Standard Bank

RISK AND CAPITAL MANAGEMENT

REPORT

30th June 2026

Standard Bank

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OVERVIEW

Overview

Introduction

Effective risk management is fundamental to Standard Bank PLC (Malawi) 's (SBM or the bank) business activities. While the bank remains committed to increasing shareholder value by developing and growing the business within the Board-determined risk appetite, the bank is mindful of achieving this objective in line with the interests of all stakeholders.

Effective risk management should provide complete, timely, accurate and relevant information to enhance senior management decision-making ability to:

- calculate risk-adjusted performance measures;
- manage volatility in earnings;
- minimise financial distress; and
- help appraise new business initiatives on a comparable basis.

Governance standards have been established as key components of good governance and business practices in the bank. The standards form an integral part of the control infrastructure and represent a high-level description of the Board's expectations and requirements regarding risk appetite, risk reporting, and key areas of control activity within the bank.

Identification of material risks is a process overseen by the Chief Risk Officer, Head of Compliance, and the Head of Legal and Governance, with involvement from risk type heads and the heads of the business segments and corporate functions.

Based on the above-mentioned criteria, the following primary risk types are considered by the bank to be material:-

Credit Risk (including counterparty credit risk)

Credit risk is the potential that a bank borrower or counterparty will fail to meet its obligations under agreed terms. Credit risk regulatory capital is calculated using the Standardised Approach (TSA) per the Reserve Bank of Malawi (RBM) regulations.

For both regulatory and internal credit risk capital measurement, the calculation of the capital requirement is affected by the level of stage 1, stage 2, and the stage 3 expected credit losses (ECL) that the bank has taken, and ECL results from the forward-looking model. Stage 3 (non-performing loans) ECLs are calculated in accordance with local regulations and also take into account expected recoveries and their timing.

Market Risk

Market risk is the risk of loss on financial investments due to adverse price movements, such as changes in interest and exchange rates. Market risk regulatory capital is calculated using the Standardised Approach (TSA) per the RBM regulations. Additionally, market risk is measured and stress-tested within the bank using several established risk metrics and techniques, including Value-at-Risk (VaR).

Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk is the risk that the value of an asset will decline due to unexpected fluctuations in interest rates. The bank manages its exposure to changes in interest rates on its banking book assets and liabilities (loans and deposits) by ensuring that an interest rate shock for both the local currency and foreign currency books – as prescribed by the Asset and Liability Committee (ALCO) – does not result in excessive (i.e. above appetite) adverse annualised net interest income change.

Earnings at Risk (EAR)

EaR is calculated by aggregating the stressed earnings impact from each risk category and expressing the result as a percentage of the projected 12-month Profit Before Tax (PBT). While the definition of stressed earnings remains unchanged, the enhanced methodology provides greater transparency on the drivers of earnings volatility and strengthens risk-informed decision-making. Given that the metric is newly introduced, 2026 is being used as a monitoring period for thresholds defined by the Standard Bank Group (SBG), before SBM-specific risk appetite thresholds are established.

Liquidity Risk

Liquidity risk is the risk of loss resulting from the inability to meet payment obligations in full and on time when they become due. An extensive set of liquidity risk metrics is in place. Due to the robustness of the measurement and monitoring approaches, the high level of unencumbered liquid assets, and the timeous management action required, the bank does not hold capital for liquidity risk.

Non-Financial Risk

Under the Basel III framework for capital measurement, the regulatory approach shifted from the Basic Indicator Approach (BIA) to the more risk-sensitive Business Indicator Component (BIC) Approach. In this methodology, a bank's income is categorised into three components:

- Interest, leases, and dividends;
- Services; and
- Financial.

For internal measurement purposes, since non-financial risk regulatory capital is less risk-sensitive, regulatory capital is further adjusted, taking into account historical loss experience, the level of management oversight, the status of implementation/use of the Non-Financial Risk management framework, and non-financial risk events.

Sustainability Risk

Sustainability risk is the potential for environmental, social, or governance (ESG) factors to negatively affect the Bank's operations, financial performance, or strategic goals. It also includes the risk that the Bank's activities may contribute to environmental harm or negative impacts on society. The Bank has adopted the Sustainability framework for managing sustainability risks across all business units and corporate functions. The Environmental and Social (E&S) Risk Policy provides principles for assessment and management of environmental and social risks across all activities, including screening of environmental and social harms in lending to corporate, enterprise and commercial clients.

Legal Risk

Legal risk is the risk of loss arising from failure to comply with statutory, legal, or contractual obligations. The bank has an in-house legal function whose primary role is to provide legal advisory services to all business segments and corporate functions within the bank on all transactions/activities that are carried out in the bank and implement and maintain a comprehensive legal risk management system. Furthermore, the in-house Legal function ensures that all legal risks associated with new products and services developed and/or implemented by the various units within the bank are identified, adequately mitigated, and/or managed. Some legal cases are outsourced, either for or against the bank or to obtain legal opinions. Supported by historical data on legal exposures and litigation outcomes, the bank considers its legal risk management adequate; therefore, the existing capital buffers are enough to accommodate the risk.

Compliance Risk

Compliance risk is the potential damage businesses face when they fail to comply with industry standards, laws, and regulations. The bank has adopted the Compliance Risk Management Framework, which is based on Compliance Risk Management Plans and Regulatory Change Management Trackers. All statutory/regulatory requirements impacting the bank's business, along with the resulting controls, are documented. The controls for each segment or function enable the bank to comply with the requirements. Although the Board has the ultimate responsibility for managing compliance risks, this approach ensures that officers at every level of the bank are aware of their duties in managing compliance risks and take responsibility and accountability for all compliance risks within their functional areas. The bank has adopted a zero-tolerance policy for statutory and regulatory breaches and proactively manages compliance.

Strategic Risk

Strategic risk is the risk associated with factors (internal or external) that threaten a business's ability to meet its goals (short- and/or long-term). Sub-risk types of strategic risk are Strategy Position, Strategy Execution, and Reputational Risk. The bank's management clearly understands the value drivers that impact its clients, operations, financial outcomes and sustainability. The bank does not explicitly allocate capital to strategic risk, as it is included in the capital buffer determined by the bank's comprehensive stress testing. It is also minimal, as historical loss from this risk type is negligible.

The risk management processes have continued to prove effective throughout the period. The various management risk committees have remained closely involved in important risk management initiatives focused mainly on maintaining appropriate levels of liquidity and capital and on effectively managing risk portfolios. Responsibility and accountability for risk management reside at all levels within the bank. The bank has a strategic Risk Management Policy in place to manage all strategic risk types.

CORPORATE STRUCTURE

Corporate structure

The bank is a publicly listed universal bank licensed in Malawi. It is majority owned (60.18%) by Stanbic Africa Holdings Limited. Other shareholders are NICO Life Deposit Administration Fund (11.60%); Old Mutual Life Assurance Company (Malawi) Limited (7.13%); Press Trust (2.32%); NICO Life Individual Business Fund (1.62%); Msonkho Pension Fund (1.47%); National Investment Trust Limited (1.02%); and other public investors (14.66%).

Standard Bank Bureau de Change Limited is a 100% owned subsidiary of the bank whose line of business is retail foreign exchange trading. The bank has an 8.33% investment in the National Switch Company and a 100% holding in Standard Bank Nominees Limited.

Media and location

This document should be read in conjunction with the bank's published half-year press release, which is available on the bank's website: http://www.standardbank.co.mw.

REGULATORY CAPITAL STRUCTURE AND CAPITAL ADEQUACY

Regulatory capital structure and capital adequacy

The internal capital adequacy assessment process (ICAAP) ensures that the bank maintains sufficient capital levels to comply with regulatory requirements and adhere to its risk appetite. Regulatory capital adequacy is measured by the Tier I and Tier II Capital Adequacy Ratios (CARs).

Tier I (primary capital) represents permanent forms of capital, including share capital, share premium, retained earnings, and less investment in subsidiaries and deferred tax assets.
Tier II (secondary capital) includes eligible subordinated debt, general loan-loss reserves, and eligible instruments issued by the bank that meet the Tier II criteria.

Table 1: Qualifying regulatory capital

	2026 MKm	2025 MKm
Tier I		
Issued primary capital	**311,840**	217,926
Share capital	**8,726**	235
Share premium	**-**	8,491
Retained earnings	**303,073**	209,190
General reserves advances	**41**	10
Less: regulatory deductions	**24,529**	4,663
Deferred tax assets	**14,367**	3,980
Other intangible assets (included residual value after 8 years)	**8,735**	-
Investment in subsidiaries	**1,427**	683
Total Qualifying Capital	**287,311**	213,263
Tier II		
Issued secondary capital and reserves	**-**	-
Eligible subordinated debt	**-**	-
Revaluation reserves less investments in other subsidiaries/associates	**-**	-
Total eligible capital	**-**	-
Total capital requirement	**-**	-
Total risk-weighted assets	**1,264,686**	1,130,092
Tier I (%)	**22.72%**	18.87%
Total capital adequacy ratio (%)	**22.72%**	18.87%
Minimum regulatory limits		
Tier I (%)	**10.00%**	10.00%
Total capital adequacy ratio (%)	**15.00%**	15.00%

Note: In line with Reserve Bank of Malawi guidelines, investments in subsidiaries comprise National Switch Limited (MK1,327 million), Standard Bank Bureau de Change Limited (MK100 million), and Standard Bank Nominees, a dormant entity.

During the period under review, the bank complied with all externally imposed capital requirements applicable to its banking activities. These include, but are not limited to, the relevant requirements of the Banking Act and Financial Services Act, as well as other regulations relating to banks, which are consistent with the Basel III guidelines issued by the Bank for International Settlements (BIS) as adopted by the RBM, which became effective on 1st January 2025.

Table 2: Risk exposure amounts and risk-weighted assets

	2026				2025			
	Exposure amounts	Expected credit losses	Credit risk mitigation	Risk weighted assets	Exposure amounts	Expected credit losses	Credit risk mitigation	Risk weighted assets
	MKm	MKm	MKm	MKm	MKm	MKm	MKm	MKm
Credit risk	**2,451,635**	**73,815**	**77,669**	**970,828**	**2,189,814**	**59,492**	**59,470**	**889,983**
Sovereign or central bank	640,312	43,076	-	-	552,129	29,617	-	-
Public sector entities	7,522	177	-	7,345	15,951	3,518	-	12,434
Exposure to banks and other financial institutions	427,085	79	-	182,195	308,061	61	-	137,920
Corporate	212,447	964	53,391	168,250	190,187	990	-	188,476
Retail other	410,474	28,031	494	333,789	284,322	23,801	-	222,187
Retail mortgages	7,013	676	-	2,942	6,242	738	-	4,346
Other assets	421,153	-	-	123,496	363,937	-	-	133,476
Off balance sheet exposures	325,629	811	23,784	152,811	468,985	767	59,470	191,144
Market risk	**13,916**	**-**	**-**	**13,916**	**13,935**	**-**	**-**	**13,935**
Interest rate risk	3,346	-	-	3,346	6,577	-	-	6,577
Foreign exchange risk	10,570	-	-	10,570	7,358	-	-	7,358
Non-Financial Risk	**279,942**	**-**	**-**	**279,942**	**226,174**	**-**	**-**	**226,174**
Total risk-weighted assets/capital requirement	**2,745,493**	**73,815**	**77,669**	**1,264,686**	**2,429,923**	**59,492**	**59,470**	**1,130,092**

Note: In accordance with Reserve Bank of Malawi guidelines, accrued interest on exposures to public sector entities, corporates, retail (other), and residential mortgages has been included under other assets. This treatment excludes sovereign and central bank exposures, as well as exposures to banks and other financial institutions.

Table 3: Summary of capital ratios (%)

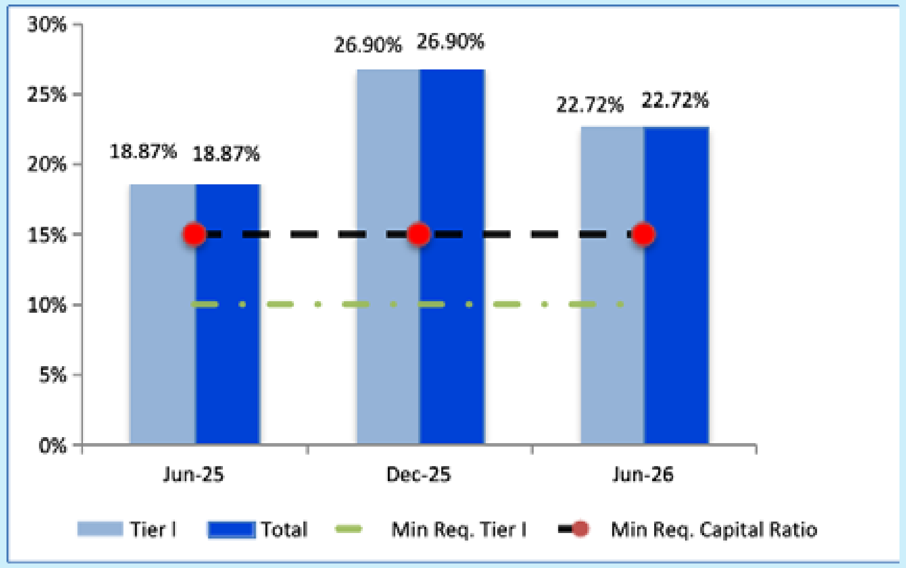
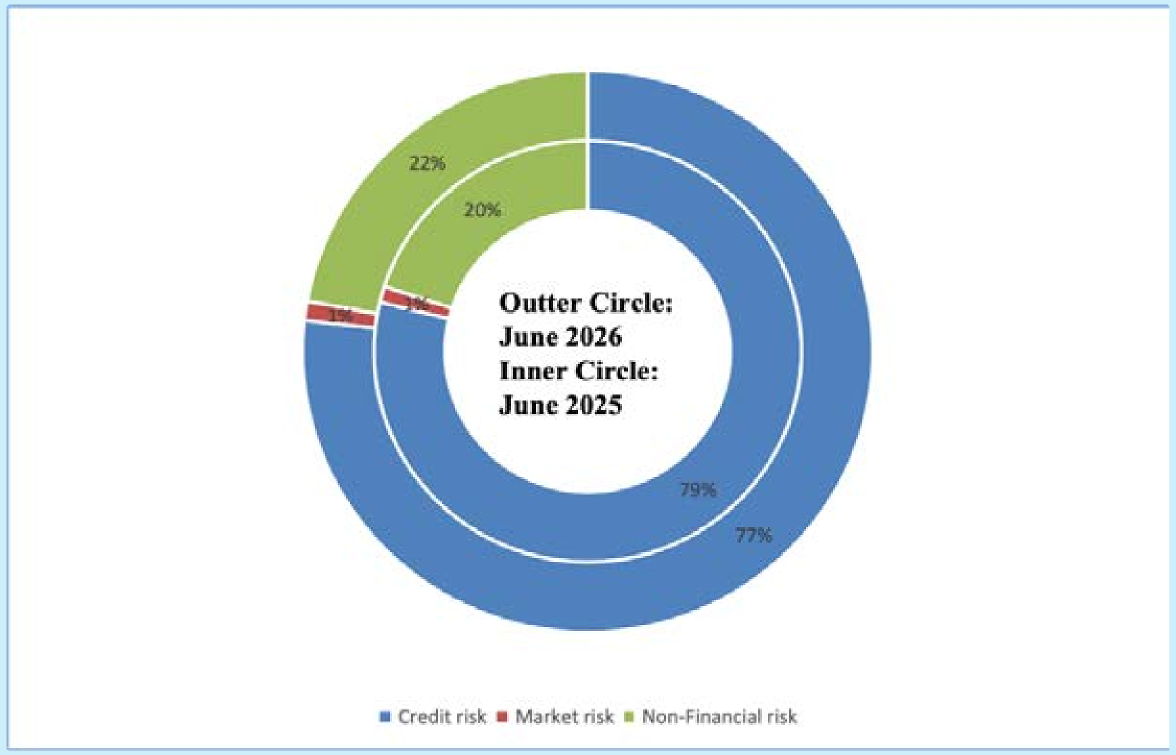


Figure 1: Risk-weighted assets composition



The composition of riskweighted assets (RWAs) shows a continued dominance of credit risk within the bank's overall risk profile. As at end-June 2026, credit risk accounted for 77% (MK970,828m) of total RWAs compared to 79% (MK889,983m) in the prior corresponding period. Nonfinancial risk contributes 22% (MK279,942m), up from 20% (MK226,174m) in 2025. Market risk remains insignificant at 1% (MK13,916m), percentage-wise at the same level (1%, MK13,935m**)** recorded in the prior corresponding period

This distribution indicates that the Bank's asset portfolio remains heavily concentrated in credit-related exposures, underscoring the need for continued strengthening of credit risk management frameworks and portfolio diversification strategies.

In addition, the Bank migrated from the Basic Indicator Approach (BIA) to the Business Indicator Component (BIC) approach for operational risk, where income is disaggregated into three components:

- the interest, leases, and dividend component,
- the services component, and
- the financial component.

The move to BIC enhances risk sensitivity and aligns operational risk capital more closely with the Bank's underlying business model.

CREDIT RISK

Credit risk

Credit risk is the bank's most material risk and is managed in accordance with the bank's comprehensive risk management control framework. The Credit Risk Governance Standard sets out the principles under which the bank is prepared to assume credit risk. Responsibility for credit risk resides with the bank's business segments, supported by the bank's Risk/Credit Function and with oversight, as with other risks, by the bank's risk committees and ultimately the Board.

The principal executive management committee responsible for overseeing credit risk is the Credit Risk Management Committee (CRMC). The credit committees for Personal and Private Banking (PPB), Business and Commercial Banking (BCB) and Corporate and Investment Banking (CIB) reports directly to CRMC and indirectly to the Board Credit Committee (BCC) – the committee delegated by the main Board to oversee credit risk-related matters.

CRMC is responsible for making credit risk decisions. The Board approved it as the designated committee for approving key aspects of the credit rating systems for BCB, Personal and Private Banking (PPB) and CIB as required by other regulations relating to banks. The CRMC recommends the approval of all counterparty large exposures and insider lending transactions to the extent required by RBM regulations. The bank's Board grants all such approvals.

The BCC is the principal board committee responsible for the oversight of credit risk, with CRMC having oversight responsibility for reviewing credit impairment adequacy.

Impairment policy

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

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

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

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

Significant increase in credit risk	At each reporting date the group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days would also be considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, there is strong capacity to meet contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the ability to fulfil contractual obligations.
Default	The group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider. • Exposures which are overdue for more than 90 days are also considered to be in default.

Forward-looking information	Forward-looking information is incorporated into the group's impairment methodology calculations and in the group's assessment of SICR. The group includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

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

Table 4: Total credit exposures as per IFRS 7 – 30th June 2026

	Gross Carrying amount MKm	SB 1 - 12 Stage 1 MKm	SB 1 - 12 Stage 2 MKm	SB 13 - 20 Stage 1 MKm	SB 13 - 20 Stage 2 MKm	SB 21- 25 Stage 1 MKm	SB 21- 25 Stage 2 MKm	Default Stage 3 MKm	Default Purchased/ originated credit impaired MKm	Total gross carrying amount of default exposures MKm	Securities and expected recoveries on default exposures MKm	Interest in suspense on default exposures MKm	Balance sheet expected credit loss on default exposures MKm	Gross default coverage %	Non-performing exposures %
Loans and advances at amortised cost															
BCB and PPB	**421,275**	**13,252**	**-**	**355,907**		**-**	**37,132**	**14,984**	**-**	**14,984**	**12,854**	**1,474**	**11,941**	**90%**	**16%**
Mortgage loans	7,049	-	-	5,382	-	-	1,026	641	-	641	516	126	592	**112%**	**9%**
Vehicle and asset finance	35,711	-	-	30,564	-	-	4,598	549	-	549	365	100	1,014	**203%**	**2%**
Other loans and advances	378,515	13,252	-	319,961		-	31,508	13,794	-	13,794	11,973	1,248	10,335	84%	4%
Overdrafts	16,112	13,252	-	949	-	-	1,727	184	-	184	193	59	436	269%	1%
Term loans	362,403	-	-	319,012	-	-	29,781	13,610	-	13,610	11,780	1,189	9,899	81%	4%
CIB	**648,548**	**34,215**	**-**	**167,188**	**-**	**446,702**	**87**	**356**	**-**	**356**	**356**	**-**	**157**	**44%**	**-**
Corporate	221,380	34,215	-	167,188	-	19,534	87	356	-	356	356	-	157	44%	-
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank and other financial institutions	427,168	-	-	-	-	427,168	-	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	**1,069,823**	**47,467**	**-**	**523,095**	**-**	**446,702**	**37,219**	**15,340**	**-**	**15,340**	**13,210**	**1,474**	**12,098**	**88%**	**1%**
Less: Interest in suspense	(1,474)														
Less: Total expected credit losses for loans and advances	(30,829)														
Net carrying amount of loans and advances measured at amortised cost	**1,037,520**														
Financial investments measured at amortised cost															
Corporate	-	-	-	-	-	-	-	-							
Sovereign	640,191	-	-	-	-	497,672	142,519	-							
Bank	-	-	-	-	-	-	-	-							
Other instruments	-	-	-	-	-	-	-	-							
Gross carrying amount	**640,191**	**-**	**-**	**-**	**-**	**497,672**	**142,519**	**-**							
Less: total expected credit loss for financial investments	(42,176)														
Net carrying amount of financial investments measured at amortised cost	**598,015**														
Financial investments at fair value through OCI	-	-	-	-	-	-	-	-							
Corporate	-	-	-	-	-	-	-	-							
Sovereign	39	-	-	-	-	-	39	-							
Bank	-	-	-	-	-	-	-	-							
Other instruments	-	-	-	-	-	-	-	-							
Gross carrying amount	**39**	**-**	**-**	**-**	**-**	**-**	**39**	**-**							
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	41														
Total financial investment at fair value through OCI	**80**														

Off-balance sheet exposures	
Letters of credit and banker's acceptances	38,219
Guarantees	203,344
Irrevocable unutilised facilities	-
Total exposure to off-balance sheet credit risk	**241,563**
Expected credit losses for off-balance sheet exposures	(810)
Net carrying amount of off-balance sheet exposures	**240,753**
Other financial assets	11,337
Expected credit losses for other financial assets	(1,103)
Net carrying amount of other financial assets	**10,234**
Total exposure to credit risk on financial assets subject to an expected credit loss	**1,886,602**
Add the following other banking activities exposures:	
Cash and balances with the central bank	295,921
Derivative assets	238
Trading assets	41,032
Total exposure to credit risk	**2,223,793**

Note: The figures presented in the table above are inclusive of accrued interest as per IFRS requirements.

Table 5: Total credit exposures as per IFRS 7 – 30th June 2025

		SB 1 - 12		SB 13 - 20		SB 21- 25		Default							
	Gross Carrying amount MKm	Stage 1 MKm	Stage 2 MKm	Stage 1 MKm	Stage 2 MKm	Stage 1 MKm	Stage 2 MKm	Stage 3 MKm	Purchased/ originated credit impaired MKm	Total gross carrying amount of default expo-sures MKm	Securi-ties and expected recov-eries on default expo-sures MKm	Interest in sus-pense on default expo-sures MKm	Balance sheet expected credit loss on default expo-sures MKm	Gross default coverage %	Non-per-forming exposures %
Loans and advances at amortised cost															
BCB and PPB	**293,796**	**7,274**	-	**242,617**	3,982	-	**22,545**	**17,378**	-	**17,378**	**1,103**	**1,703**	**14,640**	**94%**	**6%**
Mortgage loans	16,343	-	-	14,602	-	-	824	917	-	917	188	156	573	79%	6%
Vehicle and asset finance	13,310	-	-	9,622	-	-	3,355	333	-	333	73	54	206	78%	3%
Other loans and advances	264,143	7,274	-	218,393	3,982	-	18,366	16,128	-	16,128	842	1,493	13,861	95%	6%
Overdrafts	139,927	-	-	127,153	-	-	7,526	5,248	-	5,248	1,020	695	5,641	121%	4%
Term loans	124,216	7,274	-	91,240	3,982	-	10,840	10,880	-	10,880	1,862	798	8,220	83%	9%
CIB	**517,105**	**47,219**	-	**145,557**	-	**310,892**	**13,400**	**38**	-	**38**	-	-	**38**	**100%**	-
Corporate	208,316	47,219	-	145,557	-	2,103	13,400	38	-	38	-	-	38	100%	-
Sovereign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank and other financial institutions	308,789	-	-	-	-	308,789	-	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	**810,901**	**54,493**	-	**388,174**	**3,982**	**310,892**	**35,945**	**17,416**	-	**17,416**	**1,103**	**1,703**	**14,678**	**94%**	**2%**
Less: Interest in suspense	(1,703)														
Less: Total expected credit losses for loans and advances	(29,202)														
Net carrying amount of loans and advances measured at amortised cost	779,996														
Financial investments measured at amortised cost															
Corporate	-	-	-	-	-	-	-	-							
Sovereign	551,649	-	-	-	-	315,879	235,770	-							
Bank	-	-	-	-	-	-	-	-							
Other instruments	-	-	-	-	-	-	-	-							
Gross carrying amount	551,649	-	-	-	-	315,879	235,770	-							
Less: total expected credit loss for financial investments	(29,523)														
Net carrying amount of financial investments measured at amortised cost	522,126														
Financial investments at fair value through OCI	-	-	-	-	-	-	-	-							
Corporate	-	-	-	-	-	-	-	-							
Sovereign	97	-	-	-	-	-	97	-							
Bank	-	-	-	-	-	-	-	-							
Other instruments	-	-	-	-	-	-	-	-							
Gross carrying amount	97	-	-	-	-	-	97	-							
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	10														
Total financial investment at fair value through OCI	107														

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Off-balance sheet exposures	
Letters of credit and banker's acceptances	47,250
Guarantees	244,522
Irrevocable unutilised facilities	-
Total exposure to off-balance sheet credit risk	291,772
Expected credit losses for off-balance sheet exposures	(767)
Net carrying amount of off-balance sheet exposures	291,005
Total exposure to credit risk on financial assets subject to an expected credit loss	1,593,234
Add the following other banking activities exposures:	
Cash and balances with the central bank	230,201
Derivative assets	7,766
Trading assets	56,834
Other financial assets	19,504
Total exposure to credit risk	1,907,539

Note: The figures presented in the table above are inclusive of accrued interest as per IFRS requirements.

Table 6: Geographical distribution of loans and advances to customers

	2026		2025	
	MKm	**Percentage Concentration**	MKm	Percentage Concentration
Region				
North and central	391,261	61%	297,830	59%
South	251,394	39%	204,282	41%
	642,655	100%	502,112	100%

The Northern and Central regions continued to account for the largest share of the Bank's lending portfolio, representing 61% of total loans and advances to customers as at 30 June 2026, compared to 59% in the prior corresponding period. The increase in regional concentration was primarily driven by seasonal facilities, which are more prevalent within these regions compared to the southern region.

Table 7: Distribution of exposures to customers by industry

	2026		2025	
	MKm	**Percentage Concentration**	MKm	Percentage Concentration
Agriculture, forestry, fishing and hunting	139,990	22%	152,466	30%
Construction	21,872	3%	25,181	5%
Electricity, gas, water and energy	1,016	0%	1,808	0%
Finance and other business services	517	0%	2,200	0%
Manufacturing	88,492	14%	73,899	15%
Mining and quarrying	1,420	0%	587	0%
Transport, storage and communications	45,436	7%	36,954	7%
Wholesale and retail trade	81,737	13%	37,076	8%
Restaurants and Others	14,180	2%	7,631	2%
Community, social and personal services	245,245	39%	161,547	32%
Real Estate	2,750	0%	2,763	1%
	642,655	**100%**	502,112	100%

In June 2026, Community, Social, and Personal Services accounted for 39% of the bank's total loans and advances to customers, up from 32% in June 2025. The Agriculture, Forestry, Fishing, and Hunting sector followed, with its share declining to 22% from 30% in the prior year. The decline in the agriculture sector was primarily driven by client repayments of seasonal facilities, while growth in the Community, Social, and Personal Services sector was supported by increased personal lending and other consumer credit products.

The table below sets out an analysis of credit risk by maturity as of 30th June 2026. Residual maturity of credit exposures is based on contractual dates

Table 8: Residual contractual maturity of credit exposures

	2026							2025						
Maturity	**Up to 1 month MKm**	**>1-3 months MKm**	**>3-12 months MKm**	**Over 1 Year MKm**	**Undated MKm**	**Total MKm**	**RWA MKm**	Up to 1 month MKm	>1-3 months MKm	>3-12 months MKm	Over 1 Year MKm	Undated MKm	Total MKm	RWA MKm
Sovereign or Central Bank	200,906	147,329	241,786	50,291	-	640,312	-	104,351	205,467	239,587	2,724	-	552,129	-
Public sector entities	237	-	410	6,875	-	7,522	7,345	685	-	535	14,731	-	15,951	12,434
Exposure to banks and other financial institutions	164,571	71,119	35,076	156,319	-	427,085	182,195	134,534	80,290	33,173	60,064	-	308,061	137,920
Corporate	56,347	7,104	102,841	46,155	-	212,447	168,250	62,638	14,559	77,188	35,802	-	190,187	188,476
Retail other	74,230	2,646	2,481	331,117	-	410,474	333,789	45,375	3,749	72,282	162,916	-	284,322	222,187
Retail mortgages	-	-	-	7,013	-	7,013	2,942	-	-	76	6,166	-	6,242	4,346
Other assets	421,153	-	-	-	-	421,153	123,496	363,937	-	-	-	-	363,937	133,476
Off balance sheet exposures	79,205	22,785	193,032	30,607	-	325,629	152,811	78,538	96,509	165,918	128,020	-	468,985	191,144
Total Credit risk exposures	**950,045**	**179,864**	**540,550**	**644,929**	**-**	**2,451,635**	**970,828**	**790,058**	**400,574**	**588,759**	**410,423**	**-**	**2,189,814**	**889,983**

Note: In line with Reserve Bank of Malawi guidelines, accrued interest on exposures to public sector entities, corporates, retail (other), and residential mortgages included in the table above has been classified under other assets. This excludes accrued interest on sovereign and central bank exposures, as well as exposures to banks and other financial institutions.

As of 30 June 2026, the Bank's lending portfolio remained predominantly concentrated in short-term facilities, with 74.4% of total credit risk scheduled to mature within one year. These short-term exposures were largely attributable to lending extended to Sovereign and Central Bank counterparties. This is strategically in line with the credit risk profile in the operating environment and is also an outcome of the de-risking of sovereign risk.

Table 9: Classification of loans and leases to customers by sector

	2026				2025			
Sector	**Stage 1 MKm**	**Stage 2 MKm**	**Stage 3 MKm**	**Total MKm**	Stage 1 MKm	Stage 2 MKm	Stage 3 MKm	Total MKm
Agriculture, forestry, fishing and hunting	131,774	6,576	1,151	139,501	148,917	2,423	382	151,722
Mining and quarrying	1,198	140	80	1,418	66	517	-	583
Manufacturing	87,728	59	609	88,396	73,080	368	344	73,792
Electricity, gas, water and energy	-	512	499	1,011	23	436	1,108	1,567
Construction	19,055	1,507	885	21,447	16,305	443	7,236	23,984
Wholesale and retail trade	69,004	9,342	2,480	80,826	26,856	8,353	1,339	36,548
Restaurants and Others	14,061	4	-	14,065	3,229	4,245	-	7,474
Transport, storage and communications	41,327	2,440	396	44,163	21,663	14,050	698	36,411
Financial services	165	342	-	507	785	84	-	869
Community, social and personal services	217,732	16,444	9,240	243,416	145,951	9,157	6,309	161,417
Real estate	2,722	26	-	2,748	2,707	-	-	2,707
Less: Expected credit losses	(5,899)	(11,844)	(12,098)	(29,841)	(4,478)	(9,910)	(14,678)	(29,066)
Total	**578,867**	**25,548**	**3,242**	**607,657**	435,104	30,166	2,738	468,008

Note: In accordance with Reserve Bank of Malawi guidelines, the amounts presented in the table above exclude accrued interest of MK5,157 million (2025: MK5,037 million) and interest in suspense of MK1,474 million (2025: MK1,704 million).

As of 30th June 2026, Stage 1 classification accounted for up to 92% of the bank's gross loans and leases to customers, while Stage 2 and Stage 3 classifications accounted for 6% and 2%, respectively.

Table 10: Distribution of non-performing loans, Stage 3 expected credit losses and interest in suspense

	2026			2025		
Sector	**Non-Performing Loans**	**Stage 3 expected credit losses**	**Interest in suspense**	Non-Performing Loans	Stage 3 expected credit losses	Interest in suspense
	MKm	**MKm**	**MKm**	MKm	MKm	MKm
Agriculture, forestry, fishing and hunting	1,151	296	15	382	368	22
Mining and quarrying	80	80	-	-	-	-
Manufacturing	609	397	48	344	343	2
Electricity, gas, water and energy	499	269	81	1,108	264	110
Construction	885	863	22	7,236	6,709	524
Wholesale and retail trade	2,480	1,694	116	1,339	1,158	65
Restaurants and hotels	-	-	-	-	-	-
Transport, storage and communications	396	330	90	698	547	78
Financial services	-	-	-	-	-	-
Community, social and personal services	9,240	8,169	1,102	6,309	5,289	902
Real estate	-	-	-	-	-	-
Total	**15,340**	**12,098**	**1,474**	**17,416**	**14,678**	**1,703**

In June 2026, the Community, Social, and Personal Services sector accounted for 60% of non-performing loans, up from 36% in June 2025, primarily due to the downgrade of facilities granted to non-governmental clients. This was followed by the Wholesale and Retail Trade sector, which represented 16% of non-performing loans, compared to 8% in June 2025.

Table 11: Reconciliation of changes for impaired loans and advances to customers and charge-offs during the period

	2026	2025
	MKm	MKm
Impaired loans and advances to customers as at 1st January 2026	18,712	23,373
Classified as impaired during the year	7,828	2,655
Transferred to not impaired during the year	(54)	(4,852)
Amount written off	(11,146)	(3,760)
Impaired loans and advances to customers as at 30th June 2026	**15,340**	**17,416**

Table 12: Reconciliation of changes in expected credit losses (ECL)

	2026	2025
	MKm	MKm
Loans and advances to customers expected credit losses (Stage 1 and 2)		
Opening balance at 1st January	19,467	12,458
Total transfers between stages	(5,270)	(300)
ECL on new exposure raised	1,829	1,898
Subsequent changes in ECL	4,061	1,944
Change in ECL due to derecognition	(2,344)	(1,612)
Other movements	-	-
	17,743	**14,388**
Loans and advances to customers expected credit losses (Stage 3)		
Opening balance at 1st January	13,655	14,075
Total transfers between stages	(1,004)	300
ECL on new exposure raised	153	8,915
Subsequent changes in ECL	10,440	(4,852)
Change in ECL due to derecognition	-	-
Other movements	-	-
Write-offs	(11,146)	(3,760)
	12,098	**14,678**
Financial investments expected credit losses (Stage 1 and 2)		
Opening balance at 1st January	30,412	21,834
Total transfers between stages	(26)	-
ECL on new exposure raised	34,012	29,197
Subsequent changes in ECL	(13,178)	(17,086)
Change in ECL due to derecognition	(9,045)	(4,422)
Other movements	-	-
	42,175	**29,523**
Loans and advances to banks expected credit losses (Stage 1 and 2)		
Opening balance at 1st January	2,368	80
Total transfers between stages	-	-
ECL on new exposure raised	3	4
Subsequent changes in ECL	(1,383)	61
Change in ECL due to derecognition	-	(10)
Other movements	-	1
	988	**136**
Off balance sheet credit losses (Stage 1 and Stage 2)		
Opening balance at 1st January	1,098	1,299
Total transfers between stages	(218)	-
ECL on new exposure raised	(12)	44
Subsequent changes in ECL	(46)	(469)
Change in ECL due to derecognition	(11)	(129)
Other movements	-	22
	811	**767**
Expected credit losses as at 30th June 2026	**73,815**	**59,492**

Note: The numbers in the table above do not include interest in suspense.

Table 13: Off-balance sheet items

	2026	2025
	MKm	MKm
Guarantees	203,344	244,522
Letters of Credit	38,219	47,250
Foreign exchange and interest related contracts	11,932	132,328
Unutilised commitments	72,134	44,885
Total	**325,629**	**468,985**

Valuation of collateral

The bank uses the following minimum requirements to value collateral:

- All items proposed as collateral are valued using agreed valuation methodologies and/or evaluators with appropriate expertise, prior to accepting items as collateral.
- The assessors/evaluators of collateral must be independent of the business originators and providers of collateral.
- All collateral is marked to market and revalued at a frequency appropriate to that collateral, taking into account the value and nature of collateral, the ease and cost of valuation and the volatility of the collateral's value.

Monitoring of collateral

The bank uses the following minimum requirements for monitoring of collateral;

- Controls are put in place to monitor the collateral and ensure appropriate action is taken whenever developments may negatively impact its value.
- Annual reviews of collateral performance are conducted to ensure that collateral types remain relevant and that acceptance terms remain appropriate.
- Updates to changes in market and economic conditions are performed at pre-determined intervals.
- Updates to reflect new and existing legislation are performed regularly.
- Collateral is realised in accordance with the delegated authority after all efforts to rehabilitate the customer have been made.
- The Collateral Management Unit maintains a systematically driven, shared diary to ensure that collateral credit events are timeously actioned.

Financial collateral

Where the collateral is not denominated in the same currency as the exposure, an adequate margin for currency fluctuations is set appropriate to the potential currency volatility. The maturity of any collateral is set equal to or greater than the repayment period of the underlying exposure, unless documentation and operational procedures are such that adequate rights and controls are in place to ensure the collateral's value remains available throughout the tenure of the approved facility.

Physical collateral

The bank ensures that physical collateral possesses the following qualities:

- Must be capable of identification and must be documented.
- The location of any such assets must be known or, for movable assets such as vehicles, traceable within a reasonable period.
- Rights of access must be preserved.
- Any third party used to control assets must be able to identify assets which provide collateral.
- Insurance must be in place at all times, covering all appropriate risks.

Types of guarantees and indemnities involved in the bank's credit risk mitigation

The bank ensures that guarantees and indemnities should have the following qualities:

- Explicit:- must be a documented obligation, explicitly referenced to specific exposures or a pool of exposures, so that the extent of the cover is clearly defined and incontrovertible.
- Direct:- the obligation must represent a direct claim on the protection provider.
- Irrevocable:- there are no determinants that the protection provider can amend.
- Unconditional:- obligation of the protection provider to pay immediately when conditions as set in the commitment regarding the third-party obligation are met.
- Complete:- such commitments must cover the full principal of the guaranteed credit facility plus interest, fees, and all other costs, and must include all types of payments the underlying obligor is expected to make under the documentation governing the transaction.

Counterparty credit risk

Counterparty risk is the risk to the bank of loss due to a counterparty's failure to meet its financial and/or contractual obligations to the bank. It has three components:

- Primary credit risk, which is the exposure at default (EAD) arising from lending and related banking product activities, including the underwriting of such products;
- Pre-settlement credit risk, which is the EAD arising from unsettled derivative transactions, arising from the default of the counterparty to the transaction and measured as the cost of replacing the transaction at the current market rates; and
- Issuer risk, which is the EAD arising from traded credit and equity products, includes the underwriting of such products.

MARKET RISK

Market risk

The bank defines market risk as the risk of a change in market value, actual or effective earnings or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse moves in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.
The bank's market risk management framework is based on the Market Risk Standard and Policy approved by the Board.

The market risk management unit is independent of trading operations and accountable to ALCO for monitoring market risk exposures due to trading and banking activities.
The market risk portfolios that the bank manages consist of the trading book as well as the banking book:-

Trading book market risk

A trading book is a collective term for assets held with the intent to trade in the short term; the asset classes included in this category are instruments with tenors not exceeding one year. Market risk in this book arises from adverse price changes (exchange rates or interest rates), which would affect the translation of trading activities when the bank acts as a principal for clients in the market. The bank's policy is that all trading activities are conducted within its trading operations. The exposures are marked to market, and changes in their respective fair value are reflected in profit and loss.

Foreign exchange risk

The bank's primary exposures to foreign currency risk arise from the currency translation effect on its net open positions. The bank is mandated to trade thirteen currencies.

Interest rate risk trading book

For the Money Markets Trading book (MMT), risk emanates from the sensitivity of the book's positions to fluctuations in market interest rates.

Interest rate risk in the banking book

This risk arises from the structural interest rate risk caused by marking-to-market (MTM) in line with IFRS 9, which requires revaluation of assets and liabilities in the banking book. The bank constantly updates the banking book positions to reflect current market prices. The intent in this categorisation is holding to maturity, though paper can be sold in exceptional circumstances, such as liquidity stress and a bearish interest rate environment.

Earnings at Risk (EAR)

EaR is calculated by aggregating the stressed earnings impact from each risk category and expressing the result as a percentage of the projected 12-month Profit Before Tax (PBT). While the definition of stressed earnings remains unchanged, the enhanced methodology provides greater transparency on the drivers of earnings volatility and strengthens risk-informed decision-making. Given that the metric is newly introduced, 2026 is being used as a monitoring period for thresholds defined by the Standard Bank Group (SBG), before SBM-specific risk appetite thresholds are established.

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Table 14: Trading portfolio values

	2026				2025			
Normal VaR	**USD ('000)**				USD ('000)			
	High	**Mean**	**Low**	**Actual**	High	Mean	Low	Actual
Foreign Exchange Trading	180	137	117	164	117	72	39	98
Money Markets Trading	12	11	10	11	7	5	2	6
Money Markets Banking	-	-	-	-	-	-	-	-
Bankwide	182	130	94	161	117	72	40	99
Stress VaR	**USD ('000)**				USD ('000)			
	High	**Mean**	**Low**	**Actual**	High	Mean	Low	Actual
Foreign Exchange Trading	133	106	91	108	142	92	67	79
Money Markets Trading	211	140	93	93	219	142	69	120
Money Markets Banking	2	1	1	2	2	1	1	1
Bankwide	203	135	96	96	221	146	86	115

Utilization of value at risk (VaR) numbers, both normal and stress, was within limit and reduced from the prior period mainly on account of foreign exchange liquidity challenges.

Table 15: Trading securities and derivative assets

	2026				2025			
	Nominal value	**Carry value**	**Mark to market**	**Fair value gain/ (loss)**	Nominal value	Carry value	Mark to market	Fair value gain/ (loss)
	MKm	**MKm**	**MKm**	**MKm**	MKm	MKm	MKm	MKm
Trading securities	45,750	41,032	41,032	-	61,021	56,834	56,834	-
Derivatives assets	-	-	238	238	-	-	7,766	7,766
Total	**45,750**	**41,032**	**41,270**	**238**	61,021	56,834	64,600	7,766

NON-FINANCIAL RISK

Non-Financial risk

Non-Financial risk is a broad term that is usually defined by exclusion, referring to all risks other than the traditional financial risks of market, credit, and liquidity. NFR includes operational risk. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Non-financial risk types include business resilience risk, compliance risk, conduct risk, cyber risk, financial crime risk, information risk, legal risk, people risk, third-party risk, transaction execution risk, technology risk, tax risk, financial accounting risk, environmental, social governance (ESG) risk, model risk, and physical assets, safety and security risk. While strategic, reputational, and business risks are excluded from the definition, the reputational effects of non-financial risk events are considered for management information. Non-financial risk is thus categorised as follows:

- Process risk: the risk of loss arising from failed or inadequate processes. This includes the design and operation of the control framework.
- People risk: the risk of loss arising from issues involving personnel within the bank.
- Systems risk: the risk of loss arising from failed or inadequate systems, security breaches, inadequate systems investment, development, implementation, support and capacity.
- External event risk: the risk of loss arising from external events. This is generally limited to events that impact the operating capability of the group (i.e. it does not include events that impact the areas of market risk, credit risk, or country risk etc.). It also includes risks arising from suppliers, outsourcing, and external system failures.

Non-Financial risk arises in all parts of the bank. Therefore, all senior management are responsible for consistently implementing and maintaining policies, processes and systems for managing non-financial risk in all of material products, services, activities, processes and systems. The ultimate responsibility for establishing, approving and periodically reviewing the Non-Financial Risk Framework however, lies with the Board. The Board oversees senior management to ensure that the framework is implemented effectively at all decision levels.

Non-Financial risk is managed to acceptable levels by continuously monitoring and enforcing compliance with relevant policies and control procedures. The Board has an approved risk appetite statement for non-financial risk– both in quantitative and qualitative statements and Level III metrics – that provides guidance on acceptable levels of risk and summary reporting and escalation requirements in the event that risk tolerances are breached.

The Board has also approved the "Third Party Risk Management policy"; this is meant to ensure that there is an alignment of the outsourcing arrangements with the bank's business objectives, potential risks from third parties addressed, costs and benefits evaluated, responsibilities clearly understood, and regulatory requirements complied with. The bank uses the newly adopted Change Risk Management process in order to address the identification and assessment of risks associated with new and/or amended business, products or services. Other major frameworks are the Business Resilience Management Framework, Information Security Management Framework, Conduct Risk Management Framework and Technology Risk Management Framework.

The practice of non-financial risk management in the bank is overseen by an independent Non-Financial Risk function which performs incident recording, management and analysis, the risk and control self-assessment process, scenario analysis, *inter alia*. Independent assurance on the management of non-financial risk is further provided by Group Internal Audit.

Table 16: Non-financial risk profile

KRI	Limit	2026	2025
Irrecoverable losses (% of gross income), total bank	1%	0.45%	0.03%
Repeat unsatisfactory audit reports, YTD	Nil	-	-
Repeat audit findings, YTD	Nil	-	-
Overdue audit action, total bank >30 days	Nil	-	5
Risk rating		Amber	Amber

The operational loss ratio rose by 0.42 percentage points to 0.45% in June 2026, however it remained within the approved 1% threshold. Audit performance improved, with no repeat unsatisfactory audit ratings and no repeat audit findings. A reduction was also noted in the number of overdue audit actions >30 days to nil as at 30 June 2026, reflecting the effectiveness of proactive risk management measures, including the enhanced use of risk assessments and mitigation.

SUSTAINABILITY RISK

Sustainability Risk

Sustainability risk is the potential for environmental, social, or governance (ESG) factors to negatively affect the Bank's operations, financial performance, or strategic goals. It also includes the risk that the Bank's activities may contribute to environmental harm or negative impacts on society.

The Bank has adopted the Sustainability framework for managing sustainability risks across all business units and corporate functions. The Environmental and Social (E&S) Risk Policy provides principles for assessment and management of environmental and social risks across all activities, including screening of environmental and social harms in lending to corporate, enterprise and commercial clients. Climate Risk Policy has been adopted for the identification, management and disclosures of climate-related risks.

Sustainability risks are identified and prioritised using a double materiality lens of impact and financial materiality. In this respect, sustainability risks are considered transversal in nature encompassing both impact and financial materiality. Sustainability risks manifest as:

- A financial risk (e.g. credit, market) — managed in line with the associated financial risk type governance framework or standard.
- Non-financial risk (e.g. conduct, compliance, business resilience) — managed in line with the Bank Non-Financial Risk Governance Framework, supported by the Non-Financial Risk Management Policy and the Non-Financial Risk Taxonomy.
- A strategic risk — where sustainability factors materially affect the Bank's long-term strategic positioning or expose the Bank to reputational risk.

The Sustainability unit oversees and coordinates sustainability risk management including stress-testing and scenario analysis in line with regulatory and voluntary frameworks. The Sustainability Steering Committee, reporting to the Country Leadership Council, oversees Bank's sustainability strategy including climate-related impacts. The Country Leadership Council provides executive oversight of sustainability risks and ensuring they are appropriately escalated, prioritised, and addressed. The Bank board of directors provides guidance on the Sustainability strategy, overseeing progress against strategic priorities and assessing the effectiveness of sustainability risk management processes. Oversight over sustainability risks and impacts are delegated to several board sub-committees i.e. Board Credit Committee (BCC) and Board Risk Committee (BRC).

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Interest rate risk in the banking book (IRRBB)

IRRBB is the exposure of the bank's financial condition to adverse movements in interest rates. This arises mainly due to a maturity mismatch/different repricing characteristics between the bank's assets and liabilities. Accepting this risk is a normal part of banking as it can be an important source of profitability and shareholder value. However, excessive interest rate risk can pose a serious threat to a bank's earnings and capital base. Changes in interest rates affect the bank's earnings by changing its Net Interest Income (NII) and fair value banking book profit.

The most important sources of interest rate risk are re-pricing risk, yield curve risk, basis risk, optionality risk and endowment risk.

Table 17: Impact of parallel rate shock on NII (FCY)

2026					2025				
Rate Change %	**Bps Change**	**NII USD'000**	**NII Change USD'000**	**NII Change %**	Rate Change %	Bps Change	NII USD'000	NII Change USD'000	NII Change %
(1.00)	(100)	2,120	(217)	(9.31)	(1.00)	(100)	2,511	(183)	(6.82)
-	-	2,337	-	-	-	-	2,695	-	-
1.00	100	2,416	79	3.35	1.00	100	2,813	118	4.40

Table 18: Impact of parallel rate shock on NII (LCY)

2026					2025				
Rate Change %	**Bps Change**	**NII MKm**	**NII Change MKm**	**NII Change %**	Rate Change %	Bps Change	NII MKm	NII Change MKm	NII Change %
(3.50)	(350)	226,413	(25,601)	(10.16)	(3.50)	(350)	246,994	(21,532)	(8.02)
-	-	252,014	-	-	-	-	268,527	-	-
5.00	500	280,800	28,786	11.42	5.00	500	292,941	24,414	9.09

As at the end of June 2026, there was a breach on the local currency NII sensitivity results after applying the respective upward/downward shocks to the prevailing interest rates. The local currency book showed that the NII impact expressed as a percentage of the 12-month forecast NII was outside the 10% limit. Whilst for the foreign currency book, there was no breach and remained within the 10% limit.

EARNINGS AT RISK (EAR)

Earnings at Risk (EAR)

In 2026, the Bank enhanced its stressed earnings framework through the introduction of the Earnings at Risk (EaR) methodology. The revised approach provides a more granular and forward-looking assessment of earnings volatility by quantifying the contribution of individual risk types to potential earnings deterioration, thereby improving management's ability to identify, monitor and mitigate earnings risks across the balance sheet. The methodology incorporates key risk categories including credit, market, interest rate, liquidity, sovereign, equity, strategic and non-financial risks.

EaR is calculated by aggregating the stressed earnings impact from each risk category and expressing the result as a percentage of the projected 12-month Profit Before Tax (PBT). While the definition of stressed earnings remains unchanged, the enhanced methodology provides greater transparency on the drivers of earnings volatility and strengthens risk-informed decision-making. Given that the metric is newly introduced, 2026 is being used as a monitoring period for thresholds defined by the Standard Bank Group (SBG), before SBM-specific risk appetite thresholds are established.

Conclusion

This disclosure document has been prepared in accordance with the regulatory capital framework prescribed in the guidelines on market disclosures. It is intended to provide background information on the bank's approach to risk management as related to maintaining and preserving the bank's capital position. It also includes detailed information about asset and capital calculations under Pillar 1.

For further clarification regarding the disclosures, interested parties are encouraged to submit written inquiries through the bank's official communication channels or contact the Risk Management and Finance offices via the details provided on the bank's website: http://www.standardbank.co.mw.

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List of abbreviations

ALCO	Asset and Liability Committee
AT1	Additional Tier 1 Capital
BCB	Business and Commercial Banking
BCC	Board Credit Committee
BCP	Business Continuity Planning
BIA	Basic Indicator Approach
BIC	Business Indicator Component
BIS	Bank for International Settlements
CAR	Capital Adequacy Ratio
CET1	Common Equity Tier 1
CIB	Corporate and Investment Banking
CRM	Credit Risk Mitigation
CRMC	Credit Risk Management Committee
EAD	Exposure at Default
EAR/EaR	Earnings at Risk
ECL	Expected Credit Losses
ESG	Environmental, Social and Governance
FCY	Foreign Currency
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
KRI	Key Risk Indicator
IRRBB	Interest Rate Risk in The Banking Book
LCY	Local Currency
MK	Malawi Kwacha
MKm	Malawi Kwacha (millions)
MMT	Money Markets Trading
MTM	Mark-to-Market
NFR	Non-Financial Risk
NII	Net Interest Income
OCI	Other comprehensive income
PPB	Personal and Private Banking
RBM	Reserve Bank of Malawi
Rwa/RWAs	Risk Weighted Assets
SBG	Standard Bank Group
SBM	Standard Bank Plc (Malawi)
SICR	Significant Increase in Credit Risk
TCAR	Total Capital Adequacy Ratio
TSA	The Standardised Approach
USD	United States Dollar
VaR	Value-at-Risk

List of figures and tables

Figure

Tables

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