

INVESTMENT BANK

www.cdh-malawi.com

Risk and capital management report

For the period ended 30 June 2026

Banking innovations that help your business **grow**

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1. Introduction

This report sets out CDH Investment Bank's Pillar 3 disclosures for the six months ended 30 June 2026. It explains the bank's capital position, risk governance framework and management of material risks, including credit, liquidity, market, operational, legal and compliance risks.

The Reserve Bank of Malawi ("RBM") published the Basel III Pillar 3 regulatory framework to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2. Pillar 3 public disclosure is required under section 96 of the Financial Services Act 2010 and the Guidelines on Market Disclosures under Basel II 2013. The framework promotes market discipline by requiring disclosure of key information about the scope of application, capital, risk exposures, risk-assessment processes and the bank's capital adequacy. CDH Investment Bank ("CDHIB") is regulated and supervised by RBM.

1.1. Objectives and strategies

The Pillar 3 disclosures are designed to complement the minimum capital requirements in Pillar 1 and the Supervisory Review and Evaluation Process in Pillar 2. The aim of Pillar 3 is to promote market discipline by allowing market participants access to information of risk exposures and risk management policies and process adopted by the bank.

The objective of this document is to provide information and disclosure to the bank's stakeholders in relation to the internal procedures and policies adopted by the bank to manage and mitigate its key risks.

1.2. Frequency

Pillar 3 disclosures are made semi-annually and may be made more frequently when management determines that significant events justify additional disclosure. This frequency is consistent with the Basel II Pillar 3 market-disclosure requirements.

1.3. Materiality of disclosure

The disclosure in this document includes credit risk, market risk, operational risk, liquidity risk, legal and compliance risk. All disclosures in this document are made in line with the bank's disclosure policy. The bank has a disclosure policy that states all disclosures under Basel II should be made on a semi-annual basis except for the qualitative disclosures which shall be disclosed on an annual basis.

1.4. Audit of disclosure

The information presented in this report is extracted from the bank's full set of financial statements which are subject to independent annual external audit. The banks financial statements are available on the bank's website.

1.5. Executive summary

CDH Investment Bank maintained a risk management framework covering credit, liquidity, market and operational risks during the six months ended 30 June 2026. Total assets increased to K1.05 trillion from K764.04 billion in June 2025, while net loans and advances grew to K158.32 billion from K131.32 billion.

The loan portfolio remained concentrated in manufacturing, wholesale and retail trade, and electricity, gas, water and energy. Management's priorities remain maintaining adequate capital and liquidity, managing concentration risk, and strengthening controls as the business grows.

2. Corporate structure

CDH Investment Bank is a subsidiary of Continental Holdings plc alongside Continental Capital Limited, Continental Asset Management Limited, Continental Asset Management Nominees Limited, CDH Commodities Limited, Continental Properties Limited, and Continental Pension Services Company Limited.

CDH Investment Bank shareholding is as follows: -

Shareholder	June 2026	June 2025
Continental Holdings Limited	82.46%	82.46%
Investments Alliance Limited	10.18%	10.18%
Kesaart Capital Limited	4.84%	4.84%
Savannah Investments Limited	2.52%	2.52%
Total	**100.00%**	**100.00%**

3. Capital management

The bank's capital management philosophy is aimed at maintaining an optimum level of capital and liquidity to enable it pursue strategies that build long-term shareholder value, whilst always meeting minimum regulatory capital and liquidity requirements. The risk appetite includes internal capital requirements which are the bank's internal estimates of the capital required to cover all its material risks including those which are not captured under regulatory capital calculations.

Regulatory capital

RBM sets and monitors the minimum capital requirements and requires the bank to maintain a minimum of **10 percent** and **15 percent** for core and total capital respectively. The bank's regulatory capital is analysed in two parts: -

a. Tier I capital, which includes paid-up share capital, share premium, retained earnings, and other reserves less investment in subsidiaries.
b. Tier II capital, which includes investment revaluation reserve, property revaluation reserve, loan loss reserve and subordinated debt capital at 50% of the Tier I capital.

The capital ratios of CDHIB as at 30th June 2026, are as shown in the table below: -

	June 2026	June 2025
Tier 1 capital		
Share capital	4,820,816	4,820,816
Retained earnings	78,078,628	41,737,744
Less: Regulatory adjustments applied to CET 1 Capital	(1,826,147)	(838,250)
Net CET 1 Capital	**81,073,297**	**45,720,310**
Eligible subordinated debt (limited to 50% of tier 1 capital)	**-**	**-**
Total qualifying capital	**81,073,297**	**45,720,310**

	June 2026	June 2025
Risk component		
Credit risk	199,229,862	96,321,643
Operational risk	62,777,635	65,413,860
Market risk	44,872,294	27,006,194
Total risk weighted assets	**306,879,791**	**188,741,697**
Capital ratios		
Tier 1 capital as a percentage of total risk-weighted assets	**26.42%**	**24.22%**
Total capital as a percentage of total risk weighted assets.	**26.42%**	**24.22%**

In its capital planning, the bank considers the impact of macro-economic factors and the impact this would have on its capital and earnings. This is covered under the budgeting process where financial projections are made based on the information gathered. The budgeting process is continuous as financial projections are reviewed as available information or the macro-economic conditions change.

The bank continues to comply with all capital requirements. The bank does not have any restrictions or impediments on the transfer of funds or regulatory capital within specified guidelines.

4. Risk management framework

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

a. identify current and emerging risks.
b. develop risk assessment and measurement systems.
c. establish policies, practices, and other control mechanisms to manage risks.
d. develop risk tolerance limits for senior management and board approval.
e. monitor positions against approved risk tolerance limits and
f. 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 policies:

a. Enterprise risk management policy
b. Credit policy
c. Investment policy
d. Liquidity risk management policy
e. Information and communication policy
f. Stress testing framework

4.1. Key risks

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

a) Credit risk.
b) Liquidity risk
c) Market risk
d) Operational risk
e) Legal and compliance risk
f) Reputational risk

4.2. Risk governance

CDHIB risk management approach is directed through compliance with legislation, policies and procedures and alignment with standards and best practices. Heads of departments take the lead in managing risk. Therefore, everyone in the bank is responsible and accountable for risk management.

4.2.1. Board of directors

The Board of directors retains the overall responsibility for strategic risk management of the bank. It is chiefly responsible for setting corporate strategy and reviewing management performance in implementing the bank's strategic plan.

The Board of directors through its risk oversight role satisfies itself that the risk management processes designed and implemented by executives and Chief Risk and Compliance Officer is adapted to the Board's corporate strategy and are functioning as directed, and that necessary steps are taken to foster a culture of risk-adjusted decision-making throughout the bank.

The Board of directors:

a) Has overall responsibility of risk management
b) Defines clearly risk limits and approve those set by Executive Management
c) Reviews various policies of the bank and make appropriate changes as and when deemed necessary.
d) Re-evaluates the guidelines of the bank

The bank has a unitary Board of Directors comprising a chairman, 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 of directors meets five 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					
Member		**Date**	**Date**	**Date**	**Date**
		26-Sep-25	12-Dec-25	20-Mar-26	26-June-26
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	√	√	√	√
In attendance					
Mr Daniel Mwangwela	Company Secretary	√	√	√	√

4.2.2. Board Audit Committee

The Committee comprise of three non-executive directors.
The Committee assists the board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls and risk management, and the bank's process for monitoring compliance with laws and regulations. The committee meets on a quarterly basis.

4.2.3. Board Risk and Compliance Committee

The committee comprise of three non-executive directors.
The committee is responsible for determining the bank's risk appetite, tolerance limits for critical exposures, provide oversight of the ERM program to ensure that that the ERM process is used

to develop and achieve strategic objectives of the bank. It is also responsible for the design and implementation of the bank's compliance program. It provides risk management advice to the executive management.

4.2.4 Chief Executive Officer/Managing Director

The Chief Executive Officer/Managing Director has the ultimate responsibility and accountability for establishing and maintaining suitable systems of internal control and risk management and manages the bank in a manner that is consistent with best practice in risk management.

4.2.5. Management Risk and Compliance Committee

This is an executive management risk committee responsible for identifying emerging enterprise risks, prioritizing identified enterprise risks, directing, and approving risk treatments, ensuring that sufficient resources are allocated to implement treatment, monitor the results, review, and update the risk register in preparation of the quarterly board report. The Committee meets monthly and, on an ad-hoc basis where necessary.

4.2.6. Management Asset and Liability Management Committee

The committee is responsible for the structuring and management of the bank's balance sheet and investment policy.

Its objective is to maintain a balance between risk and return. It focuses on the management, identification, and measurement of both the risks as related to interest rate risk and tenor mismatches, asset quality, capital planning, liquidity management and returns, as approved by the Board. The committee meets fortnightly.

4.2.7. Management Credit Risk Committee

The committee oversees the credit and lending strategies and objectives of the bank including overseeing the credit risk management, review internal credit policies and establishing portfolio limits, review the quality and performance of the banks' credit portfolio and any matters as delegated by the Board. The committee meets on an ad-hoc basis as required.

4.2.8. Chief Risk and Compliance Officer

The Chief Risk and Compliance Officer (CRCO) is responsible for managing the bank's Enterprise Risk Framework (ERM). This involves working with risk owners and executive management to analyse operational and enterprise risks, develop effective risk treatments, monitoring and ensuring that risks tolerance limits are maintained within the bank policy. The CRCO also coordinates risk management training and education, continuous improvement of ERM framework and associated policies and procedures. In addition to risk governance, the CRCO carries regular reviews and assessment of compliance risks in the bank's activities including new products.

4.2.9. Chief Legal Officer

The Chief Legal Officer is tasked to understand and advocate the rules and regulations and effective management of and proactively work and advise the bank to manage legal risk to meet stakeholder expectations.

4.2.10. Chief Internal Auditor

The Chief Internal Auditor provides independent and objective insight on the effectiveness of internal controls, risk management and governance processes. The Chief Internal Auditor also offers advice on process improvements as well as best practice standards.

4.2.11. Chief Finance Officer

The Chief Finance Officer plays broad strategic role in Enterprise-Wide Risk Management through involvement in financial reporting and performance management. The function is relied upon as the owner of financial reporting and data in the Bank.

4.2.12. Chief Credit Officer

The Chief Credit Officer plays an important role to maximise the bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The Chief Credit Officer manages the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions. The Officer also considers the relationships between credit risk and other risks. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organisation.

5. Management of risks

CDHIB has risk governance structures which approve limits and thresholds consistent with the applicable regulatory requirements.

5.1. Credit risk

Credit risk is the risk of financial loss to the bank if a counterparty to a financial instrument fails to meet their contractual obligations arising principally from the bank's loans and advances to customers, loans and advances to other banks, and its investment in securities. For risk management reporting purposes, the bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country, and sector risk).

Management of credit risk

The Board of Directors of the bank have delegated responsibility for the management of credit risk to their Credit Committee to which separately Credit Department reports. The Credit Committee is responsible for oversight of credit risk, including: -

a. Formulating credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
b. Establishing the authorisation structure for the approval and renewal of credit facilities. Some credit facilities are authorized by Head Office management. Larger facilities require approval by The Credit Committee or the Board of Directors as appropriate.
c. Reviewing and assessing credit risk. The Credit Department assesses all credit exposures more than designated limits, prior to facilities being committed to customers by the business centres concerned. Renewals and reviews of facilities are subject to the same review process.
d. 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).
e. Reviewing compliance of business centres with agreed exposure limits.

Best practices for credit risk

As a fundamental credit principle, the Bank generally does not grant credit facilities solely based on the collateral provided. All credit facilities are granted based on the credit standing, source of repayment and debt servicing ability of the borrower. Furthermore, the bank uses Credit Reference Bureaus to obtain credit history of all new loan applications and renewals. The main reference agencies the bank uses are Credit Data and TransUnion Reference Bureau.

Impairment

The bank monitors all financial assets to assess whether there has been significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the bank measures the loss allowance based on lifetime rather than 12-month ECL. The Bank recognises loss allowances for ECLs (Expected Credit Loss) on the following financial instruments that are not measured at FVTPL:

a. Loans and advances to customers.
b. Loans and advances to related party; and

c. Interbank placements.
d. Contingent or off-balance sheet assets

The 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:

a. the remaining lifetime PD at the reporting date; with
b. 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 bank uses both historical and forward-looking information and the Bank 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 bank still considers separately some qualitative factors when assessing the significant increases in credit risk.

As a backstop, when an asset becomes 30 days past due, the bank considers that as significant increase in credit risk and the asset is classified into stage 2, with the loss allowance measured as the lifetime ECL.

Impairment policy
The bank writes off a loan or security balance, together with any related impairment allowance, when the Credit Committee determines that the exposure is uncollectible. This determination is made after considering evidence such as a significant deterioration in the borrower's or issuer's financial position, an inability to meet the obligation, or insufficient expected proceeds from collateral to recover the full exposure.

In addition, the assets in the trading book are passed on to investors.

The bank 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 %	June 2026 %	June 2025 %	Jun-26	Jun-25
Agriculture, forestry, fishing and hunting	20%	10%	12%	16,340,415	16,356,526
Mining and quarrying	5%	0%	0%	-	-
Manufacturing	30%	28%	19%	44,702,150	25,895,381
Electricity, gas, water, energy	25%	17%	16%	27,748,225	22,084,539
Construction	5%	1%	2%	1,255,826	2,302,175
Wholesale and retail	55%	24%	36%	38,354,228	48,930,290
Restaurant and hotels	10%	0%	4%	183,283	5,681,546
Transport, storage, and communications	10%	0%	0%	189,158	282,234
Financial services	10%	15%	6%	23,439,051	8,428,665
Community, social and personal services	30%	4%	5%	6,498,281	7,513,767
Real estate	10%	0%	0.1%	-	85,292
		100%	**100%**	**158,710,617**	**137,560,415**

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

To manage the level of credit risk, the bank 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.

The table below shows the asset quality as at 30th June 2026.

	Stage 1	Stage 2	Stage 3	Total
1. Agriculture, forestry, fishing and hunting	16,340,360	55	-	**16,340,415**
2. Mining and quarrying	-	50	-	**50**
3. Manufacturing	31,614,043	13,088,107	-	**44,702,150**
4. Electricity, gas, water and energy	27,748,194	31	-	**27,748,225**
5. Construction	1,255,826	-	-	**1,255,826**
6. Wholesale and retail trade	4,071,355	34,282,873	-	**38,354,228**
7. Restaurants and hotels	183,008	275	-	**183,283**
8. Transport, storage and communications	189,158	-	-	**189,158**
9. Financial services	23,409,233	29,818	-	**23,439,051**
10. Community, social and personal services	**6,490,676**	**6,817**	**788**	**6,498,281**
11. Real estate	**0**	**-**	**-**	**-**
12. Less: Loss Provisions	**392,841**	**0**	**788**	**393,629**
Net classified assets	**110,909,012**	**47,408,026**	**-**	**158,317,038**

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

At 30th June 2026	Carrying amount	Net exposure to risk
Cash and balances with banks	91,607,997	91,607,997
Loans and advances to customers	158,317,038	158,317,038
Financial assets	687,071,947	687,071,947
Investment securities	95,740,538	95,740,538
Other accounts receivables	3,787,306	3,787,306
	1,036,524,826	1,036,524,826

At 30th June 2025	Carrying amount	Net exposure to risk
Cash and balances with banks	36,267,755	36,267,755
Loans and advances to customers	131,320,791	131,320,791
Financial assets	512,150,116	512,150,116
Investment securities	69,291,654	69,291,654
Other accounts receivables	4,741,050	4,741,050
	753,771,366	**753,771,366**

5.1. Credit risk (continued)

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

Because the bank's focus on corporate customers' creditworthiness, the bank 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 bank obtains appraisals of collateral measurement.

Other types of collateral and credit enhancements
In addition to the collateral included in the table above, the bank also holds other types of collateral and credit enhancements such as second charges for which specific values are not generally available. Assets obtained by taking possession of the collateral.

Details of financial and non-financial assets obtained by the bank during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements and held at the year-end are shown below:

The bank policy is to pursue timely realisation of the collateral in an orderly manner. The bank generally does not use the non-cash collateral for its own operations but will be actively marketed to be sold.

Credit exposures
The geographical distribution of credit exposures for the periods presented in the table was as follows:

Concentration by region	June, 2026	June, 2025
South	68,011,865	68,909,618
Centre	90,305,173	62,411,173
Total	**158,317,038**	**131,320,791**

Counter party type distribution	June, 2026	June, 2025
Corporate	128,062,309	108,885,625
Retail	30,254,729	22,435,166
Total	**158,317,038**	**131,320,791**

Credit exposures under the standardized approach
The tables below show risk weighted assets for credit risk under the Standardized Approach as at 30 June 2026.

Part A On-balance sheet exposures
Exposures to Sovereign and Central Banks Amounts in K'000, rounded to the nearest thousand

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
Exposures to Malawi Government, Central Government Ministries and Departments	122,535,878	0	26,581,019	95,954,859	0%	0

Exposures to RBM	0	0	0	0	0%	0
Exposures to Sovereigns rated AAA to AA-.	0	0	0	0	0%	0
Exposures to Sovereigns rated A+ to A-.	0	0	0	0	20%	0
Exposures to Sovereigns rated BBB+ to BBB-.	0	0	0	0	50%	0
Exposures to Sovereigns rated BB+ to B- or unrated.	0	0	0	0	100%	0
Exposures to Sovereigns rated below B-	0	0	0	0	150%	0
Defaulted Exposures	0	0	0	0	100%	0
Sub-total	**122,535,878**	**0**	**26,581,019**	**95,954,859**	**—**	**0**

Exposures to Non-Central Government Public Sector Entities (PSEs)

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
Exposures to Parastatals or Statutory Corporations	34,224,780	0	34,224,780	0	100%	0
Exposures to Local Assemblies (district, town, municipal or city assemblies)	0	0	0	0	100%	0
Exposures to other Government related entities not included in 12 and 13 above e.g. NAC, SFFRFM	0	0	0	0	100%	0
Exposures to PSEs rated AAA+ to AA-	0	0	0	0	20%	0
Exposures to PSEs rated A+ to A-	0	0	0	0	50%	0
Exposures to PSEs rated BBB+ to BBB-	0	0	0	0	100%	0
Exposures to PSEs rated BB+ to B-	0	0	0	0	100%	0
Exposures to PSEs rated below B-.	0	0	0	0	150%	0
Defaulted Exposures	0	0	0	0	100%	0
Sub-total	**34,224,780**	**0**	**34,224,780**	**0**	**—**	**0**

Exposures to Multilateral Development Banks (MDBs)

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
Exposures to MDBs that meet eligibility criteria specified in RBM Credit Risk Guidelines	0	0	0	0	0%	0

Exposure to MDB assigned a Credit Assessment Rating of AAA to AA-.	0	0	0	0	20%	0
Exposure to MDB assigned a Credit Assessment Rating of A+ to A-.	0	0	0	0	30%	0
Exposure to MDB assigned a Credit Assesment Rating of BBB+ to BBB- or unrated MDBs	0	0	0	0	50%	0
Exposure to MDBs assigned a credit asssessment rating of BB+ to B-.	0	0	0	0	100%	0
Exposure to MDBs assigned a credit asssessment rating of below B-.	0	0	0	0	150%	0
Defaulted Exposures	0	0	0	0	100%	0
Sub-total	**0**	**0**	**0**	**0**	**—**	**0**

Exposures to banks

Nature of exposure	Exposure Amounts	Loss Provi-sions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
Exposures to local banks with original contractual maturity of less than three months	5,849	0	0	5,849	20%	1,170
Exposures to local banks with original contractual maturity of more than three months	0	0	0	0	30%	0
Exposures to banks assigned a Credit Risk Assessment Rating of AAA to AA-.	0	0	0	0	20%	0
Exposures to banks assigned a Credit Assessment Rating of A+ to A-.	0	0	0	0	50%	0
Exposures to banks assigned a Credit Asssessment Rating of BBB+ to BBB- or unrated banks.	0	0	0	0	50%	0
Exposures to banks assigned a Credit Assessment Rating of BB+ to B-.	19,589,884	0	0	19,589,884	100%	19,589,884
Exposures to banks assigned a Credit Assessment Rating of below B-.	0	0	0	0	150%	0
Defaulted Exposures	0	0	0	0	100%	0
Sub-total	**19,595,733**	**0**	**0**	**19,595,733**	**—**	**19,591,054**

Exposures to Securities Firms and Other Financial Institutions

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
Claims on locally prudentially regulated Securities Firms as provided in the RBM Credit Risk Guidelines	0	0	0	0	50%	0
Claims on Securities Firms assigned a credit assessment rating of AAA to AA-.	0	0	0	0	20%	0
Claims on Securities Firms assigned a credit assessment rating of A+ to A-.	0	0	0	0	50%	0
Claims on Securities Firms assigned a credit asssessment rating of BBB+ to BBB-	0	0	0	0	50%	0
Claims to Securities Firms assigned a credit assessment rating of BB+ to B-, not regulated.or unrated	0	0	0	0	100%	0
Claims to Securities Firms assigned a credit assessment rating of below B-	0	0	0	0	150%	0
Defaulted Exposures	0	0	0	0	100%	0
Sub-total	**0**	**0**	**0**	**0**	—	**0**

Exposures to Corporates

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
General Corporates						
All general corporate exposures	45,293,921	248,341	31,133,299	13,912,281	—	13,912,281
Specilized Lending Exposures						
exposures with "Issue Specific" external ratings	0	0	0	0	—	0
Commodity finance	37,022,660	0	200,000	36,822,660	—	36,822,660
Object Finance	0	0	0	0	—	0
Project Finance	0	0	0	0	—	0
Exposures in foreign currency	261,716	0	0	261,716	—	261,716
Defaulted Exposures	0	0	0	0	—	0
Sub-total	**82,578,297**	**248,341**	**31,333,299**	**50,996,657**	—	**50,996,657**

Retail exposures

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
Exposures (excluding overdrafts) that fully meet the prescribed criteria for Regulatory retail exposures and not exceeding MK150 Million	9,611,121	144,500	3,267,144	6,199,477	75%	4,649,608
Exposures not meeting the specified criteria for regulatory retail exposures (including those above limit of K150 million)	2,380,561	0	1,543,177	837,384	100%	837,384
Overdrafts (drawn portion)	2,324,718	0	0	2,324,718	100%	2,324,718
Exposures in foreign currency (without currency mismatch)	0	0	0	0	100%	0
Exposures with currency mismatches	0	0	0	0	150%	0
Defaulted Exposures	788	788	0	0	100%	0
Sub-total	**14,317,188**	**145,288**	**4,810,321**	**9,361,579**	**—**	**7,811,710**

Residential real estate (lending to finance residential real estate)

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
Residential real estate (Owner occupied)	795,062	0	456,731	338,331	—	137,134
Residential real estate (Rented/leased/for sale)	0	0	0	0	—	0
Defaulted Exposures	0	0	0	0	—	0
Sub-total	**795,062**	**0**	**456,731**	**338,331**	**—**	**137,134**

Commercial Real Estate (lending to finance commercial real estate)

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
Claims secured by mortgage on commercial real estate (repayments not materially dependent on property)	0	0	0	0	—	0
Claims secured by mortgage on commercial real estate (repayments materially dependent on property)	0	0	0	0	—	0
Defaulted Exposures	0	0	0	0	—	0
Sub-total	**0**	**0**	**0**	**0**	**—**	**0**

Exposures on Land Acquisition, Development and Construction (ADC)

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
General exposures on land acquisition, development and construction	0	0	0	0	150%	0
Exposures on land acquisition, development and construction supporting industrialization, agriculture commercialization, import substitution, and export orientation	0	0	0	0	100%	0
Defaulted Exposures	0	0	0	0	100%	0
Sub-total	**0**	**0**	**0**	**0**	**—**	**0**

Other assets

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
Cash, gold, coins,bullion, foreign notes & coins, statutory reserves with the Reserve Bank of Malawi	72,012,265	0	0	72,012,265	0%	0
Cheques in course of collection	0	0	0	0	20%	0
Other assets	13,962,466	0	0	13,962,466	100%	13,962,466
Sub-total	**85,974,730**	**0**	**0**	**85,974,730**	**—**	**13,962,466**

Subordinated Debt, Equity and Other Regulatory Capital Instruments

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
Equity holdings made pursuant to national legislated programmes	0	0	0	0	100%	0
Exposures pertaining to venture (start up) capital or private equity	0	0	0	0	150%	0
Subordinated debt and capital instruments other than equities	0	0	0	0	150%	0
All other equity holdings not adjusted in the computation of capital	0	0	0	0	250%	0
Speculative unlisted equity exposures	0	0	0	0	400%	0
Defaulted Exposures	0	0	0	0	150%	0
Sub-total	**0**	**0**	**0**	**0**	**—**	**0**

Total on-balance sheet exposures

Nature of exposure	Exposure Amounts	Loss Provisions	Credit Risk Mitigation	Exposure after CRM	Risk-weight	Risk-weighted Amount
Total on-balance sheet	**360,021,669**	**393,629**	**97,406,150**	**262,221,890**	**—**	**92,499,020**

Part B Off-balance sheet exposures
As at 30 June 2026 | Amounts in K'000

Nature of exposure	Exposure amount	Provisions	CRM	Exposure after CRM and provisions	Credit conversion factor	Credit equivalent amount	Risk	Total
Claims to or Guaranteed by Government	0	0	0	weight	Risk -weighted amount	0	100%	0
Claims with Cash Collateral	0	0	0	0	0%	0	100%	0
Direct Credit Substitutes e.g. Guarantees, Letters of credit, Assets pledged as collateral	49,223,756	0	0	49,223,756	100%	49,223,756	100%	49,223,756
Sale and repurchase agreements and asset sales with recourse, where the credit risk remains with the bank	0	0	0	0	100%	0	100%	0
Lending of banks' securities or posting of securities as collateral by banks including instances where these arise out of repo-style transactions	0	0	0	0	100%	0	100%	0
Forward asset purchases, forward forward deposits and partly paid shares and securities, which represent commitments with certain drawdown	0	0	0	0	100%	0	100%	0
Off-balance sheet items that are credit substitutes not explicitly included in any other category	0	0	0	0	100%	0	100%	0

Transaction Related Contingent Items (Performance or Bid Bonds, Warranties, Standby L/Cs etc) related to specific transactions (but not as credit guarantee)	1,531,566	0	0	1,531,566	50%	765,783	100%	765,783
Short-term self-liquidating trade letters of credit e.g. Documentary Credits	0	0	0	0	20%	0	100%	0
Other Commitments regardless of maturity of the underlying facility	0	0	0	0	40%	0	100%	0
Similar Other Commitments which can be unconditionally cancellable at any time by the bank without prior notice	567,413,034	0	0	567,413,034	10%	56,741,303	100%	56,741,303
Sub-total	**618,168,356**	**0**	**0**	**—**	**—**	**106,730,842**	**—**	**106,730,842**
Total Risk Weighted Assets								**199,229,862**

5.2. Liquidity risk

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

Management of liquidity risk

The bank'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 bank'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. 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. 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

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 bank. The committee also monitors the capital adequacy of the bank.

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.

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

A30 June 2026 Assets (MK'000)	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 6 Years	Over 6 Years	Total
Notes and coin, Malawi currency	738,324	0	0	0	0	0	0	738,324
Cheques in the course of collection	0	0	0	0	0	0	0	0
Balances at Reserve Bank of Malawi	71,273,941	0	0	0	0	0	0	71,273,941
Balances with other banks in Malawi	5,849	0	0	0	0	0	0	5,849
Balances with banks abroad	19,589,884	0	0	0	0	0	0	19,589,884
Investments in Securities	2,594,645	1,731,790	9,732,640	123,984,869	40,897,651	26,986,613	10,203,331	216,131,539
Bills of exchange etc. payable abroad	0	0	0	0	0	0	0	0
Loans and advances	88,278,876	877,300	1,443,057	24,937,117	33,181,933	5,345,003	828,487	154,891,772
Other assets	4,774,403	0	0	0	0	0	10,175,960	14,950,363
Total assets	**187,255,922**	**2,609,090**	**11,175,697**	**148,921,985**	**74,079,584**	**32,331,616**	**21,207,778**	**477,581,672**
LIABILITIES AND SHAREHOLDERS FUNDS								
Domestic deposits	277,699,703	14,842,067	2,464,805	472,528	0	0	0	295,479,103
Foreign currency denominated deposits	41,120,469	7,326,890	8,330,412	698,633	0	0	0	57,476,404
Balances due to Reserve Bank of Malawi	0	0	0	0	0	0	0	0
Balances due to other banks in Malawi	0	0	0	0	0	0	0	0

Balances due to banks abroad	0	0	0	0	0	0	0	0
Other borrowed funds	0	0	0	0	0	0	0	0
Other liabilities	29,136,085	0	0	0	0	0	0	29,136,085
Shareholders' funds	0	0	0	0	0	0	99,308,975	99,308,975
Total liabilities and shareholders' funds	**347,956,257**	**22,168,957**	**10,795,217**	**1,171,161**	**0**	**0**	**99,308,975**	**481,400,567**
Net Liquidity Gap	**(160,700,335)**	**(19,559,867)**	**380,480**	**147,750,824**	**74,079,584**	**32,331,616**	**(78,101,197)**	**(3,818,895)**
Cumulative Liquidity Gap	**(160,700,335)**	**(180,260,202)**	**(179,879,721)**	**(32,128,897)**	**41,950,687**	**74,282,303**	**(3,818,895)**	**(3,818,895)**

30 June 2025 Assets (MK'000)	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 6 Years	Over 6 Years	Total
Notes and coin, Malawi currency	720,187	0	0	0	0	0	0	720,187
Cheques in the course of collection	0	0	0	0	0	0	0	0
Balances at Reserve Bank of Malawi	28,433,690	0	0	0	0	0	0	28,433,690
Balances with other banks in Malawi	0	0	0	0	0	0	0	0
Balances with banks abroad	7,263,752	0	0	0	0	0	0	7,263,752
Investments in Securities	0	69,291,654	0	0	72,014,753	0	838,250	142,144,656
Bills of exchange etc payable abroad	0	0	0	0	0	0	0	0
Loans and advances	32,362,287	24,622,161	246,727	10,388,064	45,078,469	24,830,426	32,280	137,560,415
Other assets	4,741,050	0	0	0	0	0	9,434,933	14,175,983
Total assets	**73,520,966**	**93,913,815**	**246,727**	**10,388,064**	**117,093,221**	**24,830,426**	**10,305,463**	**330,298,683**
LIABILITIES AND SHAREHOLDERS FUNDS								

Domestic deposits	196,895,356	26,882,689	1,869,398	415,634	0	0	0	226,063,078
Foreign currency denominated deposits	16,619,798	9,636,085	3,477,449	653,032	0	0	0	30,386,363
Balances due to Reserve Bank of Malawi	0	0	0	0	0	0	0	0
Balances due to other banks in Malawi	149,876	0	0	0	0	0	0	149,876
Balances due to banks abroad	0	0	0	0	0	0	0	0
Other borrowed funds	0	0	0	0	0	0	0	0
Other liabilities	19,777,053	0	0	0	0	0	0	19,777,053
Shareholders' funds	0	0	0	0	0	0	53,881,582	53,881,582
Total liabilities and shareholders' funds	**233,442,084**	**36,518,774**	**5,346,846**	**1,068,666**	**0**	**0**	**53,881,582**	**330,257,952**
Net Liquidity Gap	**(159,921,118)**	**57,395,041**	**(5,100,119)**	**9,319,398**	**117,093,221**	**24,830,426**	**(43,576,118)**	**40,731**
Cumulative Liquidity Gap	**(159,921,118)**	**(102,526,077)**	**(107,626,197)**	**(98,306,798)**	**18,786,423**	**43,616,849**	**40,731**	**40,731**

Details of the value of public and private traded instruments have been listed below as at 30th June 2026:

- Public instruments: Treasury Notes
- Private Instruments: Corporate Paper

Asset/ Liab	Prodname	Book Value K'000	Accrued Interest K'000	Present Value K'000	Interest Income (Day) K'000	Rate
A	Corporate placements	156,524,009	28,745,429	185,269,438	113,935	26.57%
A	Structured CP	49,779,852	30,048,904	79,828,756	42,497	31.16%
A	Promissory Note Government	18,322,054	5,646,551	23,968,605	15,642	31.16%
A	Treasury Notes	272,935,737	13,620,949	286,556,686	272,831	30.70%
A	USD corporate placements	39,755,576	418,376	40,173,952	7,293	6.60%
L	Floating Investment Contract	17,500,000	2,581,861	20,081,861	8,271	17.25%
L	MWK Investment Contract	518,262,229	18,902,255	537,164,484	232,333	16.36%

L	USD Investment Contract	9,713,103	117,185	9,830,288	1,494	5.54%
L	GBP Investment Contract	232,109	1,229	233,338	6	1.00%

5.2. Liquidity risk (Continued)

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.
- Liquidity Ratio 2: Net liquidity (total liquid assets less suspense account in foreign currency and cheques during collection) divided by total deposits must be at least 25 percent.

Liquidity Ratios 1 and 2 were as specified below:

Consolidated and Separate	2026	2025
Liquidity Ratio I	75.73%	59.73%
Liquidity Ratio II	75.73%	59.73%

5.3. 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 banks income or the value of its holding of financial instruments. The objective of the bank's market risk management policy is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

The bank uses the standardised approach which aligns regulatory capital requirements more closely with the key elements of banking risk by introducing a wider differentiation of risk weights and a wider recognition of risks mitigation techniques, while avoiding excessive complexity.

5.3.1 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 the local currency against foreign currencies.

Foreign currency transactions and positions are monitored by senior management and ALCO.

The responsibilities of the Treasury Department include monitoring of foreign exchange risk. This involves the risks of the bank 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:

a. 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.
b. 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: -

a. Setting the foreign exchange risk management strategy and tolerance levels.
b. Ensuring that effective risk management systems and internal controls are in place.

c. Monitoring significant foreign exchange exposure.
d. Ensuring that foreign exchange operations are supported by adequate management information systems which complement the risk management strategy.
e. Reviewing the policies, procedures, and currency limits regularly in line with changes in the economic environment.

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

		Net long (short) position excluding options		
Currency		On Balance Sheet items	Off-Balance sheet items	Total net long (short) position
1. U.S. DOLLAR	USD	154	(59)	95
2. BRITISH STERLING	GBP	24		24
3. SOUTH AFRICAN RAND	ZAR	546	(774)	(227)
4. EURO	EUR	98	36	133
5. OTHER				-
6. Aggregate net long position				252
7. Aggregate net short position				227
8. Larger of sum of net long/short position				252
9. Gold	GOL			
10. Overall net open position (10=8+9)				252
11. Risk weight				8.0%
12. Capital charge for foreign exchange risk				20

5.3.2 Interest rate risk

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

5.3.3. Interest rate gap position

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

Variable rate instruments expose the Bank to cash flow interest rate risk whereas fixed rate instruments expose the Bank to fair value interest rate risk.

Interest rate sensitivity as at 30 June 2026

Amounts in MK'000, rounded. Totals are calculated from unrounded Excel values. Fixed-rate instruments are shown by maturity; floating-rate instruments by repricing interval.

Interest-rate repricing band	Zero rate	Floating rate	0–3 months	3–6 months	6–9 months	9–12 months	Over 12 months	Total
Loans and leases:								
Fixed rate by maturity	0	0	0	0	0	0	0	0
Floating rate by repricing interval	0	158,317,038	0	0	0	0	0	158,317,038
Scheduled payments due on all other loans	0	0	0	0	0	0	0	0
Securities:								
Fixed rate by maturity	0	0	4,326,435	9,732,640	3,712,682	120,272,187	77,249,345	215,293,289
Floating rate by repricing	0	0	0	0	0	0	0	0
Interest-bearing balances	0	0	0	0	0	0	0	0
Inter-bank loans	0	0	0	0	0	0	0	0
Other	110,410,009	0	0	0	0	0	0	110,410,009
Total rate sensitive assets (RSA)	**110,410,009**	**158,317,038**	**4,326,435**	**9,732,640**	**3,712,682**	**120,272,187**	**77,249,345**	**484,020,336**
Liabilities subject to interest rate adjustment :								
Demand accounts	0	199,749,522	0	0	0	0	0	199,749,522
Savings deposits	0	0	20,425,819	0	0	0	0	20,425,819
Time deposits	0	0	110,722,055	16,034,643	5,242,861	540,608	240,000	132,780,166
Other borrowings	0	0	0	0	0	0	0	0
Long-term debt	0	0	0	0	0	0	0	0
Other	128,097,646	0	0	0	0	0	0	128,097,646
Total rate sensitive liabilities (RSL)	**128,097,646**	**199,749,522**	**131,147,875**	**16,034,643**	**5,242,861**	**540,608**	**240,000**	**481,053,153**
Asset Liability Gap	**(17,687,637)**	**(41,432,484)**	**(126,821,439)**	**(6,302,002)**	**(1,530,179)**	**119,731,579**	**77,009,345**	**2,967,183**
Cumulative Gap	**(17,687,637)**	**(41,432,484)**	**(168,253,924)**	**(174,555,926)**	**(176,086,105)**	**(56,354,526)**	**20,654,820**	**20,654,820**

Over 12 months combines the five maturity bands shown on the next page. The cumulative gap follows Excel and accumulates from floating-rate instruments, excluding the zero-rate gap.

Interest rate sensitivity and maturity detail as at 30 June 2026

Interest-rate repricing band	Zero rate	Floating rate	0–3 months	3–6 months	6–9 months	9–12 months	Over 12 months	Total
Net position / assets	-16.02%	-26.17%	-2,931.31%	-64.75%	-41.21%	99.55%	99.69%	0.61%
RSA / RSL	86.19%	79.26%	3.30%	60.70%	70.81%	22,247.60%	32,187.23%	100.62%

Net-position ratios use assets in each band, consistent with Excel. Long-term ratios use aggregated balances.

Interest-rate scenarios

Interest-rate repricing band	Zero rate	Floating rate	0–3 months	3–6 months	6–9 months	9–12 months	Over 12 months	Total
Rate increase 5%	—	(43,504,108)	(133,162,511)	(6,617,103)	(1,606,688)	125,718,158	80,859,813	21,687,561
Rate increase 10%	—	(45,575,733)	(139,503,583)	(6,932,203)	(1,683,197)	131,704,737	84,710,280	22,720,302
Rate increase 15%	—	(47,647,357)	(145,844,655)	(7,247,303)	(1,759,706)	137,691,316	88,560,747	23,753,043
Rate decrease 5%	—	(39,360,860)	(120,480,367)	(5,986,902)	(1,453,670)	113,745,000	73,158,878	19,622,079
Rate decrease 10%	—	(37,289,236)	(114,139,295)	(5,671,802)	(1,377,161)	107,758,422	69,308,411	18,589,338
Rate decrease 15%	—	(35,217,612)	(107,798,224)	(5,356,702)	(1,300,652)	101,771,843	65,457,944	17,556,597

Detailed fixed-rate maturities beyond one year

Measure	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Over 12 months
Securities — fixed rate	16,124,786	24,772,866	24,172,906	1,505,868	10,672,920	77,249,345
Time deposits	240,000	0	0	0	0	240,000
Total RSA	16,124,786	24,772,866	24,172,906	1,505,868	10,672,920	77,249,345
Total RSL	240,000	0	0	0	0	240,000
Asset liability gap	15,884,786	24,772,866	24,172,906	1,505,868	10,672,920	77,009,345
Cumulative gap	(40,469,740)	(15,696,874)	8,476,032	9,981,900	20,654,820	20,654,820
Net position / assets	98.51%	100.00%	100.00%	100.00%	100.00%	99.69%
RSA / RSL	6,718.66%	0.00%	0.00%	0.00%	0.00%	32,187.23%
Rate increase 5%	16,679,025	26,011,509	25,381,551	1,581,161	11,206,566	80,859,813
Rate increase 10%	17,473,264	27,250,152	26,590,197	1,656,455	11,740,212	84,710,280
Rate increase 15%	18,267,504	28,488,796	27,798,842	1,731,748	12,273,858	88,560,747
Rate decrease 5%	15,090,546	23,534,222	22,964,261	1,430,574	10,139,274	73,158,878

Rate decrease 10%	14,296,307	22,295,579	21,755,616	1,355,281	9,605,628	69,308,411
Rate decrease 15%	13,502,068	21,056,936	20,546,970	1,279,988	9,071,982	65,457,944

All other asset and liability lines have zero balances beyond one year. Source RSA/RSL ratios of 0% are retained where the individual bands have no liabilities. Scenario totals exclude zero-rate instruments, as in Excel.

5.4. Operational risks

Operational risk is the probability and likelihood of direct or indirect loss arising from a wide variety of causes associated with the Bank'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 behaviour. Operational risks arise from all the bank's operations, systems, and processes.
The objective of the bank is to manage operational risks to balance the avoidance of financial losses and damages to the bank's reputation with an overall cost effectiveness.

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

a. requirements for appropriate segregation of duties, including the independent authorisation of transactions.
b. requirements for the reconciliation and monitoring of transactions
c. compliance with regulatory and other legal requirements
d. documentation of controls and procedures.
e. requirements for the yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified by Internal and External auditors.
f. requirements for the reporting of operational losses and proposed remedial action.
g. development of contingency plans
h. training and professional development
i. risk mitigation, including insurance where it is cost-effective.

Compliance with bank standards is supported by a programme of reviews undertaken by 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 function also assesses operational risks as a second line of defence and discusses the results with management as well as the Risk and Compliance Committee.

The Bank measures operational risk using the Standardised Measurement Approach (SMA) under Basel III. The Business Indicator (BI) comprises the three-year averages of the interest, lease and dividend, services, and financial components. The applicable marginal coefficient is applied to the BI to determine the Business Indicator Component (BIC), which is multiplied by the Internal Loss Multiplier (ILM) to calculate the operational risk capital charge. The resulting capital charge is multiplied by 10 to determine operational risk-weighted assets.

Operational Risk		
	June 2026	June 2025
	MK '000	MK '000
Mean average of aggregate capital charge	62,777,635	65,413,860

5.5 Legal and Compliance risk

The bank's Chief Legal Officer and Chief Risk and Compliance Officer are responsible for managing the bank's Legal and Compliance functions respectively. The Chief Legal and Chief Risk and Compliance Officer have unrestricted access to the managing director and the chairman of Board, Risk and Compliance Committee. The Bank 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 bank 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 bank's overall risk management framework. The 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 Bank. The Compliance function consults the country's Financial Intelligence Authority on money laundering and anti-terrorist financing matters. The bank makes a provision for litigation risk based on the cases available. As at 30th June 2026 the provision amount was MWK 96 million.

6. Equities

The following were the equity positions as at 30th June 2026

Other investment		
	2026	2025
National Switch Limited	111,000	111,000
Malawi Agriculture and Industrial Investment Corporation plc	727,250	727,250
	838,250	**838,250**

The Bank as a co-sponsor of the Government of Malawi initiated project to establish a national Development Financial Institution (DFI) in Malawi invested K727 million into the Malawi Agricultural and Industrial Corporation plc (MAIIC) being its committed USD1million capital injection into the ordinary



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