Centenary Bank

A member of Centenary Group

BASEL II MARKET DISCLOSURES

DECEMBER 2025

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1.0 Scope of Application

This report is written in compliance with Pillar III Disclosures under Basel II, to complement the minimum capital adequacy requirements and the supervisory review process conducted by the Reserve Bank of Malawi. It discloses to investors, customers, counterparties and the general public the scope of application of Basel II, capital management, particular risk exposures and risk assessment processes, and hence the capital adequacy of Centenary Bank Limited.

The Financial Services Act section 96 relating to banks and banking groups operating in Malawi requires disclosure to the public of reliable, relevant and timely qualitative and quantitative information that enables users of that information, amongst other things, to make an accurate assessment of a bank or banking group's financial condition, including its capital adequacy position, financial performance, business activities, risk profile and risk management practices.

As part of the Basel II framework, Pillar III – Market Discipline - builds on capital requirements and the supervisory review process by developing a set of disclosures allowing market participants to assess the capital adequacy of the Bank.

This document presents capital structure and adequacy calculations. This report is unaudited but is reviewed by the bank's Internal Audit function to verify accuracy and is reported in billions of Malawi Kwacha, unless otherwise stated.

The report is available on the Bank's website www.centenarybank.co.mw

1.1 Reporting Entity

Centenary Bank limited is a registered commercial bank under the Financial Services Act 2010, licensed by the Registrar of Financial Institutions. The bank was first registered as New Finance Bank Malawi Limited, later it was licensed to conduct business under the MyBucks- Banking Corporation on 3rd May 2019. On 6th March 2023, it was granted license to conduct business as Centenary Banking Limited. Currently it operates 16 branches, 3 micro-finance outlets, and over 290 agency banking outlets. Centenary Bank Limited also operates a Foreign Exchange Bureau.

Centenary Rural Development Group Limited of Uganda and the Catholic Archdiocese of Lilongwe acquired 51% and 49% shareholding in Centenary Bank Limited in Malawi. The Bank's Head Office address is Ekistics House, Convention Drive, City Centre, Lilongwe, Malawi (PO Box 31567). Centenary's business is categorized into Corporate and Retail segments. The Corporate segment serves large businesses, while the Retail segment covers all individuals and Small and Medium Scale enterprises. Retail is Centenary's core area of focus.

1.2 Risk Management Framework

The Bank's Board and Management establish risk management policies to identify and define the risks faced by the Bank, set out appropriate risk limits and controls, and establish processes to ensure adherence to these limits. The Management Risk Committee, Asset and Liability Committee ("ALCO") and Management Credit Committee are among the bodies at Management level which develop, recommend for Board approval and monitor these policies.

A comprehensive annual Internal Capital Adequacy Assessment Process ("ICAAP") is used to understand and quantify material risks the Bank may face. The ICAAP is also used to compare internal capital requirements to regulatory capital requirements in the capital planning process. Capital targets are tied to the ICAAP findings as well as to the regulatory capital requirements. The risk quantification process, including stress testing, serves to model potential risks facing the bank from both strategic and capital requirement perspectives.

Based on risk monitoring, risk probabilities and the identification of any new or escalating risks, capital requirements are assessed at least monthly and any ICAAP findings and material changes to risk are reported periodically to the Board. Risks are monitored and communicated to the Board through its Risk Committee at least quarterly.

2.0 Capital Structure and Adequacy

The Bank's policy is to maintain a capital risk management program which ensures adequate capital to sustain ongoing functioning and future development of the bank, and to meet both regulatory and internal requirements. The Bank recognizes the need to maintain a balance between higher shareholder returns and the security afforded by a sound capital position.

The Bank has committed sources of funding for the required capital from Centenary Rural Development Group Limited of Uganda and the Catholic Archdiocese of Lilongwe. This financial backing insulates the Bank from unexpected events and helps support business growth and strategy.

2.1 Regulatory Capital Position

The Bank's regulatory capital consists of Tier I and Tier 2 capital. Tier I capital includes Common Share Capital, Retained Earnings, 60% of Year-to-Date Earnings and deducts Deferred Tax and 50% of Unconsolidated Subsidiaries. As at December 31st 2025, the Bank had MWK25.03 billion of paid-up share premium. Tier 2 capital includes a portion of the Bank’s Asset Revaluation Reserves, General Loan Loss Reserves and 50% of Unconsolidated Subsidiaries. As at December 2025, the seven-year MWK3.50 billion subordinated debt investment (running from 30th November 2020) no longer contributes to Tier 2 capital, having been fully amortised from the regulatory capital base over the five-year reduction period.

The Bank is following all externally and internally imposed capital requirements. Management uses regulatory capital ratios to monitor the capital base. [Unless otherwise specified, balances are displayed in thousands of Malawi kwacha.]

Capital Adequacy Ratio as at December 31th, 2025

Item	31 Dec 2024	31 Dec 2025	Change %
Paid-up ordinary shares	13,986	13,986	0%
Share premium	24,913,829	25,032,875	0.5%
Retained profits/(accumulated losses)	(6,232,802)	(4,537,020)	27.2%
Current year profits (60%) if loss (100%)	1,814,827	4,767,920	162.7%
General reserves	—	—	—
Deduct: Goodwill	—	—	—
Deduct: 50% Investments in unconsolidated banking and financial subsidiary companies	(15,000)	—	—
Deduct: Investment in the capital of other banks and financial institutions	—	—	—
Deduct: deferred tax assets	(4,348,213)	(3,741,070) [2]	(13.9%)
Total risk-weighted assets	98,187,611	103,724,801	5.6%
Total tier I capital	16,146,627	21,506,690	33.2%
Total tier I capital ratio	16.44%	20.73%	—
Eligible Subordinated Debt (limited to 50% of Tier I capital)	2,099,822	—	(100%)
Asset Revaluation Reserves, General Loan Loss Reserves, 50% Unconsolidated Subsidiaries	(15,000)	—	—
Total tier II capital	2,084,822	—	(100%)
Total tier II capital ratio	2.12%	0.00%	—
Total capital	18,231,449	21,506,690	18.0%
Total capital ratio	18.57%	20.73%	—

3.0 Calculation of Risk-Weighted Assets

The Bank assigns risk weights reflecting different levels of risk to assets that are recognized in the statement of financial position and exposures that are not recognized. Total Risk-Weighted Assets are MWK103.72 billion as at 31st December, 2025. Risk-weighted Assets have three components: Market, Credit and Operational Risks.

The Credit risk component consists of ('000):

- Exposures to the Malawi Government or RBM weighted at 0%. and, therefore, are excluded from this calculation.
- Exposures to Central Government Departments e.g. Immigration and MRA weighted at 0%. These are excluded from the calculation.
- Exposures to local banks with original contractual maturity of less than three months weighted at 20% (0)
- Exposures to banks assigned a Credit Assessment Rating of AAA to AA-, weighted at 20% (2,131,118)
- Claims to local corporates weighted at 100% (4,760,149).
- Corporates past due exposures weighted at 100% (1,326,040).
- Retail exposures (excluding Overdrafts) not exceeding MK150 Million weighted at 75% (23,294,695)
- Overdrafts and Retail exposures above MK150 Million weighted at 100% (9,457,588).
- Retail past due exposures weighted at 100% (1,742,080).
- Claims fully secured by residential mortgage (owner occupied, LTV ≤50%) weighted at 20% (2,508)
- Cash, gold, coins, bullion, foreign notes & coins, statutory reserves with the Reserve Bank of Malawi weighted at 0%. These are therefore excluded from this calculation.
- Cheques in the course of collection weighted at 20% (0)
- Other assets weighted at 100% (7,517,099).
- Off-balance sheet credit substitutes (Guarantees, Letters of credit, Assets pledged as collateral security) weighted at 100% (6,435,967).
- Transaction Related Contingency (Performance Bonds, Stand by L/Cs etc) weighted at 50% (1,441,690)
- Off-balance sheet undrawn commitments weighted at 50% (142,999)

The Market Risk component consists of:
Net foreign exchange exposure weighted at 80% (1,722,993).

The Operational Risk component under the Standardized Measurement Approach is (42,471,367), not factoring in loan loss provisions, operating expenses, extraordinary items or profits/losses from sale of Treasury Investments.

4.0 Credit Risk

Credit Risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In the case of the Bank, credit risk arises through the Bank's lending to customers and banks.
The bank currently uses the Standardized Approach for the credit portfolio as guided by the Reserve Bank of Malawi (RBM).

Oversight of credit risk management resides with the Board. The Management Credit Committee, under the oversight of the Board, monitors and approves the credit risk management program. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, and industry or sector risk).

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

Table: Distribution of Loans and Advances by Sector. (MWK '000s)

Sector	Dec 2024	Dec 2025	Change %
Agriculture, forestry, fishing and hunting	1,232,726	1,262,931	+2.5%
Mining and quarrying	—	722	N/A
Manufacturing	293,825	3,426,694	+1,066.2%
Electricity, gas, water and energy	4,343,695	9,632,294	+121.8%
Construction	4,454,369	185,461	-95.8%
Wholesale and retail trade	13,200,725	2,092,350	-84.1%
Restaurants and hotels	503,127	2,044,464	+306.4%
Transport, storage and communications	3,304,758	—	-100.0%
Financial services	178,047	—	-100.0%
Community, social and personal services	34,450,272	40,438,676	+17.4%
Real estate	1,625,736	5,585,495	+243.6%
Other sectors	—	—	—
TOTAL	**63,587,281**	**64,669,087**	**+1.7%**

5.0 Allowance for loan losses

The Bank maintains an allowance for loan losses (the "allowance") that represents management's probability-weighted estimate of the expected credit losses in the loan portfolio.

This allowance is increased through a provision for loan losses (the "provision") and reduced by net charge-offs.

The Bank adopted IFRS 9 in January, 2018. The allowance for losses is determined using an Expected Credit Loss ("ECL") model. The model uses macroeconomic forecasts across multiple scenarios, factors and forward-looking indicators. Loans are divided into stage 1 (Normal; less than 30 days in arrears), stage 2 (Special Mention; up to 90 days in arrears) and stage 3 (Non-Performing; beyond 90 days in arrears). Unsecured stage three exposures are fully provided for when computing capital adequacy. Collateral offsets provisions of equivalent value for up to 18 months of non-performing status.

Year-on-year Loan Book Movement (MWK '000s)	Dec 2024	Dec 2025	Change %
Gross Loans and Advances	63,587,281	64,669,087	2%
Non-Performing Loans (NPLs)	18,780,092	10,386,986	-45%
IFRS9 Provisions	3,455,695	7,892,033	128%
Non-Performing Loans to Total Loans Ratio	29.54%	16.06%	-46%

Loans and Advances to Customers by IFRS 9 Stages (MWK '000s)

IFRS9 Stages	Dec 2024	Dec 2025	Change %
Stage 1	41,880,385	52,241,205	+24.7%
Stage 2	2,926,805	2,040,896	-30.3%
Stage 3	18,780,092	10,386,986	-44.7%
Total Gross Carrying Amount	**63,587,281**	**64,669,087**	**+1.7%**
Less Loan Allowance	**(5,144,274)**	**(7,892,033)**	**+53.4%**
Net Carrying Amount	**58,443,007**	**56,777,054**	**-2.9%**

Non-Performing Loans and Loan Loss Provisions By Sector

Sector	Dec 2024	Dec 2025
Total	**10,386,986**	**7,892,033**
Agriculture, forestry, fishing and hunting	350,017	121,530
Mining and quarrying	—	—
Manufacturing	1,219,837	6
Electricity, gas, water and energy	1,562,807	501,776
Construction	255	375,704
Wholesale and retail trade	90,551	591
Restaurants and hotels	—	632
Transport, storage and communications	—	—
Financial services	—	6,891,794
Community, social and personal services	7,136,748	—
Real estate	26,771	—
Other sectors	—	—

6.0 Collateral Valuation and Management

The Bank engages qualified property valuation experts who provide us with the open market values of properties as well as the forced sale values as need be. These valuation figures are the ones we attach to the property collateral securities offered by the borrowers. The Bank applies a haircut on the forced sales value. The Bank conducts property inspection every six months on the property pledged by customers to ascertain whether the collateral condition has deteriorated. Currently, the Bank's policy on secured SME and Corporate facilities is to lend a maximum of 60% of collateral forced sale value. As at end-December 2025, 60% of the Bank's lending fell into the secured category, with the majority of unsecured lending consisting of payroll lending to individuals.

7.0 Credit Concentration Risk

Inherent in the credit portfolio is concentration risk. To mitigate this risk, the Bank developed its Credit Risk Policy and Credit Risk Appetite to ensure an appropriate level of diversification in the portfolio.

Table: Industry distribution of exposures, broken down by major types of credit exposures. (MWK'000s)

Sector	Exposure	Percent (%)
Total	**64,669,087**	**100.0%**
Agriculture, forestry, fishing and hunting	1,262,931	2.0%
Mining and quarrying	722	0.0%
Manufacturing	3,426,694	5.3%
Electricity, gas, water and energy	9,632,294	14.9%
Construction	185,461	0.3%
Wholesale and retail trade	2,092,350	3.2%
Restaurants and hotels	2,044,464	3.2%
Transport, storage and communications	—	0%
Financial services	—	0%
Community, social and personal services	40,438,676	62.5%
Real estate	5,585,495	8.6%
Other sectors	—	0%

8.0 Counterparty Risk

The Bank does not have any material counterparty exposure to financial guarantors or derivative counterparties. A conservative approach is taken in managing counterparty credit risk exposures by setting internal limits on total exposure and term.

As of 31th December, 2025, the bank had one large credit exposure above 10% of regulatory capital; all below the regulatory minimum of 25% for a single borrower.

9.0 Securitization Risk

The Bank has no securitization risk as it does not securitize any of its loans and advances portfolios.

10.0 Market Risk

Market Risk is defined as the risk of losses arising from adverse movements in market prices. Normally, the risk stems from all the positions included in a bank's trading book as well as from foreign exchange risk positions on its balance sheet. The Bank does not have any trading book portfolios and, as such, has minimal exposure to market risk. As guided by the Reserve Bank of Malawi the bank uses the Standardized Approach for the banking exposures.

11.0 Operational Risk

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events.

To measure its Operational Risk the Bank uses the Standardized Measurement Approach and Operational Risk Self-Assessments. As part of this approach, there are regular operational status meetings designed to identify and assess the most significant operational risks and to agree on any additional mitigation steps and controls that may be required. These measures are deemed necessary as the Bank recognizes that any Operational Risk could have a significant impact on the business.

12.0 Equity Risk

The Bank has no Equity Risk as it does not hold any equity portfolios.

13.0 Interest Rate Risk

The Bank is exposed to interest rate risk in the banking book through possible rate changes and the resulting mismatch between loans and advances rate and the funding rate. ALCO monitors this potential mismatch, as well as interest rate changes, and reports its findings and recommendations to the Board. Monthly reports assess the bank's level of sensitivity to interest rate shocks.

14.0 Liquidity Risk

Liquidity Risk is the risk that the Bank will not be able to meet financial commitments and obligations when due or may incur significant costs in meeting those obligations. The Bank manages its exposure to short-term and long-term liquidity by ensuring that adequate governance, policies, and procedures are in place to manage cash at all times. Long-range planning and forecasting tools are in place to monitor long-term funding needs.

The Bank holds liquid assets in the form of high-quality securities and balances with Malawian commercial banks in order to meet its regulatory obligations, operational needs and to maintain a stock of unencumbered High-Quality Liquid Assets ("HQLA") as a defense against the potential onset of liquidity stress. As at December 31th, 2025 the balance of HQLA was MWK90.49 billion from MWK56.05 billion in December 2024. The Bank's liquidity ratio was 43.37%, improved year-on-year from 41.73% in December 2024.

ALCO monitors both short-term and long-term liquidity needs. A Liquidity Policy and Liquidity Contingency Funding Plan are in place to ensure funding procedures are maintained during a crisis.

15.0 Deposit Concentration Risk

As of 31th December 2025, total deposits were at MWK208.63 billion, with Term Deposits making up 25.93% of the deposit base. Savings and Demand deposits were at 24.33% and 46.34% of the deposit base, respectively.

The top 20 depositors represented a significant share of the deposit base. As at 31 December 2025, they held MWK 86.72 billion, equivalent to 41.56% of total deposits, compared to MWK 54.16 billion (40.32%) as at 31 December 2024.

16.0 Remuneration

Types of Employees considered Material Risk Takers and Senior Managers

For the purposes of this remuneration policy, Senior Managers and Material Risk Takers have been defined using the Basel II Pillar III disclosure requirements. Senior Managers are defined as those with decision making powers; for example, a member of a senior management committee and holder of a senior management post; able to commit significantly to risk exposures.

Senior Managers:

- Managing Director
- Deputy Managing Director
- Chief Finance Officer
- Company Secretary & Head of Legal
- Head of Risk
- Head of Compliance
- Head of Retail Banking
- Head of Corporate Banking
- Head of Partnerships and Strategy
- Head of Treasury
- Head of Microfinance
- Head of Channels
- Head of Credit
- Head of Operations
- Head of IT
- Head of Human Resources and Administration

The bank has a Remuneration and Benefits Policy. The purpose of the Policy is to motivate and reward key employees for accomplishing individual performance goals established in accordance with the business targets of the Bank. The Policy also supports attainment of the corporate vision through the attraction and retention of high calibre staff.

The Human Resources Committee of the Board is responsible for the review and approval of the Remuneration and Incentives Policy and updates to the Policy. After every policy review, the Head of Human Resources is required to summarize the sections of the policies which have been updated and send to the Committee for its review and approval.

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