bank Account Relationship Manager – Corporate & Public Sector hands over a symbolic cheque to Mr Silli Mbewe, Chief Executive Officer of Lilongwe Water Board

CDH Investment Bank sponsored the African Water and Sanitation Association (AfWASA) Scientific and Technical Council Meeting with a contribution of K5 million. Held in Lilongwe, the event gathered water and sanitation experts, policymakers, and regulators from across Africa to share knowledge, address sector challenges, and promote sustainable solutions. This sponsorship underscores the Bank's ongoing commitment to supporting infrastructure development, regional collaboration, and Africa's socio-economic progress in water and sanitation.

## 3. Education

CDH Investment Bank invests K27.8million in innovation and student development initiatives



Mr Jamal Kamoto (1<sup>st</sup> left) CDH Investment Bank, Chief Business Development Officer hands over a symbolic cheque to Professor Emmanuel Kaunda (3<sup>rd</sup> left) Vice Chancellor of the Lilongwe University of Agriculture and Natural Resources

In December 2025, CDH Investment Bank reaffirmed its commitment to fostering innovation and supporting talented students at LUANAR. The Bank's ongoing partnership with LUANAR, established via a 2023 MoU, aims to help LUANAR achieve its strategic goals in agriculture. The Bank disbursed K16.8million to fund innovation competitions and intellectual property protection efforts. The bank also allocated K10.9million to support talented students, demonstrating its dedication to nurturing future leaders, promoting sustainable farming, and contributing to Malawi's development. The event underscored CDH Investment Bank's broader commitment to fostering innovation, education, and sustainable development in Malawi.

# CDH Investment Bank corporate social responsibility 2025

CDH Investment Bank invests in MUBAS endowment fund



Mr Kingsley Zulu, Director of CDH Investment Bank hands over a K50 million cheque to Professor Nancy Chitera, Vice Chancellor of MUBAS for the MUBAS endowment fund in the presence of the endowment fund fundraising chairperson Mr Eric Chapola

In 2025, CDH Investment Bank, alongside other companies under Continental Holdings Limited, contributed K50 million to the Malawi University of Business and Applied Sciences (MUBAS) Endowment Fund, highlighting their commitment to supporting higher education. The cheque presentation on 14 November 2025 underscored the Group's commitment to empowering talented but financially challenged students and investing in Malawi's future.

# CDH Investment Bank corporate social responsibility 2025

Education for a better tomorrow/CDH Investment Bank imparts financial literacy knowledge during the Global Money Week



A student addressing fellow learners during the 2025 Global Money Week commemoration at PIM Community Day Secondary School

CDH Investment Bank participated in the Global Money Week by engaging with students from PIM Community Day Secondary School and Bvumbwe Community Day Secondary School in Chiradzulu and Thyolo districts. The theme for the commemoration was *“Think Before You Follow, Wise Money Tomorrow,”*. During the visits, representatives from the Bank delivered insightful presentations fostering a deeper understanding of financial literacy among the students. The initiative aimed to inspire a generation of informed consumers who can make better financial choices.

# CDH Investment Bank corporate social responsibility 2025

CDH Investment Bank supports the 2025 national TEVET conference



Mrs Jennie Madinga, CDH Investment Bank Account Relationship Manager – Corporate & Public Sector hands over a symbolic cheque to Mr Elwin Sichiola, Chief Executive Officer of Technical, Entrepreneurial and Vocational Education and Training Authority

CDH Investment Bank donated K2 million to the National TEVET Conference, organized by Technical, Entrepreneurial and Vocational Education and Training Authority (TEVETA), from 27-28 March 2025, at BICC, Umodzi Park, Lilongwe. The conference brought together industry experts, academics, and professionals to review and develop strategies for improving TEVET in Malawi, supporting the country's socio-economic growth. The donation illustrates the bank's dedication to supporting initiatives which enhance resource mobilization and vocational training to empower youth and ultimately boost economic activity and foster national development.

## 4. Environment

CDH Investment Bank invests K5.9 million in LUANAR's annual tree-planting program



Mrs Jennie Madinga, CDH Investment Bank Account Relationship Manager – Corporate & Public Sector plants a tree

CDH Investment Bank donated K5.9 million to the Lilongwe University of Agriculture and Natural Resources (LUANAR) to support the university in the tree-planting day which took place on 22 January 2025 at Bindula Primary School in Bunda, Lilongwe. The initiative promoted environmental sustainability to combat deforestation by engaging students and local communities in the planting of trees.

# CDH Investment Bank corporate social responsibility 2025

## 5. Sports

**CDH Investment Bank bankrolled the BASMAL 2024/2025 national club basketball tournament with K44 million**

CDH Investment Bank sponsored K44million for the BASMAL 2024/2025 national club basketball tournament which took place on 6-7 June 2025 at Kamuzu University of Health Sciences (KUHeS) in Blantyre. The event showcased Malawi's national basketball talent and fostered teamwork, resilience, and collaboration. The tournament created an energetic atmosphere, promoting healthy competition, community engagement, and relationship-building. The Bank reaffirmed its commitment to promoting wellness, camaraderie, and excellence through sports. The initiative supported the development of basketball in Malawi. These were a few highlights of the event.



CDH Investment Bank team poses for a group photo just before the start of a game

# CDH Investment Bank corporate social responsibility 2025



Mr Thoko Mkavea, Chief Executive Officer/Managing Director of CDH Investment Bank set the tone for the finals



Champions of the men's division, Bravehearts men's team



Champions of the lady's division, Bravehearts ladies team

# CDH Investment Bank corporate social responsibility 2025

## 6. Staff engagement



CDH Investment Bank board and staff held engagement and cocktail events in Blantyre and Lilongwe



Directors and staff at the Lilongwe Board staff engagement in June 2025

# CDH Investment Bank corporate social responsibility 2025



Director Kofi Sekyere (far right) interacting with Mr Jamal Kamoto, Chief Business Development Officer and Mrs Mercy Sekani, Banking Centre Manager for Capital City Banking Centre at the board staff engagement in Lilongwe



Mr Elias Malion (R), Director of CDH Investment Bank captured singing along with the band



Franklin Kennedy, Board Chairperson, CDH Investment Bank addresses staff at the board staff engagement in Lilongwe in June 2025

# CDH Investment Bank corporate social responsibility 2025

CDH Investment Bank held a board and staff engagement events on Monday, 30 June 2025, at Ryalls Hotel in Blantyre, and on Wednesday, 3 July 2025, at BICC Hotel in Lilongwe.

The cocktail gatherings were interactive and enjoyable, creating an excellent platform for open communication and the exchange of ideas between esteemed board members and staff. These sessions fostered stronger connections, enhanced collaboration between the board and staff.

## Driving innovation: Bank Directors and Management embrace digital transformation and AI



Some of the directors and management after the training

The bank's directors and management underwent training in AI. The program covered AI technologies, data analytics, cybersecurity, and digital banking, fostering a culture of innovation. This initiative demonstrated the bank's commitment to leveraging advanced technologies to provide personalized, secure, and efficient services, ensuring we remain resilient and future-ready in a digital age.

# CDH Investment Bank corporate social responsibility 2025

CDH Investment Bank commemorated the mental health awareness month in May 2025 with various activities. The bank shared staff daily posters on mental health awareness in the month, encouraged staff to participate in daily gratitude journaling and daily walks and organized a workplace mental health talks and mental health screening for all staff. Staff participated in wellness walks at Milare in Blantyre and the Presidential Drive in Lilongwe. The activities offered employees a chance to relax, enjoy nature, and engage in meaningful conversations about mental health. It also served as a platform to reinforce the importance of self-care and emotional resilience in the workplace. These initiatives reflect the bank's ongoing commitment to employee wellness and mental health advocacy.

## Quarterly staff wellness sessions



Staff pose to make a mental health ribbon after the mental health awareness walk

Staff at CDH Investment Bank participated in the commemoration of Mental Health Awareness Month by taking a walk in Lilongwe in May 2025

# CDH Investment Bank corporate social responsibility 2025



The team captured in action during a team building relay game



The team from Lilongwe captured during one staff engagement session

CDH Investment Bank supported staff wellness with quarterly engagement activities in 2025. Activities included health checks, walks, sports day participation, and psychologist sessions, providing team building opportunities for the internal project Zonsetu. All staff also actively participated in the May mental health awareness month internal engagement activities which the bank hosted.

# CDH Investment Bank corporate social responsibility 2025

## CDH Investment Bank invests in a fun hiking trip



CDH Investment Bank staff members at the hike in Zomba



CDH Investment Bank Lilongwe staff members captured after a game drive at the Mkuyu Game Lodge

CDH Investment Bank executed its fourth quarter staff wellness activity which took place on Saturday 1 November 2025 at Ku Chawe in Zomba and on Sunday 2 November 2025 at Mkuyu Lodge in Salima. The wellness activity included an energizing hike and braai for both teams and refreshing game drive for the Lilongwe team. The activity offered the teams an opportunity to unwind, strengthen relationships, and enjoy the beauty of nature outside the office.

# CDH Investment Bank corporate social responsibility 2025

## Reflecting on a year of progress

CDH Investment Bank ended the year with a lively Wall Street-themed celebration on Saturday 13 December 2025 at Sunbird Mount Soche Hotel in Blantyre and on Saturday 20 December 2025 at Sunbird Capital Hotel in Lilongwe. The staff engagement activities showcased achievements and future ambitions.



The bank's Chief Treasury Officer, Chief Executive Officer/Managing Director and Director captured at the photobooth before the event



Mr Thoko Mkavea, Chief Executive Officer/Managing Director giving his remarks at the Blantyre dinner and dance



Staff captured on the dance floor

# CDH Investment Bank corporate social responsibility 2025

The event featured themed cocktails, trivia games, modern trading-floor setting, energetic entertainment, and created memorable occasion to reflect on success, celebrate teamwork, and look ahead with optimism.



Staff at the Lilongwe end of year party



Shared happy moments



Investing in unforgettable moments the wall street way!



Shared happy moments

# CDH Investment Bank corporate social responsibility 2025

## 7. Bank's corporate sponsorships and partnerships with professional bodies

CDH Investment Bank sponsors the Banker's Association of Malawi lake conference



Mr Jamal Kamoto, Chief Business Development Officer of CDH Investment Bank captured at the 2025 Bankers Association of Malawi

CDH Investment Bank, donated K5 million to 10<sup>th</sup> Bankers' Annual Conference, held from August 14 to 16, 2025. The event gathered together prominent professionals and key stakeholders in Malawi's banking sector to exchange insights, address industry challenges, and identify opportunities for future growth. The bank's support of the conference underscores CDH Investment Bank's dedication to fostering collaboration, innovation, and development within Malawi's financial industry, reaffirming its commitment to strengthening the sector for a prosperous future.

# CDH Investment Bank corporate social responsibility 2025

CDH Investment Bank donated K5million to FIMDA



Mr Zondwayo Mafuleka, (2<sup>nd</sup> right), CDH Investment Bank, Chief Treasury Officer, hands over funds to Mr Mthetwa Honde Financial Market Dealers Association (FIMDA) Committee Member (3<sup>rd</sup> left)

CDH Investment Bank donated K5 million to support the 2025 Financial Markets Dealers Association of Malawi (“FIMDA”) Annual Conference which took place from 17-19 October 2025 at Sunbird Nkopola in Mangochi. The conference was held under the theme “Financial Inclusion Through Digital Innovation” brought together key financial sector stakeholders to discuss ways of building a more inclusive financial market for Malawians.

# CDH Investment Bank corporate social responsibility 2025

CDH Investment Bank continues to support Mzinga Incubation program



Some of the participants of one of the Malawi Stock Exchange quarterly meetings

The Mzinga Incubation Program, an initiative of the Malawi Stock Exchange (MSE), aims to support Small and Medium Enterprises (SMEs) in accessing capital and preparing for listing on the Enterprise Development and Growth Exchange (EDGE) platform. The project is funded by the World Bank via the Financial Inclusion and Entrepreneurship Scaling (FIeS) project. It is designed to help Small and Medium Enterprises (SMEs) become ready for listing on the MSE. CDH Investment Bank is proud to be a key supporter of this program, which offers capacity building, corporate governance training, and financial advisory services to enhance the "bankability" of participating businesses. The bank has supported the program since 2024.

# CDH Investment Bank corporate social responsibility 2025

## 8. Awards

### CDH Investment Bank received the 2025 Gender Equity and Diversity award from the Employers Consultative Association of Malawi

CDH Investment Bank was honored with the Gender Equity and Diversity Award from the Employers Consultative Association of Malawi. This recognition reflects our commitment to fostering an inclusive workplace where everyone can thrive. Together, we're building a more equitable future.



### CDH Investment Bank awarded by Mzinga Program

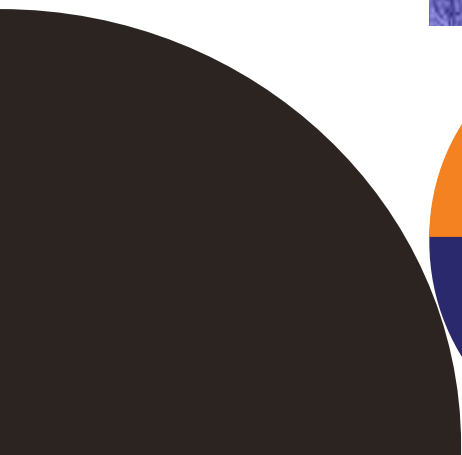
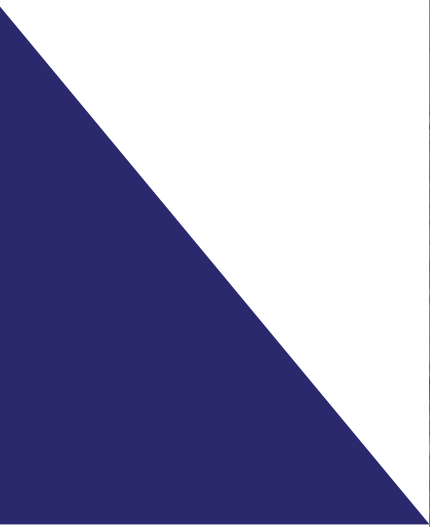
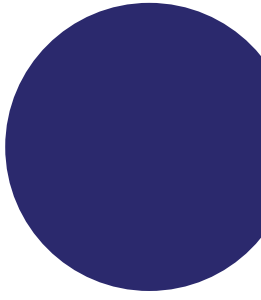
The Malawi Stock Exchange presented CDH Investment Bank with the Mzinga Prestige award. The award was presented to the bank in appreciation for the exemplary mentorship and support the bank offered guiding SMEs towards listing readiness through the Mzinga program.



### Celebrating excellence: CDH Investment Bank named best investment bank in Malawi by Global Banking and Finance Review

CDH Investment Bank was recognized as the Best Investment Bank in Malawi by the Global Finance Magazine, London.







**INVESTMENT BANK**

# Annual economic review

For the year ended  
31 December 2025

1. Executive summary	50
2. Interbank market	51
3. Government securities	52
4. Foreign exchange	54
5. Inflation	57
6. Monetary policy	58
7. Economic growth	59
8. Political environment	60
9. Fiscal policy	61
10. Stock market performance	62
11. Conclusions	64

# Annual economic review

For the year ended 31 December 2025

## 1. Executive summary

- 1.1. The Reserve Bank of Malawi (RBM) took a cautious approach to monetary policy in 2025 and held the Policy rate at 26.0% throughout the year.
- 1.2. With a stable Policy rate, market interest rates and yields on Government securities were generally stable during the year.
- 1.3. The level of liquidity on the interbank market was slightly higher in 2025 compared to 2024, with banks' excess reserves held with the RBM averaging K123.69 billion per day during the year compared to an average of K117.01 billion per day in 2024, representing an increase of 5.71%.
- 1.4. The Kwacha was relatively stable against the United States Dollar (USD) in 2025, with the USD/MWK exchange rate for Telegraphic Transfers (TT) averaging K1750.21 per USD during the year, representing a marginal depreciation of the Kwacha of 0.68%.
- 1.5. Foreign exchange supply remained subdued relative to demand during 2025. Total forex reserves stood at USD530.00 million (2.10 months of import cover) as of 30 November 2025.
- 1.6. Inflationary pressures remained elevated but started to ease during the year. Headline inflation rate decreased to an average of 28.4% in 2025 from an average of 32.2% in 2024 and closed the year at 26.0%. The Government expects inflation rate to decelerate further in 2026 to below 21.0%.
- 1.7. The Government projected a real GDP growth rate of 2.8% for 2025, higher than 1.7% in 2024. Growth in 2025 was largely supported by better agricultural harvest during the 2024/2025 season than the previous season and scaling up of infrastructure activities. In 2026, the Government expects the country's economic growth to improve further to 3.8%, while the World Bank and the Economist Intelligence Unit (EIU) project growth rates of 2.6% and 2.0%, respectively.
- 1.8. The stock market registered a positive return on the Malawi All Share Index (MASI) of 247.63% in 2025, significantly higher than a return of 55.06% recorded in 2024.
- 1.9. 2025 was an election year for Malawi. The September 2025 general elections ushered in a change in government administration following the victory of Prof. Arthur Peter Munthalika of the Democratic Progressive Party.
- 1.10. The Government introduced new tax measures which became effective on 30 December 2025.

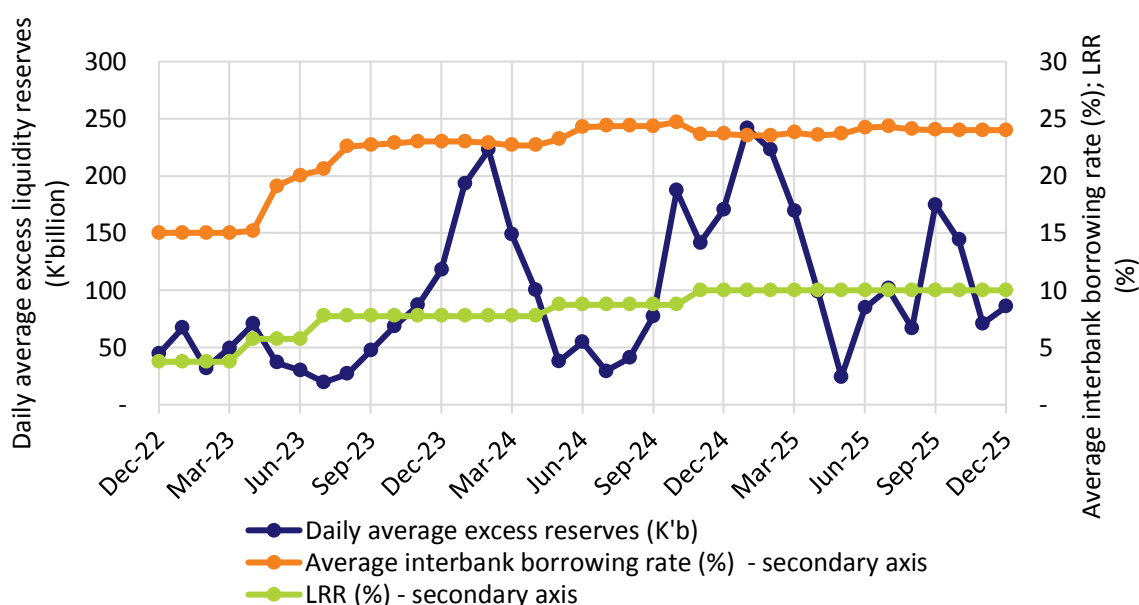
# Annual economic review

For the year ended 31 December 2025

## 2. Interbank market

- 2.1. Liquidity conditions in the banking system were higher in 2025 compared to the level registered in 2024. Banks' excess reserves held with the Reserve Bank of Malawi (RBM) averaged K123.69 billion per day in 2025, compared to the average of K117.01 billion per day in 2024, representing an increase of 5.71%. Liquidity conditions were highest in the first quarter of 2025 when banks' excess reserves averaged K211.32 billion per day and were lowest in the second quarter when excess reserves averaged K69.01 billion per day.
- 2.2. The volume of borrowing among banks on the interbank market increased by 71.31% in nominal terms to a total of K23.74 trillion in 2025 from K13.86 trillion in 2024. Funds accessed through the Lombard Facility of the RBM increased by 50.22% in nominal terms to K12.88 trillion in 2025 compared to K8.57 trillion in 2024.
- 2.3. The interbank borrowing rate was generally stable, increasing slightly to an average of 23.89% during the year from an average of 23.65% in 2024. The Lombard rate was also stable at 26.20% throughout the year 2025 from an average of 25.87% in 2024. The stability in market interbank rates followed a stable Policy rate which was last adjusted in February 2024 from 24.0% to 26.0%.
- 2.4. To manage liquidity in the banking system, the RBM injected funds through issuance of OMO reverse repos which amounted to K273.50 billion in 2025 (K180.00 billion in 2024) and through the Rediscounting Standing Facility on which K228.94 billion was accessed (K189.01 billion in 2024). To mop up liquidity, the RBM issued OMO repos that amounted to K225.00 billion during the year (K164.60 billion in 2024).
- 2.5. Chart 1 provides a summary of excess liquidity reserves and interbank rate movements over the immediate past three years. The Chart shows slightly higher liquidity levels in 2025 relative to 2024 and the stability in the interbank borrowing rate in 2025.

**Chart 1: Daily average excess liquidity reserves and interbank borrowing rate**



(Data source: Reserve Bank of Malawi)

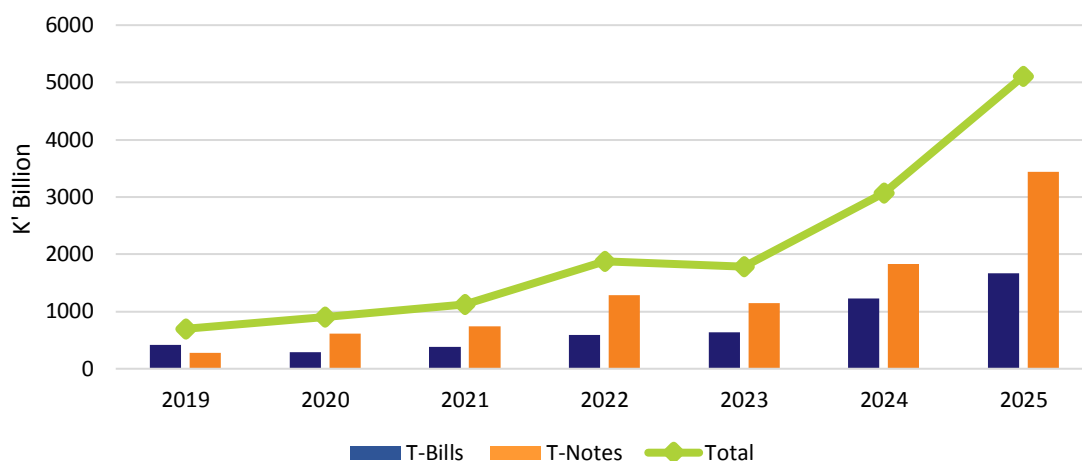
# Annual economic review

For the year ended 31 December 2025

## 3. Government securities

- 3.1 The Government raised K1,668.64 billion in auctions of Treasury Bills (TB) in 2025, representing an increase of 35.56% from K1,230.95 billion raised in 2024. The rejection rate was at 9.75% in 2025 compared to 0.44% in 2024.
- 3.2 K3,441.61 billion was raised in auctions of Treasury Notes (TNs) during 2025, compared to K1,832.17 billion raised in 2024, representing a nominal increase of 87.84%. Rejection rate for TNs was at 0.62% in 2025 compared to 0.10% in 2024.
- 3.3 Overall, the total amount raised by Government in the domestic market through issuance of Treasury securities (TBs and TNs combined) increased by 66.83% in nominal terms in 2025 (K5,110.25 billion) relative to 2024 (K3,063.12 billion) as shown in Chart 2:

**Chart 2. Comparative analysis of amounts raised in Treasury securities**



*(Data source: Reserve Bank of Malawi)*

- 3.4 Yields on Government securities were stable in 2025, reflecting a stable Policy rate. The 91-day, 182-day and 364-day TB yields were at 16.00%, 20.00% and 26.00%, respectively, throughout the year 2025, increasing from an average of 15.84%, 19.83% and 25.83%, respectively, in 2024. The average all-type TB yield was at 20.67% in 2025 from an average of 20.50% in 2024. Yields for TNs were also stable throughout the year 2025, although annual averages indicate an increase in 2025 compared to 2024, as shown in Table 1 below:

# Annual economic review

For the year ended 31 December 2025

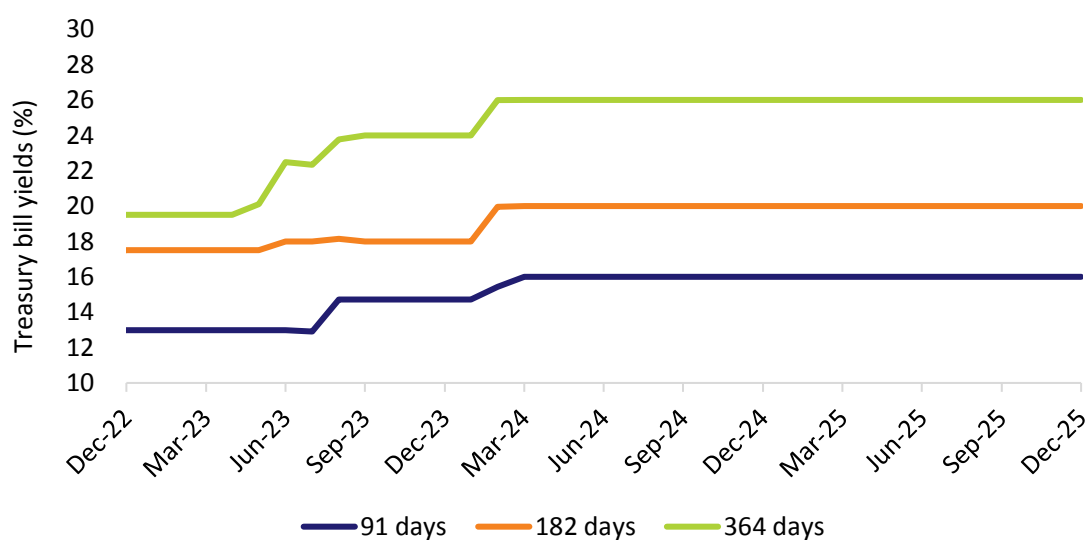
**Table 1: Annual average and year-end yields of Treasury Bills and Notes**

Tenor	Year-end yields			Annual average yields		
	As at 31 Dec 2025	% points change	As at 31 Dec 2024	2025 average	% points change	2024 average
91-days	16.00%	➔ 0.00	16.00%	16.00%	⬆ 0.16	15.84%
182-days	20.00%	➔ 0.00	20.00%	20.00%	⬆ 0.17	19.83%
364-days	26.00%	➔ 0.00	26.00%	26.00%	⬆ 0.17	25.83%
2-years	28.75%	➔ 0.00	28.75%	28.75%	⬆ 0.17	28.58%
3-years	30.00%	➔ 0.00	30.00%	30.00%	⬆ 0.17	29.83%
5-years	32.00%	➔ 0.00	32.00%	32.00%	⬆ 0.17	31.83%
7-years	34.00%	➔ 0.00	34.00%	34.00%	⬆ 0.17	33.83%
10-years	35.00%	➔ 0.00	35.00%	35.00%	⬆ 0.15	34.75%

(Data source: Reserve Bank of Malawi)

3.5 Chart 3a and 3b below depict the stability in Government securities yields across all tenors in 2025.

**Chart 3a: Monthly average Treasury bill yields**

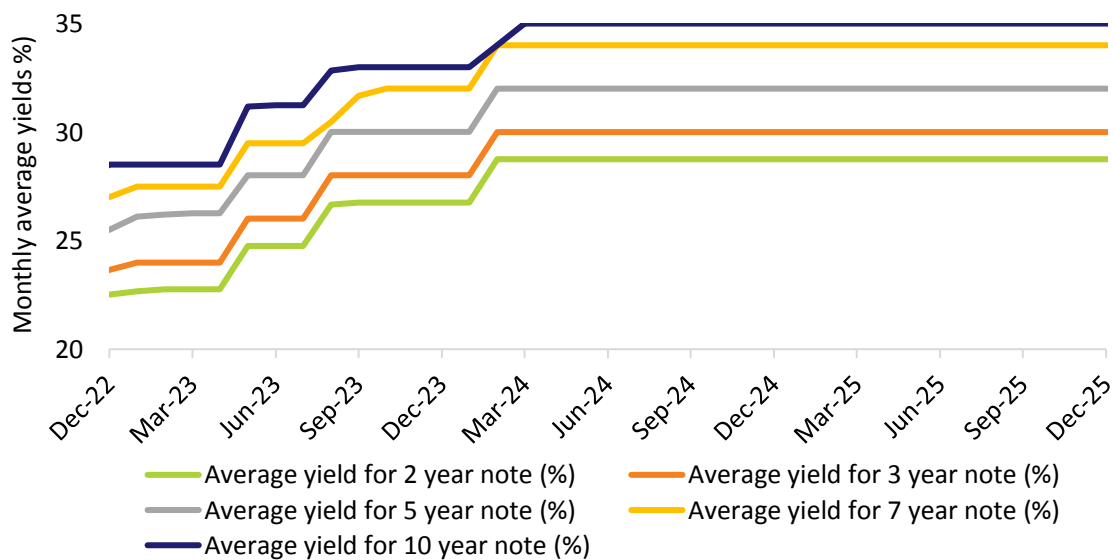


(Data source: Reserve Bank of Malawi)

# Annual economic review

For the year ended 31 December 2025

**Chart 3b: Monthly average Treasury Note yields**



(Data source: Reserve Bank of Malawi)

## 4. Foreign exchange market

- 4.1 In the year 2025, the Malawi Kwacha was generally stable against the United States Dollar (USD) but continued to weaken against other major trading currencies as the imbalance between supply and demand of foreign currencies remained high.
- 4.2 The Malawi Kwacha to USD TT middle exchange rate averaged K1,750.21 per USD in 2025, from an average of K1,738.34 per USD in 2024, representing a depreciation of 0.68% of the Kwacha. The Malawi Kwacha to GBP TT average middle exchange rate increased by 3.83% to K2,373.08 per GBP from K2,285.61 per GBP; the Malawi Kwacha to EUR TT average middle exchange rate increased by 5.16% to K2,035.03 per EUR from K1,935.22 per EUR; and the Malawi Kwacha to ZAR TT average middle exchange rate increased by 3.90% to K100.45 per ZAR from K96.68 per ZAR.
- 4.3 A comparison of end-of-year TT exchange rates indicates that the Kwacha marginally appreciated against the USD by 0.05%, but depreciated against the GBP, EUR and ZAR by 7.37%, 12.72% and 12.49% respectively. The USD/MWK TT middle exchange rate closed the year at K1,749.00 per USD.
- 4.4 Table 2a and Chart 4a depict the depreciation of the Kwacha in 2025 compared to 2024. (Note: downward arrows represent depreciation of the Kwacha and the upward arrow represents appreciation of the Kwacha).

# Annual economic review

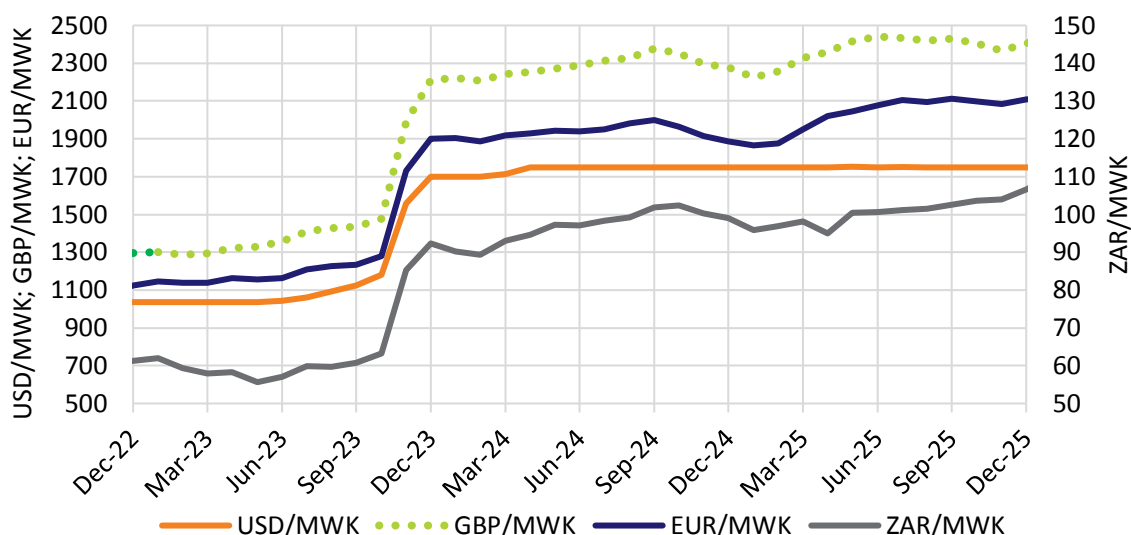
For the year ended 31 December 2025

Table 2a: TT middle exchange rates

Currency	Annual Average			End year		
	2025	Change	2024	31 Dec 2025	Change	31 Dec 2024
USD/MWK	1750.21 ↓	0.68%	1738.34	1749.00 ↑	-0.05%	1749.93
GBP/MWK	2373.08 ↓	3.83%	2285.61	2416.04 ↓	7.37%	2250.25
EUR/MWK	2035.03 ↓	5.16%	1935.22	2107.54 ↓	12.72%	1869.77
ZAR/MWK	110.45 ↓	3.90%	96.68	107.87 ↓	12.49%	95.89

(Data source: Reserve Bank of Malawi)

Chart 4a: Monthly average middle exchange rates



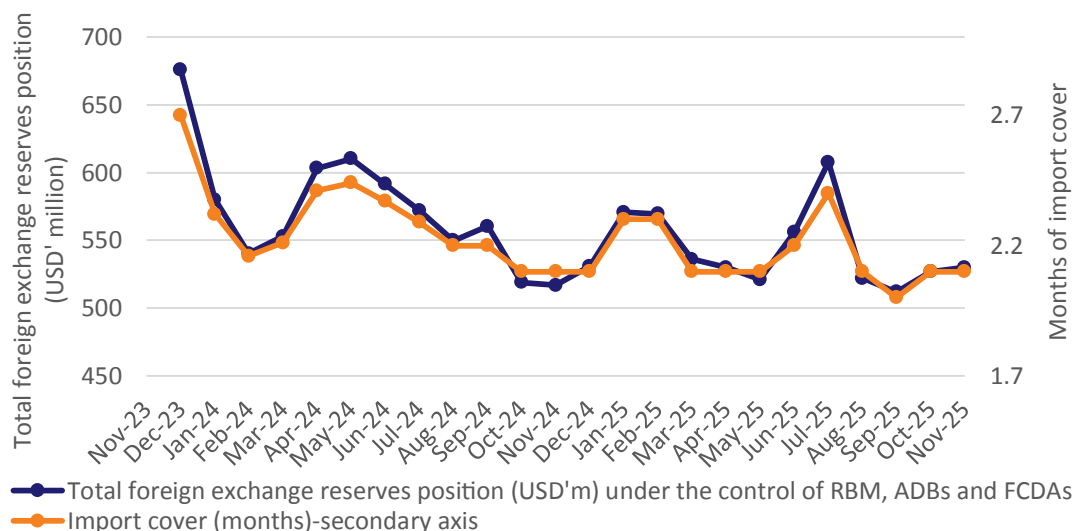
(Data source: Reserve Bank of Malawi)

- 4.5 Month-end balances of total foreign exchange reserves averaged USD543.75 million (2.16 months import cover) in 2025, down from an average of USD560.58 million (2.24 months import cover) in 2024. As of 30 November 2025, the total reserves were at USD530.00 million (2.10 months of import cover), compared to USD530.90 million (2.10 months of import cover) as of 31 December 2024 and USD516.90 million (2.10 months import cover) as of 30 November 2024.
- 4.6 The persistent foreign currency shortages continued to constrain the importation of essential goods, including fuel, thereby affecting business operations.

# Annual economic review

For the year ended 31 December 2025

**Chart 4b: Total foreign exchange reserves position**



(Data source: Reserve Bank of Malawi)

4.7 The country's earnings from tobacco sales, the country's largest forex earner, increased by 36.62% in 2025 compared to 2024 due to an increase of 65.90% in sales volume, while the average price decreased by 17.79% as shown in Table 2b below:

**Table 2b: End season tobacco sales**

	2025	% Change (2025 - 2024)	2024	% Change (2024 - 2023)	2023	% Change (2023 - 2022)	2022	% Change (2022 - 2021)	2021
Volume million (kg)	221.27	65.90% ↑	133.38	10.66% ↑	120.53	41.67% ↑	85.07	-31,20% ↓	123.65
Average price (USD/kg)	2.45	17.79% ↓	2.98	26.81% ↑	2.35	9.81% ↑	2.14	34,59% ↑	1.59
Value (USD 'million)	542.31	36.62% ↑	396.94	39.88% ↑	283.76	55.88% ↑	182.04	-7,62% ↓	197.05

(Data source: Tobacco Commission (TC))

4.8 Looking forward, in 2026 depreciation pressures on the Kwacha are expected to remain prevalent as the imbalance between demand and supply of forex remains high due to exports remaining weak relative to imports, and as support from development partners remains unstable.

4.9 The EIU expects the USD/MWK exchange rate to remain broadly stable in 2026 but gradually increase to an average of K1,853 per USD in 2027 and K2,792 per USD in 2030.

**Table 2c: EIU exchange rate projections**

Year	2024	2025	2026	2027	2028	2029	2030
USD/MWK annual average	1734	1734	1734	1853	2127	2514	2629
USD/MWK end-period	1734	1734	1734	2007	2324	2690	2722

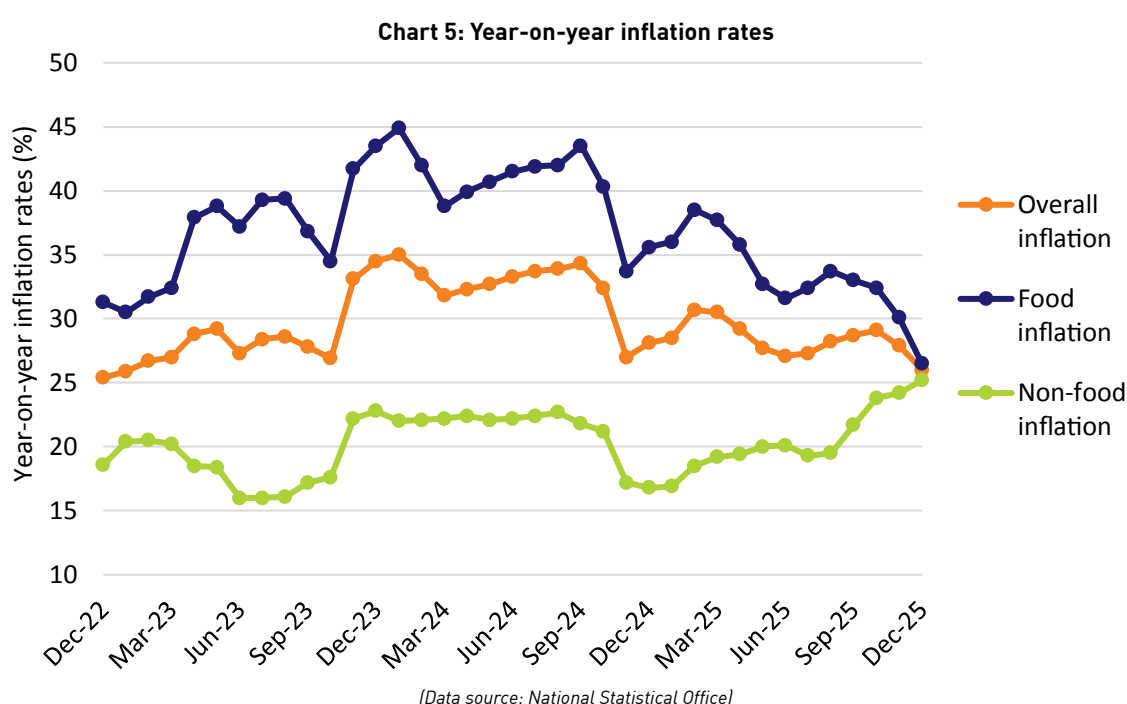
(Source: EIU One-click report: Malawi - December 2025)

# Annual economic review

For the year ended 31 December 2025

## 5. Inflation

- 5.1 Inflationary pressures remained high in 2025, with headline inflation rate averaging 28.4% in 2025, but down from 32.2% in 2024. The rate closed the year at 26.0% compared to a rate of 28.1% at the end of 2024.
- 5.2 The easing inflationary pressures emanated from both food and non-food factors. Food inflation rate decreased to an average of 33.4% in 2025 from 40.4% in 2024 and non-food inflation rate decreased to an average of 20.65% in 2025 compared to 21.2% in 2024, despite rising prices of utilities.
- 5.3 Chart 5 depicts the trend of inflation rate in the past three years.



- 5.4 Looking ahead, Inflation is generally expected to relatively decline in 2026, supported by a strong will and efforts of the Government to lower inflation, including ensuring the availability of maize at low prices. Risks to the outlook include effects of the upward adjustment in fuel prices and the new tax measures.
- 5.5 The Government expects inflation to fall below 21.0% in 2026. The IMF projects an annual average inflation rate of 23.3% while the EIU projects an annual average of 29.0% in 2026.

**Table 3: Projected annual average inflation rates**

	2024	2025	2026 <sup>f</sup>	2027 <sup>f</sup>	2028 <sup>f</sup>	2029 <sup>f</sup>	2030 <sup>f</sup>
Government	32.2%	28.4%	21.0%	-	-	-	-
International Monetary Fund (IMF)	-	-	23.3%	-	-	-	-
Economist Intelligence Unit (EIU)	-	-	27.0%	26.0%	25.0%	24.0%	-

Sources:

Government: National Statistical Office (NSO) for actual 2024 and 2025 statistics and State of the Nation Address (SONA) for the 2026 projection.

IMF: World Economic Outlook - October 2025

EIU: One-click report: Malawi - December 2025

# Annual economic review

For the year ended 31 December 2025

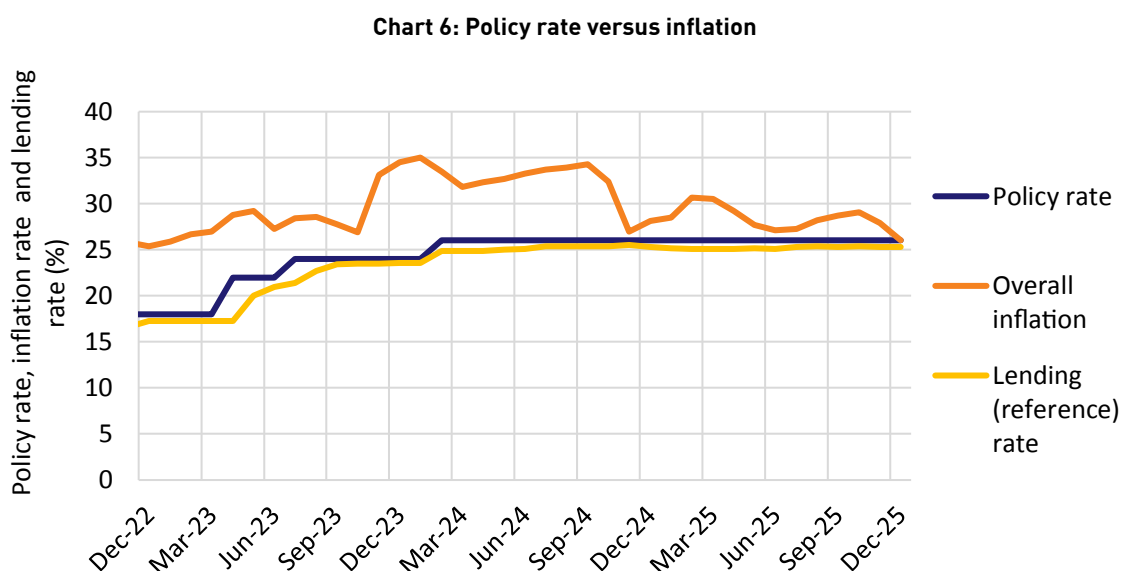
## 6. Monetary policy

6.1. The RBM held the Policy rate at 26.0% throughout the year 2025. The Policy rate was last adjusted on 1 February 2024 from 24.0% to 26.0%.

6.2 The Lombard rate was maintained at 0.2 percentage points above the Policy rate (26.2%) in 2025.

6.3 The Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits was maintained at 10.00% throughout the year. In 2024, the LRR was adjusted twice, from 7.75% to 8.75% on 3rd May 2024 and to 10.0% on 4th November 2024. The LRR on foreign currency deposits was also held constant at 3.75% in 2025.

6.4 Chart 6 depicts the trend of the Policy rate relative to inflation rate over the past three years. The chart shows that although inflation was above the Policy rate most of the year, the gap closed by December 2025, as both inflation rate and Policy rate were at 26.0% in December 2025.



(Data source: Reserve Bank of Malawi, National Statistical Office)

6.5 With a stable Policy rate, most market interest rates were stable during the year. The Market Reference Rate (MRR) for commercial banks slightly increased from an average of 25.1% in 2024 to an average of 25.2% in 2025 and closed the year at 25.3%, the same rate as of December 2024.

6.6 Looking ahead, market interest rates are generally expected to decline in 2026 as inflation pressures subside. Government has indicated determination to reduce inflation and interest rates.

# Annual economic review

For the year ended 31 December 2025

## 7. Economic growth

- 7.1 According to the International Monetary Fund's (IMF) January 2026 World Economic Outlook, global growth is projected to remain resilient at 3.3% in 2026 and at 3.2% in 2027: rates similar to the estimated 3.3% outturn in 2025. The steady performance is resulting from the balancing of divergent forces; headwinds from shifting trade policies are offset by tailwinds from surging investment related to technology, fiscal and monetary support, broadly accommodative financial conditions, and adaptability of the private sector.
- 7.1.1 Growth in advanced economies is estimated to have moderated to 1.7% in 2025 from 1.8% in 2024 and is projected at 1.8% in 2026 and 1.7% in 2027.
- 7.1.2 In emerging markets and developing economies, growth is estimated to have slightly picked up to 4.4% in 2025 from 4.3% in 2024 and is projected at 4.2% in 2026 and 4.1% in 2027.
- 7.1.3 In sub-Saharan Africa growth is estimated to have increased to 4.4% in 2025 from 4.1% in 2024 and is projected at 4.6% in 2026 and 2027.
- 7.2 For the domestic economy, in the 3<sup>rd</sup> Monetary Policy Statement published in October 2025, the RBM projected a GDP growth rate of 2.8% for 2025, compared to 1.7% registered in 2024. The EIU and the World Bank projected a growth rate of 1.6% and 1.9%, respectively, for 2025. Growth in 2025 was mainly supported by a relatively better agricultural harvest in the 2024/25 season and scaling up of infrastructure activities in the construction sector.
- 7.3 For 2026, the Government expects growth to pick up to 3.8%. The EIU projects 2.0% and the World Bank projects a 2.6% growth rate. The improvement in growth from 2026 is expected to be mainly supported by improving macroeconomic conditions, an improvement in agricultural output and development of the mining sector. Major constraints to growth are expected to remain foreign exchange shortages and related external pressures, and low access to electricity.

**Table 4a: World Bank projections**

	2023	2024	2025e	2026f	2027f
<b>GDP at constant market prices (% change)</b>	<b>1.9</b>	<b>1.7</b>	<b>1.9</b>	<b>2.6</b>	<b>3.1</b>

Source: Global Economic Prospects - January 2026

**Table 4b: IMF projections**

	2023	2024	2025f	2026f
Real GDP growth	1.9	1.8	2.4	2.7

Source: IMF World Economic Outlook - October 2025

# Annual economic review

For the year ended 31 December 2025

**Table 4c: Projections by the economist Intelligence Unit**

	2024 <sup>e</sup>	2025 <sup>f</sup>	2026 <sup>f</sup>	2027 <sup>f</sup>	2028 <sup>f</sup>	2029 <sup>f</sup>	2030 <sup>f</sup>
<b>Real GDP growth</b>	<b>1.3</b>	<b>1.6</b>	<b>2.0</b>	<b>1.8</b>	<b>2.6</b>	<b>2.9</b>	<b>2.9</b>
Agriculture	-1.0	1.3	1.6	1.6	2.3	2.8	3.3
Industry	2.2	2.0	2.2	2.7	2.9	2.9	3.0
Services	2.2	1.6	2.6	2.9	3.0	3.2	2.7

Source: Malawi Country Report - January 2025

## 8. Political environment

8.1 Malawi held its presidential, parliamentary and local government elections on 16 September 2025. President Professor Arthur Peter Munthalika of the Democratic Progressive Party (DPP) won the presidential vote, ushering in a change in government administration.

8.2 The DPP 2025 - 2030 Manifesto highlights the following:

8.2.1 Vision: To make Malawi a self-reliant, inclusive and industrialised upper-middle-income country by the year 2063

8.2.2 Development pillars:

i. Agricultural productivity & commercialization

ii. Industrialisation: 5 special economic zones, agro-processing, textiles, mining, technology & renewable energy

iii. Urbanisation: development of secondary cities and rural growth centres, improved housing, water, digital infrastructure

iv. Decentralisation: K5 billion per constituency annually

8.2.3 Economic strategy:

i. Reduce inflation

ii. Achieve high GDP growth rates

iii. Cut excessive borrowing

iv. Mobilise domestic resources and control public debt.

# Annual economic review

For the year ended 31 December 2025

## 9. Fiscal policy

9.1 Government introduced new tax measures which became effective on 30 December 2025. They include the following:

9.1.1 Money transfer levy of 0.05% on all electronic bank transfers within or across banks, paid by the sender.

9.1.2 E-money transfer levy of 0.05% applied on the transaction amount on money transfers of above K100,000 done using a system operated by an e-money service provider, paid by the sender.

9.1.3 Employment income tax (Pay As You Earn (PAYE)) structure was adjusted as follows:

**Table 5: Income tax rates on employment income**

<b>Annual taxable income</b>	<b>Rate</b>
First K2, 040, 000	0%
Next K16, 800, 000	30%
Next K101, 160, 000	35%
Excess of K120, 000, 000	40%

9.1.4 The threshold for supernormal profit tax for companies was reduced from K10 billion to K5 billion, meaning company profits below K5 billion will continue to be taxed at the standard rate of 30%, while profits of K5 billion and above will be taxed at 40%.

9.1.5 A Minimum Alternate Tax (MAT) of 0.5% on turnover to apply to companies with turnover of more than K5 billion that have been operating for more than three years. Companies to pay, either normal corporate income tax levied at 30% on profit, or 0.5% of turnover, whichever is higher.

9.1.6 The Value added tax (VAT) rate was adjusted from 16.5% to 17.5%.

# Annual economic review

For the year ended 31 December 2025

## 10. Stock market performance

- 10.1 In 2025, the Malawi Stock Exchange (MSE) registered a positive year-on-year return on the Malawi All Share Index of 247.63% (247.63% in USD terms). This is compared to an annual return of 55.06% (50.53% in USD terms) in 2024. The Domestic Share Index (DSI) registered a return of 208.88% (208.88% in USD terms) in 2025 compared to 52.11% (47.67% in USD terms) in 2024. The Foreign Share Index (FSI) registered a return of 470.87% (470.87% in USD terms) in 2025 compared to 75.65% (70.52% in USD terms) in 2024.
- 10.2 15 companies registered price gains during the year, while 1 registered a decline. The top gainers were NITL (795.12%), FMBCH (476.19%), NBS (424.94%), NICO (314.42%) and SUNBIRD (307.16%). The loss was registered by ICON (-11.36%).
- 10.3 The market registered an increase of 176.67% (176.21% in USD terms) in traded value of shares during the year to K344.92 billion (USD198.91 million) in 2025 from K124.67 billion (USD72.01 million) in 2024. However, the market registered a decrease of -50.09% in total traded volume to 623.70 million shares in 2025 from 1.25 billion shares in 2024.
- 10.4 Standard Bank Malawi plc listed additional 938,672,648 ordinary shares following a stock split, increasing its total issued shares to 1,173,340,810 ordinary shares. As a result of the split, the share price was adjusted from K12,050.00 to K2,410.00 on 21 July 2025, reflecting the revised share structure while maintaining overall shareholder value.
- 10.5 On the debt market, there were 9 Development Bonds and 82 Treasury Notes issued by Malawi Government with a total nominal value of K4.91 trillion as of 31<sup>st</sup> December 2025. There were no trades in the debt secondary market during the year.
- 10.6 Table 6 shows the performance of individual companies in 2025 relative to 2024, and Chart 7 shows a graphical comparison of the performance of the MASI in 2025 relative to 2024.

# Annual economic review

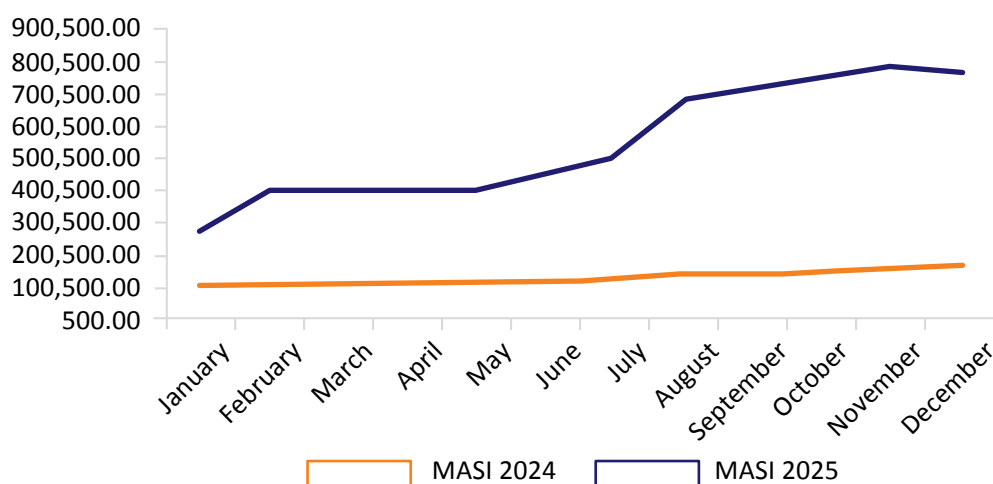
For the year ended 31 December 2025

Table 6: Share trading summary

Company	31-Dec-25	31-Dec-24	Price Change (%)
<b>Market indices</b>			
MASI	<b>598,062.80</b>	172,039.93	247.63% ↑
DSI	<b>405,749.03</b>	131,362.56	208.88% ↑
FSI	<b>158,350.47</b>	27,738.47	470.87% ↑
<b>Gainers</b>			
NITL	<b>3,938.51</b>	440.00	795.12% ↑
FMBCH	<b>3,197.86</b>	555.00	476.19% ↑
NBS	<b>913.76</b>	174.07	424.94% ↑
NICO	<b>1,736.51</b>	419.02	314.42% ↑
SUNBIRD	<b>977.50</b>	240.08	307.16% ↑
FDHB	<b>599.89</b>	148.23	304.70% ↑
PCL	<b>8,728.43</b>	2,499.79	249.17% ↑
NBM	<b>11,995.63</b>	3,462.17	246.48% ↑
STANDARD	<b>4,248.41</b>	1,296.79	227.61% ↑
OMU	<b>3,790.04</b>	1,950.01	94.36% ↑
ILLOVO	<b>2,330.12</b>	1,355.08	71.95% ↑
AIRTEL	<b>120.77</b>	90.00	34.19% ↑
TNM	<b>31.46</b>	24.99	25.89% ↑
MPICO	<b>19.51</b>	18.53	5.29% ↑
BHL	<b>15.05</b>	14.55	3.44% ↑
<b>Losers</b>			
ICON	<b>16.00</b>	18.05	-11.36% ↓

(Data source: Malawi Stock Exchange)

Chart 7: Malawi All Share Index



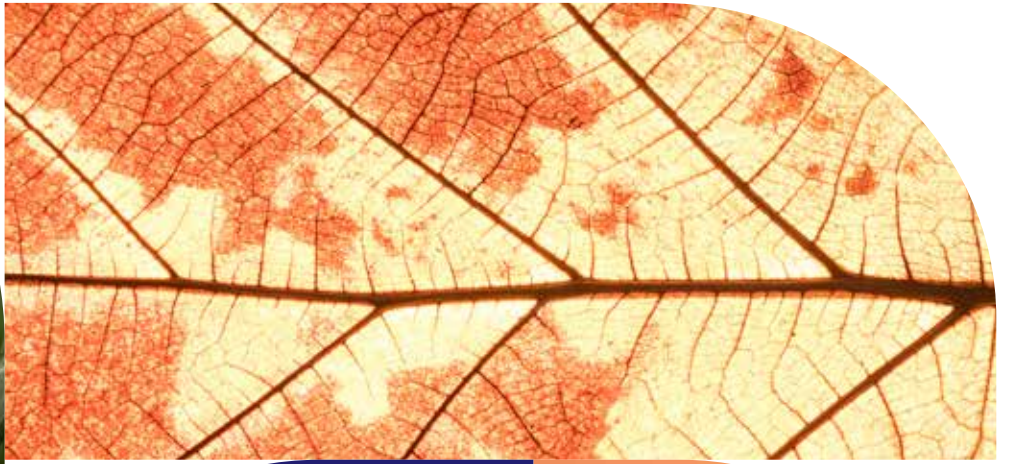
(Source: Malawi Stock Exchange)

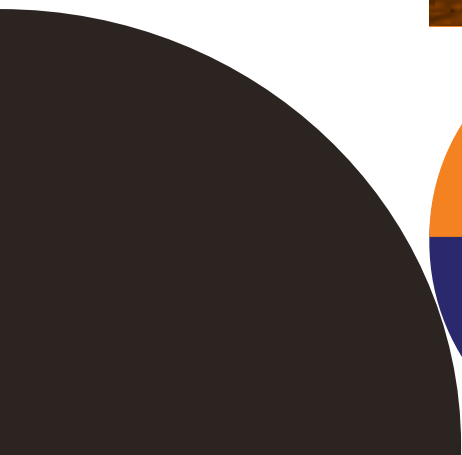
# Annual economic review

For the year ended 31 December 2025

## 11. Conclusions

- 11.1 The economy remained fragile in 2025 but registered some gains.
- 11.2 Inflationary pressures remained high with headline inflation rate averaging 28.4% in 2025, but down from 32.3% in 2024 largely on account of easing food prices despite rising prices of utilities.
- 11.3 Market interest rates were relatively stable in 2025 as the Policy rate was unchanged during the year. It is expected that the interest rates could decline in 2025 as inflation eases.
- 11.4 The indicative exchange rate was broadly stable although foreign currency shortages were persistent and continued to constrain the importation of essential goods, including fuel, thereby affecting business operations. Generally, exchange rate depreciation pressures remain prevalent as the supply of forex remained subdued relative to demand.
- 11.5 The overall performance of the MSE in 2025 was significantly better than that of 2024. The stock market registered a positive return on the Malawi All Share Index of 247.63% during the year.
- 11.6 GDP growth rate is estimated to have improved to 2.8% in 2025 from 1.7% in 2024, supported by improved agricultural output and investments in infrastructure activities, among others. The World Bank and EIU projected growth rates of 1.9% and 1.6%, respectively, in 2025. For 2026, The Government projects a growth rate of 3.8% while the World Bank and EIU project growth rates of 2.6% and 2.0%, respectively.
- 11.7 The September 2025 general elections ushered in a change of Government, following the success of the Democratic Progressive Party's President, Professor Arther Peter Munthalika.
- 11.8 The Government introduced new tax measures which became effective on 30 December 2025, aimed at improving government revenue.







INVESTMENT BANK

# Financial statements

For the year ended 31 December 2025



# Directors' report

For the year ended 31 December 2025

## Introduction

The Directors have pleasure in submitting their report together with the financial statements of CDH Investment Bank Limited for the year ended 31 December 2025.

## Nature of business, incorporation and registered office

CDH Investment Bank Limited is a private limited liability company incorporated in Malawi under the Companies Act, 2013. It is licensed as a bank under the Financial Services Act, 2010. Its business is to provide private, corporate and investment banking services to a select niche of customers.

The physical address of its registered office is:

**CDH House  
5 Independence Drive  
PO Box 1444  
Blantyre  
Malawi**

## Financial performance

The results and state of affairs of the Company are set out in the accompanying statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows and accompanying accounting policies and notes.

## Dividends

The Company declared and paid a final dividend of **K4,971 million** in respect of the 2024 financial year (in 2024, the Company declared and paid a final dividend of K4,820 million for the 2023 financial year). The Company also approved and paid the first interim dividend of **K3,000 million** for the financial year ended 31 December 2025 (2024: K1,296 million). In December 2025, the Company approved a second interim dividend of **K8,500 million** for the financial year ended 31 December 2025 (2024: K5,500 million paid on 27 January 2025) which was paid on 19 January 2026.

## Directorate and Secretary

In accordance with the Company's Articles of Association, at least three directors offer themselves for retirement at the forthcoming Annual General Meeting, in rotation, beginning with Directors who have served on the Board for the longest period.

# Directors' report

For the year ended 31 December 2025

The following Directors and Secretary served during the year:

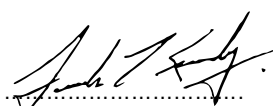
<b>Mr Franklin Kennedy</b>	Chairperson
<b>Mr Kofi Sekyere</b>	Non-executive Director
<b>Mr Robert Abbey</b>	Non-executive Director
<b>Mr Charles Asare</b>	Non-executive Director
<b>Mr Thoko Mkavea</b>	Executive Director
<b>Mr John McGrath</b>	Non-executive Director
<b>Mr Elias Malion</b>	Non-executive Director
<b>Mr Sydney Chikoti</b>	Non-executive Director
<b>Mr Kingsley Zulu</b>	Non-executive Director
<b>Ms Beatrix Mosiwa</b>	Executive Director up to 30 June 2025
<b>Mrs Joyce Gundani</b>	Non-executive Director
<b>Mr Daniel Mwangwela</b>	Company Secretary

## Percentage shareholding Name

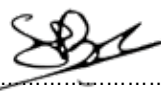
Continental Holdings Limited  
Investments Alliance Limited  
Kesaart Capital Limited  
Savannah Investments Limited

2025	2024
<b>82.46%</b>	82.46%
<b>10.18%</b>	10.18%
<b>4.84%</b>	4.84%
<b>2.52%</b>	2.52%
<b>100.00%</b>	100.00%

A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint Messrs. Ernst and Young (EY), Chartered Accountants and Business Advisors as auditors in respect of the Company's financial statements for the year ending 31 December 2026.



**Franklin Kennedy**  
Chairperson



**Sydney Chikoti**  
Director

# Corporate governance report

For the year ended 31 December 2025

## The Board

The Company has a unitary Board of Directors comprising a chairperson, eight non-executive directors, and two executive directors. The Board has adopted, without modification, the major principles of modern corporate governance as contained in the reports of Cadbury and King II, and the Basel Committee on Banking Supervision.

The Board meets at least four times a year. There are adequate and efficient communication and monitoring systems in place to ensure that the Directors receive all relevant, accurate information to guide them in making necessary strategic decisions, and providing effective leadership, control, and strategic direction over the Bank's operations, and in ensuring that the Bank fully complies with relevant legal, ethical and regulatory requirements.

## Board meetings - meeting attendance

Members	Position	21 Mar 25	30 Jun 25	26 Sep 25	12 Dec 25
Mr Franklin Kennedy	Chairperson	✓	✓	✓	✓
Mr Kofi Sekyere	Non-executive Director	✓	✓	✓	✓
Mr Robert Abbey	Non-executive Director	✓	✓	✓	✓
Mr Charles Asare	Non-executive Director	✓	✓	✓	✓
Mr Thoko Mkavea	Executive Director	✓	✓	✓	✓
Mr Elias Malion	Non-executive Director	✓	✓	✓	✓
Mr Sydney Chikoti	Non-executive Director	✓	✓	✓	✓
Mr Kingsley Zulu	Non-executive Director	✓	✓	✓	✓
Mr John McGrath	Non-executive Director	✓	✓	✓	✓
Mrs Joyce Gundani	Non-executive Director	✓	✓	✓	✓
Ms Beatrix Mosiwa	Executive Director	✓	✓	N/A	N/A
<b>In attendance</b>					
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	✓

Key: ✓ = Attendance ✗ = Apology

## Board committees

### Board Audit Committee

The Committee assists the Board in discharging its duties in relation to financial reporting, asset management, risk management, internal control systems, processes, and procedures, and monitors the quality of both the external and internal audit functions. The Bank's external and internal auditors report to the Committee in independent, private meetings to discuss areas of risk exposure. Where the Committee's monitoring and review activities reveal causes for concern or a scope for improvement, it makes recommendations to the Board on required remedial actions.

The Board Audit Committee comprises three non-executive directors, one of whom acts as chairperson. The Committee meets five times a year. The members of the Committee and their meeting attendance during the year were as follows:

# Corporate governance report

For the year ended 31 December 2025

## Meeting attendance

Members	Position	14 Feb 25	13 Mar 25	12 Jun 25	11 Sep 25	24 Nov 25
Mr Sydney Chikoti	Chairperson	✓	✓	✓	✓	✓
Mr Elias Malion	Non-executive Director	✓	✓	✓	✓	✓
Mr Kingsley Zulu	Non-executive Director	✓	✓	✓	✓	✓
<b>In attendance</b>						
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	✓	✓

Key: ✓ = Attendance X = Apology

## Risk and Compliance Committee

The Risk and Compliance Committee assists the Board in discharging its duties in relation to the Bank's risk management and compliance. The Committee has the following responsibilities:

1. To maintain the continued suitability of risk management, compliance, internal control systems, and the management reporting framework that the Board relies on for decision-making related to the Bank's activities.
2. To oversee and evaluate the quality of performance of the Risk Management and Compliance functions.
3. To ensure that systems are in place, that the affairs of the Bank are being conducted by management in conformity with policy, regulatory and legal requirements and that the reputation of the Bank is always protected from adverse risk management events.

The Committee comprises three non-executive directors, one of whom acts as chairperson. The Committee meets four times a year. The members of the Committee and their meeting attendance during the year were as follows:

## Meeting attendance

Members	Position	13 Mar 2025	20 Jun 2025	12 Sep 2025	20 Nov 2025
Mrs Joyce Gundani	Chairperson	✓	✓	✓	✓
Mr Charles Asare	Non-executive Director	✓	✓	✓	✓
Mr John McGrath	Non-executive Director	✓	✓	✓	✓
<b>In attendance</b>					
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	✓

Key: ✓ = Attendance X = Apology

## Finance, Business and Information Technology Committee

The Committee comprises three Directors with a good knowledge of the Malawi economy and business environment. Its overall responsibility is to ensure the soundness of the CDH Investment Bank's credit portfolio (including advances, guarantees and other facilities). Specific responsibilities include:

# Corporate governance report

For the year ended 31 December 2025

1. Assessing the annual plans, budgets and strategy and corporate governance schedules of activities of the Bank.
2. Review of management reports on business operations and make recommendations to the Board; and ratification of terms and conditions of all credit facilities granted by management under its discretionary powers.
3. Review of management reports on information technology and all bank's projects and making recommendations to the Board.
4. Approval of all credit facilities above the discretionary limits set for management save for those facilities requiring full board approval in accordance with Reserve Bank of Malawi directives; and
5. Review of non-performing assets and recovery procedures initiated in respect thereof and establishment of appropriate levels of provisioning where required.

The Committee meets four times a year and on an ad hoc basis when necessary.

The members of the Committee and their meeting attendance during the year were as follows:

## Meeting attendance

Members	Position	14 Mar 2025	20 Jun 2025	19 Sep 2025	14 Nov 2025
Mr Kofi Sekyere	Chairperson	✓	✓	✓	✓
Mr Robert Abbey	Non-executive Director	✓	✓	✓	✓
Mr Thoko Mkavea	Executive Director	✓	✓	✓	✓
<b>In attendance</b>					
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	×

Key: ✓ = Attendance ✗ = Apology

## Human Resources and Remuneration Committee

Human Resources and Remuneration Committee nominates persons to be appointed as Directors (subject to shareholders' approval) and recommends to the Board, executive and non-executive directors and senior management remuneration.

The Committee also approves overall Human Resources and Remuneration policies and strategies. The Human Resources and Remuneration Committee meets quarterly and on an ad hoc basis when necessary.

The members of the Committee and their meeting attendance during the year were as follows:

## Meeting attendance

Members	Position	14 Mar 2025	20 Jun 2025	19 Sep 2025	14 Nov 2025
Mr John McGrath	Chairperson	✓	✓	✓	✓
Mr Kofi Sekyere	Non-executive Director	✓	✓	✓	✓
Mr Robert Abbey	Non-executive Director	✓	✓	✓	✓
<b>In attendance</b>					
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	×

Key: ✓ = Attendance ✗ = Apology

# Director's responsibility statement

For the year ended 31 December 2025

The Companies Act, 2013 requires Directors to prepare financial statements for each financial year which give a true and fair view of the affairs of the Bank as at the end of the financial year and of the operating results for that year. The Directors are responsible for the preparation and fair presentation of the financial statements of CDH Investment Bank Limited, comprising the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes in accordance with IFRS accounting standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and requirements of the Companies Act, 2013. In addition, the Directors are responsible for preparing the Directors' report.

The Act also requires the Directors to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and ensure the financial statements comply with the Companies Act, 2013 of Malawi.

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

1. Maintenance of proper accounting records that correctly record and explain the transactions of the Bank.
2. Selection of suitable accounting policies and applying them consistently.
3. Making judgements and estimates that are reasonable and prudent.
4. Compliance with applicable accounting standards, when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
5. Preparation of financial statements on a going concern basis unless it is inappropriate to presume the Bank will continue in business.

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

The Directors have made an assessment of the ability of the Bank to continue as going concern. The Directors have no reason to believe that the operations of CDH Investment Bank Limited will not continue as a going concern in the year ahead.

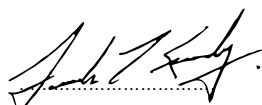
The Directors also confirm that they have complied with the Companies (Corporate Governance) regulations 2016 with respect to corporate governance.

The Directors are of the opinion that the financial statements for the year ended 31 December 2025 give a true and fair view of the state of the financial affairs of the company and of its operating results.

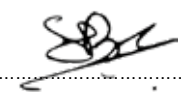
The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with IFRS accounting standards as issued by the International Accounting Standards Board, IAS29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act 2013.

## Approval of financial statements

The financial statements of CDH Investment Bank Limited, as identified in the first paragraph, were approved by the board of Directors on 20 March 2026 and signed on its behalf by:



**Franklin Kennedy**  
Board Chairperson



**Sydney Chikoti**  
Director

# Independent auditor's report to the shareholders of CDH Investment Bank Limited

For the year ended 31 December 2025

## Opinion

We have audited the financial statements of CDH Investment Bank Limited ('the Bank') set out on pages 79 to 156 which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of CDH Investment Bank Limited as at 31 December 2025, and its financial performance and cash flows for the year then ended in accordance with IFRS accounting standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act, 2013.

## Basis for 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 Financial Statements* section of our report. We are independent of the Company in accordance with the International *Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* as applicable to audits of financial statements of public interest entities and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

For each matter below, our description of how our audit addressed the matter is provided in that context.

Level	Key audit matter
CDH investment Bank Limited	<p><b>Expected credit losses.</b></p> <p>The disclosures associated with Credit Risk are set out in the financial statements in the following notes:</p> <ul style="list-style-type: none"> <li>• Note 4 (b)(i) - <i>Financial assets</i>.</li> <li>• Note 5.1.1 - <i>Credit Risk</i>.</li> <li>• Note 8.2 - Investment securities at amortised cost</li> <li>• Note 10 - <i>Loans and advances to customers</i>.</li> </ul>

# Independent auditor's report to the shareholders of CDH Investment Bank Limited

For the year ended 31 December 2025

## Valuation of expected credit losses on loans and advances

We identified the audit of expected credit losses (ECL) as a key audit matter considering the following:

- CDH Investment Bank's loan and advances to customers at K165.2 billion and investment securities at K86.8 billion represent 17% and 9% of total assets respectively and the associated impairment provisions for expected credit losses of K7.08 billion are material to the financial statements.
- The high degree of estimation uncertainty, significant judgements and assumptions applied in estimating the ECL on loans and advances to customers.
- The volume of data extracted from the system to the end user computing tool. This increases the risk around accuracy and completeness of data used to create assumptions and operate the ECL model.
- The significant portion of ECL is calculated on a modelled basis. The development and execution of the model requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters. Significant increases in credit risk (SICR) are assessed based on the current risk of default of an account relative to its risk of default at origination. This assessment incorporates judgement and estimation by management, including the impact of external factors.

In particular we have focussed on the following areas of significant judgement and estimation which required the use of specialists, additional audit effort and increased discussions with management during the course of the audit:

Determination of expected credit losses require consideration of multiple forward-looking macro-economic factors, including consideration of observable relationships between these factors and Non-Performing Loans (NPL) in the past projected into the future. The key factors considered by the bank include inflation, GDP, interest rates, fuel prices, and historical correlations between these inputs against the NPL rate.

Calculation of expected losses utilizes models that utilize collateral reports from valuers, legal experts, and credit specialists.

## How the matter was addressed in the audit

**Our response to the key audit matter included performing the following audit procedures:**

- We obtained an understanding of the Bank's policies and procedures, including controls in place around determination of expected credit losses. We confirmed our understanding of the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification and loan impairment assessment including the oversight role of those charged with governance in the determination, accounting and reporting of expected credit losses.
- We carried out procedures to ensure the data being used in the models is complete, accurate, and that assumptions used are reasonable and supportable.
- Our internal specialists reviewed the models used to process data and the alignment of these models to the 'methodology' and recalibrations approved for use by the Bank.

We have assessed the appropriateness of the macro-economic forecasts and scenario weightings by benchmarking these against external evidence and economic data. Our internal specialists reviewed the correlation between probabilities of default and external macro-economic factors using historical data and results thereof, including reviewing the appropriateness of the statistical methodologies used to project these relationships in the future.

For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral. The collateral valuation techniques applied by management were benchmarked to the market practice and values compared to market achievable disposal values on the market.

# Independent auditor's report to the shareholders of CDH Investment Bank Limited

For the year ended 31 December 2025

## Valuation of expected credit losses on loans and advances

### Extensive disclosures in accordance with IFRS 7 Financial Instruments: Disclosures.

Extensive disclosures are required in the financial statements in order to allow users of the financial statements to understand the additional level of judgement applied by management, this included additional disclosure with regards to management adjustments and sensitivity analyses. Due to the extensive nature of these disclosures which are non-routine and very specific to the environmental conditions, this required significant audit effort to assess the reasonability and compliance with IFRS accounting standards as issued by the International Accounting Standards Board.

## How the matter was addressed in the audit

Our financial reporting specialists reviewed the additional disclosures related to adequacy and appropriateness in accordance with the requirements of *IFRS 7 - Financial Instruments: Disclosures*.

Specifically, we assessed the reasonability of the disclosures in light of the audit work performed and disclosures made elsewhere in the financial statements.

## Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Statement of Corporate Governance and Statement of Directors' Responsibilities as required by the Malawi Companies Act, 2013 and which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

# Independent auditor's report to the shareholders of CDH Investment Bank Limited

For the year ended 31 December 2025

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

## **Responsibilities of the Directors for the financial statements**

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

In preparing the financial statements, the directors are responsible for assessing the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

## **Auditors responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank's internal control.

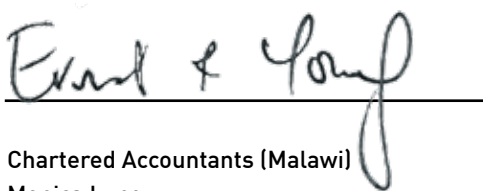
# Independent auditor's report to the shareholders of CDH Investment Bank Limited

For the year ended 31 December 2025

- 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 Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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



Chartered Accountants (Malawi)  
Monica Lungu  
Registered Practicing Accountant

31 March 2026

# Statement of financial position

as at 31 December 2025

In thousands of Malawi Kwacha

	Note	2025	2024
<b>Assets</b>			
Cash and cash equivalents	7	51,035,672	11,135,180
Financial assets at fair value through profit or loss	8.1	651,790,341	350,666,373
Investment securities at amortised cost	8.2	86,783,711	40,368,931
Interbank placements	9	8,764,418	11,624,477
Loans and advances to customers	10	159,692,205	107,065,124
Other assets	11	2,597,806	4,190,869
Current tax asset	18	288,520	559,772
Other investments at cost	12	838,250	838,250
Property, equipment and right of use assets	13	12,404,067	9,317,381
Intangible assets	14	39,105	1
<b>Total assets</b>		<b>974,234,095</b>	<b>535,766,358</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Customer deposits	15	311,766,895	169,542,228
Investment funds	16	575,246,654	314,344,540
Other liabilities and accruals	17	18,517,923	5,566,293
Deferred tax liability	18	1,407,866	268,207
<b>Total liabilities</b>		<b>906,939,338</b>	<b>489,721,268</b>
<b>Equity</b>			
Share capital	19.1	327,715	327,715
Share premium	19.2	4,493,101	4,493,101
Retained earnings		62,473,941	41,224,274
<b>Total equity</b>		<b>67,294,757</b>	<b>46,045,090</b>
<b>Total equity and liabilities</b>		<b>974,234,095</b>	<b>535,766,358</b>

The financial statements were approved by the Board of Directors on **20 March 2026** and were signed on its behalf by:



**Franklin Kennedy**  
Board Chairperson



**Sydney Chikoti**  
Director

# Statement of profit or loss and other comprehensive income

For the year ended 31 December 2025

In thousands of Malawi Kwacha

	Note	2025	2024
Interest income	20	63,241,511	39,585,302
Interest expense	20	(37,817,262)	(22,031,675)
<b>Net interest income</b>		<b>25,424,249</b>	17,553,627
Net gains on financial assets at fair value through profit or loss	20	3,285,834	1,056,648
Fees and commissions income	21	5,238,140	4,439,397
Net trading income	22	55,554,283	29,803,321
Other operating income	22.1	61,023	50,737
<b>Total operating income</b>		<b>89,563,529</b>	52,903,730
Credit loss expense on loans and advances	8.2,10	(831,637)	(4,442,710)
<b>Net operating income</b>		<b>88,731,892</b>	48,461,020
Salaries and human resources costs	23	(14,224,916)	(8,520,270)
Depreciation and amortisation expense	13,14	(2,107,293)	(1,665,169)
Other expenses – (loss)/profit on disposal of fixed assets	22.2	(273,809)	(908)
Administration expenses	24	(8,345,472)	(6,007,098)
<b>Total operating expenses</b>		<b>(24,951,490)</b>	(16,193,445)
<b>Profit before income tax</b>		<b>63,780,402</b>	32,267,575
Income tax expense	25	(20,559,673)	(8,733,451)
<b>Profit and other comprehensive income for the year</b>		<b>43,220,729</b>	23,534,124
<b>Earnings per share</b>	26	<b>131.88</b>	71.81

# Statement of changes in equity

For the year ended 31 December 2025

In thousands of Malawi Kwacha

## 2025

### Balance at 1 January 2025

Profit for the year

### Total comprehensive income for the year

*Transactions with owners of the Bank*

Dividends paid

Dividends declared and paid

Total transactions with owners of the Bank

### Balance as 31 December 2025

	Share capital	Share premium	Retained earnings	Total equity
<b>Balance at 1 January 2025</b>	<b>327,715</b>	<b>4,493,101</b>	<b>41,224,274</b>	<b>46,045,090</b>
Profit for the year	-	-	43,220,729	43,220,729
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>43,220,729</b>	<b>43,220,729</b>
<i>Transactions with owners of the Bank</i>				
Dividends paid	-	-	(8,500,000)	(8,500,000)
Dividends declared and paid	-	-	(13,471,062)	(13,471,062)
Total transactions with owners of the Bank	-	-	(21,971,062)	(21,971,062)
<b>Balance as 31 December 2025</b>	<b>327,715</b>	<b>4,493,101</b>	<b>62,473,941</b>	<b>67,294,757</b>

## 2024

Balance at 1 January 2024

Profit for the year

Total comprehensive income for the year

*Transactions with owners of the Bank*

Dividends paid

Total transactions with owners of the Bank

Balance as 31 December 2024

	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 January 2024	327,715	4,493,101	23,806,473	28,627,289
Profit for the year	-	-	23,534,124	23,534,124
Total comprehensive income for the year	-	-	23,534,124	23,534,124
<i>Transactions with owners of the Bank</i>				
Dividends paid	-	-	(6,116,323)	(6,116,323)
Total transactions with owners of the Bank	-	-	(6,116,323)	(6,116,323)
Balance as 31 December 2024	327,715	4,493,101	41,224,274	46,045,090

# Statement of cash flows

For the year ended 31 December 2025

In thousands of Malawi Kwacha

	Note	2025	2024
<b>Cash flows from operating activities</b>			
Profit for the year		43,220,729	23,534,124
<i>Adjusted for:</i>			
▪ Depreciation and amortisation	13,14	2,107,293	1,665,169
▪ Loss on disposal of assets	22.2	273,809	908
▪ Interest charge leases	13	1,190,798	870,818
▪ Net impairment on loans and advances, securities at amortized cost	8.2,10	831,637	4,442,710
▪ Fair value adjustment on Financial Assets at FVTPL	20	(3,285,834)	(1,056,648)
▪ Effects of exchange rate fluctuations on cash	22	(221,002)	(223,595)
▪ Tax expense	25	20,559,673	8,733,451
		<b>64,677,103</b>	<b>37,966,937</b>
<i>Changes in:</i>			
Increase in financial asset investments	8.1	(301,123,968)	(215,576,192)
Increase in investment securities	8.2	(46,414,780)	(12,359,008)
Decrease in interbank placements	9	2,860,059	21,024,583
Increase in loans and advances to customers	10	(52,627,081)	(27,825,396)
Decrease/(increase) in other assets	11	1,593,063	(2,185,778)
Increase in investment funds	16	260,902,114	194,087,457
Decrease in deposits from banks		-	(20,353,052)
Increase in deposits from customers	15	142,224,667	36,077,933
Increase in other liabilities	17	4,451,629	766,351
		<b>76,542,806</b>	<b>11,623,835</b>
Interest paid on leases	13	(1,190,798)	(870,818)
Income tax paid	18	(19,148,762)	(10,276,812)
<b>Net cash generated from operating activities</b>		<b>56,203,246</b>	<b>476,205</b>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of equipment		131,816	8,791
Purchase of equipment	13	(1,935,261)	(2,289,737)
Purchase of intangible assets	14	(44,269)	-
<b>Net cash used in investing activities</b>		<b>(1,847,714)</b>	<b>(2,280,946)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	33	(13,471,062)	(6,116,323)
Repayment of principal portion of lease liabilities	13	(1,204,980)	(1,031,222)
<b>Net cash used in financing activities</b>		<b>(14,676,042)</b>	<b>(7,147,545)</b>
<b>Net increase in cash and cash equivalents</b>		<b>39,679,490</b>	<b>(8,952,286)</b>
Cash and cash equivalents at the beginning of the year		11,135,180	19,863,871
Effects of exchange rate fluctuations		221,002	223,595
<b>Cash and cash equivalents at the end of the year</b>	7	<b>51,035,672</b>	<b>11,135,180</b>
<b>Additional information on operational interest income</b>			
Interest received		130,559,901	80,541,945
Interest paid		125,844,952	63,293,795

# Notes to the financial statements

For the year ended 31 December 2025

## 1. Reporting entity

CDH Investment Bank Limited is a private limited liability company incorporated in Malawi. The Company provides private, corporate and investment banking services. The Company is owned 82.46% by Continental Holdings Limited, a company incorporated and domiciled in Malawi. Other shareholders are Investments Alliance Limited, Kesaart Capital Limited and Savannah Investments Limited.

## 2. Basis of preparation

### (i) Statement of compliance

The financial statements have been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi and the requirements of the Companies Act, 2013.

### (ii) Basis of measurement

The financial statements are prepared on the historical cost basis except for the financial instruments at fair value through profit or loss.

### (iii) Functional and presentation currency

These financial statements are presented in Malawi Kwacha, which is the Bank's functional and presentation currency. Except as indicated, financial information presented in Malawi Kwacha, has been rounded to the nearest thousand.

### (iv) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS accounting standards as issued by the International Accounting Standards Board requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of assets or liabilities affected in future periods. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 10 - Loans and advances to customers - impairment. The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral.

# Notes to the financial statements

For the year ended 31 December 2025

## 2. Basis of preparation (continued)

### (iv) Use of estimates and judgements (continued)

- Note 6 - Fair value measurement. A number of the Bank's accounting policies and disclosures require the measurement of fair values, both of financial and non-financial assets and liabilities. The Bank has an established control framework with respect to the measurement of fair values. This includes the Finance Manager who gets input from the Chief Treasury Officer who oversees all significant fair value measurements, including Level 3 financial instruments, and reports directly to the Chief Finance Officer.

### (v) Going concern basis of accounting

An evaluation of whether there are conditions or events considered in the aggregate that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable) is made. Management's evaluation is based on relevant conditions and events that are known and reasonably knowable on the date that the financial statements are issued (or at the date that the financial statements are available to be issued when applicable). When management identifies conditions or events that raise substantial doubt about the Bank's ability to continue as a going concern, management reviews the business plans that are intended to mitigate those relevant conditions or events to alleviate the substantial doubt. Appropriate disclosures on the going concern status of the business are made.

## 3. Adoption of new and revised international financial reporting standards and interpretations

### 3.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements.

In the current year, the Company has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2025.

The adoption of these new and revised Standards and Interpretations did not have a significant impact on the financial statements of the Bank. The following are the standards that became effective during annual reporting period beginning on 1 January 2025;

#### Effective date

#### Standard, amendment, or interpretation

Annual reporting periods beginning on or after 1 January 2025

**Amendments to IAS 21: Lack of exchangeability** - The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows

The amendment did not have a material impact on the Bank's financial statements.

# Notes to the financial statements

For the year ended 31 December 2025

## 3.2 Standards and Interpretations in issue, not yet effective

Several new standards, amendments to standards and interpretations are in issue but not effective for the year ended 31 December 2025 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, amendment, or interpretation
----------------	--

Annual reporting periods beginning on or after 1 January 2026

**Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7**

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments).

The Amendments include:

- Clarifications of the requirements for recognition and derecognition of financial assets and liabilities.
- A clarification that financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The financial liabilities are currently being derecognised on the settlement date.

The Bank has assessed the impact of the amendments to the standard has on the primary financial statements and notes to the financial statements with a focus on timing of derecognition for financial liabilities settled through electronic payment systems across all material jurisdictions of operation. While the majority of the Bank's electronic settlement systems operate on a real-time basis, a limited number of systems involve a lag between instruction and settlement.

# Notes to the financial statements

For the year ended 31 December 2025

## 3. Adoption of new and revised International Financial Reporting Standards (continued)

### 3.2. Standards and interpretations in issue, not yet effective (continued)

Effective date	Standard, amendment, or interpretation
Annual reporting periods beginning on or after 1 January 2026	<p>Given the low volume and value of transactions processed through non-real-time systems, this change in timing is not expected to have a material impact on the Bank's primary financial statements or related notes. The Bank has therefore elected not to apply the accounting policy option to derecognise financial liabilities prior to the settlement date for qualifying electronic payment systems.</p> <p>A review of other payment methods (including cheques, and debit cards) confirmed that existing recognition and derecognition policies already align with the requirements of the amendments.</p>
Annual reporting periods beginning on or after 1 January 2026	<p><b>Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7</b></p> <p>In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity; the amendments.</p> <ul style="list-style-type: none"><li>• Clarify the application of the 'own-use' requirements for in-scope contracts</li><li>• Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts</li><li>• Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows</li></ul> <p>The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.</p> <p>The Bank does not expect that the amendments will have a material impact on its financial statements.</p>

# Notes to the financial statements

For the year ended 31 December 2025

## Effective date

## Standard, amendment, or interpretation

Annual reporting periods beginning on or after 1 January 2027

### **IFRS 18 Presentation and Disclosure in Financial Statements**

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as CDH Investment Bank, that have specified main business activities (either providing finance to customers or investing in specific types of assets, or both).

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

Annual reporting periods beginning on or after 1 January 2027

### **IFRS 19 Subsidiaries without Public Accountability: Disclosures**

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

The standard is not expected to have a material impact on the Bank's financial statements.

# Notes to the financial statements

For the year ended 31 December 2025

## 3. Adoption of new and revised International Financial Reporting Standards (continued)

### 3.2. Standards and interpretations in issue, not yet effective (continued)

Effective date	Standard, amendment, or interpretation
Annual Improvements to IFRS Accounting Standards-Volume 11	<p>In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows.</p> <p>The amendments are not expected to have a material impact on the Company's financial statements.</p>

### 3.3. Impact of reclassification

An amount of K72,527,938,000 relating to net trading income which was reflecting in interest income in prior year has been reclassified to trading income; and similarly, a corresponding expense of K53,004,572,000 which was reflected as interest expense in prior year has been reclassified to trading income as well. These two amounts have been netted to K19,523,366,000 disclosed as net trading income.

The restatement has no impact on the Statement of Financial Position. It is a reclassification on the face of the Statement of Profit or Loss and Other Comprehensive income. The following is the effect of the reclassification on profit or loss for the year **ended 31 December 2024**.

	As previously reported ECL	Adjustment	Restated
Interest income	112,113,240	(72,527,938)	39,585,302
Interest expense	(75,036,247)	53,004,572	(22,031,675)
Net interest income	37,076,993	(19,523,366)	17,553,627
Net trading income	10,279,955	19,523,366	29,803,321
Total operating income	52,903,730	-	52,903,730
Profit before tax	32,267,575	-	32,267,575
Profit for the year*	23,534,124	-	23,534,124

\*No impact on tax

The correction above has no impact on any Capital ratios or Liquidity ratios as applicable to the Bank and has no impact on the overall profit.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies

### (a) Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies during the year are initially recorded in the functional currency which is Malawi Kwacha at rates ruling at spot exchange rates at the date of the transaction. Monetary assets and liabilities at the reporting date, which are expressed in foreign currencies, are translated into Malawi Kwacha at rates ruling at that date. The resulting differences from translation are recognised in the profit or loss in the year in which they arise.

Non-monetary assets and liabilities are measured at historical cost and translated into Malawi Kwacha using the exchange rate ruling at the date of recognition.

### (b) Financial assets and liabilities

#### Financial instruments

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

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL (Fair Value Through Profit or Loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- a) If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss).
- b) In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would consider when pricing the asset or liability.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies (continued)

### (b) Financial assets and liabilities (continued)

#### i) Financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value based on the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost.
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI (Fair Value Through Other Comprehensive Income).
- All other instruments (e.g. instruments managed on a fair value basis or held for sale), and equity investments are subsequently measured at FVTPL.

However, the Company may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in OCI (Other Comprehensive Income); and
- The Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

#### Business model assessment

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies

### (b) Financial assets and liabilities (continued)

#### i) Financial assets (continued)

Business model assessment (Continued)

The Company considers all relevant information available when making the business model assessment such as:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- How the performance of the portfolio is evaluated and reported to the Company's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed.
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and their expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

When an instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies

### (b) Financial assets and liabilities (continued)

#### i) Financial assets (continued)

##### Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI: or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

##### **Assessment of whether contractual cash flows are solely payments of principal and interest.**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flow such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows.
- leverage features.
- prepayment and extension terms.
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

##### **Reclassifications**

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

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies

### (b) Financial assets and liabilities (continued)

#### i) Financial assets (continued)

##### Foreign exchange gains and losses

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

- For financial assets measured at amortised cost exchange differences are recognised in profit or loss in the 'other income' line item.
- For debt instruments measured at FVTOCI exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other income' line item. Other exchange differences are recognised in OCI in the investment revaluation reserve;
- For financial assets measured at FVTPL exchange differences are recognised in profit or loss either in 'net trading income,' if the asset is held for trading, or in 'net income from other financial instruments at FVTPL' if otherwise held at
- For equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investment's revaluation reserve; and
- The change is recognized in the statement of comprehensive income to comply with the requirement of IAS 21 Effects of Changes in Foreign Exchange Rates.

##### Impairment

The Company recognises loss allowances for Expected Credit Loss (ECLs) on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers;
- Loans and advances to related parties; and
- Interbank placements.
- Other receivables

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e., lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date and interest revenue is recognized on gross carrying amount of the asset, (referred to as Stage I); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument and interest revenue is recognized on gross carrying amount of the asset, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies

### (b) Financial assets and liabilities (continued)

#### i) Financial assets (continued)

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighing of multiple future economic scenarios, discounted at the asset's Effective Interest Rate (EIR).

The Company measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

#### Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer.
- a breach of contract such as a default or past due event.
- the disappearance of an active market for security because of financial difficulties; or

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that because of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes the unlikelihood to pay indicators and a backstop if amounts are overdue for 90 days or more.

#### Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see note 5):

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies (continued)

### (b) Financial assets and liabilities (continued)

#### i) Financial assets (continued)

##### Definition of default (continued)

The Company considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Company; or
- The borrower is unlikely to pay its credit obligations to the Company in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Company considers both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Company uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

##### Significant increase in credit risk

The Company monitors all financial assets to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

Quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD (Probability of Default) by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Company uses the same methodologies and data used to measure the loss allowance for ECL. The internal and external information, including future forecasts of economic variables, are also used in measuring the loss allowance.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Company still considers separately some qualitative factors to assess if credit risk has increased significantly.

As a backstop when an asset becomes 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies

### (b) Financial assets and liabilities (continued)

#### i) Financial assets (continued)

##### Modification and derecognition of financial assets

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

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

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

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

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

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies (continued)

### (b) Financial assets and liabilities (continued)

#### i) Financial assets (continued)

##### Modification and derecognition of financial assets (continued)

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

The Company derecognises a financial asset only when the contractual rights to the asset's cash flow expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised based on the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies

### (b) Financial assets and liabilities (continued)

#### i) Financial assets (continued)

##### Write-off

Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances with the Central Bank and placements with foreign and local Banks. Cash and cash equivalents are measured at amortised cost in the statements of financial position.

##### Other investments

These are recognised at cost.

##### Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Company's own equity instruments.

#### ii) Financial liabilities

Financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of financial liability and of allocating interest expense over the relevant period. The EIR is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" above.

Investment funds amangement involve the placement of client capital into specific financial instruments. The Bank derives income from these services through spreads on underlying trade executions.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies

### (b) Financial assets and liabilities (continued)

#### ii) Financial liabilities (continued)

##### **Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

#### iii) Other payables

Other payables are initially measured at fair value, less any directly attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

### (c) Equipment

#### (i) Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of equipment comprises major components having different useful lives, they are accounted for as separate items of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognised net within other operating income in profit or loss.

#### (ii) Subsequent expenditure

Expenditure is incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalised. Another subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied within the part will flow to the entity and its costs can be measured reliably. All other expenditure is recognised in the profit and loss as an expense as incurred.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies (continued)

### (c) Equipment (continued)

#### (iii) Depreciation

Equipment is depreciated on a straight-line basis at rates that would reduce carrying amounts to their estimated residual values, over the estimated useful lives of the assets. The Company re-assesses the useful lives, the depreciation method and the residual values of the assets at each reporting date and adjusted if appropriate. Any changes in useful lives, depreciation method or estimated residual values are accounted for prospectively as a change in accounting estimate in accordance with IAS 8: Accounting policies changes in accounting estimates and errors.

Depreciation is recognised in profit or loss.

The estimated useful lives for the current year and prior year are as follows:

- |   |          |
|---|----------|
| • right of use - motor vehicles               | 5 years  |
| • right of use - property                     | 10 years |
| • equipment, fixtures, fittings and computers | 5 years  |

An item of property, plant and equipment, and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized. The residual values, useful lives, and methods of depreciation of property, plant, and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### (iv) Capital work in progress

Capital work in progress represents the gross amount spent to date on carrying out work of a capital nature. It is measured at cost recognised to date.

Capital work in progress is presented as part of equipment in the statements of financial position. If the project is completed the expenditure is capitalised on the relevant items of plant and equipment. Capital work in progress is not depreciated.

### (d) Intangible assets

#### Software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expenditure as incurred.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies (continued)

### (d) Intangible assets(continued)

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative years is three to eight years.

Upon derecognition of software, the Company recognises the resultant profit or loss in the statements of profit or loss and other comprehensive income.

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

### (e) Leases

The Company entered lease contracts as a lessee on motor vehicles, office buildings and other residential premises. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (underlying asset) for a period in exchange for consideration. The Company assesses the following three evaluations to determine whether the contracts above meet the definition of a lease contract:

- The contract should contain an identifiable asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- The Company obtains substantially all the economic benefits from the use of the asset throughout the period of use and within the scope of the agreed contracts.
- The Company has the right to direct the use of the identified asset throughout the period of use.

### Measurement and recognition of leases

The Company, as lessee recognizes the right-of-use asset and lease liability on the balance sheet at lease commencement date. The right-of-use assets are measured at cost, being made up of the initial measurement of lease liability, any indirect costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of lease, and any lease payments made in advance of the lease commencement date.

The right-of-use asset is depreciated on a straight- line basis from the lease commencement date to earlier of the end of the useful life of the asset or at the end of lease term. It also assesses the asset for impairment if the indicators arise.

Lease liability at the lease commencement date, is measured at present value of the lease payments unpaid at that date, discounted using the incremental borrowing rate of the Company. The lease payments include the fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies (continued)

### (e) Leases (continued)

#### Subsequent measurement

Lease liability is reduced by lease payments and increased by interest charges. It is also remeasured to reflect changes in fixed payments or any reassessment or modification. Such remeasurement of the lease liability results in corresponding adjustments in the right-of-use asset or in profit or loss if the asset is already at nil balance.

For all contracts of low value and less than 12 months, the Company elects to recognize the payments in relation to these as an expense in profit or loss on straight line basis over the lease term.

On the statement of financial position, the right-of-use asset and lease liability is disclosed separately from equipment, and other liabilities respectively.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

### (f) Equity

#### *Share issue costs.*

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

#### *Irredeemable non-cumulative preference shares*

The Company where necessary issues perpetual irredeemable non-cumulative preference shares to fast-track capital accumulation in the year that there is a perceived gap to achieve minimum core capital as specified by the regulator.

The preferred stock pays dividends based on a coupon agreed by shareholders and is based on an interest rate that is set at the beginning of each year. The Company pays dividends, subject to its financial performance, regulatory restrictions as imposed by the Registrar of Financial Institutions and other factors considered by the Directors.

The preferred stock is perpetual and irredeemable and receives preference over the common stock as regards dividends and distributions upon liquidation.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies (continued)

### (g) Employee benefits

#### *(i) Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

#### *(ii) Short-term benefits*

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

### (h) Net interest income

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter year) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

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

Interest income and expense presented in the profit or loss include:

- Interest on financial assets and financial liabilities measured at amortised cost on an effective interest basis.
- Interest on available-for-sale investment securities on an effective interest basis.
- Interest income is accrued and included in impairment losses when collection of the loans becomes doubtful.

### Fees and commissions

Fees and commission income and expenses are recognized in the profit or loss when parties to the contract have approved the contract (in writing or orally or in accordance with the Company's practice and it is probable that the entity will collect consideration to which it is entitled in exchange for the goods and services that are transferred to the customer.

Other fees and commission income, account service fees, sales commissions, placement fees and syndicated fees are recognized in profit or loss when goods or services are transferred.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies (continued)

### (h) Net interest income (continued)

Other operating income, which includes gains and losses arising from translation of foreign exchange transactions and net gains on sale of assets are recognized in the statement of comprehensive income.

### (i) Trading and other income

Other operating income includes gains or losses arising on translation of foreign exchange transactions and net gains on the sale of assets and is recognised on accruals basis. Net trading income includes all gains and losses from changes in the trading spread for financial assets and financial liabilities held for trading.

Other income includes profit from disposal of assets and rental income from sublease of assets.

### (j) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current assets, and they relate to income taxes levied in the same tax authority on the same taxable entity, or on different entities but they intend to settle current liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset 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.

The Company accounts for deferred tax on leases by applying the integrally linked approach such that the lease asset and liability are assessed together on a net basis. Temporary differences in relation to the right of use asset and lease liability for a specific lease are regarded as a net package for the purpose of recognizing deferred tax. The Company has disclosed the amount of deferred tax in respect of leases.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies (continued)

### (k) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company 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 after adjusting for the effects of all dilutive potential ordinary shares.

### (l) Acceptances, guarantees and letters of credit

Acceptance guarantees and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities, unless it is probable that the Company will be required to make payments under these instruments, in which case they are recognised as provisions.

### (m) Determination of fair values

#### *Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer 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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company 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 Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider 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 Company 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 Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies (continued)

### (m) Determination of fair values (continued)

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company based on the net exposure to either market or credit risk are measured based on 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 based on the relative risk adjustment of each of the individual instruments in the portfolio.

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

The Company recognises transfers between levels of fair value hierarchy as of the end of the reporting year during which the change occurred.

The fair values of investments in the listed equities derived from price ruling at the reporting date.

### n. Prepayments

A prepayment is a payment made in advance for goods or services that will be received in a future accounting period. The payment represents an asset to the company until the goods or services are received.

Prepayments are recognized as an asset at the time of payment. The assets are measured at the amount of cash or cash equivalent paid. The prepayment is amortized evenly over the period the goods or services are received. This method is used when the consumption pattern is relatively consistent.

Included in prepayments are advance payments for software licenses, insurance, and subscriptions.

### o. Land and buildings

Land and buildings are recognized by the Company as assets when:

- It is probable that future economic benefits associated with the asset will flow to the Company.
- The cost of the asset can be measured reliably.

Land and buildings are initially measured at cost which include purchase price, estimated dismantling and demolition costs and directly attributable costs such as professional and legal fees.

Subsequently, the asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Buildings are depreciated on a straight-line basis at rates that would reduce carrying amounts to their estimated residual values, over the estimated useful lives of the assets. The estimated useful life for the current year and prior year is 20 years.

# Notes to the financial statements

For the year ended 31 December 2025

## 4. Material accounting policies (continued)

### p. Dividends

Dividends payable to shareholders are recognized in other liabilities and deducted from equity when they have been approved in a general meeting prior to the reporting date.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

## 5. Risk management

The Board of Directors of the Company has ultimate responsibility for the level of risk taken by the Company and accordingly they have approved the overall business strategies and significant policies of the Company, including those related to managing and taking risks. Senior management in the Company is responsible for implementing strategies in a manner that limits risks associated with each strategy and that ensure compliance with applicable rules and regulations, both on a long term and day-to-day basis. The Company has a risk management department, which is independent of those who accept risks in the Company. The risk management department is tasked to:

- identify current and emerging risks
- develop risk assessment and measurement systems
- establish policies, practices and other control mechanisms to manage risks
- develop risk tolerance limits for senior management and board approval
- monitor positions against approved risk tolerance limits
- report results of risk monitoring to senior management and the board.

To ensure that risk management is properly explained to and understood by all business lines the board has established the following risk management policies:

- Credit Risk Management Policy
- Liquidity Risk Management Policy
- Operational Risk Management Policy
- Capital Risk Management Policy
- Market Risk Policy

### 5.1 Financial risks

The Company is exposed to the following financial risks from financial instruments:

- a) Credit risk
- b) Liquidity risk
- c) Market risk

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet their contractual obligations and arises principally from the Company's loans and advances to customers and intercompany placements. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

#### *Management of credit risk*

The Boards of Directors of the Company have delegated responsibility for the management of credit risk to their Credit Committees to which separate Credit Department's report. The Credit Committees are responsible for oversight of credit risk, including:

- *Formulating credit policies*, 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 the approval and renewal of credit facilities. All credit facilities are authorized by Head Office management. Larger facilities require approval by The Credit Committee or the Board of Directors as appropriate.
- *Reviewing and assessing credit risk*. The Credit Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branches concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Reviewing compliance of business units with agreed exposure limits.

#### *Exposure to credit risk*

The Company measures credit risk using data that is predictive of the credit loss. Such data includes available Gross Domestic product projections, industry outlook data, press information, client audited financial statements, cashflow projections and external credit ratings among other variables. The Company also applies experienced credit judgement. The Company assesses evidence of credit-impairment including observable data about the following events:

The Company assesses evidence of credit-impairment including observable data about the following events:

- significant financial difficulty of the borrower or issuer.
- a breach of contract such as a default or past due event.
- the disappearance of an active market for security because of financial difficulties; or

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.1 Credit risk (continued)

The Company's exposure to credit risk principally comprises loans and advances to customers analysed as follows:

Classification of assets	Investment securities		Loans and advances to customers		Interbank placements	
	2025	2024	2025	2024	2025	2024
Stage 1 (12-month ECL)	88,315,336	40,368,931	127,748,283	96,416,365	8,764,418	11,624,477
Stage 2 (Lifetime ECL)	-	-	31,985,464	11,065,785	-	-
Stage 3 (Lifetime ECL)	-	-	5,509,747	5,834,251	-	-
Gross exposure to credit risk	88,315,336	40,368,931	165,243,494	113,316,401	8,764,418	11,624,477
Less: Allowance for impairment (note 10)	(1,531,625)	-	(5,551,289)	(6,251,277)	-	-
	86,783,711	40,368,931	159,692,205	107,065,124	8,764,418	11,624,477
<b>Balance</b>	<b>86,783,711</b>	<b>40,368,931</b>	<b>159,692,205</b>	<b>107,065,124</b>	<b>8,764,418</b>	<b>11,624,477</b>

Loans and advances in stage 2 and 3 comprise:

30-60 days

>90 days

	2025	2024
	25,502,515	-
	11,992,696	16,900,036
	<b>37,495,211</b>	<b>16,900,036</b>

The table below shows movements in loss allowance for ECL:

#### 2025

Opening balance as at 1 January 2025

Movement due to increase in portfolio

Movement due to decrease/increase in credit risk (Loans)

Movement due to write offs

Movement due to recoveries

**Closing balance as at 31 December 2025 (Loans)**

Opening balance as at 1 January 2025

Movement due to decrease/increase in credit risk (Securities)

**Closing balance as at 31 December 2025 (Securities)**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
	412,738	9,582	5,828,957
	-	-	-
	(352,153)	(994)	-
	-	-	-
	-	-	(346,841)
	<b>60,585</b>	<b>8,588</b>	<b>5,482,116</b>
	-	-	-
	1,531,625	-	-
	<b>1,531,625</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.1 Credit risk (continued)

*Exposure to credit risk (continued)*

<b>2024</b>	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
Opening balance as at 1 January 2024	480,689	-	1,316,179
Movement due to increase in portfolio	-	-	-
Movement due to increase in credit risk	-	9,582	4,512,778
Movement due to write offs	-	-	-
Movement due to recoveries	(67,951)	-	-
Closing balance as at 31 December 2024	412,738	9,582	5,828,957

An estimate of the fair value of collateral held against loans and advances to customers is shown below:

#### Against loans and advances (Stage 1, 2 and 3)

	<b>2025</b>	2024
Property	<b>8,531,860</b>	8,195,170
Motor vehicles	<b>5,822,743</b>	759,734
Guarantees	<b>94,062,065</b>	83,249,454
Cash	<b>5,155,105</b>	4,276,503
Stocks	<b>44,530,202</b>	12,755,263
	<b>158,101,975</b>	109,236,124

The Company's policy is to pursue the timely realisation of the collateral in an orderly manner. The Company generally does not use non-cash collateral for its own operations. The Company has not taken possession of any of the collateral.

#### Stage 3 - Impaired loans and securities

Impaired loans and securities are those in which there has been a significant increase in credit risk and default has occurred. The Company determines that it is probable that it will be unable to collect all principal and/or interest due according to the contractual terms of the loan / securities agreements.

#### Stage 2 - Past due but not impaired loans

These are loans and securities where there has been a significant increase in credit risk collecting contractual interest or principal payments, but the Company believes that impairment is not appropriate either because there is adequate collateral, or the risk of default is remote.

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.1 Credit risk (continued)

##### Allowances for impairment

The Company establishes an allowance for impairment losses that represents its estimate of expected credit losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures.

##### Impairment policy

The Company writes off a loan/security balance (and any related allowances for impairment losses) when the Credit committee determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

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

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

	Maximum Limit %	2025	2024	2025	2024
Agriculture	20%	13%	15%	22,262,231	16,478,205
Construction	5%	1%	2%	1,050,046	1,882,909
Manufacturing	30%	24%	13%	40,070,088	14,691,177
Wholesale and retail	55%	30%	34%	49,488,853	38,514,398
Tourism and leisure	10%	3%	5%	5,700,252	5,793,604
Transport	10%	0%	0%	111,206	164,092
Community, social and personal services	30%	3%	9%	4,832,408	9,752,157
Electricity, Gas, Water and Energy	35%	15%	17%	24,443,433	19,947,973
Others	10%	11%	5%	17,284,977	6,091,886
		100%	100%	165,243,494	113,316,401

##### Exposure to credit risk (continued)

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

To manage the level of credit risk, the Company 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.

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.1 Credit risk (continued)

The economical sector classifications were as follows:

<b>2025</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
Agriculture	22,262,231	-	-
Construction	1,047,534	2,512	-
Manufacturing	28,602,943	11,467,145	-
Wholesale and retail	19,519,297	29,969,556	-
Tourism and leisure	226,818	23	5,473,411
Transport	111,183	23	-
Community, social and personal services	4,769,670	26,358	36,380
Electricity, Gas, Water and Energy	24,443,433	-	-
Others	17,284,532	445	-
Less: Allowance for impairment	(60,585)	(8,588)	(5,482,116)
	<b>118,207,056</b>	<b>41,457,474</b>	<b>27,675</b>

<b>2024</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
Agriculture	16,478,205	-	-
Construction	1,882,739	170	-
Manufacturing	3,635,672	11,055,505	-
Wholesale and retail	38,513,697	701	-
Tourism and leisure	-	270	5,793,364
Transport	164,043	49	-
Community, social and personal services	9,707,751	3,519	40,887
Electricity, Gas, Water and Energy	19,947,973	-	-
Others	6,086,285	5,571	-
Less: Allowance for impairment	(412,738)	(9,582)	(5,828,957)
	<b>96,003,627</b>	<b>11,056,203</b>	<b>5,294</b>

The geographic distribution of credit exposures was as follows:

#### Concentration by region

	<b>2025</b>	<b>2024</b>
South	<b>86,425,852</b>	49,486,063
Centre	<b>78,817,642</b>	63,830,338
<b>Total</b>	<b>165,243,494</b>	113,316,401

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.1 Credit risk (continued)

##### Concentration by counterparty type

	2025	2024
Corporate	151,206,907	95,557,614
Retail	14,036,587	17,758,787
<b>Total</b>	<b>165,243,494</b>	<b>113,316,401</b>

##### Credit quality per class of financial assets

The credit quality of financial assets at amortised cost is managed by the Company. The table below shows the credit quality by class of financial assets for credit risk related items.

2025	Note	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Security against impaired loans	Net impairment
<b>Credit quality</b>							
Investment securities	8.2	88,315,336	-	-	88,315,336	88,315,336	1,531,625
Interbank placements	9	8,764,418	-	-	8,764,418	-	-
Loans and advances to customers	10	127,748,283	31,985,464	5,509,747	165,243,494	9,224,731	5,551,289
<b>Total recognised financial instruments</b>		<b>224,828,037</b>	<b>31,985,464</b>	<b>5,509,747</b>	<b>262,323,248</b>	<b>97,540,067</b>	<b>7,082,914</b>
2024	Note	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Security against impaired loans	Net impairment
<b>Credit quality</b>							
Investment securities	8.2	40,368,931	-	-	40,368,931	-	-
Interbank placements	9	11,624,477	-	-	11,624,477	-	-
Loans and advances to customers	10	96,416,365	11,065,785	5,834,251	113,316,401	9,224,731	6,251,277
<b>Total recognised financial instruments</b>		<b>148,409,773</b>	<b>11,065,785</b>	<b>5,834,251</b>	<b>165,309,809</b>	<b>9,224,731</b>	<b>6,251,277</b>

Financial assets at fair value through profit and loss include assets designated as measured at fair value through profit or loss amounting to **K651 billion** (2024: K351 billion).

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.1 Credit risk (continued)

The total expected credit losses for loans and advances as at 31 December 2025 and 31 December 2024 were as follows:

	2025	2024
Expected credit loss to gross ratio	3.4%	5.5%
Gross carrying amount	165,243,494	113,316,401
Lifetime expected credit loss	5,551,289	6,251,277

#### Maximum exposure to credit risk without considering any collateral

The table below shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include financial instruments defined and recognised under IFRS 9 Financial Instruments as well as other financial instruments not recognised. The maximum exposure is presented gross, before the effect of mitigation using master netting and collateral agreements.

	Note	2025	2024
<b>Gross maximum exposure</b>			
Cash held with the Reserve Bank of Malawi	7	14,461,286	7,165,583
Cash held with local Banks	7	2,471	2,665
Cash held with foreign Banks	7	35,756,812	3,210,637
Cash balances	7	815,103	756,295
Financial assets at fair value through profit or loss	8.1	651,790,341	350,666,373
Investment securities	8.2	88,315,336	40,368,931
Interbank placements	9	8,764,418	11,624,477
Personal and business loans			
▪ Other loans and advances	10	21,416,767	18,460,708
Corporate and Investment banking:			
▪ Corporate and investment loans	10	143,826,727	94,855,693
<b>Total recognised financial instruments</b>		<b>965,149,261</b>	<b>527,111,362</b>
Other accounts receivables	11	262,213	2,004,204
Financial guarantees	28	2,694,079	14,087,982
<b>Total unrecognised financial instruments</b>		<b>2,694,079</b>	<b>14,087,982</b>
<b>Total credit risk exposure</b>		<b>968,105,553</b>	<b>543,203,548</b>

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.1 Credit risk (continued)

Net exposure to credit risk without considering any collateral or other credit enhancements

In respect of certain financial assets, the Company has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling the 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. However, the exposure to credit risk relating to the respective financial assets is as follows:

#### 2025

	At 31 December 2025		
	Note	Carrying amount	Net exposure to credit risk
Cash and balances with banks	7	51,035,672	51,035,672
Interbank placements	9	8,764,418	8,764,418
Loans and advances to customers	10	159,692,205	159,692,205
Financial assets	8.1	651,790,341	651,790,341
Investment securities	8.2	86,783,711	86,783,711
Other accounts receivables	11	262,213	263,013
		<b>958,328,560</b>	<b>958,329,360</b>

#### 2024

	At 31 December 2024		
	Note	Carrying amount	Net exposure to credit risk
Cash and balances with banks	7	11,135,180	11,135,180
Interbank placements	9	11,624,477	11,624,477
Loans and advances to customers	10	107,065,124	107,065,124
Financial assets	8.1	350,666,373	350,666,373
Investment securities	8.2	40,368,931	40,368,931
Other accounts receivables	11	2,004,204	2,004,204
		<b>522,864,289</b>	<b>522,864,289</b>

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.1 Credit risk (continued)

##### Collateral held and other credit enhancements and their financial effect

The Company holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against the distinct types of financial assets.

Type of credit exposure	2025	2024	Principle type of collateral held
Loans and advances to Banks	%	%	
▪ Interbank placement	100	100	Marketable securities
Loans and advances to retail customers	2	2	Cash and property
Loan advances to corporate customers	85	85	Property and equipment commercial property floating charges over corporate assets

##### Loan and advances to corporate customers

The general credit worthiness of a customer tends to be the most relevant indicator of the credit quality of a loan extended to it. However, collateral provides additional security, and the Company generally requests that corporate borrowers provide it. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Company's focus on corporate customers' creditworthiness, the Company does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely for impaired loans, the Company obtains appraisals of collateral measurement. At 31 December 2025, the net carrying amount of impaired loans and advances to corporate customers amounted to **MK5.5 billion** (2024: MK5.8 million) and the value of identifiable collateral held against those loans and advances amounted to **MK9.2 billion** (2024:MK9.2 billion).

In addition to the collateral included in the table above, the Company also holds other types of collateral and credit enhancements such as second charges for which specific values are not generally available.

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.1 Credit risk (continued)

##### Type of collateral or credit enhancement

Financial assets as at 31 December 2025	Note	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held							Net exposure	% of exposure subject to collateral requirements	Associated ECL
			Cash	Securities	Government guarantees	Property	Other	Surplus collateral	Total collateral			
Cash held with the Reserve Bank of Malawi	7	14,461,286	-	-	-	-	-	-	-	(14,461,286)	-	-
Cash held with local banks	7	2,471	-	-	-	-	-	-	-	(2,471)	-	-
Cash held with foreign banks	7	35,756,812	-	-	-	-	-	-	-	(35,756,812)	-	-
Cash balances	7	792,803	-	-	-	-	-	-	-	(792,803)	-	-
Investment securities	8.2	88,315,335	-	-	88,315,335	-	-	-	88,315,335	-	100%	1,531,625
Interbank placements	9	8,764,418	-	8,764,418	-	-	-	-	8,764,418	-	100%	-
<b>Personal and business loans:</b>												
Other loans and advances	10	21,416,767	5,155,105	-	-	2,537,400	11,817,203	-	19,509,708	(1,907,059)	91%	69,173
<b>Corporate and Investment Banking:</b>												
Corporate and investment loans	10	143,826,727	-	-	94,062,065	5,994,460	38,535,742	-	138,592,267	(5,234,460)	96%	5,482,116
Other accounts receivables		262,213	-	-	-	-	-	-	-	(262,213)	-	-
<b>Total financial assets at amortised cost</b>		<b>313,336,619</b>	<b>5,155,105</b>	<b>8,764,418</b>	<b>182,377,400</b>	<b>8,531,860</b>	<b>50,352,945</b>	<b>-</b>	<b>255,181,728</b>	<b>(58,154,891)</b>	<b>-</b>	<b>7,082,914</b>
Financial assets at fair value through profit or loss	8.1	651,658,243	-	-	651,658,243	-	-	-	651,658,243	-	100%	N/A
<b>Total financial instruments at fair value through profit or loss</b>		<b>651,658,243</b>	<b>-</b>	<b>-</b>	<b>651,658,243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>651,658,243</b>	<b>-</b>	<b>100%</b>	<b>-</b>
Financial guarantees	31	14,087,982	14,087,982	-	-	-	-	-	14,087,982	-	100%	-
<b>Total credit risk exposure</b>		<b>979,082,844</b>	<b>19,243,087</b>	<b>8,764,418</b>	<b>834,035,643</b>	<b>8,531,860</b>	<b>50,352,945</b>	<b>-</b>	<b>920,927,953</b>	<b>(58,154,891)</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.1 Credit risk (continued)

##### Type of collateral or credit enhancement

Financial assets as at 31 December 2024	Fair value of collateral and credit enhancements held										% of exposure subject to collateral requirements	Associated ECL
	Note	Maximum exposure to credit risk	Cash	Securities	Government guarantees	Property	Other	Surplus collateral	Total collateral	Net exposure		
Cash held with the Reserve Bank of Malawi	7	7,165,583	-	-	-	-	-	-	-	(7,165,583)	-	-
Cash held with local banks	7	2,665	-	-	-	-	-	-	-	(2,665)	-	-
Cash held with foreign banks	7	3,210,637	-	-	-	-	-	-	-	(3,210,637)	-	-
Cash balances	7	756,295	-	-	-	-	-	-	-	(756,295)	-	-
Investment securities	8.2	40,368,931	-	-	40,368,931	-	-	-	40,368,931	-	100%	-
Interbank placements	9	11,624,477	-	11,624,477	-	-	-	-	11,624,477	-	100%	-
Personal and business loans:												
Other loans and advances	10	18,460,708	4,276,503	-	-	2,167,865	759,734	-	7,204,102	(11,256,606)	39%	9,582
Corporate and Investment Banking:												
Corporate and investment loans	10	94,855,693	-	-	83,249,454	6,027,305	12,755,263	-	102,032,022	7,176,329	108%	6,241,695
Other accounts receivables		2,004,204	-	-	-	-	-	-	-	(2,004,204)	-	-
Total financial assets at amortised cost		176,444,989	4,276,503	11,624,477	123,618,385	8,195,170	13,514,997	-	161,229,532	(15,215,457)	-	6,251,277
Financial assets at fair value through profit or loss	8.1	350,666,373	-	-	350,666,373	-	-	-	350,666,373	-	100%	N/A
Total financial instruments at fair value through profit or loss		350,666,373	-	-	350,666,373	-	-	-	350,666,373	-	100%	-
Financial guarantees	29	14,087,982	14,087,982	-	-	-	-	-	14,087,982	-	100%	-
Total credit risk exposure		541,199,344	18,364,485	11,624,477	474,284,758	8,195,170	13,514,997	-	525,983,887	(15,215,457)	-	-

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities.

##### *Management of liquidity risk*

The Company's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, both under stressed and normal conditions, without causing damage to the Company's reputation.

The daily liquidity position is monitored. It is assumed that under normal circumstances customer demand deposits will remain stable or increase in value and unrecognised loan/ overdraft commitments are not expected to be immediately drawn down in their entirety. Regular stress testing is done under normal and severe; market conditions and the results are discussed with the Asset and Liability Committee (ALCO) and the Board Risk and Compliance Committee (BRC).

All liquidity policies and procedures are subject to review and approval by ALCO. These are management committees which meet once a month or more often if necessary. The daily monitoring of liquidity is the responsibility of an integrated treasury department which monitors the level of mismatches in the maturity positions of assets and liabilities.

##### *Asset and Liability Management Committee (ALCO)*

The primary objective of ALCO is to ensure a proper balance in terms of maturity profile, cost and yield, risk exposure etc. between funds mobilized and funds deployed. ALCO seeks to manage risks to minimize the volatility of net interest income and protect the long-term economic value of the Company. The committee also monitors the capital adequacy of the Company.

Key functions of ALCO include setting pricing guidelines for assets and liabilities, setting limits and managing liquidity risk and interest rate risk and ensuring that contingency funding plans are in place to avert funding crises.

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.2 Liquidity risk (continued)

The Company's customer placement patterns are different from the contractual maturities resulting in different liquidity gaps with those that are arrived at using the contractual terms, and those based on the actual customer placement patterns. The Company therefore developed a customer placement patterns model to monitor the actual liquidity risk. The model was developed by establishing past customer placement patterns and adding an element of concentration risk under each category of deposits. The Company monitors the customer placement patterns gaps through its monthly ALCO committee meetings. The customer placement patterns model shows that the actual liquidity risk, based on the customer placement patterns, is lower than the liquidity risk based on contractual maturities. The bank also monitors its liquidity risk using the net stable funding ratio and liquidity coverage ratio.

The table below analyses financial assets and financial liabilities into relevant maturity rankings based on the remaining contractual maturities:

2025	Note	Carrying amount	Cash inflow / (outflow)	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years
<b>Assets</b>								
Cash and cash equivalents	7	51,035,672	51,035,672	51,035,672	-	-	-	-
Loans and advances to customers	10	159,692,205	168,626,901	34,263,968	26,843,297	23,195,478	28,376,651	55,947,507
Interbank placements	9	8,764,418	8,764,418	8,764,418	-	-	-	-
Financial assets at fair value through profit or loss	8	651,790,341	667,309,793	70,405,402	72,882,040	77,860,077	192,703,806	253,458,468
Investment securities	8	86,783,711	92,731,101	2,633,545	1,691,831	4,632,270	9,874,268	73,899,187
Other assets (accounts receivable)	11	262,213	263,013	263,013	-	-	-	-
<b>Total assets</b>		<b>958,328,560</b>	<b>988,730,898</b>	<b>167,366,018</b>	<b>101,417,168</b>	<b>105,687,825</b>	<b>230,954,725</b>	<b>383,305,162</b>

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.2 Liquidity risk (continued)

2025	Note	Carrying amount	Cash inflow / (outflow)	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years
<b>Liabilities</b>								
Current and savings account	15	(140,690,996)	(140,690,996)	(140,690,996)	-	-	-	-
Foreign currency accounts	15	(73,068,982)	(73,068,982)	(73,068,982)	-	-	-	-
Term deposit accounts	15	(98,006,918)	(99,281,006)	(66,311,218)	(22,880,944)	(4,924,319)	(664,820)	(4,499,705)
Investment funds	16	(575,246,654)	(592,504,054)	(319,546,212)	(165,578,253)	(14,693,844)	(75,001,076)	(17,684,669)
Bankers' cheques issued but not cleared	17	(129,083)	(131,008)	(131,008)	-	-	-	-
Trade payables	18	(7,229,235)	(8,434,892)	(8,434,892)	-	-	-	-
<b>Total liabilities</b>		<b>(894,371,868)</b>	<b>(914,110,938)</b>	<b>(608,183,308)</b>	<b>(188,459,197)</b>	<b>(19,618,163)</b>	<b>(75,665,896)</b>	<b>(22,184,374)</b>
<b>Net liquidity gap</b>		<b>63,957,492</b>	<b>74,619,960</b>	<b>(440,817,290)</b>	<b>(87,042,029)</b>	<b>86,069,662</b>	<b>155,288,829</b>	<b>361,120,788</b>
<b>Cumulative liquidity gap</b>		<b>-</b>	<b>-</b>	<b>(440,817,290)</b>	<b>(527,859,319)</b>	<b>(441,789,657)</b>	<b>(286,500,828)</b>	<b>74,619,960</b>

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.2 Liquidity risk (continued)

2024	Note	Carrying amount	Cash inflow / (outflow)	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years
Assets								
Cash and cash equivalents	7	11,135,180	11,135,180	11,135,180	-	-	-	-
Loans and advances to customers	10	107,065,124	113,055,362	27,911,145	480,163	4,431,381	15,238,883	64,993,790
Interbank placements	9	11,624,477	11,624,477	11,624,477	-	-	-	-
Financial assets at fair value through profit or loss	8.1	350,666,373	359,088,690	29,862,384	15,146,936	32,895,250	27,601,457	253,582,663
Investment securities	8.2	40,368,931	42,387,377	9,483,293	1,782,568	193,151	2,428,162	28,500,203
Other assets (accounts receivable)	11	2,004,204	2,004,204	2,004,204	-	-	-	-
<b>Total assets</b>		<b>522,864,289</b>	<b>539,295,290</b>	<b>92,020,683</b>	<b>17,409,667</b>	<b>37,519,782</b>	<b>45,268,502</b>	<b>347,076,656</b>

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.2 Liquidity risk (continued)

2024	Note	Carrying amount	Cash inflow / (outflow)	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years
Liabilities								
Current and savings account	15	(46,665,187)	(46,665,187)	(46,665,187)	-	-	-	-
Foreign currency accounts	15	(31,222,032)	(31,222,032)	(31,222,032)	-	-	-	-
Term deposit accounts	15	(91,655,009)	(92,846,522)	(5,065,410)	(20,772,475)	(38,385,529)	(23,527,008)	(5,096,100)
Investment funds	16	(314,344,540)	(318,116,674)	(10,993,095)	(102,650,980)	(113,560,139)	(71,171,979)	(19,740,481)
Bankers' cheques issued but not cleared	18	(84,631)	(84,631)	(84,631)	-	-	-	-
Trade payables	17	(3,557,843)	(3,557,843)	(3,557,843)	-	-	-	-
<b>Total liabilities</b>		<b>(487,529,242)</b>	<b>(492,492,889)</b>	<b>(97,588,198)</b>	<b>(123,423,455)</b>	<b>(151,945,668)</b>	<b>(94,698,987)</b>	<b>(24,836,581)</b>
<b>Net liquidity gap</b>		<b>35,335,047</b>	<b>46,802,401</b>	<b>(5,567,515)</b>	<b>(106,013,788)</b>	<b>(114,425,886)</b>	<b>(49,430,485)</b>	<b>322,240,075</b>
<b>Cumulative liquidity gap</b>		<b>-</b>	<b>-</b>	<b>(5,567,515)</b>	<b>(111,581,303)</b>	<b>(226,007,189)</b>	<b>(275,437,674)</b>	<b>46,802,401</b>

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.2 Liquidity risk (continued)

The previous table shows the undiscounted cash flows on the Company's financial assets and liabilities based on their earliest possible contractual maturity. Out of these, 16% are demand deposits and overdrafts, and are classified in the up to one-month category with the balance in the 1-3 years category as the Company's expected cash flows on these instruments varies significantly from their contractual maturity profile.

The Company's asset liability committee manages liquidity gaps by setting guidelines and limits for anticipated liquidity gaps and monitors these gaps daily. The committee reviews product and customer behavioral assumptions when there is an indication that there is a shift in one or more variables such as changes in maturity dates and expected residual balances to maturity.

The Company developed a model that assesses the liquidity gaps based on the actual customer placement patterns which are different from the contractual patterns. The ALCO reviews the liquidity gaps based on the customers' placement patterns monthly. Where liquidity gaps materialises, the bank borrows on the interbank market to cover the shortfall.

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

- Liquidity Ratio 1: Net liquidity (total liquid assets less suspense accounts in foreign currency) divided by total deposits must be at least **25** percent (2024:25 percent).
- Liquidity Ratio 2: Net liquidity (total liquid assets less suspense account in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20 percent.

Liquidity Ratios 1 and 2 were as specified below:

#### CDH Investment Bank Limited

Liquidity Ratio I  
Liquidity Ratio II

	2025	2024
Liquidity Ratio I	<b>64.07%</b>	49.50%
Liquidity Ratio II	<b>64.07%</b>	49.50%

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

#### 5.1.3 Market risk

##### Market risk management policy

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company income or the value of its holding of financial instruments. The objective of the Company's market risk management policy is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

##### 5.1.3.1 Foreign exchange risk

Foreign exchange rate risk is the potential impact of adverse currency rates movements on earnings and economic value. It arises from the change in value of local currency against foreign currencies.

Foreign currency transactions and positions are monitored by Treasury Department and ALCO whose responsibilities are described below.

##### Foreign exchange rate risk management

The responsibilities of the Treasury Department include monitoring foreign exchange risk. This involves the risks of the Company incurring financial loss on settlement of foreign exchange positions taken in both the trading and banking books. The foreign exchange positions arise from the following activities:

- Trading in foreign currencies through spot, forward and option transactions as a market maker or position taker, including the unhedged position arising from customer driven foreign exchange transactions.
- Holding foreign currency position in the bank books (e.g. in the form of loans, deposits, cross-border investments, etc.).

The treasury department is responsible for:

- Setting the foreign exchange risk management strategy and tolerance levels.
- Ensuring that effective risk management systems and internal controls are in place.
- Monitoring significant foreign exchange exposure.
- Ensuring that foreign exchange operations are supported by adequate management information systems which complement the risk management strategy.
- Reviewing the policies, procedures and currency limits regularly in line with changes in the economic environment.

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

The ALCO regularly monitors the controls put in place by the treasury department, which are approved and reviewed by the board from time to time.

The Company's foreign exchange exposures at the reporting date were as follows:

2025	Assets	Liabilities	Net	Exchange Rate movement	Impact on profit and equity (net of tax)
USD	50,519	40,378	10,141	(6%)	(4.138)
GBP	678	1,540	(862)	(12%)	0.703
EUR	133	98	35	1%	0.002
ZAR	1,156	48	1,108	(9%)	(0.678)

2024	Assets	Liabilities	Net	Exchange Rate movement	Impact on profit and equity (net of tax)
USD	22,727	22,958	(231)	(3%)	4.85
GBP	711	39	672	(1%)	(4.70)
EUR	545	45	500	2%	7.00
ZAR	1,055	21	1034	(2%)	(14.48)

At 31 December 2025, if the Malawi Kwacha had weakened/strengthened by the above exchange rate movements against the US dollar, Great British Pound, Euro and the South African Rand with all other variables held constant, post-tax loss for the year would have been **K4.11 million** (2024: K7.33 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency-denominated financial instruments.

#### 5.1.3.2 Interest rate risk

Interest rate risk is the exposure of Company's financial condition to adverse movements in interest rates. It arises from timing differences in the maturity of re-pricing of the Company's assets and liabilities. Changes in interest rates can have adverse effects on the Company's earnings and its economic value. ALCO monitors interest rate risk in the Company.

The Company uses two techniques to manage the interest rate gap. The first technique employed by the Company is by migrating more assets into the floating rate category and more liabilities into the fixed rate category in times of increasing interest rates. This brings more flexibility to the repricing of the assets. The second approach is to ensure that there is a proper match between asset and liability maturity tenors. The Company also determines an appropriate asset and liability mix to manage its margins.

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

Stress testing on the three elements of interest rate risk is done by an independent risk function. The results are discussed with ALCO and the Risk Committee and appropriate risk mitigation measures and contingency plans are implemented. Below is a summary of the Company's interest rate gap position.

2025	Note	Fixed Rate Instruments							Total carrying amount
		Zero rate	Floating rate	0-3 months	3-6 months	6-9 months	9-12 months	Over 12 months	
<b>Assets</b>									
	7	51,035,672	-	-	-	-	-	-	51,035,672
	10	- 159,692,205	-	-	-	-	-	-	- 159,692,205
	9	-	-	8,764,418	-	-	-	-	8,764,418
	8.1	-	74,694,406	109,487,944	28,720,625	55,578,595	145,369,755	237,939,016	651,790,341
	8.2	-	-	4,325,376	2,788,694	3,548,641	6,713,589	69,407,411	86,783,711
<b>Total assets</b>		<b>51,035,672</b>	<b>234,386,611</b>	<b>122,577,738</b>	<b>31,509,319</b>	<b>59,127,236</b>	<b>152,083,344</b>	<b>307,346,427</b>	<b>958,066,347</b>
<b>Liabilities</b>									
	15	-	-	140,690,996	-	-	-	-	- 140,690,996
	15	-	-	73,068,982	-	-	-	-	- 73,068,982
	15	-	-	89,192,162	7,961,173	171,666	681,917	-	- 98,006,918
	16	-	-	575,246,654	-	-	-	-	- 575,246,654
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>878,198,794</b>	<b>4,924,319</b>	<b>171,666</b>	<b>681,917</b>	<b>-</b>	<b>- 887,013,550</b>
<b>Interest gap</b>		<b>51,035,672</b>	<b>234,386,611</b>	<b>(755,621,056)</b>	<b>23,548,146</b>	<b>58,955,570</b>	<b>103,277,526</b>	<b>355,470,328</b>	<b>71,052,797</b>
<b>Impact on post tax profit or equity of an increase in the interest rate by 5%</b>		<b>-</b>	<b>8,203,531</b>	<b>(26,446,737)</b>	<b>824,185</b>	<b>2,063,445</b>	<b>5,299,050</b>	<b>10,757,125</b>	<b>2,486,848</b>
<b>Impact on post tax profit or equity of a decrease in the interest rate by 5%</b>		<b>-</b>	<b>(8,203,531)</b>	<b>26,446,737</b>	<b>(824,185)</b>	<b>(2,063,445)</b>	<b>(5,299,050)</b>	<b>(10,757,125)</b>	<b>(2,486,848)</b>

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

Variable rate instruments expose the Company to interest rate risk whereas fixed rate instruments expose the Company to fair value interest rate risk. The sensitivity impact is calculated at 70% of 5% of the interest rate gap. 70% is applied to take into consideration tax effects.

2024	Fixed Rate Instruments								
	Note	Zero rate	Floating rate	0-3 months	3-6 months	6-9 months	9-12 months	Over 12 months	Total carrying amount
<b>Assets</b>									
Cash and cash equivalents	7	11,135,180	-	-	-	-	-	-	11,135,180
Loans and advances to customers	10	-	107,065,124	-	-	-	-	-	107,065,124
Interbank placements	9	-	-	11,624,477	-	-	-	-	11,624,477
Financial assets at fair value through profit or loss	8.1	-	55,305,537	20,576,665	21,201,508	-	-	253,582,663	350,666,373
Investment securities	8.2	-	-	447,445	4,576,445	374,429	7,960,905	27,009,707	40,368,931
<b>Total assets</b>		<b>11,135,180</b>	<b>162,370,661</b>	<b>32,648,587</b>	<b>25,777,953</b>	<b>374,429</b>	<b>7,960,905</b>	<b>280,592,370</b>	<b>520,860,085</b>
<b>Liabilities</b>									
Current and savings accounts	15	-	-	46,665,187	-	-	-	-	46,665,187
Foreign currency accounts	15	-	-	31,222,032	-	-	-	-	31,222,032
Term deposit accounts	15	-	-	16,324,406	73,293,303	1,239,582	673,436	124,282	91,655,009
Investment funds	16	-	-	314,344,540	-	-	-	-	314,344,540
Subordinated liabilities	17	-	-	-	-	-	-	-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>408,556,165</b>	<b>73,293,303</b>	<b>1,239,582</b>	<b>673,436</b>	<b>124,282</b>	<b>483,886,768</b>
<b>Interest gap</b>		<b>11,135,180</b>	<b>162,370,661</b>	<b>(375,907,578)</b>	<b>(47,515,350)</b>	<b>(865,153)</b>	<b>7,287,469</b>	<b>280,468,088</b>	<b>36,973,317</b>
Impact on post tax profit or equity of an increase in the interest rate by 5%		-	5,682,973	(13,156,765)	(1,663,037)	(30,280)	255,061	9,816,383	1,294,066
Impact on post tax profit or equity of a decrease in the interest rate by 5%		-	(5,682,973)	13,156,765	1,663,037	30,280	(255,061)	(9,816,383)	(1,294,066)

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.1 Financial risks (continued)

Variable rate instruments expose the Company to interest rate risk whereas fixed rate instruments expose the Company to fair value interest rate risk. The sensitivity impact is calculated at 70% of 5% of the interest rate gap. 70% is applied to consider tax effects. The Bank manages its interest rate risk through scenario-based sensitivity analysis and the strategic positioning of its balance sheet. This involves managing the repricing profiles and the weighted average time to maturity of both assets and liabilities to minimise potential duration mismatches. The bank actively adjusts the pricing of its liabilities to mitigate anticipated declines in interest income resulting from the short-term maturity gap.

#### Effective interest rates of financial assets and liabilities

The effective interest rates for the principal financial assets and liabilities at 31 December 2025 were in the following ranges:

	2025	2024
<b>Assets</b>	%	%
Government securities	<b>23.0-35.0</b>	23.0-35.0
Interbank takings	<b>6.0-23.2</b>	6.0-23.2
Loans and advances to customers	<b>13.1-35.4</b>	13.1-36.3
<b>Liabilities</b>		
Customer deposits	<b>0.1-25.5</b>	0.1-26.0

### 5.2 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, liquidity, interest rate and market risks such as those arising from legal and regulatory requirements and the requirement to observe generally accepted standards of corporate behavior. Operational risks arise from all the Company's operations.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned by the Risk and Compliance Committee of the board to senior management within all operating units. The responsibility is supported by the development of overall standards in the Company for the management of operational risks in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures.
- requirements for the yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action.

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.2 Operational risks (continued)

- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where it is cost effective
- implementation of anonymous hotline for reporting fraud and other inappropriate conduct as per fraud risk policy.

Compliance with the Company's standards is supported by a program of yearly reviews undertaken by the Company's Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Audit Committee.

Risk management function also assesses operational risks and discusses the results with senior management and the risk committee.

### 5.3 Capital management

The Reserve Bank of Malawi prescribes and monitors capital requirements for the Company in accordance with Basel III guidelines and requires the Company to maintain a minimum of **10 percent** and **15 percent** (2024: 10 percent and 15 percent) for core (tier 1) and total capital respectively. The Company's regulatory capital is analysed in two parts:

- Tier I capital, which includes paid-up share capital, share premium, retained earnings, and other reserves less investment in subsidiaries.
- Tier II capital, which includes investment revaluation reserve, property revaluation reserve, loan loss reserve and subordinated debt capital limited to 50% of the Tier I capital and net of an annual haircut of 20%.

The calculation of both the above ratios is given below:

	Note	2025	2024
<b>Tier 1 capital</b>			
Share capital	19.1	<b>327,715</b>	327,715
Share premium	19.2	<b>4,493,101</b>	4,493,101
Retained earnings		<b>62,473,941</b>	41,224,274
Less: Investments in banking & financial subsidiary companies		<b>(838,250)</b>	(838,250)
		<b>66,456,507</b>	45,206,840
<b>Tier 2 capital</b>			
Total regulatory capital		<b>66,456,507</b>	45,206,840
Risk weighted assets		<b>238,208,061</b>	100,256,025
<b>Capital ratios</b>			
Tier 1 capital expressed as a percentage of total risk-weighted assets		<b>27.90%</b>	45.09%
Total capital expressed as a percentage of total risk weighted assets		<b>27.90%</b>	45.09%

# Notes to the financial statements

For the year ended 31 December 2025

## 5. Risk management (continued)

### 5.3 Capital management (continued)

Total risk-weighted assets are determined by multiplying the capital requirements for market risk and operational risk by the reciprocal of the minimum capital ratio of 10% and adding the resulting figures to the sum of risk weighted assets for credit risk. A scaling factor is applied to broadly maintain the aggregate level of minimum capital requirements, while also providing incentives to adopt the more advanced risk-sensitive approaches to the framework. The scaling factor is applied to the risk-weighted asset amounts for credit risk assessment under the IRB approach. The total risk-weighted assets comprise capital requirements for market, operational and credit risks.

In its capital planning, the Company considers the impact of economic downturns/recession and the impact this would have on its capital and earnings. This is covered under the budgeting process where the statement of financial position and statement of profit or loss and other comprehensive income are projected in line with the Company's interest rate view.

If actual performance is deviating from projected performance, the budget is revised to reflect the current economic situation and submitted to the board for approval with details of the measures to be taken and the revised targets.

The Company and its individually regulated operations have complied with all externally imposed capital requirements for tier 1 and tier 2 capital as stipulated above.

### 5.4. Compliance risk

The office of the Chief Risk and Compliance Officer is an independent risk management unit, which also has unrestricted access to the Managing Director and the Chairperson of Board, Audit, Risk and Compliance Committees. The Company is subject to extensive supervisory and regulatory regimes, and the executive management remains responsible for overseeing the management of the bank's compliance risk.

Money laundering controls are managed within the compliance function. The Company has adopted anti-money laundering policies including Know-Your-Customer policies and procedures and adheres to the country's anti-money laundering legislation and Reserve Bank of Malawi regulations.

The management of compliance risk has become a distinct discipline within the Company's overall risk management framework. Ultimate responsibility for this risk lies with the Board of Directors. A combination of key activities is undertaken to manage the risk such as 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 became an area of major focus for the Company. The Company has a Chief Legal and Compliance Officer who consults the country's Financial Intelligence Authority on money laundering and anti-terrorist financing matters.

# Notes to the financial statements

For the year ended 31 December 2025

## 6. Classification of financial assets and liabilities

### Accounting classifications and fair values

<b>31 December 2025</b>	<b>Note</b>	<b>Fair value through profit and loss</b>	<b>Amortised cost</b>	<b>Carrying amount</b>
<b>Financial assets</b>				
Cash and cash equivalents	7	-	51,035,672	51,035,672
Financial asset investments	8.1	651,790,341	-	651,790,341
Investment securities	8.2	-	86,783,711	86,783,711
Loans and advances to customers	10	-	159,692,205	159,692,205
Interbank placements	9	-	8,764,418	8,764,418
Other investments	12	-	838,250	838,250
Other assets (accounts receivable)	11	-	263,013	262,213
		<b>651,790,341</b>	<b>307,377,269</b>	<b>959,166,810</b>
<b>Financial liabilities</b>				
Deposits from customers	15	-	311,766,895	311,766,895
Investment funds	16	575,246,654	-	575,246,654
Other payables	18	-	18,517,923	18,517,923
		<b>575,246,654</b>	<b>330,284,818</b>	<b>905,531,472</b>
<b>31 December 2024</b>				
<b>Financial assets</b>				
Cash and cash equivalents	7	-	11,135,180	11,135,180
Financial asset investments	8.1	350,666,373	-	350,666,373
Investment securities	8.2	-	40,368,931	40,368,931
Loans and advances to customers	10	-	107,065,124	107,065,124
Interbank placements	9	-	11,624,477	11,624,477
Other investments	12	-	838,250	838,250
Other assets (accounts receivable)	11	-	2,004,204	2,004,204
		350,666,373	173,036,166	523,702,539
<b>Financial liabilities</b>				
Deposits from customers	15	-	169,542,228	169,542,228
Investment funds	16	314,344,540	-	314,344,540
Other payables	17	-	5,566,293	5,566,293
		314,344,540	175,108,521	489,453,061

# Notes to the financial statements

For the year ended 31 December 2025

## 6. Classification of financial assets and liabilities (continued)

### 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 Company determines fair values using other valuation techniques. A fair value disclosure is not required for financial instruments whose carrying amounts approximate its fair value.

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 and concentration.

#### (a) Valuation models

The Company 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. 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 and foreign currency exchange rates.

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 Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments 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. Availability of observable market prices and model input reduces the need for management judgement and estimation and 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.

# Notes to the financial statements

For the year ended 31 December 2025

## 6. Classification of financial assets and liabilities (continued)

### (a) Valuation models (continued)

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa such as interest rate swaps, fair values consider both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants take this into consideration in pricing the derivatives.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value, and management judgement is required to select the most appropriate point in the range.

During the current year, low trading volumes continued and there has not been sufficient trading volume to establish an active market for certain asset-backed securities and so the Company has determined the fair value for these asset-backed securities using other valuation techniques.

These securities are backed primarily by static pools of residential mortgages and enjoy a senior claim on cash flows.

The Company's valuation methodology for valuing these asset-backed securities uses a discounted cash flow methodology that considers original underwriting criteria, borrower attributes (such as age and credit scores), LTV (Loan to Value) ratios, expected house price movements and expected prepayment rates. These features are used to estimate expected cash flows, which are then allocated using the 'waterfall' applicable to the security and discounted at a risk-adjusted rate.

The discounted cash flow technique is often used by market participants to price asset-backed securities. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

As part of its trading activities, the Company enters over the counter (OTC) structured derivatives – primarily options indexed to credit spreads, equity prices, foreign exchange rates and interest rates – with customers and other banks. Some of these instruments are valued using models with significant unobservable inputs, principally expected long-term volatility and expected correlations between different underlying factors.

If the Company measures portfolios of financial assets and financial liabilities based on 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 Company measures portfolios of financial assets and financial liabilities based on net exposure to the credit risk of a particular counterparty, then it considers any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty).

# Notes to the financial statements

For the year ended 31 December 2025

## 6. Classification of financial assets and liabilities (continued)

### (b) Valuation framework

The Company has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by senior personnel in the Finance and Treasury departments.

Significant valuation issues are reported to the Board and Risk and Compliance Committees.

### (c) 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 statements of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

#### 31 December 2025

Medium- and short-term notes

**Total**

Note	Level 1	Level 2	Total
8.1	<b>318,161,544</b>	<b>333,628,797</b>	<b>651,790,341</b>
	<b>318,161,544</b>	<b>333,628,797</b>	<b>651,790,341</b>

31 December 2024

Medium- and short-term notes

Total

Note	Level 1	Level 2	Total
8.1	219,100,306	131,566,067	350,666,373
	219,100,306	131,566,067	350,666,373

The following valuation techniques are used for instruments under level 1 and 2.

# Notes to the financial statements

For the year ended 31 December 2025

## 6. Classification of financial assets and liabilities (continued)

### (c) Financial instruments measured at fair value – fair value hierarchy (continued)

#### • Medium and short-term notes (Level 1 and 2)

The medium and short-term notes under Level 1 are Treasury Notes and their fair valuation is estimated by use of yield curves available on the active market, interpolated over the tenor of the instruments. For level 2 medium- and short-term notes such as corporate papers, the fair valuation is estimated by use of observable yield curves for either treasury notes or treasury bills, and the reference rates as provided by the Reserve Bank of Malawi.

#### Sensitivity analysis

For the fair values of the treasury notes and equity securities, reasonable possible changes at the reporting date to one of the inputs, holding other inputs constant would have the following effects.

#### Effects in millions of Kwacha

	Profit or loss	
	Increase	Decrease
<b>31 December 2025</b>		
Yield curve movement by 200 basis points	(14,944)	14,944
<b>31 December 2024</b>		
Yield curve movement by 200 basis points	(7,387)	7,387

### (d) Financial instruments not measured at fair value

The following table sets out financial instruments and at their amortised cost where the Directors believe that the carrying amounts approximate their amortised cost.

<b>31 December 2025</b>	<b>Note</b>	<b>At amortised cost</b>	<b>Total carrying amount</b>
<b>Assets</b>			
Cash and cash equivalents	7	51,035,672	51,035,672
Loans and advances to customers	10	159,692,205	159,692,205
Investment in securities	8.2	86,783,711	86,783,711
Interbank placement	9	8,764,418	8,764,418
Other receivables	11	263,013	263,013
<b>Liabilities</b>			
Deposits from customers	15	311,766,895	311,766,895
Other payables	17	18,517,923	18,517,923

# Notes to the financial statements

For the year ended 31 December 2025

## 6. Classification of financial assets and liabilities (continued)

### (d) Financial instruments not measured at fair value (continued)

31 December 2024	Note	At amortised cost	Total carrying amount
<b>Assets</b>			
Cash and cash equivalents	7	11,135,180	11,135,180
Loans and advances to customers	10	107,065,124	107,065,124
Investment in securities	8.2	40,368,931	40,368,931
Interbank placements	9	11,624,477	11,624,477
Other receivables	11	2,004,204	2,004,204
<b>Liabilities</b>			
Deposits from customers	15	169,542,228	169,542,228
Other payables	19	5,566,293	5,566,293

## 7. Cash and cash equivalents

See accounting policy note 4 (b)

### Liquidity Reserve Deposits

- Reserve Bank of Malawi

### Placements with other Banks

- Balances with foreign Banks
- Balances with local Banks

Cash balances

2025	2024
<b>14,461,286</b>	7,165,583
<b>35,756,812</b>	3,210,637
<b>2,471</b>	2,665
<b>815,103</b>	756,295
<b>51,035,672</b>	11,135,180

Deposits with Reserve Bank of Malawi include funds held to meet the minimum Liquidity Reserve Requirement (LRR) of 10% (2024: 7.75%) of deposits. These funds are available for operations, but they are monitored on a weekly basis to ensure that the balances do not fall below the LRR. Balances with foreign banks earn interest at negotiated rates between **+4% to +6%** (2024: negotiated rates between +4% to +5%) whilst balances with local banks earn interest at bank rate of **+6% to +23%** (2024: +6% to +23%).

Information on financial risk management is included in note 5.

# Notes to the financial statements

For the year ended 31 December 2025

## 8. Financial assets

### 8.1 Financial assets at fair value through profit or loss

See accounting policy note 4 (b)

Commercial papers

Medium and short-term notes

#### Total investments

#### Analysed as:

External funding

Internal funding

Investments are classified as follows:

Maturing within 12 months

Maturing after 1 year

Financial assets designated to be measured at fair value through profit or loss were **K651.79 billion** (2024: K350.67 billion). Interest income of **K133.81 billion** was generated from these assets (2024: K72.53 billion).

### 8.2 Investment in securities at amortised cost

See accounting policy note 4 (b)

Treasury Bills and Notes

Impairment charge

Investment in securities at amortised cost are classified as follows:

Maturing within 12 months

Maturing after 1 year

The impairment charge for 2025 in the income statement includes a charge of one billion five hundred thirty-one million six hundred twenty-five thousand kwacha for expected credit losses on securities held to maturity by the bank.

The Company holds the above Government of Malawi financial securities at amortized cost. The interest rates averaged **20%-36% per annum** (2024: 22.5%- 35.0% per annum). A total of **K25.85 billion** in interest income was generated from these assets (2024: K10.85 billion)

Information on financial risk management is included in note 5.

	2025	2024
	<b>75,047,127</b>	63,889,904
	<b>576,743,214</b>	286,776,469
	<b>651,790,341</b>	350,666,373
	<b>575,246,654</b>	312,162,696
	<b>76,543,687</b>	38,503,677
	<b>651,790,341</b>	350,666,373
	<b>413,851,325</b>	97,083,710
	<b>237,939,016</b>	253,582,663
	<b>651,790,341</b>	350,666,373

	2025	2024
	<b>88,315,336</b>	40,368,931
	<b>(1,531,625)</b>	-
	<b>86,783,711</b>	40,368,931
	<b>17,376,300</b>	13,359,225
	<b>69,407,411</b>	27,009,706
	<b>86,783,711</b>	40,368,931

# Notes to the financial statements

For the year ended 31 December 2025

## 9. Interbank placements

See accounting policy note 4 (b)

Interbank placements (Foreign)

2025	2024
<b>8,764,418</b>	11,624,477
<b>8,764,418</b>	11,624,477

Interbank placements include contracts with foreign and local banks and earn **+5% to +8%** (2024: +5% to +7%) in foreign currency and **+6% to +23%** (2024: +6% to +23%) in local currency. The Directors consider that the carrying amount of interbank placements approximates their fair value. The balance of **K8.764 billion** is due from the NBS Bank Limited (2024: K10.744 billion due from the Reserve Bank of Malawi and K0.880 due from Afrexim Bank).

Information on financial risk management is included in note 5.

## 10. Loans and advances to customers

See accounting policy note 4 (b)

### (i) Loans and advances

Personal and business loans

Corporate and investment loans

Total gross loans and advances

Interest receivable

Allowance for impairment

### Net loans and advances

### (ii) Loans and advances are receivable as follows:

Maturing within 3 months

Maturing between 3 and 12 months

Maturing after 12 months

### Total Net loans and advances

2025	2024
<b>9,546,147</b>	13,588,740
<b>143,826,727</b>	94,855,693
<b>153,372,874</b>	108,444,433
<b>11,870,620</b>	4,871,968
<b>165,243,494</b>	113,316,401
<b>(5,551,289)</b>	(6,251,277)
<b>159,692,205</b>	107,065,124
<b>37,699,771</b>	24,489,544
<b>78,254,592</b>	22,793,153
<b>43,737,842</b>	59,782,427
<b>159,692,205</b>	107,065,124

# Notes to the financial statements

For the year ended 31 December 2025

## 10. Loans and advances to customers (continued)

See accounting policy note 4 (b)

### (iii) Allowances for impairment

#### Specific allowances for impairment:

Balance at the beginning of the year

Recoveries/(charge) for the year

#### Balance as at 31 December

#### Collective allowances for impairment:

Balance at the beginning of the year

Recoveries for the year

Reversed charge for the year

#### Balance as at 31 December

#### Total allowances for impairment

### (iv) Impairment (charge)/credit

Charge for the year – specific

Reversed charge for the year – collective

Recovery on impaired loans

#### Total impairment credit/(charge)

	2025	2024
	<b>(5,828,957)</b>	(1,316,786)
	<b>346,841</b>	(4,512,171)
	<b>(5,482,116)</b>	(5,828,957)
	<b>(422,320)</b>	(480,082)
	<b>353,147</b>	-
	-	57,762
	<b>(69,173)</b>	(422,320)
	<b>(5,551,289)</b>	(6,251,277)
	<b>346,841</b>	(4,512,171)
	-	57,762
	<b>353,147</b>	11,699
	<b>699,988</b>	(4,442,710)

The 2025 movement in the impairment charge reflects a reversal of prior year provisions, driven by improved credit risk ratings across the Bank's loan portfolio.

Loans and advances to customers earn interest at a range of the Malawi Reference Rate **+0.9% to +10.9%**. (2024 Malawi Reference Rate: +0.9% to +10.9%). The net carrying value of loans and advances is considered a reasonable approximation of fair value. Note 5.1.1 includes disclosures relating to the allowances for expected credit losses.

The Reserve Bank of Malawi introduced the Malawi Reference Rate on May 3, 2019, mandating its use as the uniform base lending rate for all commercial banks. The Malawi Reference Rate is calculated based on the weighted average rates of Lombard, 91-day Treasury Bill, interbank and savings accounts rates, and is published by all banks monthly.

Information on financial risk management is included in note 5.

# Notes to the financial statements

For the year ended 31 December 2025

## 11. Other assets

See accounting policy note 4 (b and n)

Prepayments

Other accounts receivables

2025	2024
<b>2,335,593</b>	2,186,665
<b>262,213</b>	2,004,204
<b>2,597,806</b>	4,190,869

Other accounts receivables are subjected to expected credit loss assessments. During the year, the related expected credit loss assessment results were immaterial. The 2024 expected credit loss assessment results were also immaterial.

## 12. Other investments

See accounting policy note 4 (b)

### Other investment

Malawi Agricultural and Industrial Investment Corporation Plc

National Switch Limited

2025	2024
<b>727,250</b>	727,250
<b>111,000</b>	111,000
<b>838,250</b>	838,250

The Company as co-sponsor of the Government of Malawi initiated project to establish a national Development Financial Institution (DFI) in Malawi, subscribed K727 million in the ordinary shares of Malawi Agricultural and Industrial Corporation Plc (MAIC) in line with the Memorandum of Agreement signed between the Company and the Government of the Republic of Malawi. The shareholding is held on behalf of private investors who are being sought during the ongoing capital raising exercise by Malawi Agricultural and Industrial Corporation Plc.

The Company invested in National Switch Limited as part of its obligation to contribute to the establishment of the company which is an enabler of real-time electronic money transfers between banks and other financial institutions. The Company owns shares in the company which is owned by all the banks in Malawi.

These assets are equity investments in unlisted companies with no sufficient, more recent information available to measure fair value. The other investments have been initially recognised and subsequently carried at amortised cost.

Information on financial risk management is included in note 5.

# Notes to the financial statements

For the year ended 31 December 2025

## 13. Property, equipment and right of use assets

See accounting policy note 4 (c) and policy note 4 (e) and note 4 (o).

### 2025

	Computers	Right of use Property	Right of use Motor vehicles	Equipment fixture & fittings	Work in progress	Land and buildings	Total
<b>Balance at 1 January 2025</b>	<b>1,114,782</b>	<b>531,233</b>	<b>2,665,145</b>	<b>1,300,231</b>	<b>2,027,532</b>	<b>5,088,310</b>	<b>12,727,233</b>
Lease additions and adjustments for the year	-	<b>189,893</b>	<b>3,469,285</b>	-	-	-	<b>3,659,178</b>
Additions during the year	<b>343,113</b>	-	-	<b>521,254</b>	<b>768,394</b>	<b>302,500</b>	<b>1,935,261</b>
Disposals during the year	<b>(8,356)</b>	<b>(80,126)</b>	<b>(208,704)</b>	<b>(84,115)</b>	-	<b>(297,630)</b>	<b>(678,931)</b>
<b>Balance at 31 December 2025</b>	<b>1,449,539</b>	<b>641,000</b>	<b>5,925,726</b>	<b>1,737,370</b>	<b>2,795,926</b>	<b>5,093,180</b>	<b>17,642,741</b>

### 2024

	Computers	Right of use Property	Right of use Motor vehicles	Equipment fixture & fittings	Work in progress	Land and buildings	Total
<b>Balance at 1 January 2024</b>	<b>290,271</b>	<b>400,666</b>	<b>2,370,824</b>	<b>1,328,045</b>	<b>763,275</b>	<b>5,088,310</b>	<b>10,241,391</b>
Lease additions and adjustments for the year	-	<b>186,730</b>	<b>301,141</b>	-	-	-	<b>487,871</b>
Additions during the year	<b>863,359</b>	-	-	<b>162,121</b>	<b>1,264,257</b>	-	<b>2,289,737</b>
Disposals during the year	<b>(38,848)</b>	<b>(56,163)</b>	<b>(6,820)</b>	<b>(189,935)</b>	-	-	<b>(291,766)</b>
<b>Balance at 31 December 2024</b>	<b>1,114,782</b>	<b>531,233</b>	<b>2,665,145</b>	<b>1,300,231</b>	<b>2,027,532</b>	<b>5,088,310</b>	<b>12,727,233</b>

### 2025

Accumulated depreciation and impairment losses

<b>Balance at 1 January 2025</b>	<b>255,422</b>	<b>255,803</b>	<b>1,780,056</b>	<b>907,467</b>	-	<b>211,104</b>	<b>3,409,852</b>
Depreciation charge for the year	<b>391,547</b>	<b>187,136</b>	<b>1,165,285</b>	<b>199,119</b>	-	<b>159,041</b>	<b>2,102,128</b>
Eliminated on disposal	<b>(4,026)</b>	<b>(80,125)</b>	<b>(83,469)</b>	<b>(77,525)</b>	-	<b>(28,161)</b>	<b>(273,306)</b>
<b>Balance at 31 December 2025</b>	<b>642,943</b>	<b>362,814</b>	<b>2,861,872</b>	<b>1,029,061</b>	-	<b>341,984</b>	<b>5,238,674</b>

### 2024

Accumulated depreciation and impairment losses

<b>Balance at 1 January 2024</b>	<b>105,400</b>	<b>132,660</b>	<b>842,404</b>	<b>925,085</b>	-	<b>21,201</b>	<b>2,026,750</b>
Lease additions and adjustments for the year	-	-	-	-	-	-	-
Depreciation charge for the year	<b>187,623</b>	<b>179,306</b>	<b>944,472</b>	<b>163,865</b>	-	<b>189,903</b>	<b>1,665,169</b>
Eliminated on disposal	<b>(37,601)</b>	<b>(56,163)</b>	<b>(6,820)</b>	<b>(181,483)</b>	-	-	<b>(282,067)</b>
<b>Balance at 31 December 2024</b>	<b>255,422</b>	<b>255,803</b>	<b>1,780,056</b>	<b>907,467</b>	-	<b>211,104</b>	<b>3,409,852</b>

Carrying amount

<b>At 31 December 2025</b>	<b>806,596</b>	<b>278,186</b>	<b>3,063,854</b>	<b>708,309</b>	<b>2,795,926</b>	<b>4,751,196</b>	<b>12,404,067</b>
At 31 December 2024	859,360	275,430	885,089	392,764	2,027,532	4,877,206	9,317,381

Included in work in progress is **K2.2 billion** for a new core banking system, Temenos Transact, which will be implemented in 2026 and **K600 million** relating to internet and mobile banking projects.

The Company has lease arrangements for motor vehicles and its business premises.

# Notes to the financial statements

For the year ended 31 December 2025

## 13. Property, equipment and right of use assets (continued)

During the period, the Bank undertook renovations at its Head Office and Capital City Business Centre. This necessitated the **derecognition** of existing leasehold improvements and assets with a carrying value of **K268 million**, following the completion of new refurbishments. These amounts are reflected under disposals within the Land and Buildings category.

Included in work in progress is **K2.2 billion** for a new core banking system, Temenos Transact, which will be implemented in 2026 and **K600 million** relating to internet and mobile banking projects.

The Company has lease arrangements for motor vehicles and its business premises.

The Company entered a 10-year lease agreement with Churches of Christ in Malawi for Capital City's Gowa House in Lilongwe from 1st September 2025 to 31 August 2035. Lease payments on property are determined by a Kwacha rate per square metre payable on a quarterly basis in advance.

A 5-year motor vehicle operating lease agreement was made between Continental Properties Limited and the Company from 1 January 2022 to 31 December 2026. Lease payments on motor vehicles are determined by the rate implicit in the lease agreement which incorporates an average rate of 182 days Treasury Bill plus 350 basis points, and a margin comprising operating and funding costs, payable on a half-yearly basis. Details of the payments during the period were as follows:

Description	Interest paid	Principle paid	Total paid
Lease payments 2025	<b>1,190,798</b>	<b>1,204,980</b>	<b>2,395,778</b>
Lease payments 2024	870,818	1,031,221	1,902,039

Except for short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset under equipment and right of use assets and a lease liability included in other liabilities.

There were no encumbrances on the equipment as at year end.

## 14. Intangible assets – computer software

See accounting policy note 4 (d)

	2025	2024
<b>Cost</b>		
Balance at 1 January	<b>512,497</b>	512,497
Additions	<b>44,269</b>	-
	<b>556,766</b>	512,497
<b>Amortisation</b>		
Balance at 1 January	<b>512,496</b>	512,496
Amortisation charge for the year	<b>5,165</b>	-
<b>Balance at 31 December</b>	<b>517,661</b>	512,496
<b>Carrying amount</b>		
<b>At 31 December</b>	<b>39,105</b>	1

# Notes to the financial statements

For the year ended 31 December 2025

## 15. Customer deposits

See accounting policy note 4 (b)

Current and savings accounts

Foreign currency accounts

Term deposit accounts

Payable as follows:

Maturing within 3 months

Maturing after 3 months

Interest on customer deposit balances ranged from **+0.1% to +26%** (2024: +0.25 to +23.5%).

Information on financial risk management is included in note 5.

	2025	2024
	<b>140,690,995</b>	46,665,187
	<b>73,068,982</b>	31,222,032
	<b>98,006,918</b>	91,655,009
	<b>311,766,895</b>	169,542,228
	<b>302,952,139</b>	94,211,625
	<b>8,814,756</b>	75,330,603
	<b>311,766,895</b>	169,542,228

## 16. Investment funds

See accounting policy note 4 (b)

Investment funds

This represents a memorandum record of customer balances who have bought financial securities (note 8). The balances earn interest in the range between **+1% to +26.2%** (2024: +1.0% to +24%).

Maturing within 12 months

Information on financial risk management is included in note 5.

	2025	2024
	<b>575,246,654</b>	314,344,540
	<b>575,246,654</b>	314,344,540
	<b>575,246,654</b>	314,344,540

## 17. Other liabilities and accruals

See accounting policy note 4 (b)

Unclaimed customer balances

Bankers' cheques issued but not cleared

Accruals

Trade payables

Dividend payable

Other

Lease liabilities

Total other liabilities and accruals

	2025	2024
	<b>9,744</b>	9,725
	<b>129,083</b>	84,631
	<b>477,311</b>	384,300
	<b>7,229,235</b>	3,557,843
	<b>8,500,000</b>	-
	<b>19,008</b>	19,698
	<b>16,364,381</b>	4,056,197
	<b>2,153,540</b>	1,510,096
	<b>18,517,923</b>	5,566,293

# Notes to the financial statements

For the year ended 31 December 2025

## 17. Other liabilities and accruals (continued)

Leases Description	Opening balance	Interest charge	Additions and adjustments	Repayments	Closing balance
<b>2025</b>					
Leases liabilities	1,510,096	1,190,798	1,848,424	(2,395,778)	2,153,540
<b>2024</b>					
Leases liabilities	1,867,794	870,818	673,523	(1,902,039)	1,510,096

Lease adjustments and additions include adjustments of **K658 million** due to extension of lease period by 1 year.

Other liabilities and accruals include lease liabilities, which comprise liabilities on motor vehicles and property. The lease liabilities are discounted at 49.85% (2024: 55.8%) covering up to 5 years lease period for motor vehicles and **14.9%** (2024: 14.9%) for 10 years lease period for property. The Company does not recognize lease liabilities for short-term leases or those of low-valued assets. The lease rentals paid for motor vehicles were **K3.965 billion** and **K230.440 million** on the property (2024: K1,464 million and K436 million).

Information on financial risk management is included in note 5

## 18. Income tax and deferred tax liabilities

See accounting policy notes 4 (j)

### Income tax payable

	2025	2024
Balance at 1 January	559,772	(1,604,856)
Current year's charge (Note 25)	(19,420,014)	(8,112,184)
Tax paid	19,148,762	10,276,812
<b>Balance at 31 December</b>	<b>288,520</b>	<b>559,772</b>

Deferred tax (liabilities) /assets	2025		
	Assets	Liabilities	Net
Equipment	-	(288,877)	(288,877)
General provisions-loans	27,669	-	27,669
General provisions-securities	612,650	-	612,650
Legal costs provision	-	-	-
Unrealised income on fair value adjustments	-	(1,314,333)	(1,314,333)
Tevet levy provision	18,722	-	18,722
Leave provisions	11,715	-	11,715
Leases	-	(475,412)	(475,412)
	<b>670,756</b>	<b>(2,078,622)</b>	<b>(1,407,866)</b>

# Notes to the financial statements

For the year ended 31 December 2025

## 18. Income tax and deferred tax liabilities (continued)

<b>Movements in temporary differences in 2025</b>	<b>Opening balance</b>	<b>Recognised in profit or loss</b>	<b>Closing balance</b>
Equipment	(191,192)	(97,685)	(288,877)
General provisions-loans	162,414	(134,745)	27,669
General provisions- securities	-	612,650	612,650
Legal costs provision	17,960	(17,960)	-
Unrealised income on fair value adjustments	(422,659)	(891,674)	(1,314,333)
Tevet levy provision	13,114	5,608	18,722
Leave provisions	6,887	4,828	11,715
Leases	145,269	(620,681)	(475,412)
	<b>(268,207)</b>	<b>(1,139,659)</b>	<b>(1,407,866)</b>

	2024		
	Assets	Liabilities	Net
Deferred tax (liabilities) /assets			
Equipment	-	(191,192)	(191,192)
General provisions	162,414	-	162,414
Unrealised income on fair value adjustments	-	(422,659)	(422,659)
Legal costs provision	17,960	-	17,960
Tevet levy provision	13,114	-	13,114
Leave provisions	6,887	-	6,887
Leases	145,269	-	145,269
	<b>345,644</b>	<b>(613,851)</b>	<b>(268,207)</b>

<b>Movements in temporary differences in 2024</b>	<b>Opening balance</b>	<b>Recognised in profit or loss</b>	<b>Closing balance</b>
Equipment	(49,191)	(142,001)	(191,192)
General provisions	144,025	18,389	162,414
Legal costs provision	-	17,960	17,960
Tevet levy provision	-	13,114	13,114
Unrealised loss/(income) on fair value adjustments	34,218	(456,877)	(422,659)
Leave provisions	4,324	2,562	6,887
Leases	219,683	(74,414)	145,269
	<b>353,059</b>	<b>(621,267)</b>	<b>(268,207)</b>

# Notes to the financial statements

For the year ended 31 December 2025

## 19. Equity and reserves

See accounting policy note 4 (f)

### 19.1 Share capital

327,715,474 shares at K1.00 per share (2023: 327,715,474)

### 19.2 Share premium

172,458,155 shares at K4.33 each

135,868,319 shares at K24.13 each

19,388,905 shares at K24.13 each

2025	2024
<b>327,715</b>	327,715
<b>327,715</b>	327,715
<b>746,744</b>	746,744
<b>3,278,503</b>	3,278,503
<b>467,854</b>	467,854
<b>4,493,101</b>	4,493,101

## 20. Interest income and expense.

See accounting policy note 4 (h)

Interest income at effective interest rate on:

Interbank placements

Loans and advances to customers and other investment securities

### Total interest income after changes in fair value of financial assets

Interest expense at effective interest rate on:

Deposits from customers and interbank takings

Interest on lease liability

### Total interest expense

### Net interest income after changes in fair value of financial assets

### Net gains on financial assets at fair value through profit or loss

2025	2024
<b>26,214,360</b>	12,238,399
<b>37,027,151</b>	27,346,903
<b>63,241,511</b>	39,585,302
<b>(36,626,464)</b>	(21,160,857)
<b>(1,190,798)</b>	(870,818)
<b>(37,817,262)</b>	(22,031,675)
<b>25,424,249</b>	17,553,627
<b>3,285,834</b>	1,056,648

## 21. Fees and commissions income

See accounting policy note 4 (h)

Income from Investment Banking services

Other fees and commissions income

2025	2024
<b>1,965,056</b>	3,291,194
<b>3,273,084</b>	1,148,203
<b>5,238,140</b>	4,439,397

The fees and commissions above arise from financial assets measured at amortized cost and at fair value through profit and loss.

# Notes to the financial statements

For the year ended 31 December 2025

## 22. Net trading income

See accounting policy note 4 (i)

Net income from financial securities trading
Net income trading spread*
Foreign exchange gains - forex trading and other
Foreign exchange gains - revaluation of nostro account

2025	2024 Restated
<b>14,311,983</b>	7,561,278
<b>32,248,028</b>	19,523,366
<b>8,773,270</b>	2,495,082
<b>221,002</b>	223,595
<b>55,554,283</b>	29,803,321

Income from financial instruments comprises trading gains on the outright sale\ of Notes and Bills. Net income from trading spread is the difference between the ask and bid prices of underlying traded assets and represents the compensation which is received for executing fixed income trades during the year.

\* Net income from financial assets at fair value through profit or loss is presented net of directly attributable costs in the current year. This change provides a more representative view of the trading book's economic impact and ensures alignment with the disclosure requirements of IFRS 7 Financial Instruments: Disclosures and IAS 1.

### 22.1 Other operating income

See accounting policy note 4 (i)

Rental income recognised by the Bank during the year is as follows:

Other operating income

2025	2024
<b>61,023</b>	50,737

The Bank realised rental income from subletting its premises at Capital City Business Centre in Lilongwe. These leases have an average life of between one and two years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December were, as follows:

Within one year
After one year but not more than two years
More than two years

2025	2024
<b>61,023</b>	61,023
<b>143,095</b>	161,668
-	-
<b>204,118</b>	222,691

### 22.2 Other expenses

See accounting policy note 4 (i)

Loss from disposal of assets

2025	2024
<b>(273,809)</b>	(908)

# Notes to the financial statements

For the year ended 31 December 2025

## 23. Salaries and human resources costs

	2025	2024
Salaries and wages	5,547,748	3,932,386
Staff benefits	1,324,450	662,097
Contributions to defined contribution plan	593,657	423,065
Life insurance premiums	195,547	138,174
Recruitment	3,517	12,953
Incentive pay	6,378,040	3,226,758
Staff allowances :		
▪ Transport allowances	70,543	38,835
▪ Other allowances	111,414	86,002
	<b>14,224,916</b>	8,520,270

## 24. Administration costs and expenses

	2025	2024
Annual software licenses and other computer expenses	3,088,397	2,231,541
Auditors' remuneration		
- Audit fees	92,450	75,469
- VAT and other expenses	16,179	14,913
Bank charges	214,872	243,756
Business travel expenses	654,166	339,261
Communication expenses	63,383	59,831
Directors' fees and expenses	716,640	353,410
Legal costs	(6,517)	51,866
Marketing expenses	965,382	454,663
Motor vehicle running costs	231,479	202,465
Office expenses	676,323	498,688
Office occupancy costs	564,383	413,255
Other expenses	228,784	716,625
Professional fees	51,150	50,940
Supervisory fees	410,797	88,820
Training costs	377,604	211,595
	<b>8,345,472</b>	6,007,098

# Notes to the financial statements

For the year ended 31 December 2025

## 25. Income tax expense

See accounting policy note 4 (j)

### Recognised in profit or loss

Income tax charge

### Deferred tax credit

Reversal of temporary differences (note 19)

### Income tax expense

Reconciliation of effective tax rate

Profit before income tax

Income tax using the income tax rate of 30% for the first **K5 billion and 40% on excess above K5 billion** (2024: **K10 billion and 40% on excess above K10 billion**)

Impact of income not subject to tax

Non-deductible expenses

Separate source

### Income tax expense

### Effective tax rate

	2025	2024
	19,420,014	8,112,184
	1,139,659	621,267
	20,559,673	8,733,451
	63,780,402	32,267,575
	25,012,161	11,907,030
	(11,361,419)	(6,128,224)
	5,996,534	2,758,088
	912,397	196,557
	20,559,673	8,733,451
	32%	27%

## 26. Basic and diluted earnings per share

See accounting policy note 4 (k)

Profit attributable to ordinary shareholders

Weighted average number of ordinary shares in issue (thousands)

Basic and diluted earnings per share (MK)

	2025	2024
	43,220,729	23,534,124
	327,715	327,715
	131.88	71.81

# Notes to the financial statements

For the year ended 31 December 2025

## 27. Related party transactions

The Company transacts part of its business with related parties including Directors and parties related to or under the control of the Directors. Details of related party transactions of the Company are set out below:

	Directors and their related parties	Executive Management	Other Continental Holdings Subsidiaries	Total
<b>2025</b>				
Advances	-	921,058	4,424,597	5,345,655
Deposits	(72,988)	(25,374)	(3,365,805)	(2,335,577)
<b>Net balances</b>	<b>(72,988)</b>	<b>895,684</b>	<b>1,058,792</b>	<b>3,010,078</b>
Interest received	-	1,209	160,959	162,168
Interest paid	(35)	(2,002)	(703,632)	(705,663)
	(35)	(793)	(542,673)	(543,495)
<b>2024</b>				
Advances	-	921,408	930,961	1,852,369
Deposits	(62,168)	(120,224)	(2,237,215)	(2,419,608)
<b>Net balances</b>	<b>(62,168)</b>	<b>801,184</b>	<b>(1,306,254)</b>	<b>(567,239)</b>
Interest received	-	464	128,629	129,093
Interest paid	(23)	(1,553)	(515,735)	(517,311)
	(23)	(1,089)	(387,106)	(388,218)

Advances to Directors and parties related thereto are in the normal course of business and considered to be adequately secured.

Advances to executive management include **K921.06 million** (2024: K921.4 million) in advances which carry interest at about **50%** (2024: 50%) of the prevailing prime lending rate of the bank and therefore is assessable to Fringe Benefits Tax. All other transactions with related parties are carried out on an arm's length basis.

Other Continental Holdings Limited subsidiaries comprise Continental Asset Management Limited, Continental Capital Limited, Continental Properties Limited, Continental Pension Services Limited and CDH Commodities Limited.

# Notes to the financial statements

For the year ended 31 December 2025

## 27. Related party transactions (continued)

Key management personnel compensation:

	Executive Management		Non-Executive Directors	
	2025	2024	2025	2024
Short-term employee benefits salaries	<b>2,152,912</b>	1,663,962	-	-
Post-employment benefits	<b>215,291</b>	166,396	-	-
Directors' fees	-	-	<b>487,428</b>	220,685
	<b>2,368,203</b>	1,830,358	<b>487,428</b>	220,685

In addition to their salaries, the Company also provides non-cash benefits to Executive Directors. The estimated value of total non-cash benefits to the non-executive directors amount to **K167 million** (2024: K133 million). The Company is controlled by Continental Holdings Limited, a Group incorporated in Malawi which holds **82.46%** of the total shareholding of the Company.

Other companies which are related to CDH Investment Bank Limited through common shareholdings are shown below and in the normal course of business, several transactions are entered into with related parties at arm's length and these include loans, deposits, foreign currency transactions, provision of professional and technical consultancy services charged at market rates.

The outstanding balances due to/from related parties as separately disclosed at year end are as follows:

### Loans and advances to related party

Related party	Relationship	2025	2024
<b>Bank loan</b>			
Continental Capital Limited	Common ownership	<b>4,424,597</b>	930,961

# Notes to the financial statements

For the year ended 31 December 2025

## 27. Related party transactions (continued)

Name of related party	Relationship	Type of transaction	Value of transactions 2025	Balance at year end 2025	Value of transactions 2024	Balance at year end 2024
<b>Continental Asset Management Nominees Limited</b>	Related company	Deposits	<b>434,968,964</b>	<b>1,107,906</b>	252,359,747	1,197,585
		Interest received	<b>159,995</b>	-	2,256	-
		Interest paid	<b>460,416</b>	-	426,104	-
<b>Continental Capital Limited</b>	Related company	Deposits	<b>285,820,345</b>	<b>1,309,028</b>	96,920,349	821,150
		Loan	<b>998,472</b>	<b>4,424,597</b>	998,472	930,961
		Interest received	<b>928</b>	-	126,335	-
<b>Continental Properties Limited</b>	Related company	Interest paid	<b>8,300</b>	-	15,420	-
		Deposits	<b>12,505,681</b>	<b>449,440</b>	2,244,460	23,653
		Operating lease payments	<b>3,975,931</b>	-	1,464,614	-
<b>Continental Pension Services Ltd</b>	Related company	Interest paid	<b>63,897</b>	-	157	-
		Deposits	<b>10,554,654</b>	<b>137,510</b>	2,804,785	100,160
		Interest received	<b>2</b>	-	-	-
<b>Continental Holdings Limited</b>	Parent company	Interest paid	<b>899</b>	-	172	-
		Deposits	<b>35,492,274</b>	<b>336,547</b>	12,213,734	94,667
		Interest received	<b>35</b>	-	37	-
<b>Executive Management</b>	Management	Interest paid	<b>170,121</b>	-	73,881	-
		Deposits	<b>5,201,292</b>	<b>25,374</b>	3,216,661	120,224
		Advances	<b>921,058</b>	<b>921,058</b>	921,408	921,408
		Salaries	<b>2,152,912</b>	-	1,663,962	-
		Long-term benefits (Pension)	<b>215,291</b>	-	166,396	-
		Interest received	<b>1,209</b>	-	464	-
<b>Directors and their related parties</b>	Directors	Interest paid	<b>2,002</b>	-	1,553	-
		Fees	<b>487,428</b>	<b>487,428</b>	220,686	220,686
		Deposits	<b>1,330,872</b>	<b>72,988</b>	62,168	597,566
		Interest paid	<b>35</b>	-	23	-

# Notes to the financial statements

For the year ended 31 December 2025

## 28. Capital commitments and contingent liabilities

The Company conducts business involving acceptances, guarantees, performance bonds and indemnities. Most of these facilities are offset by the corresponding obligations of third parties.

The contractual amounts of the Company's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

	2025	2024
<b>Contingent liabilities</b>		
Financial guarantees	<b>2,694,079</b>	14,087,982
	<b>2,694,079</b>	14,087,982

Contingencies in respect of guarantees and performance bonds issued will only crystallize into an asset and a liability in the event of default by the relevant counterparty.

Contingencies in respect of civil litigation and labour matters will crystallize into a liability only in the unlikely event of an unfavourable judgement in which case it is estimated that claims and litigation costs could amount to **K110 million** (2024: K135 million).

### Capital commitments

The Company is committed to incurring K7.7 billion capital expenditure as it entered two capital commitment contracts which existed during the year (2024: K1.1 billion).

## 29. Statutory requirements

In accordance with Section 27 of the Banking Act 2010, the Reserve Bank of Malawi has established the following requirements as at the financial reporting date:

### *(i) Liquidity Reserve Requirement*

The Company is required to maintain a liquidity reserve as defined by the Reserve Bank of Malawi, calculated on a fortnight average basis, of not less than 10% (2024: 7.75%) of the preceding two weeks total deposit liabilities.

### *(ii) Capital Adequacy Requirement*

The Company's available capital is required to be a minimum of 10% of its risk bearing assets and contingent liabilities. At 31 December 2025, the Company's total available capital was 27.90% (2024: 45.09%) and the core capital was 27.90% (2024:45.09%) of its risk bearing assets and contingent liabilities.

# Notes to the financial statements

For the year ended 31 December 2025

## 29. Statutory requirements (continued)

In accordance with Section 16(1) of the Financial Assets Classification Directive (2018), the Reserve Bank Malawi established the following requirement on the accounting treatment for provisioning of loan losses.

### (iii) Loan loss reserve

If impairment charges computed under International Financial Reporting Standards (IFRS) are lower than provisions required under the Directive, the shortfall in provisions shall be treated as an appropriation of retained earnings to loan loss reserve.

## 30. Exchange rates and inflation

The average of the year-end buying and selling rates of the major foreign currencies most affecting the performance of the Company are stated below, together with the decrease in the closing National Consumer Price Index, which represents an official measure of inflation.

Exchange rates	2025	2024
GBP/MWK	2,416.04	2,286.30
ZAR/MWK	107.87	96.68
USD/MWK	1,749.00	1,737.28
EUR/MWK	2107.54	1,939.55
Average Inflation rate	28.5%	32.2%

At the time of signing these financial statements the exchange rates and inflation rate were as follows:

Exchange rates	2026	2024
GBP/MWK	2373.71	2,310.44
ZAR/MWK	104.42	98.13
USD/MWK	1733.83	1,733.83
EUR/MWK	2058.61	1,934.75
CAD/MWK	1250.17	1,211.69
Average Inflation rate	24.1%	30.7%

# Notes to the financial statements

For the year ended 31 December 2025

## 31. Dividend

The following dividends were declared and paid by the company during the year:

	2025	2024
2024/2023 Final dividend	4,971,062	4,820,323
2024 interim dividend	5,500,000	-
2025 interim dividend (paid in 2025)	3,000,000	-
2025 second interim dividend	-	1,296,000
<b>Total dividend paid</b>	<b>13,471,062</b>	<b>6,116,323</b>
2025 second interim dividend (approved in 2025 but not paid)	8,500,000	-
<b>Total</b>	<b>21,971,062</b>	<b>6,116,323</b>

The final dividend for 2024, paid in 2025, was **K4,971 million**, equivalent to **K15.167 tambala** per share (final dividend for 2023, paid in 2024: K4,820 million at K14.71 tambala per share).

The interim dividend for 2025, paid in 2025, was **K5,500 million**, equivalent to **K16.78 tambala** per share (2024: K1,296 million at K3.95 tambala per share).

The interim dividend for 2025, paid in 2025, of **K3,000 million** was equivalent to **K9.15 tambala** per share.

The second interim dividend for 2025 approved in 2025 but to be paid in 2026 of **K8,500 million** was issued, equivalent to K25.94 tambala per share.

## 32. Events after the reporting date

### Policy rate change

The Reserve Bank of Malawi's Monetary Policy Committee (MPC) met on 4 and 5 March 2026. Based on an assessment of the macroeconomic situation and outlook, the MPC decided to reduce the Policy rate from 26.0 percent to 24.0 percent.

These events will impact results for the year ending 31 December 2026.

## > Our contacts

### Head Office:

#### CDH House

5 Independence Drive  
PO Box 1444,  
Blantyre, Malawi

**Tel:** +265 111 821 300

**Fax:** +265 111 822 826

**Email:** [info@cdh-malawi.com](mailto:info@cdh-malawi.com)

**Website:** [www.cdh-malawi.com](http://www.cdh-malawi.com)

### Banking Centres:

#### Blantyre Banking Centre

5 Independence Drive  
PO Box 1444  
Blantyre, Malawi

#### Capital City Banking Centre

CDH Investment Bank Centre  
PO Box 30545  
Lilongwe 3, Malawi

**Tel:** +265 111 822 300

**Fax:** +265 111 822 826

**Tel:** +265 111 776 176 / 776 194 / 772 178

**Fax:** +265 111 776 188

#### Lilongwe Banking Centre

City Mall  
Mchinji Roundabout  
PO Box 30545,  
Lilongwe 3, Malawi

**Tel:** +265 111 753 464 / 753 840

**Fax:** +265 111 753 833



INVESTMENT BANK



**INVESTMENT BANK**

**Blantyre Banking Centre**

CDH House, 5 Independence Drive  
PO Box 1444,  
Blantyre, Malawi

Tel: +265 111 822 300

Fax: +265 111 822 826 / 111 822 848

Email: [info@cdh-malawi.com](mailto:info@cdh-malawi.com)

Website: [www.cdh-malawi.com](http://www.cdh-malawi.com)

**Capital City Banking Centre**

African Unity Avenue  
PO Box 30545  
Lilongwe 3, Malawi

Tel: +265 111 776 176 / 776 194 / 772 178

Fax: +265 111 776 188

**Lilongwe Banking Centre**

City Mall, Mchinji Roundabout  
PO Box 30545  
Lilongwe 3, Malawi

Tel: +265 111 753 464 / 753 840

Fax: +265 111 753 833

Designed and produced by  
**Daiichi Display Ltd**