

# **BASEL III PILLAR III (MARKET DISCLOSURE)**

**Report**

**December 2025**

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## 1. OVERVIEW

### 1.1. Report Scope

National Bank of Malawi is required by the Reserve Bank of Malawi (RBM) to issue a Market Disclosure Report for 2025 under the Basel III Pillar III framework, covering the period ended 31 December 2025. This report provides consolidated qualitative and quantitative disclosures on the application of Basel III, including the Bank's capital adequacy, risk exposures, and risk management processes.

The Basel III framework, issued by the Basel Committee on Banking Supervision (BCBS), is structured around three pillars: Pillar I sets minimum capital requirements; Pillar II establishes the supervisory review process; and Pillar III promotes market discipline through public disclosure. In line with Pillar III objectives, this report presents key information on the Bank's capital position and risk profile to enable transparent and informed assessment by stakeholders.

### 1.2. Risk Governance

In line with the corporate governance structure adopted by National Bank of Malawi plc, the Board has the ultimate responsibility of ensuring that risks are adequately identified, measured, monitored, and managed.

The Board is committed to good corporate governance, which it achieves by following principles of openness, integrity, and accountability. The Board monitors compliance with policies and achievement of objectives by holding management accountable for its activities through quarterly Board meetings at which performance is reported and discussed.

### 1.3. Risk Management Oversight

The Bank's approach to risk management is based on a well-established governance process and relies both on individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances stringent corporate oversight with independent risk management structures within the business units. Below is the governance structure of the bank.

**The Board** has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board develops the risk appetite and risk tolerance limits appropriate to the Bank's strategy and requires that management maintains an appropriate system of internal controls to ensure that these risks are managed within the agreed parameters. The Board delegates risk related responsibilities to seven Board committees, namely, the Risk Committee, the Credit Committee, the Investment Committee, the Audit Committee, the Appointments, Remuneration and Governance Committee, the Related Parties Committee, and the Board IT Projects Oversight Committee. The Board Committees comprise of non-executive membership only and they report regularly to the Board on their activities.

The mandate of the Board subcommittees is as follows:

- i. **The Board Risk Committee** has responsibility for risk management in the Bank as delegated by the Board. Its main responsibility is to have overall oversight in the credit, market, liquidity, and operational risks management as well as any other risks that the Bank may be exposed to in its course of business. It is also responsible for reviewing management performance in implementing the Bank's strategic plan and ensures that the Bank's activities are consistent with the policies agreed by the Bank's Board and Directives of the RBM and other regulatory requirements.
- ii. **The Board Audit Committee** is responsible for conducting an independent check to ensure compliance with the Bank's risk management policies, procedures, and controls, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.
- iii. **The Board Credit Committee** is responsible for oversight of the Bank's overall credit risk management issues. The committee is responsible for reviewing and approving the Bank's credit policies including provisioning, large loan exposures, counter-party lending and dealing lines.
- iv. **The Appointments, Remuneration and Governance Committee** oversees the nomination and vetting of director appointments and ensures that the Bank maintains sound corporate governance practices and an effective succession planning framework. The Committee also ensures optimal utilisation of human

resources and that staff remuneration is fair, appropriate, and aligned with roles, responsibilities, and performance.

- v. **The Related Party Committee** is responsible for overseeing the implementation of transactions with related parties by all entities falling under the control of the Bank's Board.
- vi. **The Board Investment Committee** is responsible for evaluating and overseeing investment-related decisions and strategies.
- vii. **The Board IT Projects Oversight Committee** is responsible for overseeing the implementation of all Information Technology projects.

At a management level, the Bank has the Enterprise Risk Committee (ERCO) which provides a holistic oversight of the risks affecting the Bank and the control measures that should be put in place to mitigate the risks and thereby reduce the potential losses. The Capital Management report is discussed at both ERCO and the Asset and Liability Committee (ALCO). Other management committees include the Credit Committee, Human Capital Committee and IT Policy Committee which are all responsible for developing and monitoring the Bank's risk management policies in their specified areas.

## 2. BACKGROUND

### 2.1. Shareholding structure

The authorized share capital of the Bank is K500m divided into 500,000,000 Ordinary Shares of K1 each. The issued capital is K467m divided into 466,931,738 fully paid Ordinary Shares of K1 each.

The shareholding structure as of 31st December 2025 was as follows:

2025	
Press Corporation Limited	51.49%
Old Mutual Group	18.76%
Members of the public	29.75%
<b>Total</b>	<b>100%</b>

### 2.2. Subsidiaries, Associates and Service Centres

National Bank of Malawi Group provides retail, corporate and investment banking as well as stock broking, insurance, and pension administration services in Malawi. It has a network of 32 Service Centres in Malawi.

The subsidiaries and associate companies of the Group are shown below:

Subsidiaries	Percentage of control	Nature of operations
<b>NBM Capital Markets Limited</b>	100%	Investments and fund management
<b>NBM Securities Limited</b>	100%	Dormant
<b>NBM Nominees Limited</b>	100%	Holding investments as nominee
<b>Stockbrokers Malawi Limited</b>	75%	Registered stockbroker
<b>NBM Bureau de Change Limited</b>	100%	Dormant
<b>NBM Pension Administration Limited</b>	100%	Pension administration
<b>United General Insurance Company Limited</b>	57%	Insurance
<b>NBM Development Bank Limited</b>	100%	SME and long-term financing
<b>Akiba Commercial Bank</b>	60%	Banking services

### 2.3. Financial Performance

For the year ended 31 December 2025, the Group reported a consolidated profit before tax of K321.03 billion, comprising K300.76 billion from the parent, and K20.27 billion from subsidiaries. Subsidiary contributions represented 6% of consolidated PBT, with strong performances from NBM Capital Markets Ltd (K10.70 billion), United General Insurance Co. Ltd (K9.32 billion), NBM Pension Administration Ltd (K3.64 billion), and NBM Development Bank Ltd (K2.10 billion), while Akiba Commercial Bank plc reported a loss of K3.31 billion due to lower interest income and capital constraints.

The Group's PBT growth was driven by net interest and investment income, gains from capital appreciation on listed equity investments, higher funds under administration, and increased revenues from money market and insurance operations. Overall, the consolidated PBT performance demonstrates strong profitability across the Group and progress toward strategic targets, with subsidiaries increasingly contributing to diversification and income growth.

#### 2.4. Financial Position

The Bank's assets increased to K2.28 trillion, up from K1.58 trillion in the corresponding period of 2024, marking a 45% growth. The Bank's loan book, customer deposits, and government securities experienced growth rates of 33%, 42%, and 73%, respectively. Other assets grew by 22%. Overall, the Bank's financial position remains robust and healthy.

### 3. CAPITAL MANAGEMENT

The Bank's capital management strategy is designed to ensure that regulatory capital requirements are always met, and that the Bank and its principal subsidiaries are capitalized in line with the group's risk appetite and target ratios, both of which are approved by the board.

#### 3.1. Approach to Capital Management

The Bank implements a capital management strategy designed to maintain adequate capital levels to absorb unexpected losses arising from both discretionary risks, which it chooses to assume (e.g., credit and market risks), and non-discretionary inherent risks, which arise from its operations (e.g., operational and business risks). This strategy is guided by the Bank's Capital Management Policy, under which the Board and Senior Management assess the Bank's risk profile from both regulatory and economic capital perspectives to ensure that capital levels:

- Remain sufficient to support the Bank's risk profile and outstanding commitments.
- Are adequate to fund growth initiatives outlined in the Strategic Plan.
- Exceeds the formal minimum regulatory capital requirements.
- Can withstand severe economic shocks; and
- Align with the Group's strategic and operational objectives, as well as shareholder expectations.

#### 3.2. Regulatory capital

The Bank's capital adequacy framework is governed by the Financial Services Act 26 of 2010, the Reserve Bank of Malawi Capital Adequacy Directive, and related regulations, which are aligned with Basel III standards. In accordance with Basel III, regulatory capital adequacy is measured using the following risk-based capital ratios, which assess the Bank's ability to absorb losses relative to its risk-weighted assets:

- **Common Equity Tier 1 (CET1) Ratio:** Represents the highest quality of capital and includes common equity instruments such as paid-up share capital, share premium, retained earnings, and eligible current year profits, net of applicable regulatory deductions, including investments in unconsolidated financial institutions.
- **Tier 1 Capital Ratio:** Comprises CET1 capital and additional Tier 1 capital instruments that meet Basel III eligibility criteria, providing a broader measure of the Bank's core loss-absorbing capacity.
- **Total Capital Ratio:** Includes Tier 1 capital and eligible Tier 2 capital instruments, such as subordinated debt, revaluation reserves, and approved general provisions, providing an overall measure of capital adequacy against the Bank's risk profile.

The table below summarises the Bank's capital composition, risk-weighted assets, and capital adequacy ratios for the year 2025.

	Dec 2025	Sep 2025	Jun 2025	Mar 2025
<b>Available Capital</b>				
Common-equity tier 1 (CET1)	200,338	184,358	181,447	181,123
Tier 1	200,338	184,358	181,447	181,123
Total capital	224,084	208,248	210,128	209,804
<b>Risk-weighted assets (RWA)</b>				
Total RWA	1,226,648	1,316,208	1,231,194	1,056,725
<b>Risk-based capital ratios % of RWA</b>				
CET1 ratio	16.33%	14.00%	14.70%	17.10%
Tier 1 ratio	16.33%	14.00%	14.70%	17.10%
Total capital ratio	18.27%	15.80%	17.10%	19.90%

The Bank maintained a strong capital position throughout 2025, supported by a high-quality capital base and prudent balance sheet management. As of December 2025, Common Equity Tier 1 (CET1) capital and Tier 1 capital stood at K200.34 billion, while total capital amounted to K224.08 billion. Capital levels remained resilient during the year, despite interim fluctuations, reflecting the Bank's sustained earnings capacity and disciplined capital conservation.

Risk-weighted assets (RWAs) closed the year at K1,226.65 billion, having increased during the year before moderating in the final quarter. As a result, the Bank's capital adequacy ratios remained robust, with the CET1 ratio and Tier 1 ratio at 16.33% and the total capital ratio at 18.27% as of December 2025. These ratios remained comfortably above the regulatory minimum requirement of 15% throughout the year. Although capital ratios declined from their March 2025 levels due to higher RWAs during the year, the improvement in the final quarter reflects a strengthening capital position.

Overall, the Bank's capital ratios demonstrate a strong capacity to absorb losses while continuing to support business growth within the approved risk appetite.

## 4. RISK APPETITE

Risk appetite defines the nature and level of risk the Bank is willing to assume in pursuit of its strategic and business objectives. It is articulated through a combination of qualitative statements and quantitative measures linked to earnings, capital, risk metrics, liquidity, and other relevant indicators. Qualitatively, the Bank expresses its risk appetite through policies, processes, procedures, governance statements, and control frameworks designed to guide risk-taking activities, including those that are not readily quantifiable.

### 4.1. Approach to setting the Risk Appetite

Risk appetite across all risk types for the Bank is determined by the risk appetite statement and is apportioned to the various business units. Each business unit sub allocates its apportionment to various risk types in accordance with its business strategy. In developing the Risk Appetite Statement, the Bank's strategy and the desired balance between risk and return is taken into consideration.

### 4.2. Monitoring the Risk Appetite

The overall responsibility for the establishment and oversight of the Bank's risk appetite rests with the Board. Senior Management maintains an appropriate system of internal controls to ensure that these risks are managed within the agreed parameters. The Board Risk Committee reviews the group's risk profile in relation to the approved risk appetite on a quarterly basis.

### 4.3. The Bank's Performance against the Risk Appetite

During the review period, the Bank largely operated within the approved risk appetite limits, with the Non-Performing Loans (NPL) ratio remaining the primary metric outside tolerance. By December 2025, the NPL ratio had declined to 5.76%, a significant improvement from 17.79% recorded in 2024. The reduction reflects strengthened credit oversight, improved loan performance, and increased recoveries on facilities previously classified as impaired. While the ratio has moved materially closer to the approved 3-5 percent risk appetite range, it remains marginally above the upper threshold.

## 5. STRESS TESTING

The Bank maintains a comprehensive Stress and Scenario Testing Framework to assess its vulnerability to adverse movements in key financial parameters. The framework provides a forward-looking assessment of potential risks under severe but plausible scenarios, enabling the Bank to evaluate resilience, anticipate worst-case outcomes, and develop appropriate mitigation and contingency plans.

### 5.1. Approach to Stress Testing

The Bank conducts stress tests on a quarterly basis and the results of the stress tests are submitted to the ALCO, ERCO and BRC to ensure that appropriate strategies are formulated to address the needs revealed by the stress testing.

### 5.2. Results of Recent Stress Testing

The Stress testing for National Bank of Malawi Plc was conducted using data for the period ended 31st December 2025 and was forward-looking. The Stress Test was aimed at assessing vulnerabilities and resilience to potential sources of shocks emanating from the following risks: Credit Risk, Market risks, Liquidity risk, Operational risks, and a combination of shocks on Common Equity Tier I (CET1) ratio and Total Capital ratio of the Bank.

The stress-testing results show that the Bank remains resilient across major standalone shocks, including large-borrower defaults, interest rate movements, and Kwacha depreciation. Capital ratios stay above regulatory minimums under isolated stresses, with temporary declines followed by strong recovery supported by solid earnings and a high-quality capital base. However, resilience weakens under combined extreme shocks, where CET1 and Tier I momentarily fall to 12.7%, nearing minimum thresholds. Overall, the Bank's stability is anchored by robust capital buffers, a balanced asset-liability structure, and a diversified, stable deposit base.

### 5.3. Mitigation Strategy for Exceptions

The Bank was assessed to be adequately capitalized during the period under review. On liquidity, the Bank continues to actively monitor the composition and maturity of assets and liabilities to minimize mismatches, strengthen the liquidity base, and ensure sufficient coverage in the event of a sudden withdrawal of customer deposits.

## 6. CREDIT RISK

Credit risk is the risk that a counterparty or issuer of a financial instrument fails to meet its contractual obligations to pay interest and/or repay principal when due, resulting in financial loss to the Bank. This risk arises from on-balance sheet exposures such as lending, trade finance, and leasing activities, as well as from off-balance sheet commitments including guarantees and letters of credit, and from investments in debt securities.

### 6.1. Approach to Managing Credit Risk

The Bank's credit risk arises primarily from wholesale and retail loans and advances. The Board of Directors is responsible for approving and periodically reviewing the Bank's credit risk strategy, key credit risk policies, and any material deviations therefrom, as well as sanctioning credit facilities that exceed Management's delegated authority. Oversight of credit risk governance is delegated by the Board to the Board Credit Committee.

Additionally, there is a management Credit Committee which is comprised of some members of senior management. The Credit Committee has the responsibility of implementing the credit risk strategy approved by the Board and for formulating and developing policies and procedures for identifying, measuring, monitoring, and controlling credit risk in existing as well as new products, activities, and procedures to ascertain quality of the Bank's credit portfolio.

The Committee oversees the development, maintenance, and periodic review of the Group's credit risk grading framework, which categorises exposures according to their potential for financial loss and supports effective risk-focused decision-making. The risk grading system informs the assessment of credit quality and the identification of exposures requiring impairment provisioning. The current framework comprises ten risk grades, reflecting varying levels of default risk and the availability of collateral or other credit risk mitigation, and is subject to regular review.

In addition, the Committee monitors credit concentrations relative to the Bank's capital, including exposures to single borrowers or counterparties, groups of connected counterparties, sectors, and products, to mitigate the risk of significant losses arising from correlated exposures or interconnected risks. A dedicated Credit Management Division, reporting to the Chief Executive Officer and the Board Credit Committee, is responsible for the day-to-day oversight and implementation of the Group's credit risk management framework.

Each Business Unit (BU) is required to implement the Bank's credit policies and procedures, within delegated credit approval authorities. Each business unit has a Head or Manager who is accountable for all credit-related matters and reports as appropriate to the Credit Management Division or the Credit Committee through Credit Management Division. Regular audits of business units and Credit processes are undertaken by the Internal Audit Division.

## 6.2. Credit Risk Measurement

The Bank measures the credit risk capital requirements by applying appropriate risk weights to both on-balance sheet and off-balance sheet exposures in line with Basel III and the Guidelines on the Standardized Approach to Credit Risk issued by the Reserve Bank of Malawi (RBM). The capital adequacy and return on capital levels for the individual risk categories of the Bank's portfolio are regularly monitored against the overall risk-bearing capacity of the Bank, to ensure that the Bank is, always, maintaining adequate capital to provide for its growth and to support a reasonable measure of unexpected losses.

The Bank follows IFRS 9 Expected Credit Loss (ECL) Model for all financial instruments that are subject to impairment accounting. It recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost or at fair value through other comprehensive income, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements of the standard apply. Expected credit losses shall be an estimate of losses that the Bank expects to result from a credit event, such as a payment default. 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). In adopting IFRS 9 the Bank re-aligned all definitions of default and cure given by IFRS 9 to those of Basel III.

## 6.3. Expected Credit Loss Model and Provisioning Categories

The adoption of IFRS 9 has necessitated implementation of its classification standards which maps the credit book into three stages to reflect the general pattern of the deterioration of a financial instrument that ultimately defaults as follows:

**Stage 1:** This is where a 12-month expected credit loss is recognized in profit or loss and a loss allowance shall be established as soon as a financial instrument has been originated or purchased. For financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date, the loss allowance for 12month expected credit losses is maintained but updated for changes in amount. For financial assets, interest revenue is calculated on the gross carrying amount of the asset (i.e., without reduction for expected credit losses).

**Stage 2:** If the credit risk increases significantly and the resulting credit quality is not considered to be low credit risk, full lifetime expected losses are recognized. Lifetime expected credit losses are only recognized if the credit risk increases significantly from when the entity originates or purchases the financial instruments but does not have objective evidence of a credit loss event. Expected credit losses may be individually and/or collectively assessed. For a financial asset, interest revenue is still calculated on the gross carrying amount of the asset (same as for Stage 1).

**Stage 3:** If the credit risk of a financial asset increases to the point that it is considered credit impaired (that have objective evidence of impairment at the reporting date), lifetime expected credit losses continue to be recognized. For financial assets in this stage, lifetime expected credit losses will generally be individually assessed. However, interest revenue shall be calculated on the amortized cost net carrying amount (i.e., reduced for expected credit losses).

## 6.4. Credit Risk Monitoring

The Bank's Credit Management Division in collaboration with the Business Units regularly analyses default trends. These enable identification of the underlying root causes and subsequently channels recommendations to Senior Management allowing the fine-tuning of the appropriate credit scoring parameters. Similarly, risk grades of major corporate customers are used to set tolerance limits to enhance the management of excesses.

## 6.5. Credit Risk Mitigation

As a fundamental credit principle, the Group 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. Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically, with the frequency of valuation depending on the type, liquidity, and volatility of the collateral value. Overall, the main credit risk mitigation techniques applied by the Bank include security/collateral, netting and guarantees, all of which contribute to a reduction in the Bank's credit risk exposures.

## 6.6. Credit Risk Exposures

As of 31 December 2025, the Bank's loan book grew by 9.53%, rising from K481.94 billion in 2024 to K527.89 billion in 2025. This growth was largely driven by increased lending in key productive sectors, particularly Agriculture, Manufacturing, Energy, Mining, and Construction. The expansion demonstrates sustained credit demand and aligns with the Bank's strategic focus on supporting economic activity and sectoral development.

Asset quality improved during the year, with the non-performing loans (NPLs) ratio declining sharply from 17.79% in December 2024 to 5.76% as of December 2025. In line with this positive trend, Expected Credit Losses (ECL) decreased to K6.96 billion, down from K14.15 billion in the prior year. This improvement reflects enhanced credit risk management, better portfolio performance, and recovery efforts in previously stressed sectors. The performance is summarised in the table below:

Sector	Outstanding amount	Impaired Amount	Expected Credit Losses	Outstanding amount	Impaired Amount	Expected Credit Losses
	2025			2024		
	K'm	K'm	K'm	K'm	K'm	K'm
Agriculture, forestry, fishing and hunting	77,441	3,356	574	70,255	9,130	2,837
Mining and quarrying	3,019	71	44	2,355	2,779	221
Manufacturing	75,419	475	52	34,331	692	276
Electricity, gas, water and energy	52,925	25	18	23,945	17,224	54
Construction	9,935	1,967	57	8,858	611	193
Wholesale and retail trade	56,377	1,409	300	65,559	4,827	1,510
Restaurants and hotels	48,130	18,766	4,672	52,621	28,897	129
Transport, storage and communications	15,909	1,865	12	31,903	15,555	4,256
Financial services	11,496	178	51	12,250	122	97
Community, social and personal services	168,824	2,220	1,171	171,351	5,341	4,575
Real estate	8,416	73	6	8,508	539	5
<b>Total</b>	<b>527,890</b>	<b>30,406</b>	<b>6,959</b>	<b>481,936</b>	<b>85,736.41</b>	<b>14,153</b>

## 7. LIQUIDITY RISK

The Bank defines Liquidity Risk as the potential for loss to the Bank arising from either its inability to meet obligations as they fall due or to fund increases in assets without incurring unacceptable costs or losses (funding or market liquidity risk).

### 7.1. Approach to Managing Liquidity Risk

The Group's approach to managing liquidity is to ensure that it will always have sufficient High-Quality Liquid Assets (HQLA) to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has a Liquidity and Funds Management Policy that provides guidance in the management of liquidity.

The daily management of liquidity is entrusted to the Treasury and Investment Banking Division (TIBD) at Head Office. The TIBD receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The TIBD then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units are funded through deposits from customers. Any short-term fluctuations are funded through treasury activities such as inter-bank facilities, repurchase agreements and others. TIBD monitors the compliance of all operating units of the Group with local regulatory limits daily.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of both the Group and operating units. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

### 7.2. Regulatory Liquidity Limits

The Bank manages liquidity risk using both the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) frameworks, in line with Basel III requirements. The LCR assesses the Bank's ability to withstand a severe but plausible liquidity stress scenario over a 30-day horizon by measuring the adequacy of its stock

of high-quality liquid assets (HQLA) relative to projected net cash outflows under stressed conditions. As of December 2025, the Bank maintained a strong short-term liquidity position, with an LCR of 124.7%, comfortably above the regulatory minimum and internal limit of 100%. Although the ratio declined from 127.8% in September 2025, it remained above the minimum threshold throughout the year, reflecting prudent liquidity management amid changes in funding profiles and balance sheet composition.

In addition, the Bank manages structural liquidity risk using the NSFR framework, which assesses the adequacy of available stable funding relative to required stable funding over a one-year horizon. As of December 2025, the Bank's NSFR stood at 109.5%, above the regulatory minimum requirement of 100%. While the ratio declined from higher levels recorded earlier in the year, it remained compliant throughout the period, indicating a stable funding structure and sound balance sheet management.

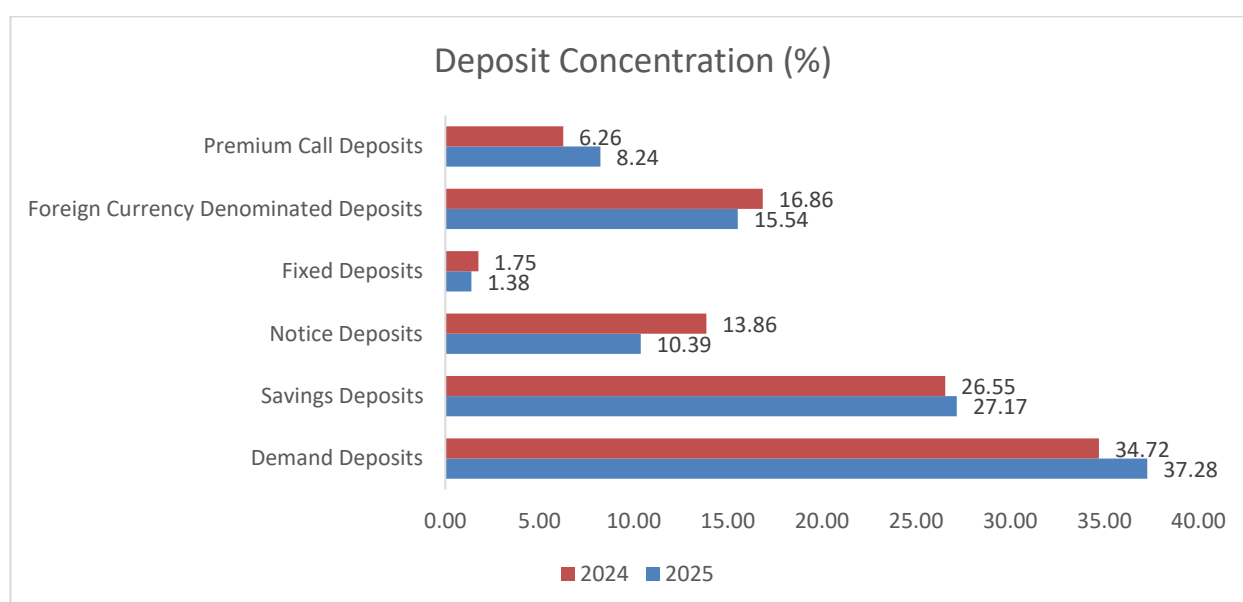
The table below shows that both liquidity ratios remained within regulatory limits and the Bank's risk appetite.

	Dec 2025	Sep 2025	Jun 2025	Mar 2025
<b>Liquidity coverage ratio (LCR)</b>				
Total high-quality liquid assets (HQLA)	381,029	452,406	369,379	335,214
Net cash outflows (NCOF)	305,675	353,980	301,342	298,157
LCR (HQLA/NCOF)	124.7%	127.8%	122.6%	112.4%
<b>Net Stable Funding Ratio (NSFR)</b>				
Total Available Stable Funding (ASF)	773,815	1,267,464	465,939	383,627
Total required stable funding (RSF)	706,761	291,250	272,307	243,494
NSFR	109.5%	435.2%	171.1%	157.6%

### 7.3. Deposit Concentration

In normal times, the deposit concentration may not pose a problem and instead prove to be profitable, but in unforeseen circumstances, sudden withdrawal of funds by the category of deposits can pose a serious challenge and therefore expose the Bank to un-quantified risk.

The total deposits increased by 42% from K1.032tn to K1.462tn as of 31st December 2025. The deposits were largely made up of Demand Deposits (37.28%), Savings Accounts (27.17%), Foreign Currency Denominated Deposits (15.54%) and the rest of the deposits accounted for 20.01% as depicted in the graph below.



The total Top 10 Deposits were at K247.88bn. The ratio of Top 10 Depositors to total deposits stood at 16.95%, which is within the set 25% threshold limit.

**8. MARKET RISK**

The Bank defines Market Risk as the risk of a change in the market value, actual earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates and implied volatilities in all these variables.

**8.1. Approach to Managing Market Risk**

The Group separates its exposure to market risk between trading and non-trading portfolios. Basel III's market risk standardized approach has pre-specified and standardized methods for all the four types of risks covered: Interest rate risk, equity risk, exchange rate risk and commodity risk. The Group's trading portfolios are mainly held by the Treasury and Investment Banking Division and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. Overall authority for market risk is vested in ALCO. TIBD is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation. The total capital set aside for market risk under the Standardized Approach was as follows.

Capital Charge	Dec-25	Dec-24	Change (%)
Foreign Exchange Risk	113,536	145,012	-21.71%
Equity Risk	6,746,922	2,732,972	146.87%
Market Risk	6,860,458	2,877,984	138.38%

The Bank has a comprehensive framework of limits that is used to control market risk exposures for different levels of reporting. The limits are reviewed at least annually or more frequently and adjusted when conditions of risk tolerances change. A summary of all breaches is reported to ALCO, ERCO and BRC.

As at 31st December 2025, the Bank experienced notable changes in its market risk capital charges, reflecting underlying shifts in market conditions and portfolio dynamics. The capital charge for **foreign exchange risk** declined sharply by 21.71%, from K145.01 million in December 2024 to K113.54 million in December 2025. The decrease was primarily due to the continued **scarcity of foreign exchange in the market**, which resulted in reduced trading volumes and lower open foreign currency positions. With fewer foreign exchange transactions and a more conservative position maintained throughout the year, the Bank's exposure to FX risk diminished considerably, thereby reducing the associated capital requirement.

In contrast, the capital charge for equity risk increased sharply by 146.87%, rising from K2.73 billion in December 2024 to K6.75 billion in December 2025. This increase reflects a higher level of exposure to equity instruments, potentially driven by increased holdings or trading activity, as well as possible heightened market volatility affecting equity positions. Despite the decline in foreign exchange risk, the Bank's total market risk capital charge rose significantly by 138.38%, increasing from K2.88 billion to K6.86 billion over the period, indicating that the growth in equity risk more than offset reductions in foreign exchange-related exposures.

**9. OPERATIONAL RISK**

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

**9.1. Approach to Managing Operational Risk**

The Group's objective is to manage operational risk in a manner that balances the minimisation of financial losses and reputational damage with cost effectiveness, while avoiding overly restrictive control procedures that could inhibit initiative and operational efficiency.

The Bank measures operational risk using the Basic Indicator Approach. In using this approach, the Bank determines the gross income for 3 years and then multiplies it by a capital charge factor of 15% to determine the total operational risk capital charge.

The total capital set aside for operational risk under the Basic Indicator Approach was as follows.

Capital Charge	Dec-25 (000)	Dec-24 (000)	Change (%)
Operational Risk	418,436	347,176	20.53%

## 10. CONCLUSION

The Bank continues to closely monitor its core risks and ensure that they are properly mitigated. Supported by the sustained growth in retained earnings, exposures across risk types are generally assigned comfortable capital levels. Looking ahead, some fundamental changes that could potentially occur on the regulatory front over the course of the next few years would heighten prudential standards for capital requirements, leverage, liquidity, and contingent capital applicable for the banking industry. Besides, the ramifications of the weakened economic and financial environments both domestically and internationally would invariably impact the market potential of banks over the foreseeable future.