FMB capital HOLDINGS plc

2023 ANNUAL FINANCIAL STATEMENTS

Belief comes first.

Contents

Directors' report
for the year ended 31 December 2023

The Board of Directors of FMBcapital Holdings Plc (the Board or the Directors) are pleased to submit their report together with the audited consolidated and separate financial statements of FMBcapital Holdings Plc (the Company) and its subsidiaries (the Group) for the year ended 31 December 2023.

Nature of business
The Company is a public limited liability company incorporated in Mauritius, registered as a Global Business Licence company with the Financial Services Commission in Mauritius, and listed on the Malawi Stock Exchange.

The Company owns and manages a portfolio of direct and indirect subsidiary investments which are principally involved in the provision of commercial banking services. Details of group subsidiaries, including their countries of domicile, are set out in Note 41 of the financial statements.

Directors' interests in the Company
As at 31 December 2023, the total direct and indirect interests of the Directors and parties related thereto in the issued ordinary share capital of the Company were as follows:

		2023		2022	
Name		**Shares**	**%**	Shares	%
Premier Capital (Mauritius) Limited	(i)	**766 266 044**	**31.17%**	766 266 044	31.17%
Summerhill Trust Company	(v)	**480 900 000**	**19.56%**	480 900 000	19.56%
Prime Bank Limited	(v)	**262 500 000**	**10.68%**	262 500 000	10.68%
Prime Capital Holdings Limited	(v)	**262 500 000**	**10.68%**	262 500 000	10.68%
Magni Holdings Limited	(i)	**232 000 000**	**9.44%**	232 000 000	9.44%
Hitesh N Anadkat	(i)	**62 297 891**	**2.53%**	62 797 891	2.55%
N. G. Anadkat Limited	(i)	**27 067 289**	**1.10%**	27 067 289	1.10%
Livingstone Exports Limited	(i)	**13 446 961**	**0.55%**	16 446 961	0.66%
Livingstone Holdings Limited	(i)	**13 116 970**	**0.53%**	13 116 970	0.53%
Thomas Kadantot	(ii)	**1 587 600**	**0.06%**	1 587 600	0.06%
Omega O'Neill	(iii)	**1 309 391**	**0.05%**	1 309 391	0.05%
Shaun Anadkat	(iv)	**700 000**	**0.03%**	700 000	0.03%
Sheena Anadkat	(iv)	**500 000**	**0.02%**	500 000	0.02%
Dillon Anadkat	(iv)	**400 000**	**0.02%**	400 000	0.02%

(i) Mr. H. N. Anadkat and members of his immediate family have beneficial interests in Premier Capital (Mauritius) Limited, NG Anadkat Limited, Livingstone Exports Limited, Magni Holdings Limited and Livingstone Holdings Limited.

(ii Mr. T. Kadantot is a director of First Capital Bank Plc Malawi, a wholly owned subsidiary of the Company.

(iii) Mr. J.M. O'Neill was a director of the Company until May 2022, whereupon he resigned. Mr. J.M. O'Neill has a beneficial relationship with Omega O'Neill.

(iv) Mr. Shaun Anadkat, Ms. Sheena Anadkat and Mr. Dillon Anadkat are immediate family members of Mr. H. N. Anadkat.

(v) Summerhill Trust Company, Prime Bank Limited and Prime Capital Holding Limited are controlled by a common ultimate beneficial owner, who has a director seat with First Capital Bank Plc Malawi, a wholly owned subsidiary of the Company.

The Board of Directors and Directors' remuneration
As at 31 December 2023, the Board comprised of:

Terence Michael Davidson – Chairman
Busisa Moyo
Gavin Chapman
Priscilla Balgobin-Bhoyrul
Susanne Alfs
Hitesh Natwarlal Anadkat
Johannes Christoffel Els
Mahendra Gursahani
Rajkamal Taposeea

The Board is responsible for directing the affairs of the Company in the best interests of its shareholders, in conformity with legal and regulatory frameworks, and consistent with its constitution and best governance practices.

The Company adopts and conforms to the main principles of modern corporate governance and in particular, those principles set out in the guidance for holders of a Global Business Licence in the National Code of Corporate Governance for Mauritius and the Malawi Code II (Code of Best Practice for Corporate Governance in Malawi).

Directors' report (continued)

for the year ended 31 December 2023

The Board of Directors and Directors' remuneration (continued)

The individual remuneration of the Directors is disclosed below:

USD	2023	2022
Directors' remuneration		
Terence M. Davidson	60 000	60 000
Hitesh N. Anadkat	18 000	18 000
Busisa Moyo	18 000	9 000
Johannes C. Els	18 000	18 000
Mahendra Gursahani	18 000	18 000
Priscilla Balgobin-Bhoyrul	18 000	18 000
Rajkamal Taposeea	18 000	18 000
Susanne Alfs	18 000	18 000
John M. O'Neill	–	9 000
	186 000	186 000

Change in functional currency: Zimbabwe

Effective 1 January 2023, the Board of First Capital Bank (FCB) Zimbabwe and Afcarme (Afcarme) Zimbabwe Holdings (Private) Limited implemented a change in functional currency from Zimbabwe Dollar (ZWL) to United States Dollar (USD).

This change was occasioned after careful consideration of a number of fundamental factors, including, but not limited to, a continuing multi-currency legal environment, an increasing prevalence of USD in transactional and trade quoting and settlement, both across the economy and within the FMBCH Group's Zimbabwe operations. This was further supported by various official monetary policy and other statements issued by the Government of Zimbabwe through the Reserve Bank of Zimbabwe, Ministry of Finance, among other organs of the Government, recognising the continued dominance of USD usage across the economy both prior to and into 2023. In addition, during 2023, FCB Zimbabwe listed on the Victoria Falls Stock Exchange, a USD denominated exchange on which listing of all securities, settlement of share sales, and distributions of dividend and interest are all in USD.

These bases for change in functional currency were tested against International Accounting Standard (IAS) 21, and found to be satisfactory by FCB Zimbabwe's and Afcarme's statutory external auditors, Deloitte Zimbabwe. Deloitte issued an unmodified opinion on the annual financial statements of FCB Zimbabwe for the year ended 31 December 2023. Accordingly, the Board of FMBCH and the Board of First Capital Bank Zimbabwe remain satisfied that the change in functional currency was, and is, appropriate and supported by continuing prevailing trade and economic factors specific to the businesses concerned. A consideration of the alternative measurement basis was performed, and the Board concluded that the impact of the same was a prudent and representative measure of FCB Zimbabwe's financial position, performance and cashflows.

The net effect of applying IAS 21 conventions to the statement of profit and loss was to understate net foreign exchange gains and the effects of changes in foreign exchange translation by USD 1.991 million after taxation, as compared to the alternative net monetary loss that would have resulted had IAS 29 conventions been applied instead.

In summary, the Directors view the effect of adopting USD as functional currency as being limited to foreign exchange gains and losses, and alternative net monetary losses, and their related balance sheet impacts.

Further disclosure on this prospective change can be referenced in Notes 2.3.1, 5.6, 6.1.1, and 59 of these financial statements.

Dividend

A second interim dividend in respect of the financial year ended 31 December 2022 of USD 8 312 625 (0.34 US cents per ordinary share) was declared by the Directors in May 2023, and paid in June 2023. An interim dividend in respect of the financial year ended 31 December 2023 of USD 5 162 325 (0.21 US cents per ordinary share) was approved by the Directors in August 2023 and paid in November 2023.

The Directors have approved a final dividend in respect of the financial year ended 31 December 2023 of USD 10 625 148 (0.43 US cents per ordinary share). The financial statements for the current financial year do not reflect this dividend. The dividend will be accounted for in equity as an appropriation of accumulated profits in the financial year ending 31 December 2024, and will be paid upon approval of shareholders at the Annual General Meeting held in June 2024.

The Group's ability to continue as a going concern was also considered, including the normalisation of the COVID-19 pandemic, and varied socio-economic and macroeconomic factors, as well as their impact on the Group's future results. All these factors were managed and responded to adequately through Groupwide governance, strategy and execution, and no unmitigated material risks to the sustainability of the Group's financial results, position and cash flows were noted by the Directors.

Therefore, the dividend in relation to the 2023 financial year will amount to USD 15 787 473 (2022: USD 12 000 000), comprising an interim dividend of USD 5 162 325, or 0.21 US cents per share (2022: USD 3 687 375, or 0.15 US cents) and a final dividend of USD 10 625 148, or 0.43 US cents per share (2022: USD 8 312 625, or 0.34 US cents per share). This will equate to a 30% dividend pay out against profit attributable to owners of the Company (2022: 30%).

Directors' report (continued)

for the year ended 31 December 2023

Financial risk factors

The consideration of major financial risks impacting on the Group's operations has been set out in Note 7 of the financial statements.

Donations

During the year, no donation for political purposes was made by the Company or any of its subsidiaries. As part of its Social Responsibility Strategy, the Company and its subsidiaries continue to engage in corporate social investment for causes including, but not limited to, disaster relief, healthcare advancement, education, culture, youth and sports.

Ethical standards

The Board is fully committed to ensuring the Group's affairs are conducted with integrity and that the highest ethical standards are maintained. All employees of the Group are required to abide by a code of conduct containing detailed guidelines governing ethics and integrity in the workplace. The Company has launched refreshed cultural values aligned to the FMBCH Group strategy, "Growth is our business". These values reinforce the Board's commitment to ethical conduct in all aspects of the Group's dealings.

Auditor's report and financial statements

The independent auditor's report is set out on pages 6 to 11.

Going concern

The Directors have no reason to believe that the Group will not be a going concern in the period ahead. The going concern assessment was performed through a review of the economic conditions in which the Group is expected to perform over the next 12 months, its ability to adapt its strategy, business and operating models to the projected macro environment, financial forecasts and business underwriting capacity. The Group has sufficient capital, human and physical resources, as well as sources of sustainable deposits, and other funding, which are well diversified. The Group is, therefore, able to address short-term as well as medium-term stress factors within reasonable parameters. The Board includes such considerations in its rigorous Internal Capital Adequacy Assessment Planning (ICAAP) process, which form a robust basis to use in the going concern assessment.

On behalf of the Board

Terence Davidson	**Busisa Moyo**
Director	Director

Directors' responsibilities

for the year ended 31 December 2023

The Directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of FMBcapital Holdings Plc, comprising the consolidated and separate statements of financial position as at 31 December 2023 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2023, and the notes to the financial statements which include a summary of accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS®) Accounting Standards. The consolidated and separate financial statements comply with the Mauritius Companies Act, 2001 (the Companies Act) as far as it is applicable to companies holding a Global Business Licence. In addition, the Directors are responsible for preparing the Directors' Report.

The Companies Act requires the Directors to ensure that the Group and Company maintain proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and ensure the financial statements comply with the Companies Act.

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

- Maintenance of proper accounting records
- Selection of suitable accounting policies and applying them consistently
- Making judgements and estimates that are reasonable and prudent
- Compliance with applicable accounting standards, when preparing financial statements, subject to any material departures being disclosed and explained in the consolidated and separate financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume the Company will continue to operate for the foreseeable future.

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

The Directors confirm that they have complied with the above requirements in preparing the consolidated and separate financial statements.

Approval of financial statements

The consolidated and separate financial statements of FMBcapital Holdings Plc as identified in the first paragraph, were approved by the Board of Directors on 31 May 2024 and are signed on its behalf by:

Terence Davidson	**Busisa Moyo**
Director	Director

Certificate from the Secretary

We certify to the best of our knowledge and belief that we have filed with the Registrar all such returns as are required of FMBcapital Holdings Plc, under the Mauritius Companies Act, 2001 during the financial year ended 31 December 2023.

Manogaran Thamothiram
for JTC Fiduciary Services (Mauritius) Limited

Corporate Secretary

Registered Office:
C/o JTC Fiduciary Services (Mauritius) Limited
Unit 5ABC,
5th Floor,
Standard Chartered Tower,
19 Cybercity,
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31 May 2024

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FMBCAPITAL HOLDINGS PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the consolidated and separate financial statements of FMBcapital Holdings Plc (the "Company") and its subsidiaries (the "Group") set out on pages 12 to 179, which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion Section, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at 31 December 2023, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and comply with the Companies Act 2001.

Basis for Qualified Opinion

As described in Note 2.3.1, one of the Group's subsidiaries operating in Zimbabwe, changed its functional currency from Zimbabwean Dollars (ZWL) to United States Dollar (USD) with effect from 1 January 2023. The criteria under IAS 21 – The Effects of Changes in Foreign Exchange Rates for the change in functional currency were not met at 1 January 2023, as the factors supporting the change in the functional currency did not occur earlier than the last quarter of the financial year ended 31 December 2023. Accordingly, given that Zimbabwe is a hyperinflationary economy, IAS 29 Financial Reporting in Hyperinflationary Economies should continue to have been applied by the Zimbabwean subsidiary until the end of the third quarter of the financial year. The incorrect application date of the change in functional currency and the non-application of the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies for the period until the change in functional currency ought to have taken effect, constitute a departure from IFRS Accounting standards. The impact of the departure would cause elements of the consolidated financial statements, including gain or loss on foreign exchange transactions and net monetary loss in the consolidated statement of profit or loss and other comprehensive income, and total equity in the consolidated statement of financial position to be materially misstated. Due to the fact that the accounting records of the underlying subsidiary in Zimbabwe have not been kept in ZWL, but rather in USD as from 1 January 2023, the impact of the misstatements has not been quantified.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and other independence requirements applicable to performing audits of financial statements of the Group and Company and in Mauritius. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in Mauritius. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FMBCAPITAL HOLDINGS PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

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

The Key Audit Matters applies only to the audit of the consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses (ECL) on loans and advances to customers. The Group has a net loans and advances portfolio of USD 716,388,728 as at 31 December 2023. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit impairment for USD 19,792,337. The Group's net loans and advances represented 47% of the Group's total assets at the reporting date. In arriving at the reported expected credit losses, management applied judgements and made assumptions which, by their very nature, are subjective due to the significant uncertainty associated with them. The main inputs with increased complexity in respect of the timing and measurement of ECL include: • Modelled ECL allowance -The Group's loans and advances portfolio is disaggregated into two main sections-Corporate loan book and Retail loan book. The ECL allowance is calculated using a modelled approach. The development and execution of the model requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters.	Our audit procedures in assessing the ECL included the following: We have obtained an understanding of the Group's processes and tested the design effectiveness of the Group's internal controls over credit origination, credit monitoring and credit remediation, as well as the governance process over the approval and review of the Group's ECL models, including management adjustments. Modelled ECL allowance With the assistance of our internal specialists: • We assessed the conceptual soundness of the model construct and statistical/mathematical techniques applied as well as the reasonableness underpinning significant assumptions applied with reference to the requirements of IFRS 9 - Financial instruments, in determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters included in the models; • We independently reperformed the model calculations as per the model documentation (model build steps) and independently recomputed the PD, EAD and LGD parameters using the model build steps and managements inputs, to assess the reasonableness of the ECL model outputs; • Where exceptions were noted in the macroeconomic variables applied, our internal specialists developed a PD challenger model to evaluate the impact using the independently computed variables obtained from our internal economics specialists; • We evaluated the sensitivity of the model outputs for possible changes in the forward-looking information provided by our economic advisory specialists;

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FMBCAPITAL HOLDINGS PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
• Staging – The evaluation of significant increase in credit risk (SICR) are assessed based on the current risk of default of an account relative to its risk of default at origination and the timely allocation of loans and advances to customers to the appropriate stage in accordance with IFRS 9. • Macro-economic forecasts incorporated in modelled ECL -The Group incorporates forward looking information through a scenario matrix which comprises macroeconomic variables such as inflation, general government net debt and unemployment rates. These require management judgement, given the uncertain macroeconomic environment and the complexity of incorporating these scenario forecasts and probability weightings into the estimation of ECL. • Management overlays – Appropriateness, completeness, and valuation of risk event overlays to capture risks not identified by the ECL models, including the consideration of the risk of management override. The calculation of ECL relating to loans and advances to customers was identified as a key audit matter considering the significance to the consolidated financial statements and the high degree of estimation uncertainty due to significant judgements and assumptions applied in the calculation which required increased audit effort and the use of specialists.	• We assessed the data inputs used in the ECL models by reconciling the data inputs to the core banking system, customer agreements and collateral valuation reports; • We tested the Group's legal right to the collateral for a sample of exposures by inspecting legal agreements and valuation reports supporting the collateral valuations included in the Group's ECL models; • We assessed the competency and independence of a sample of the specialists appointed by the Company to determine the value of the collateral by reviewing the specialists' qualifications, credentials and registrations to professional bodies and the engagement contracts agreed with these specialists; • We reviewed on a sample basis, the valuation reports obtained from these specialists and benchmarked the discount rates and asset valuations reported by these specialists against discount rates and asset valuations for similar assets obtained from our own internal valuation specialists and other valuation specialists for similar assets in the same geographical areas; Staging • We assessed the appropriateness of the Group's SICR methodologies and tested the stage allocations of loans and advances to customers to stage 1, 2 or 3 in accordance with International Financial Reporting Standards (IFRS). • Our procedures included obtaining and testing loan arrears reports, verifying that balances are classified in the appropriate stage based on the days past due and credit risk assessments performed and risk ratings determined for individual accounts. • We assessed the risk ratings for a sample of accounts by reviewing the financial statements received from customers, comparing the risk ratings to the Group's credit watchlist, and reviewing the payment behaviour for the selected accounts. We compared the risk ratings for these selected accounts to management's SICR assessment.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FMBCAPITAL HOLDINGS PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
The disclosures associated to Expected credit losses (ECL) on loans and advances are set out in the financial statements in the following notes: Note 11 - Loans and advances to customers. Note 7.1 – Credit risk. Note 51 – Impairment loss on financial assets.	Macro-economic forecasts With the assistance from our economic advisory specialists, we: • Obtained an understanding of how the economic forecasts, as part of forward-looking information, are derived and incorporated in the models; and • Evaluated the adequacy and completeness of economic assumptions used in the models by benchmarking these forecasts for a sample of macroeconomic variables to external sources. Management overlays • We challenged the completeness and appropriateness of overlays used for risks not captured by the models. We assessed the presentation of the Expected Credit Loss and the appropriateness of the accounting policies as well as the adequacy of disclosures by comparing these to the requirements of with IFRS 9 - Financial instruments.

Other matter

The consolidated and separate financial statements of the Group and Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 May 2023.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 181 - page document titled “FMBcapital Holdings Plc 2023 Annual Financial Statements for the year ended 31 December 2023”, which includes the Directors' Report, Directors' Responsibilities and the Certificate from the Secretary as required by the Companies Act 2001. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the 'Basis for Qualified Opinion' section, the Group has incorrectly applied the date of change in one of its subsidiary's functional currency which constitutes a departure from IFRS Accounting standards. We have concluded that the other information in the Directors' Report is materially misstated for the same reason with respect to consolidated financial statements being free from material misstatements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FMBCAPITAL HOLDINGS PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FMBCAPITAL HOLDINGS PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditor and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Ernst & Young

ERNST & YOUNG
Ebène, Mauritius

David Ng Man Chuen

DAVID NG MAN CHUEN, F.C.C.A
Licensed by FRC

Date: 31 May 2024

Statements of financial position

as at 31 December 2023

		Consolidated		Separate	
USD	Notes	**2023**	Restated[1] 2022	**2023**	2022
ASSETS					
Cash and balances with central banks	9	**439 423 064**	384 136 678	**6 515 058**	2 897 440
Money market investments[1]	10	**220 156 226**	210 288 726	**–**	–
Loans and advances to customers	11	**716 388 728**	651 726 217	**–**	–
Repurchase agreements[1]	12	**4 980 131**	5 037 836	**–**	–
Derivative financial assets[1]	13	**6 209 306**	4 391 211	**–**	–
Current tax assets	14	**2 759 472**	2 375 378	**–**	–
Assets held for sale	15	**2 217 391**	132 722	**–**	–
Investments at fair value through profit or loss	16	**9 815 296**	4 610 875	**–**	–
Investments at fair value through other comprehensive income	17	**4 331 698**	5 905 854	**–**	–
Investments in subsidiary companies	18	**–**	–	**141 385 697**	141 385 697
Investment in joint venture	19	**14 339 532**	15 580 000	**–**	–
Other assets[1]	20	**24 862 084**	24 589 026	**5 906 028**	5 441 278
Investment property	21	**1 494 000**	4 800 000	**–**	–
Intangible assets	22	**6 807 976**	8 251 214	**4 037 169**	3 922 738
Right-of-use assets	23	**6 434 133**	6 592 797	**53 301**	41 900
Property and equipment	24	**58 865 593**	54 020 729	**722 426**	785 591
Deferred tax assets	25	**1 447 747**	2 262 313	**–**	–
Total assets		**1 520 532 377**	1 384 701 576	**158 619 679**	154 474 644
LIABILITIES AND EQUITY					
Liabilities					
Balances due to other banks[1]	26	**70 274 378**	36 784 818	**–**	–
Customer deposits	27	**1 096 195 084**	1 039 069 966	**–**	–
Derivative financial liabilities[1]	13	**4 845 227**	3 401 326	**–**	–
Other payables[1,3]	28	**46 285 407**	45 073 798	**1 029 371**	913 623
Current tax liabilities	14	**9 517 616**	3 747 542	**–**	–
Lease liabilities	23	**6 076 986**	6 571 505	**76 052**	63 303
Loans payable[3]	29	**33 835 062**	16 920 504	**16 341 908**	16 890 200
Subordinated debt	30	**11 821 358**	12 446 592	**–**	–
Convertible preference shares	32	**10 786 747**	10 786 747	**10 786 747**	10 786 747
Provisions[2]	34	**6 178 404**	5 574 497	**–**	–
Deferred tax liabilities[2]	25	**8 861 609**	7 441 815	**–**	–
Total liabilities		**1 304 677 878**	1 187 819 110	**28 234 078**	28 653 873
Equity					
Share capital	35	**117 409 081**	117 409 081	**117 409 081**	117 409 081
Restructuring reserve	36	**(54 510 623)**	(54 510 623)	**–**	–
Property revaluation reserve	37	**13 319 772**	10 188 610	**–**	–
Loan loss reserve	38	**5 084 373**	3 097 300	**–**	–
Other reserves	39	**6 624 168**	4 181 042	**–**	–
Foreign currency translation reserve	40	**(82 024 316)**	(50 593 932)	**–**	–
Retained earnings		**131 548 887**	98 145 576	**12 976 520**	8 411 690
Total equity attributable to equity holders of the company		**137 451 342**	127 917 054	**130 385 601**	125 820 771
Non-controlling Interest	41.2	**78 403 157**	68 965 412	**–**	–
Total equity		**215 854 499**	196 882 466	**130 385 601**	125 820 771
Total equity and liabilities		**1 520 532 377**	1 384 701 576	**158 619 679**	154 474 644

1 Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities. Refer to Note 60 for details relating to the restatement.

2 During 2023, the Group reassessed the order of liquidity within the statement of financial position and moved provisions and deferred tax liabilities below convertible preference shares line on the face of the statement of financial position as these items were found to be less liquid than those that precede them in the above presentation. This had no impact on the associated amounts within these line items. The reorder has also been applied to the prior year and notes where the line items are listed.

3 Accrued interest on loans payable has been reclassified from other payables to loans payable. The reclassification has also been applied to prior year.

The consolidated and separate financial statements were approved for issue by the Company's Board of Directors on 31 May 2024 and were signed on its behalf by:

Busisa Moyo
Director

Terence Davidson
Director

FMBcapital HOLDINGS plc

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2023

		Consolidated		Separate	
USD	Notes	2023	Restated[1] 2022	2023	2022
Interest and similar income[1]	42.1	**191 963 977**	147 389 347	**297 000**	291 225
Interest expense and similar charges[1]	42.2	**(55 429 344)**	(38 462 439)	**(2 384 575)**	(2 381 115)
Net interest income/(expense)		**136 534 633**	108 926 908	**(2 087 575)**	(2 089 890)
Fee and commission income	43	**54 416 495**	38 182 479	**–**	–
Fee and commission expense	43	**(1 959 188)**	(1 672 738)	**–**	–
Income from investments	44	**6 291 928**	4 336 994	**23 466 815**	16 366 222
Net gains on foreign exchange transactions[1]	45	**53 752 374**	37 581 693	**657 527**	292 126
Net gains on derivative instruments[1]	13	**2 090 647**	2 000 172	**–**	–
Fair value loss on investment property	21	**(1 088 609)**	–	**–**	–
Other operating income	46	**1 241 492**	2 196 973	**10 055 636**	7 737 330
Total non-interest income		**114 745 139**	82 625 573	**34 179 978**	24 395 678
Total operating income		**251 279 772**	191 552 481	**32 092 403**	22 305 788
Staff and training costs	47	**(56 655 426)**	(47 750 430)	**(5 876 396)**	(4 398 648)
Premises and equipment costs	48	**(18 331 455)**	(14 293 083)	**(2 702 892)**	(1 904 288)
Depreciation and amortisation	49	**(11 709 497)**	(8 667 861)	**(1 525 241)**	(946 369)
Administration and general expenses	50	**(36 303 925)**	(25 583 108)	**(1 437 823)**	(1 406 170)
Total expenses		**(123 000 303)**	(96 294 482)	**(11 542 352)**	(8 655 475)
Impairment loss on financial assets	51	**(13 287 888)**	(4 201 963)	**–**	–
Operating profit		**114 991 581**	91 056 036	**20 550 051**	13 650 313
Net monetary loss	59	**–**	(7 662 127)	**–**	–
Impairment loss on investment in joint venture	19	**–**	(718 662)	**–**	–
Share of (loss)/profit in joint venture	19	**(1 240 468)**	4 423 662	**–**	–
Profit before income tax expense		**113 751 113**	87 098 909	**20 550 051**	13 650 313
Income tax expense	14.1	**(35 007 544)**	(25 904 105)	**(2 510 271)**	(1 691 878)
Profit for the year		**78 743 569**	61 194 804	**18 039 780**	11 958 435
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss					
Revaluation surplus on property	24, 37	**4 514 428**	3 351 097	**–**	–
Deferred tax on revalued property	37	**383 095**	591 712	**–**	–
Fair value (loss)/gain on investments		**(1 572 512)**	399 423	**–**	–
Deferred tax on fair value changes on investments		**388 725**	(57 989)	**–**	–
		3 713 736	4 284 243	**–**	–
Items that will be reclassified subsequently to profit or loss					
Fair value loss on FVOCI financial assets[2]		**(1 324 761)**	(193 994)	**–**	–
Exchange differences on translating foreign operations[3]		**(39 509 298)**	(35 662 819)	**–**	–
		(40 834 059)	(35 856 813)	**–**	–
Total other comprehensive loss for the year		**(37 120 323)**	(31 572 570)	**–**	–
Total comprehensive income for the year		**41 623 246**	29 622 234	**18 039 780**	11 958 435
Profit or loss attributable to:					
Owners of the parent		**52 624 910**	40 088 574	**18 039 780**	11 958 435
Non-controlling interests	41.2	**26 118 659**	21 106 230	**–**	–
Profit for the year		**78 743 569**	61 194 804	**18 039 780**	11 958 435
Total comprehensive income attributable to:					
Owners of the parent		**23 008 713**	17 589 187	**18 039 780**	11 958 435
Non-controlling interests		**18 614 533**	12 033 047	**–**	–
Total comprehensive income for the year		**41 623 246**	29 622 234	**18 039 780**	11 958 435
Basic earnings per share (US cents)	52	**2.141**	1.631		
Diluted earnings per share (US cents)	52	**1.994**	1.525		

1 Prior year financial statements were restated to correct errors relating to the presentation of net gains from derivative financial instruments. Refer to Note 60 for details relating to the restatement.

2 Prior period fair value loss on treasury bills of USD 193 994 in other comprehensive income was previously incorrectly reported under items that will not be reclassified to profit or loss and has been reclassified to items that will be subsequently reclassified to profit or loss.

3 Comparative period incorporates effects of hyperinflation from Zimbabwe. Effective 1 January 2023, Afcarme Zimbabwe Holdings (Private) Limited and its subsidiaries changed functional currency from Zimbabwe Dollar to United States Dollar. Refer to Note 2.3.1.

Statements of changes in equity

for the year ended 31 December 2023

	Consolidated							Consolidated		
USD	Share capital	Restructuring reserve	Property revaluation reserve	Loan loss reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Equity attributable to owners	Non-controlling interests	Total equity
Balance as at 1 January 2023	**117 409 081**	**(54 510 623)**	**10 188 610**	**3 097 300**	**4 181 042**	**(50 593 932)**	**98 145 576**	**127 917 054**	**68 965 412**	**196 882 466**
Profit for the year	–	–	–	–	–	–	52 624 910	52 624 910	26 118 659	78 743 569
Other comprehensive income										
Fair value loss on investments net of deferred tax	–	–	–	–	(621 482)	–	–	(621 482)	(562 305)	(1 183 787)
Fair value loss on FVOCI financial assets	–	–	–	–	(695 493)	–	–	(695 493)	(629 268)	(1 324 761)
Property revaluation	–	–	3 007 472	–	–	–	–	3 007 472	1 506 956	4 514 428
Deferred tax on revalued assets	–	–	123 690	–	–	–	–	123 690	259 405	383 095
Arising on consolidation of foreign subsidiaries	–	–	–	–	–	(31 430 384)	–	(31 430 384)	(8 078 914)	(39 509 298)
Total other comprehensive income	–	–	3 131 162	–	(1 316 975)	(31 430 384)	–	(29 616 197)	(7 504 126)	(37 120 323)
Total comprehensive income for the year	–	–	3 131 162	–	(1 316 975)	(31 430 384)	52 624 910	23 008 713	18 614 533	41 623 246
Transfers within reserves										
Transfer to non-distributable reserve	–	–	–	–	3 759 576	–	(3 759 576)	–	–	–
Net transfer from loan loss reserve	–	–	–	1 987 073	–	–	(1 987 073)	–	–	–
	–	–	–	1 987 073	3 759 576	–	(5 746 649)	–	–	–
Other movements										
Recognition of share-based payments	–	–	–	–	525	–	–	525	475	1 000
	–	–	–	–	525	–	–	525	475	1 000
Transactions with owners, recorded directly in equity										
Contribution by and distribution to owners										
Dividends paid to owners of the parent	–	–	–	–	–	–	(13 474 950)	(13 474 950)	–	(13 474 950)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(9 177 263)	(9 177 263)
Total transactions with owners	–	–	–	–	–	–	(13 474 950)	(13 474 950)	(9 177 263)	(22 652 213)
Balance as at 31 December 2023	**117 409 081**	**(54 510 623)**	**13 319 772**	**5 084 373**	**6 624 168**	**(82 024 316)**	**131 548 887**	**137 451 342**	**78 403 157**	**215 854 499**
Balance as at 1 January 2022	117 409 081	(54 510 623)	6 341 795	2 280 094	4 009 717	(24 170 309)	65 337 350	116 697 105	64 665 160	181 362 265
Profit for the year	–	–	–	–	–	–	40 088 574	40 088 574	21 106 230	61 194 804
Other comprehensive income										
Fair value gain on investments[1]	–	–	–	–	209 737	–	–	209 737	189 686	399 423
Deferred tax on fair value changes on investments	–	–	–	–	(30 450)	–	–	(30 450)	(27 539)	(57 989)
Fair value loss on FVOCI financial assets[1]					(101 866)			(101 866)	(92 128)	(193 994)
Property revaluation	–	–	3 228 028	–	–	–	–	3 228 028	123 069	3 351 097
Deferred tax on revalued assets	–	–	618 787	–	–	–	–	618 787	(27 075)	591 712
Arising on consolidation of foreign subsidiaries[2]	–	–	–	–	–	(26 423 623)	–	(26 423 623)	(9 239 196)	(35 662 819)
Total other comprehensive income	–	–	3 846 815	–	77 421	(26 423 623)	–	(22 499 387)	(9 073 183)	(31 572 570)
Total comprehensive income for the year	–	–	3 846 815	–	77 421	(26 423 623)	40 088 574	17 589 187	12 033 047	29 622 234
Transfers within reserves										
Transfer to non-distributable reserve	–	–	–	–	317 517	–	(317 517)	–	–	–
Net transfer from loan loss reserve	–	–	–	817 206	–	–	(817 206)	–	–	–
	–	–	–	817 206	317 517	–	(1 134 723)	–	–	–
Other movements										
Impairment of FVOCI financial assets	–	–	–	–	(223 585)	–	–	(223 585)	(202 218)	(425 803)
Shares issued to non-controlling interests through exercise of share options	–	–	–	–	(28)	–	–	(28)	28	–
	–	–	–	–	(223 613)	–	–	(223 613)	(202 190)	(425 803)
Transactions with owners, recorded directly in equity										
Contribution by and distribution to owners										
Arising on increase of control in subsidiary	–	–	–	–	–	–	–	–	–	–
Dividends paid to owners of the parent	–	–	–	–	–	–	(6 145 625)	(6 145 625)	–	(6 145 625)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(7 530 605)	(7 530 605)
Total transactions with owners	–	–	–	–	–	–	(6 145 625)	(6 145 625)	(7 530 605)	(13 676 230)
Balance as at 31 December 2022	117 409 081	(54 510 623)	10 188 610	3 097 300	4 181 042	(50 593 932)	98 145 576	127 917 054	68 965 412	196 882 466

1 Fair value gain on investments and fair value loss on FVOCI financial have are presented separately to align with classification in statement of other comprehensive income.
2 Incorporates effects of hyperinflation.
3 Impairment of FVOCI financial assets was incorrectly classified under Transfers within reserves, but in the current reporting period, has been reported under Other movements. The same has been done for the comparative period.

Statements of changes in equity (continued)

for the year ended 31 December 2023

	Separate		
USD	Share capital	Retained earnings	Total equity
Balance as at 1 January 2023	**117 409 081**	**8 411 690**	**125 820 771**
Profit for the year	**–**	**18 039 780**	**18 039 780**
Total comprehensive income	**–**	**18 039 780**	**18 039 780**
Transactions with owners, recorded directly in equity			
Contribution by and distribution to owners			
Dividends paid to owners	**–**	**(13 474 950)**	**(13 474 950)**
Total transactions with owners	**–**	**(13 474 950)**	**(13 474 950)**
Balance as at 31 December 2023	**117 409 081**	**12 976 520**	**130 385 601**
Balance as at 1 January 2022	117 409 081	2 598 880	120 007 961
Profit for the year	–	11 958 435	11 958 435
Total comprehensive income	–	11 958 435	11 958 435
Transactions with owners recorded directly in equity			
Contribution by and distribution to owners			
Dividends paid to owners	–	(6 145 625)	(6 145 625)
Total other comprehensive income	–	(6 145 625)	(6 145 625)
Balance as at 31 December 2022	117 409 081	8 411 690	125 820 771

FMBcapital HOLDINGS plc

Statements of cash flows

for the year ended 31 December 2023

USD	Notes	Consolidated 2023	Consolidated Restated[1] 2022	Separate 2023	Separate 2022
Cash flows from operating activities					
Interest and fees received[1]		**277 343 044**	183 780 147	**9 822 137**	8 978 686
Interest paid[1]		**(52 110 374)**	(29 392 146)	**(2 033 855)**	(3 022 624)
Cash paid to suppliers and employees[1]		**(100 876 172)**	(44 023 169)	**(9 043 747)**	(9 498 321)
Changes in mandatory reserves at central bank[2]		**(39 390 955)**	3 454 033	**–**	–
		84 965 543	113 818 865	**(1 255 465)**	(3 542 259)
Increase in net customer balances[1]		**120 459 408**	165 726 786	**–**	–
Cash generated from/(used in) operations		**205 424 951**	279 545 982	**(1 255 465)**	(3 542 259)
Dividends received		**183 597**	667 057	**23 326 111**	16 210 876
Income taxes paid	14.3	**(29 501 653)**	(18 724 250)	**(2 510 271)**	(1 691 878)
Cash generated from operating activities		**176 106 895**	261 488 458	**19 560 375**	10 976 739
Cash flows from investing activities					
(Purchases)/maturities of money market investments	10	**(104 958 389)**	11 964 320	**–**	–
(Purchases)/maturities of repurchase agreements[1]	12	**(2 868 551)**	42 706 004	**–**	–
Proceeds from sale of investments at fair value through profit or loss	16	**97 645**	4 545 180	**–**	–
Proceeds from sale of equipment		**328 300**	199 089	**–**	–
Acquisition of property and equipment and intangible assets	22, 24	**(15 734 323)**	(13 017 183)	**(1 568 796)**	(2 658 183)
Purchase of digital gold coins	16	**(4 320 000)**	–	**–**	–
Dividends received		**981 000**	–	**–**	–
Net cash (used in)/generated from investing activities		**(126 474 318)**	46 397 410	**(1 568 796)**	(2 658 183)
Cash flows from financing activities					
Proceeds from issue of shares		**–**	72	**–**	–
Subordinated debt issued by subsidiary		**–**	–	**–**	(3 300 000)
Dividends paid to non-controlling interests		**(9 177 263)**	(7 530 605)	**–**	–
Dividends paid to owners		**(13 474 950)**	(6 145 625)	**(13 474 950)**	(6 145 625)
Payments for lease liabilities		**(2 474 352)**	(2 005 970)	**(4 589)**	(75 022)
Proceeds from/(repayments of) short and long term borrowings	26.2	**46 430 891**	(175 516 285)	**(894 422)**	(5 000 000)
Net cash generated from/(used in) financing activities		**21 304 326**	(191 198 413)	**(14 373 961)**	(14 520 647)
Net increase/(decrease) in cash and cash equivalents		**70 936 903**	116 687 786	**3 617 618**	(6 202 091)
Cash and cash equivalents at beginning of year[2]		**376 787 540**	297 936 486	**2 897 440**	9 099 531
Effect of changes in exchange rate		**(55 002 875)**	(37 836 401)	**–**	–
Cash and cash equivalents at 31 December[3]	9	**392 721 568**	376 787 540	**6 515 058**	2 897 440

1 Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities. Refer to Note 60 for details relating to the restatement.

2 In the current period, balances held by FCB Mozambique with the Bank of Mozambique for mandatory reserving requirements have been excluded from cash and cash equivalents for the purpose of statement of cash flows. This amendment has also been applied to prior period. Refer to Notes 9 and 60 for details relating to the restatement.

3 Consolidated cash and cash equivalents at 31 December 2023 are gross amounts excluding expected credit losses of USD 37 195 (2022: USD 14 730), cash collateral of USD 229 668 (2022 USD Nil), and restricted cash balance of USD 46 738 691 (2022: USD 7 063 868) held by First Capital Bank S.A. (Mozambique) (FCB Mozambique) with the Bank of Mozambique for mandatory reserving requirements.

Notes to the financial statements

for the year ended 31 December 2023

1 Reporting entity

FMBcapital Holdings Plc (the Company or FMBCH) was incorporated in the Republic of Mauritius under the name of FMB Capital Holdings Limited as a public company limited by shares under the Companies Act, 2001 and holds a Global Business Licence issued by the Financial Services Commission under the Financial Services Act 2007. The principal activity of the Company is to hold investments. The Company is listed on the Malawi Stock Exchange and has a branch office registered as a foreign company in Malawi.

These consolidated and separate financial statements comprise the Company and its subsidiaries (collectively the Group). The Group is primarily involved in corporate, investment and retail banking.

2 Basis of preparation

2.1 Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

The consolidated and separate financial statements also comply with the Mauritius Companies Act, 2001 in so far as applicable to a company holding a Global Business Licence.

2.2 Basis of measurement

The consolidated and separate financial statements are prepared on the historical cost basis except for the following:

- properties which are revalued to fair value;
- financial instruments at fair value through profit or loss (FVPL);
- financial instruments at fair value through other comprehensive income (FVOCI);
- subsidiary reporting in the currency of a hyperinflationary economy; and
- derivative financial instruments.

The Group has prepared its consolidated financial statement on the basis that it will continue to operate as a going concern.

2.3 Significant changes in the current reporting period

2.3.1 Change of functional currency

Afcarme Zimbabwe Holdings (Private) Limited (Afcarme) and FCB Zimbabwe (the Bank) changed their functional currency from Zimbabwe Dollars (ZWL) to United States Dollars (USD) with effect from 1 January 2023. Afcarme is solely the investment holding company carrying an interest of 52.49% in the Bank's issued ordinary share capital.

Key factors and developments evaluated to support the transition to USD as functional currency with effect from 1 January 2023 include:

a) the USD has become the dominant currency on the Bank's balance sheet, constituting more than 80% of both financial assets and financial liabilities

b) more than 60% of revenue earned is denominated in USD

c) the USD is the currency that mainly influences the Bank's labour, technology and other costs incurred in the provision of services

d) Zimbabwe is a multi-currency environment in which the operation of USD on the market is widely recognised with some Zimbabwe Government assets and liabilities being realised or settled in USD

e) There was a material change in circumstance over 2022 and 2023 leading to the Confederation of Zimbabwe (CZI), Zimbabwe Statistics and Reserve Bank of Zimbabwe advising in the Reserve Bank's Monetary Policy Statement of February 2023 that the economy was over 75% in United States Dollars, and deposits were at 64.6% in United States Dollars.

The Bank migrated its listing to the Victoria Falls Stock Exchange (VFEX) during the year under review from the Zimbabwe Stock Exchange. Being established in an Offshore Financial Services Center, the primary currency for trading on the VFEX is the USD.

Consequently, it is expected that future funding for the Bank in the form of equity based or listed debt instruments will be generated in USD.

Based on the above, Afcarme's Board of Directors concluded that conditions under IAS 21 "The Effects of Changes in Foreign Exchange Rates" for a change in functional currency were met with effect from 1 January 2023.

IAS 21 requires the effects of changes in functional currency to be accounted for prospectively.

The most recent reported financial results for the year ended 31 December 2022, prepared under IAS 29 "Financial Reporting in Hyperinflationary Economies" were translated using the closing rate as at 31 December 2022.

Notes to the financial statements (continued)

for the year ended 31 December 2023

2 Basis of preparation (continued)

2.3 Significant changes in the current reporting period (continued)

2.3.2 Changes in the macroeconomic environment

In 2023, the macroeconomic environment significantly impacted the operations of the FMBCH Group banking operations across the corporate-commercial-retail segments in Botswana, Malawi, Mozambique, Zambia, and Zimbabwe.

Persistent inflationary pressures across these markets have influenced central banks' monetary policies, leading to increased interest rates in an attempt to stabilize local currencies and curb inflation. In Botswana and Mozambique, while there has been some easing of inflation, imminent elections are strong forebears of likely post-election spending programmes, thus likely to see any easing as transitory. Additionally, in a bid to stabilise local currencies, and balance against tight foreign currency liquidity, central banks have issued increased local and foreign currency deposit reserve requirements.

This tightening of monetary policy has variably affected loan demand and credit risk, as higher borrowing costs tend to dampen business investment and consumer spending. Additionally, regional economic disparities, such as currency volatility and differing economic recovery speeds post-pandemic, have necessitated tailored financial products and risk management strategies unique to each country's economic condition. Moreover, the economic environment has underscored the importance of digital banking solutions to adapt to changing consumer behaviours and enhance operational resilience. Also, an enhanced review of operating model efficiencies and optimal cost structures has been necessary in order to reinforce performance sustainability. This backdrop frames the bank's strategic adjustments and risk assessments in its financial reporting for the year.

2.4 IAS 29 Financial reporting in hyperinflationary economies

The Zimbabwe economy remained hyperinflationary for the year ended 31 December 2023. However, the Group ceased to apply the provisions of IAS 29 with effect from 1 January 2023 following Afcarme's and First Capital Bank Zimbabwe's functional currency change to United States Dollar as described in notes 2.3 and 5.6.

The comparative financial statements of the Group's Zimbabwe subsidiaries were restated for changes in the general purchasing power of their functional currency, the Zimbabwe Dollar, in order to state them in terms of the measuring unit current as at 31 December 2022, in accordance with the principles laid down in IAS 29. These are summarised below:

- Monetary items are not restated at the balance sheet date as they are already expressed in terms of their current value.
- Where the relevant Group accounting policy requires that a non-monetary asset is carried at fair value or revalued amount, the Group policy continues to be applied.
- The restated values of non-monetary assets are tested for impairment and, where necessary, adjustments are made in accordance with the Group policies on impairment.
- Non-monetary assets and liabilities carried at historical cost are adjusted to reflect the change in the general price index from the recognition date to the end of the reporting period.
- All items recognised in the statement of comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred to the end of the reporting period.
- The loss in purchasing power arising from holding an excess of monetary assets over monetary liabilities is included in the profit and loss account. It is derived as the difference arising from the restatement of non-monetary items, equity and items in the statement of comprehensive income.

For consolidation purposes, the difference arising on restatement of opening equity in accordance with IAS 29 and the exchange difference arising on its translation to the Group presentation currency are accounted for through other comprehensive income for the year.

The Group determined that the Zimbabwe All Items Consumer Price Index (CPI) was the most appropriate indicator of changes in the purchasing power of the Zimbabwe Dollar. It further elected to use the published interbank exchange rate for the USD for the purposes of translation of Zimbabwe Dollar financial statements to the Group presentation currency.

Year-end indices and rates	2023	2022
CPI	–	13 673
USD interbank rate	–	687.28

Notes to the financial statements (continued)

for the year ended 31 December 2023

3 Adoption of new and revised International Financial Reporting Standards

There are no new or amended standards that are effective for the current reporting that had a significant impact on the Group. The Group and Company also did not early adopt any amended standards during the current reporting period.

3.1 New and amended standards and interpretations

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standard/ Interpretation	Content	Applicable for financial years beginning on or after
IFRS 17 Insurance Contracts	IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (that is, life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by: • A specific adaptation for contracts with direct participation features (the variable fee approach) • A simplified approach (the premium allocation approach) mainly for short-duration contracts The new standard had no impact on the Group's consolidated financial statements. The amendments had no impact on the Group's financial statements.	1 January 2023
Definition of Accounting Estimates – *Amendments to IAS 8*	The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's financial statements.	1 January 2023
Disclosure of Accounting Policies – *Amendments to IAS 1 and IFRS Practice Statement 2*	As explained in note 2.3, the amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. Accounting policy notes have been updated to only include material accounting policies.	1 January 2023

Notes to the financial statements (continued)
for the year ended 31 December 2023

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

3.1 New and amended standards and interpretations (continued)

Standard/ Interpretation	Content	Applicable for financial years beginning on or after
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – *Amendments to IAS 12*	The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's financial statements.	1 January 2023
International Tax Reform-Pillar Two Model Rules – *Amendments to IAS 12*	The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include: • A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and • Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date. The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year.	1 January 2023

3.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard/ Interpretation	Content	Applicable for financial years beginning on or after
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Group's financial statements.	1 January 2024

Notes to the financial statements (continued)

for the year ended 31 December 2023

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

3.2 Standards issued but not yet effective (continued)

Standard/ Interpretation	Content	Applicable for financial years beginning on or after
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within 12 months. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.	1 January 2024
Supplier Finance Arrangements – *Amendments to IAS 7 and IFRS 7*	In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's financial statements.	1 January 2024

Notes to the financial statements (continued)

for the year ended 31 December 2023

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

3.2 Standards issued but not yet effective (continued)

Standard/ Interpretation	Content	Applicable for financial years beginning on or after
Amendments to IAS 21 in Lack of Exchangeability	The amendments in Lack of Exchangeability (Amendments to IAS 21) amend IAS 21 to: (a) Specify when a currency is exchangeable into another currency and when it is not A currency is exchangeable when an entity can exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency. (b) Specify how an entity determines the exchange rate to apply when a currency is not exchangeable When a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing. Require the disclosure of additional information when a currency is not exchangeable when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows. The changes are not expected to have a material impact on the Group and Company's financial statements.	1 January 2025
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitutes a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. These amendments are not expected to have a material impact on the Group financial statements.	The effective date of these amendments is not determined.

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Notes to the financial statements (continued)

for the year ended 31 December 2023

4 Segment reporting

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-maker (CODM). The CODM has been identified as the Group Chief Executive Officer/Group Managing Director as he makes the key operating decisions of the Group and is responsible for allocating resources and assessing performance.

Key internal reports received by the CODM, primarily the management accounts, focus on the performance of the Group as a whole by geographic location. The operations of all elements of the business are driven by the corporate and retail banking environment and hence have fundamentally the same economic characteristics.
All operational decisions made are focused on the performance and growth of the corporate and retail banking and the ability of the business to meet customers' needs.

USD	Botswana	Malawi	Mauritius	Mozambique	Zambia	Zimbabwe	Adjustments	Consolidated total
2023								
Interest and similar income	52 744 410	53 494 124	297 000	33 331 094	28 530 798	24 676 770	(1 110 219)	191 963 977
Interest expense and similar charges	(19 478 057)	(12 995 589)	(2 390 975)	(9 439 840)	(10 643 757)	(1 703 242)	1 222 116	(55 429 344)
Net interest income/(expense)	**33 266 353**	**40 498 535**	**(2 093 975)**	**23 891 254**	**17 887 041**	**22 973 528**	**111 897**	**136 534 633**
Fee and commission income	2 458 422	17 311 513	–	5 966 396	3 187 785	25 594 262	(101 883)	54 416 495
Fee and commission expense	(341 137)	–	–	(646 174)	(956 877)	(15 000)	–	(1 959 188)
Income from investments	–	5 899 089	23 466 815	10 486	–	382 353	(23 466 815)	6 291 928
Gain on foreign exchange transactions	2 394 431	9 386 565	605 397	16 166 263	4 223 863	24 263 556	(3 287 701)	53 752 374
Net gains on derivative instruments	2 090 647	–	–	–	–	–	–	2 090 647
Fair value loss on investment property	–	–	–	–	–	(1 088 609)	–	(1 088 609)
Other operating income	244 311	332 588	14 600 238	53 358	308 213	260 451	(14 557 667)	1 241 492
Total non-interest income	**6 846 674**	**32 929 755**	**38 672 450**	**21 550 329**	**6 762 984**	**49 397 013**	**(41 414 066)**	**114 745 139**
Total operating income	**40 113 027**	**73 428 290**	**36 578 475**	**45 441 583**	**24 650 025**	**72 370 541**	**(41 302 169)**	**251 279 772**
Staff and training costs	(7 646 469)	(11 224 721)	(9 103 937)	(7 151 725)	(4 911 879)	(16 616 695)	–	(56 655 426)
Premises and equipment costs	(1 463 987)	(3 962 077)	(3 388 592)	(1 556 769)	(1 331 611)	(6 628 419)	–	(18 331 455)
Depreciation and amortisation	(950 010)	(2 504 116)	(1 926 980)	(1 362 404)	(720 000)	(4 245 987)	–	(11 709 497)
Administration and general expenses	(6 209 010)	(14 322 754)	(1 528 652)	(4 657 633)	(4 321 631)	(19 683 160)	14 418 915	(36 303 925)
Total expenses	(16 269 476)	(32 013 668)	(15 948 161)	(14 728 531)	(11 285 121)	(47 174 261)	14 418 915	(123 000 303)
Impairment loss on financial assets	(1 926 731)	(2 631 229)	–	(3 325 607)	(767 122)	(4 637 199)	–	(13 287 888)
Operating profit	**21 916 820**	**38 783 393**	**20 630 314**	**27 387 445**	**12 597 782**	**20 559 081**	**(26 883 254)**	**114 991 581**
Net monetary loss	–	–	–	–	–	–	–	–
Share of profit in joint venture	–	–	–	–	–	(1 240 468)	–	(1 240 468)
Profit before income tax expense	**21 916 820**	**38 783 393**	**20 630 314**	**27 387 445**	**12 597 782**	**19 318 613**	**(26 883 254)**	**113 751 113**
Income tax expense	(5 133 078)	(12 488 043)	(2 510 271)	(8 202 769)	(3 738 395)	(3 620 404)	685 416	(35 007 544)
Profit for the year	**16 783 742**	**26 295 350**	**18 120 043**	**19 184 676**	**8 859 387**	**15 698 209**	**(26 197 838)**	**78 743 569**
Segment assets	482 525 947	287 619 961	161 758 503	283 838 470	247 028 240	242 886 491	(185 125 235)	1 520 532 377
Segment liabilities	(430 419 835)	(241 164 349)	(28 789 356)	(233 337 822)	(227 834 336)	(175 771 918)	32 639 738	(1 304 677 878)

Notes to the financial statements (continued)

for the year ended 31 December 2023

4 Segment reporting (continued)

USD	Botswana Restated	Malawi	Mauritius	Mozambique	Zambia	Zimbabwe	Adjustments	Consolidated total Restated
2022								
Interest and similar income[1]	41 898 986	42 192 039	291 225	17 382 447	27 380 624	19 350 176	(1 106 150)	147 389 347
Interest expense and similar charges[1]	(14 170 095)	(8 845 031)	(2 394 321)	(4 509 304)	(8 656 725)	(956 906)	1 069 943	(38 462 439)
Net interest (expense)/income	**27 728 891**	**33 347 008**	**(2 103 096)**	**12 873 143**	**18 723 899**	**18 393 270**	**(36 207)**	**108 945 196**
Fee and commission income	2 382 259	9 302 627	–	4 682 471	4 448 718	17 742 191	(375 787)	38 182 479
Fee and commission expense	(203 831)	–	–	(627 221)	(837 608)	(4 078)	–	(1 672 738)
Income from investments	–	3 920 244	16 366 222	(6 287)	–	423 037	(16 366 222)	4 336 994
Net gains on derivative instruments[1]	2 000 172	–	–	–	–	–	–	2 000 172
Gain on foreign exchange transactions[1]	2 293 538	7 559 397	296 538	10 486 129	3 803 575	13 761 377	(618 861)	37 581 693
Fair value loss on investment property	–	–	–	–	–	–	–	–
Other operating income	431 789	524 902	11 278 861	(21 665)	631 796	673 761	(11 322 471)	2 196 973
Total non-interest income	**6 903 927**	**21 307 170**	**27 941 621**	**14 513 427**	**8 046 481**	**32 596 288**	**(28 683 341)**	**82 625 573**
Total operating income	**34 632 818**	**54 654 178**	**25 838 525**	**27 386 570**	**26 770 380**	**50 989 558**	**(28 719 548)**	**191 552 481**
Staff and training costs	(6 704 247)	(11 407 730)	(6 756 230)	(5 519 445)	(5 213 528)	(12 149 250)	–	(47 750 430)
Premises and equipment costs	(3 328 835)	(8 586 962)	(134 592)	(520 623)	(301 077)	(1 420 994)	–	(14 293 083)
Depreciation and amortisation	(933 250)	(2 702 560)	(1 329 215)	(1 326 002)	(806 483)	(1 570 351)	–	(8 667 861)
Administration and general expenses	(4 636 026)	(5 428 725)	(3 936 764)	(3 818 295)	(5 354 889)	(14 893 870)	12 485 461	(25 583 108)
Total expenses	(15 602 358)	(28 125 977)	(12 156 801)	(11 184 365)	(11 675 977)	(30 034 465)	12 485 461	(96 294 482)
Impairment loss on financial assets	(1 489 367)	(209 782)	–	(755 956)	(751 505)	(995 353)	–	(4 201 963)
Operating profit	**17 541 093**	**26 318 419**	**13 681 724**	**15 446 249**	**14 342 898**	**19 959 740**	**(16 234 087)**	**91 056 036**
Net monetary loss	–	–	–	–	–	(7 662 127)	–	(7 662 127)
Impairment loss on investment in joint venture	–	–	–	–	–	(718 662)	–	(718 662)
Share of profit in joint venture	–	–	–	–	–	4 423 662	–	4 423 662
Profit before income tax expense	**17 541 093**	**26 318 419**	**13 681 724**	**15 446 249**	**14 342 898**	**16 002 613**	**(16 234 087)**	**87 098 909**
Income tax expense	(3 878 131)	(6 977 294)	(1 691 878)	(4 396 406)	(4 331 180)	(4 629 216)	–	(25 904 105)
Profit for the year	**13 662 962**	**19 341 125**	**11 989 846**	**11 049 843**	**10 011 718**	**11 373 397**	**(16 234 087)**	**61 194 804**
Segment assets	427 624 378	307 454 488	159 149 537	197 986 088	221 166 228	222 442 248	(151 121 391)	1 384 701 576
Segment liabilities	(385 756 004)	(247 020 389)	(30 804 249)	(160 522 160)	(199 002 454)	(170 932 627)	6 218 773	(1 187 819 110)

1 Prior year financial statements were restated to correct errors relating to presentation of net gains from derivative financial instruments. Refer to note 60 details relating to the restatement.

2 Segment performance is measured consistently with operating profits or losses in the consolidated financial statements.

3 Transfer prices between operating segments are based on the Group's internal pricing framework.

4 Eliminations include inter-segmental transactions and balances.

5 Total operating income is attributable based on where the operations are located.

Notes to the financial statements (continued)

for the year ended 31 December 2023

5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amount of income, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent assets and liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Actual results may differ from these estimates.

In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2023.

5.1 Expected credit losses (ECL) on financial assets

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. ECL is measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk (SICR). In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

The following are key estimations that have been used in the process of applying the Group's accounting policies:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario: When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default (PD): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default (LGD): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, considering cash flows from collateral and integral credit enhancements.

5.2 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 7 for further disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

5 Significant accounting judgements, estimates and assumptions (continued)

5.3 Financial assets at fair value through other comprehensive income

Equity instruments

The fair value of these unquoted equity investments was determined using the dividend growth model. Dividend growth in perpetuity was estimated using the weighted average cost of capital of the investment. Estimation of the cost of equity and future cash flows is an area of significant judgement.

Treasury bills and bonds

These instruments are not actively traded, hence the valuation inputs are unobservable. The unobservable inputs are generally determined based on inputs of similar nature or historical observations. Treasury bills are fair valued based on yields of recent treasury bill issues.

5.4 Useful lives and residual values

The Group depreciates its property and equipment on a straight-line basis by allocating the depreciable amount (original cost less estimated residual value) equally over its estimated useful life. Residual values are estimated by considering the disposal values of similar assets if they were in the condition expected at the end of the asset's life, at the reporting date. Useful lives are also reviewed annually and are adjusted when it is evident that the economic benefits initially anticipated will not flow from the asset over the same duration or to the same extent.

5.5 Owner occupied property

The fair value of property is based on the nature, location and condition of the asset. The fair value is calculated by reference to the price that would be received to sell the property in an orderly transaction at measurement date, or value determined by capitalisation of market rentals. Given the property pricing distortions in the market, sellers withholding properties for sale in local currency, unavailability of sales information and which currency sales are made in, the, valuation of properties becomes a significant judgement area. Management uses one amongst a selection of valuation methods. These include an open market valuation, investment, or depreciated replacement cost approaches. The range of capitalization rate estimates utilized in unobservable inputs range from 7 % to 9%.

5.6 Functional currency and exchange rates used for the translation of the subsidiary in Zimbabwe

As explained in note 2.3, Afcarme and its subsidiary, First Capital Bank Zimbabwe, changed their functional currency from Zimbabwe Dollar to United States Dollar (USD) effective 1 January 2023. The basis for this change and its timing has been disclosed in note 2.3.

The Board of Directors of Afcarme evaluated the impact of Bank's adoption of USD as functional currency for the year ended 31 December 2023 as compared with the previously applied hyperinflation accounting principles. It was estimated that the reported profit after tax for the year ended 31 December 2023, of USD 15 698 209 would be USD 1 990 745 higher if inflation adjustments were applied to these results, and that the reported total assets as at 31 December 2023 of USD 242 886 491 would be higher by the same amount if inflation adjustments were applied to these assets. This is before the impact of applying non-controlling interests (47.51%) to this estimated understatement.

As such, the impact of the transition to USD functional reporting has been assessed as a prudent representation of the Bank's financial results, position, cashflows and equity. The estimated difference in accounting measurement has been assessed by the Board and management of FMBcapital Holdings as insignificant to the Group's financial statements.

Notes to the financial statements (continued)

for the year ended 31 December 2023

5 Significant accounting judgements, estimates and assumptions (continued)

5.7 Determination of lease term under IFRS 16

In determining the lease term, the Group considers all facts and circumstances. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group considers the nature and enforceability of extension clause in the lease agreement, the value of leasehold improvements, penalties on termination, costs and business disruption required to replace the leased premises as factors to determine the lease term. Lease agreements for premises occupied by the Group may contain an extension option, where the Group has not considered extension options after analysing the above factors.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment is only revised if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group. During the financial year, the Group has not revised its assessment of lease term as no significant events or changes occurred.

5.8 Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

5.9 Control over subsidiaries with less than 50% majority

Note 41 lists entities that are consolidated into the Group. This includes certain entities that are consolidated despite the Group having less than 50% ownership interest. The Directors of the Company have assessed that the Group has control over these investee entities.

The Group has an effective holding of over fifty percent of voting rights in First Capital Bank Botswana, considering the terms attached to both the ordinary and preference shares held by the Company in that entity.

The Group determined that it had majority votes in First Capital Bank Zambia by virtue of one of its related parties acting as de facto agent. Management has applied judgment in determining whether the related party is actually acting as de facto agent by considering the nature of the relationship as well as its interaction with the Group and FCB Zambia.

Notes to the financial statements (continued)

for the year ended 31 December 2023

5 Significant accounting judgements, estimates and assumptions (continued)

5.10 Operating segments

During 2023 and 2022 respectively, the Group has been organised into six operating segments based on six geographical locations as disclosed in note 4. The Group Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the financial statements.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, along with the gross income and expense.

Transfer prices between operating segments are based on the Bank's internal pricing framework and deemed to be at arms length as per OECD (Organisation for Economic Co-operation and Development) guidelines.

5.11 Investment property

The fair value of investment property is based on the nature, location and condition of the asset. The fair value is calculated by reference to the price that would be received to sell the property in an orderly transaction at measurement date or value determined by capitalization of market rentals. Given the property pricing distortions in the market, sellers withholding properties for sale in local currency, unavailability of sales information and which currency sales are made in, judgement needs to be applied to determine the fair value at reporting date.

5.12 Conversion of foreign currency transactions and balances at interbank exchanges rates

The Group used the interbank exchanges rates to translate foreign currency balances and transactions into USD reporting currency. The interbank exchanges rates were determined by management as appropriate for buying and selling foreign currency and where the Group made its own purchases, all of these were conducted at interbank rates.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

6.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as the Group), namely First Capital Bank Plc (Malawi), First Capital Bank Limited (Zambia), First Capital Bank Limited (Botswana), First Capital Bank S.A. (Mozambique), First Capital Shared Services Limited and Afcarme Zimbabwe Holdings (Private) Limited (including First Capital Bank Limited (Zimbabwe)).

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the Group.

6.1.1 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, or the most representative currency in which to measure the results of entity's operations (the functional currency).

In the case of Afcarme Zimbabwe and its subsidiary, First Capital Bank Zimbabwe, the functional currency of United States Dollar was adopted with effect from 1 January 2023, which previously was the Zimbabwe Dollar (ZWL).

The consolidated financial statements of the FMBCH Group are presented in United States Dollars (USD), which is the Group's presentation currency. The Company's functional currency is USD.

6.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee if it is exposed to, or, has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Uniform accounting policies have been applied throughout the Group.

6.1.3 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

6.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

6.1.5 Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Interests in joint ventures are accounted for using the equity method (see 6.1.6 below), after initially being recognised at cost in the consolidated statement of financial position.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.1 Basis of consolidation (continued)

6.1.6 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. The carrying amount of equity-accounted investments is tested for impairment annually.

6.1.7 Changes in ownership

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

6.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities, assumed are recognised at their fair value, except that:

- deferred tax or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively.
- assets that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

  If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (12 months from acquisition), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.3 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate, or jointly controlled entity at the date of acquisition.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill has not been recognised as fair value of consideration is less than net assets acquired for any of the subsidiaries of the Group. Gains on purchase of First Capital Bank Zimbabwe were recorded immediately statement of profit or loss and other comprehensive income.

6.4 Common control transactions

Common Control Transactions are those in which all the entities involved are ultimately controlled by the same party or parties both before and after the transaction.

Common control transactions are recorded using the predecessor carrying amounts method. Under this method, assets and liabilities transferred are recognised at the carrying amounts recorded in the consolidated financial statements of the highest parent entity before the transaction.

In cases where shares of an entity are distributed as a dividend in specie, the transaction is recognised at the fair value of the shares on the date of the dividend declaration, as determined by their quoted market price.

The difference between the carrying amount of the transferred assets and the fair value of the shares issued is recorded in the restructuring reserve.

6.5 Foreign currency

6.5.1 Transactions and balances of the Company

Transactions in foreign currencies are translated into USD at the exchange rate ruling at the date of the transaction.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into USD at the exchange rate (middle rate) at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated into USD using the exchange rate (middle rate) at the date of the transaction.

Monetary items denominated in foreign currencies at the reporting date are translated into USD using the exchange rate at that date. Foreign currency differences arising on translation are generally recognised in profit or loss.

6.5.2 Foreign operations

The assets, liabilities, income and expenses of a subsidiary reporting on the basis of IAS 29 are translated to the Group presentation currency using the rate at the reporting date. This only applies to the Group's Zimbabwe subsidiary operations for the year ended 31 December 2022. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rate (middle rate) ruling at the reporting date. The income and expenses of foreign operations are translated at average exchange rates during the year.

Exchange differences arising on the translation of the assets and liabilities of foreign operations are recognised directly in other comprehensive income and accumulated in equity in the translation reserve. When a foreign operation is disposed of in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Foreign exchange gains or losses arising from monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form a part of the net investment in the foreign operation, are recognised directly in the foreign currency translation reserve.

6.5.3 Foreign operations' functional currency

The consolidated and separate financial statements are presented in United States Dollars (USD), which is the Group's presentation currency. The Board of Directors of each entity in the Group determines the functional currency, and items in the financial statements of each entity are measured using that functional currency.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities

6.6.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, that is, the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, that is, purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

6.6.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 6.6.1. On initial recognition, financial assets, and financial liabilities at fair value through profit or loss are initially measured at their fair value (as defined in Note 6.8). The initial measurement of other financial instruments is based on their fair value, but adjusted in respect of any transaction costs that are incremental and directly attributable to the acquisition or issue of the financial instrument. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

6.6.3 Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred. The deferred amounts are recognised in profit or loss when there is a change in a factor (including time) that market participants would consider when pricing the asset or liability. On this basis, the Group has assessed that amortising the deferred amount on a straight–line basis is appropriate. Any outstanding amount is immediately recognised in profit or loss when the instrument is derecognised or when the input(s) becomes observable.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.4 Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 6.6.6
- FVOCI, as explained in Note 6.6.6
- FVPL, as set out Note 6.6.6.

The Group classifies and measures its derivative and trading portfolio at FVPL, as explained in Note 6.6.6. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 6.6.6.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 6.6.6.

Financial Instrument	Business model	IFRS 9 classification	IFRS 9 Subsequent measurement
• Loans and advances to customers including finance lease receivable • Placements with other banks • Money market investments • Cash and cash equivalents • Repurchase agreements • Other receivables	Held to collect contractual cash flows	Financial assets at amortised cost	The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
• Money market investments • Equity investments	Held to collect contractual cash flows and sell	Financial assets at FVOCI	These assets are subsequently measured at fair value. Interest income impairment is recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
• Investment securities* (equity investments) • Derivative financial instruments	Held for trading FVPL	Financial assets at FVPL	These are measured at fair value with net gains and losses recognised in profit or loss.

* Investment securities excluded in the prior year have now been included.

Certain Treasury Bill portfolios held in Zimbabwe are mandatorily classified as measured at fair value through other comprehensive income. Certain Investments in equity instruments in Mozambique and Zimbabwe are designated at fair value through other comprehensive income.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.5 Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques as summarised below:

- Level 1 financial instruments – Those where the inputs used in the valuation, are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at the reporting date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable inputs that are significant to the measurement as whole.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Group manages a group of financial assets and liabilities on the basis of its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis, however the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

6.6.6 Financial assets and liabilities

Cash and balances with central banks, Loans and advances to customers, Money market investments at amortised cost

The Group measures cash and balances with central banks, Loans and advances to customers, Money market investments and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows*
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.**

The details of these conditions are outlined below:

***Business model assessment**

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of financial transactions from initial recognition, to subsequent measurement and final realisation or settlement are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.6 Financial assets and liabilities (continued)

****The SPPI test**

As a second step of its classification process the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial assets or financial liabilities held for trading

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions, and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

Equity instruments held for trading are included in this category; hence they are measured at fair value through profit or loss. Refer to note 16.

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt instruments at FVOCI is explained in Note 6.6.1. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.6 Financial assets and liabilities (continued)

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

Or

- The liabilities are part of a group of financial liabilities, which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Or

- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, considering any discount/premium and qualifying transaction costs being an integral part of an instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate, as explained in Note 6.21. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

The Group issues financial guarantee contracts in return for fees. Under financial guarantee contracts, the Group undertakes to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. Financial guarantee contracts issued at below-market interest rates are initially recognised as liabilities at fair value, while financial guarantees issued at market rates are recorded off-balance sheet.

Subsequently, these instruments are measured at the higher of the expected credit loss provision, and the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers. The ECL allowances related to financial guarantee contracts are set out in Note 7.7.6.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual values of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECL are disclosed in Notes 7.7.7 and 31.

6.6.7 Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.8 Modification of financial assets and liabilities

Modification of financial assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Group performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- Whether the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. The Group's accounting policy in respect of forborne loans is set out in Note 6.6.9.

Modification of financial liabilities

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original EIR. Any resulting difference is recognised immediately in profit or loss.

For financial liabilities, the Group considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

6.6.9 Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI).

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.9 Derecognition of financial assets and liabilities (continued)

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when the following two conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients.

The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset

Or

- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without the Group imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.9 Derecognition of financial assets and liabilities (continued)

Forborne modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Committee. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Group also reassesses whether there has been a significant increase in credit risk, and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due.

Details of forborne assets are disclosed in Note 7.6.3.

6.6.10 Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Group seeks to use collateral where possible. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets, and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. Cash flows expected from credit enhancements, which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Group's various credit enhancements are disclosed in Note 7.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.11 Credit enhancements: collateral valuation and financial guarantees (continued)

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended.

Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL.

6.6.12 Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's policy.

In its normal course of business, the Group engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

6.6.13 Write-offs

Financial assets are written off either in their entirety or partially when the Group has no reasonable expectation of recovering the asset in its entirety, or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference will be an additional impairment loss, which is presented as an addition to the allowance applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

The following events represent examples of circumstances which could lead to a full or partial write-off:

- The borrower is declared bankrupt or insolvent, especially in the case of unsecured exposures where the liquidator or administrator has indicated that there aren't sufficient resources available to satisfy the unsecured creditors;
- There is external evidence (for example, third-party valuations) available that there has been an irreversible decline in expected cash flows and, accordingly, the Group has no reasonable expectation of recovery; or
- Individually assessed loans that are secured, are generally written-off after the receipt of the proceeds from the realisation of the security, and there is no expectation that any further amounts will be recovered by any other means.

Write-offs are also effected within certain time frames post-default of a financial asset. Collectively assessed portfolios such as retail exposures, business loans and other unsecured loans are typically written-off within one year after default where there hasn't been a repayment or collection in the period. Revolving facilities such as overdrafts are typically written-off within one year after default.

6.6.14 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by accounting standards.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.15 Modification of loans and advances

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans and advances to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.

The Group's policy is that any restructure of an account, even if not yet in Stage 3, where the obligor has not settled all arrears prior to the restructure, shall have the effect that the account shall be/ continue to be classified as Stage 3 until a minimum applicable curing period provides confirmation that the account may be reclassified to Stage 2 following which a further minimum curing period shall apply prior to reclassification to Stage 1.

Restructured accounts are flagged and provided for at Stage 3 for at least a minimum period post restructure date subject to local regulations. If there is a restructure, which does not result in a derecognition (write off of the asset/creation of a new account), then the Group considers whether there is a modification gain or loss. The Group considers the new re-structured cash flow and discounts this back using the original effective interest rate and if that gives a higher carrying value than the Group currently holds, the Group will reflect this as a gain, or if it gives a lower carrying value then as a loss.

The Group will write off the difference between the previous and the restructured carrying amount in the event of a lower carrying amount for the restructured credit facility.

6.6.16 Effective interest method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by considering transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also considers the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/ expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.17 Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets, loans and advances carried at amortised cost and FVOCI and with the exposure arising from loan commitments, bank balances and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date.

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition as summarised below:

Stage 1 – Financial instruments that are not credit impaired on initial recognition and with no significant increase in credit risk (SICR) evident.

Stage 2 – If SICR is identified the asset is moved to Stage 2.

Stage 3 – If the asset is credit impaired it is moved to Stage 3.

6.6.18 ECL measurement

- ECLs are measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether the asset is considered credit impaired. ECLs are a probability weighted discounted product of PD, LGD and EAD.
- Credit losses are measured as the present value of all cash shortfalls (the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- ECLs are discounted at the effective interest rate of the portfolio.
- The maximum period considered when estimating ECLs is the maximum contractual period (including extensions) over which the Group is exposed to credit risk.
- The Group uses a combination of a portfolio-based approach and individual assessment to the calculation of ECLs.
  - Portfolio assessment is performed by way of the ECL model to support the modelling of PD, LGD and EAD.
  - Individual assessment is performed on all customer loans and advances after having defined a minimum exposure threshold.

Under IFRS 9, loss allowances are measured on either of the following bases:

12–month ECLs (Stage 1 – no SICR)

These are a portion of lifetime ECLs that result from possible default events within the 12 months after the reporting date. These ECLs are measured on assets which are performing assets.

- Customer loans and advances which do not reflect any SICR since initial recognition.
- Debt securities, loans to banks and bank balances which are performing assets.

Lifetime ECLs (Stage 2 – SICR)

These are ECLs that result from all possible default events over the expected life of a financial instrument. These ECLs are measured on assets with a SICR since initial recognition.

- Customer loans and advances with regulatory asset classification of Special Mention (rebuttable presumption basis of 30 to 89 days past due) or with a SICR (as demonstrated in terms of the Group's early warning risk monitoring process).
- Debt securities, loans to banks and bank balances which are past due.

Lifetime ECLs (Stage 3 – default)

These ECLs are measured on all credit impaired/in default credit exposures.

- Customer loans and advances with regulatory asset classification Substandard, Doubtful, Loss (rebuttable presumption basis of more than 89 days past due) or with SICR (demonstrated in terms of the Group's early warning risk monitoring process) justifying credit impairment.
- Debt securities, loans to banks, bank balances in default.
- For stage 3 assets, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.
- Uncollectable loans are written off against the related allowance for loan impairment on completion of the Group's internal processes and all recoverable amounts have been collected.
- Subsequent recoveries of amounts previously written off are credited to the profit or loss component of the statement of comprehensive income.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.19 Benchmarking ECL

Corporate

Due to insufficient historical information on customer portfolio defaults from which PDs and LGDs are derived, a judgmental benchmarking is used on customer assets exceeding internal size benchmarks in parallel to the customer model output. The higher benchmarking of ECL and the model output is considered as the final ECL.

Low-risk financial instruments

ECL for low-risk financial instruments are based on benchmarked PDs and LGDs due to lack of historical data.

Retail

ECL for retail exposures are totally based on model output with no benchmarking comparative since enough historical default data was available when designing the calculation model.

6.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with central banks, balances and placements with other banks with original maturities of three months or less, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost in the statement of financial position.

6.8 Other assets

Other assets are measured at amortised cost using the effective interest method less impairment losses. Other assets comprise prepayments, cheques in the course of collection, dividends receivable, stocks of consumable stationery and computer spares and other receivables.

6.9 Repurchase agreements

A repurchase agreement (repo) is defined as a contract where parties have agreed on the sale of securities and the subsequent repurchase of corresponding assets at a predetermined price. In a repo, the sold security remains on the statements of financial position, since the Group is exposed to the risk that the security will fluctuate in value before the repo expires. The payment received is recognised as a financial liability on the balance sheet based on the respective counterparty.

Securities sold subject to linked repurchase agreements ("repos") are retained in the statement of financial position as Government securities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate.

6.10 Investments in subsidiaries

Investments in subsidiaries are recognised at cost in the separate financial statements less any impairment losses. The investments are fully eliminated on consolidation.

6.11 Intangible assets

Intangible assets acquired separately are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset it relates to. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives from the date that the asset is available for use. The effects of any changes in estimates are accounted for on a prospective basis. Intangible assets are amortised over periods up to five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.12 Property and equipment

6.12.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses except for freehold property and leasehold improvements which are measured at revalued amount less accumulated depreciation and impairment losses as described in Note 6.14.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and qualifying borrowing costs. Purchased software that is integral to the functionality of related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other operating income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

6.12.2 Revaluation

Freehold properties and leasehold improvements are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value. Revaluation surpluses are recognised in other comprehensive income and accumulated in equity in a non-distributable property revaluation reserve. A revaluation surplus will be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

The revaluation surplus included in equity in respect of property and equipment is transferred directly to retained earnings when the asset is sold or disposed of. Revaluation gains are credited to revaluation reserve whilst losses reduce previously recognised gains to the extend of credits in the revaluation reserve. Any losses above previous revaluation credits are charged to profit or loss. Historical cost includes costs that are directly attributable to the acquisition of the items.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

6.12.3 Subsequent costs

Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

6.12.4 Depreciation

Property and equipment are depreciated on a straight-line basis at rates that would reduce carrying amounts to their residual values, estimated at the date of purchase, over the initially anticipated useful lives of the assets. The Group reassesses the useful lives, the depreciation method, and the residual values of the assets at each reporting date. Any changes in the useful lives, depreciation method or estimated residual values are accounted for prospectively as a change in accounting estimate in accordance with IAS 8 Accounting Policies Changes in Accounting Estimates and Errors.

Depreciation is recognised in profit or loss. The depreciation rates for the current and comparative period are:

- Leasehold properties — 2.5% (or period of lease if shorter)
- Freehold properties — 2.5%
- Motor vehicles — 20% - 25%
- Equipment, fixtures, and fittings — 20%
- Corporate aircraft — 6%

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.12 Property and equipment (continued)

6.12.5 Capital work in progress

Capital work in progress represents costs spent to date in carrying out work of a capital nature. Capital work in progress is presented as part of property and equipment in the statement of financial position. If the project is completed the expenditure is capitalised to the relevant items of property and equipment. Capital work in progress is not depreciated.

6.13 Investment properties

Investment properties, principally office buildings, are held for long-term rental yields and are not occupied by the Group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an external independent valuer.

Investment properties are derecognised either when they have been disposed of (that is, at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant, and equipment up to the date of change in use.

6.14 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Group that generates cash flows that largely are independent from other assets and Groups of assets. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined.

An impairment loss is recognised in profit or loss, unless it concerns property carried at a revalued amount, in which case it is treated as a revaluation decrease. If the impairment loss exceeds the revaluation reserve in respect of the impaired asset, the excess is recognised in profit or loss. A reversal of an impairment loss is recognised in profit or loss, unless it relates to property carried at revalued amounts, in which case the excess of the reversal over the amount recognised in profit or loss is treated as a revaluation increase.

6.15 Customer deposits and balances due to other banks

Deposits are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to account for the financial liabilities at FVPL.

When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.16 Other liabilities and subordinated debt

Other payables and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities as FVPL.

6.17 Share capital

6.17.1 Share issue costs

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

6.18 Employee benefits

6.18.1 Short-term employee benefits

Short-term employee benefit obligations (cash bonus or profit-sharing obligations) are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

6.18.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service, are discounted to their present value.

6.19 Net interest income

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed net on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

The effective interest method requires the Group to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities), there are no individual estimates that are material to the results or financial position.

In its Interest income/expense calculated using the effective interest method, the Group only includes interest on those financial instruments that are set out in Note 6.6.6.

Other interest income/expense includes interest on all financial assets/liabilities measured at FVPL, other than those held for trading, using the contractual interest rate.

Interest income/expense on all trading financial assets/liabilities is recognised as a part of the fair value change in 'Net trading income'.

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired (as set out in Note 6.6.18) and is therefore regarded as 'Stage 3', the Group calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures (as outlined in Note 6.6.18) and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.20 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

6.20.1 Group as lessee

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (that is, the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

- Leasehold property 3 to 15 years

If ownership of the leased asset transfers to the Group at the end of the lease term, or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer no note 6.14 for impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

6.20.2 Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.21 Fees and commission income and expense

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income, including account activity fees, card-based transaction fees, guarantee fees, facility processing fees, insurance-based fees and commissions, and other fees and commissions are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

6.22 Net trading income

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading.

6.23 Income from investments

Income from investments includes dividend income and increase in fair value of investments in listed companies. Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for held for trading securities. Increase in fair value of investments designated at FVPL includes all realised and unrealised fair value changes.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.24 Income tax

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

6.24.1 Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

6.24.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Additional taxes that arise from the distribution of dividends by the Group are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

Deferred tax for investment properties carried at fair value should generally be measured using the tax base and rate that are consistent with recovery entirely through sale and using capital gains tax rules (or other rules regarding the tax consequences of sale, such as rules designed to claw back any tax depreciation previously claimed in respect of the asset). If the presumption is rebutted, deferred tax should be measured reflecting the tax consequences of the expected manner of recovery.

6.25 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary Shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary Shareholders and the weighted average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares.

6.26 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.27 Convertible preference shares

Convertible preference shares are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

6.28 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price, and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

The analysis of fair value hierarchy for financial assets and liabilities is disclosed in Note 8 to these consolidated and separate financial statements. The determination and hierarchical classification of fair valuation techniques is disclosed in Note 6.6.5.

Notes to the financial statements (continued)

for the year ended 31 December 2023

6 Material accounting policies (continued)

6.29 Derivative financial instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

6.30 Financial guarantees, acceptances, and letters of credit

Financial guarantees, acceptances and letters of credit are accounted for as off-statement of financial position transactions and disclosed as contingent liabilities, unless it is probable that the Group will be required to make payments under these instruments, in which case they are recognised as provisions.

6.31 Amounts due from related parties

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

6.32 Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Additional disclosures are provided in Note 15. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

6.33 Interest rate benchmarks and reference interest rate reform

The Financial Stability Board (FSB) initiated a fundamental review and reform of the predominant global interest rate benchmarks. This review sought to improve market efficiency and mitigate systemic risk across financial markets. To achieve this, the FSB set out to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs).

The IBORs to which the Group was exposed were replaced largely by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), and Euro Short-term Rate (ESTR).

As at 31 December 2023, all exposures of the Group that were linked to 3-month IBOR transitioned away from IBOR to ARR.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management

The Group is faced with a variety of risks including credit, liquidity, interest rate, foreign exchange, price, operational, compliance/regulatory, reputation, strategic risks and other emerging risks. The Group is committed to effectively managing these risks with a view to achieving a balance between acceptable exposure and reward.

The Board and senior management actively oversee the risk management process and implement adequate policies, procedures, comprehensive internal controls and limits that are set to mitigate risks. The Group companies have a risk management framework which covers risk identification, risk measurement, risk monitoring and risk control in respect of the significant risks.

The Board of the Group companies has a risk committee which meets regularly and receives reports from the Risk and Compliance function on risk assessment and levels of risks that the Group is facing. Stress testing is done quarterly, and the results are discussed with the Risk Committee.

7.1 Credit risk

7.1.1 Credit risk management

Credit risk is the risk of financial loss should the Group companies' customers, clients or market counterparties fail to fulfil their contractual obligations to the Group companies. The Group companies actively seek to originate and manage credit risk in such a way as to achieve sustainable asset growth and risk adjusted returns in line with Board-approved risk parameters. The credit risk that the Group companies face arises mainly from loans and advances, and counterparties credit risk arising from derivative contracts entered into with our clients. Other sources of credit risk arise from treasury bills, government bonds, settlement balances with counterparties and bank balances with central banks and other banks.

Credit risk management objectives are:

- Supporting the achievement of sustainable asset and revenue growth in line with our risk parameters;
- Operating sound credit granting processes and monitoring credit risk using appropriate models to assist decision-making;
- Ensure credit risk taking is based on sound credit risk management principles and controls; and
- Continually improving collection and recovery.

7.1.2 Risk limit and mitigation policies

The Group companies use a range of policies and practices to mitigate credit risk. These include credit scoring, marking limits against counterparties, monitoring cash flows and utilisation against limits, covenants and collateral.

Principal collateral types used for loans and advances are:

- Mortgages over residential and commercial properties;
- Charges over business assets such as inventory, accounts receivable and moveable assets;
- Guarantees; and
- Cash cover.

The Legal and Credit departments are responsible for conducting sufficient legal review to confirm that the approved collateral is legally effective. The ratio of loan value to security value is assessed on grant date and continuously monitored.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.1 Credit risk (continued)

7.1.3 Credit risk grading

Retail exposures

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural based internal credit rating. Any other known information about the borrower which impacts their creditworthiness such as unemployment and previous delinquency history is also incorporated into the behavioural internal credit rating.

These ratings are reflected on the following delinquency categories:

- Performing loans – 0 day to 30 days past due.
- Doubtful loans – 31 days to 89 days past due.
- In default loans – 90 days+ past due.

Corporate exposures

The Group uses an internal application credit risk scoring tool that reflects its assessment of the probability of default of individual counterparties. This internal application credit risk scoring tool assigns a rating with using a 22-grade rating scale. The Group companies use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (turnover and industry type for wholesale exposures) is fed into this rating model.

This is supplemented with external data such as credit bureau scoring information and external rating where available from ratings agencies, on individual borrowers. In addition, the models enable expert judgement to be incorporated into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

Payment and other behavioural aspects of the borrower are monitored on an ongoing basis in conjunction with collateral values and event driven factors to develop an internal behavioural credit rating. Exposures are monitored by grading customers in an early warning/ongoing monitoring list in order to identify those customers who are believed to be facing a SICR, and/or are believed to be facing difficulties. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating.

7.2 ECL measurement

The ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit impaired.

- ECLs are discounted at the effective interest rate of the portfolio.
- The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.
- The Group uses a portfolio approach to calculate ECLs. The portfolios are segmented into retail, corporate and treasury and further by product.

ECLs are the product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

7.2.1 Probability of default

The Probability of Default (PD) is the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" below), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PDs are modelled using historic data into 12M PD and Lifetime PDs. Where data is not available, proxies which resemble the risk of default characteristics of the exposure are used.

The PDs are determined individually or below threshold at portfolio level (below internal thresholds for customer exposures) and segmented into various categories using tenor, currency, product or low-risk classification.

PDs modelled using historical data may then be adjusted for forward-looking factors. PDs are mapped into IFRS 9 stages and Basel II Credit Risk Guideline grades as follows:

Corporate exposure

Stage 1 – 12-Month PD Basel II Credit Risk classification Pass;

Stage 2 – Lifetime PD Basel II Credit Risk classification Standard;

Stage 3 – Default PD Basel II Credit Risk classification: Substandard, Doubtful, Loss/90+ days past due.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.2 ECL measurement (continued)

7.2.1 Probability of default (continued)

Retail exposure

Stage 1 – 12-Month PD Basel II Credit Risk classification Pass/<30 days past due;

Stage 2 – Lifetime PD Basel II Credit Risk classification Standard/30 to 89 days;

Stage 3 – Default PD Basel II Credit Risk classification, Substandard, Doubtful, Loss/90+ days past due.

For debt securities in the treasury portfolio and interbank exposures, performance of the counterparty is monitored for any indication of default. PDs for such exposures are determined based on benchmarked national ratings mapped to external credit rating agencies grade. For other bank balances where there are external credit ratings PDs are derived using those external credit ratings.

7.2.2 Exposure at default (EAD)

Exposure at default (EAD) – is the amount the Group expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining lifetime (Lifetime EAD). The Group uses separate approaches for amortising items (on-balance sheet) and revolving products (including off-balance sheet items). The amortisation schedule approach is used for amortising items (on balance sheet), while for revolving products (including off-balance sheet items), the Group uses Credit Conversion factors and behavioural term estimates, to estimate future EADs.

Amortising products (on-balance sheet facilities)

The amortisation modelling approach for EAD reflects three factors that determine the portfolio's exposure to a borrower for each month from the present to maturity. The Group utilises the loan amortisation schedule (scheduled contractual repayments), prepayments and interest accrued to default to arrive at the EAD.

Revolving and off-balance sheet facilities

For revolving products and off-balance sheet items, the Group makes use of Credit Conversion Factors approach. The Credit Conversion Factor approach is applied to both revolving facilities and off-balance sheet items. The Credit Conversion Factor represents the amount of additional undrawn limit that is utilised before default and should factor in accrued interest at point of default. The approach also uses a behavioural term to determine the length of the EAD cash flows to be used in the ECL calculation. The behavioural term defines the behavioural maturity of the product.

7.2.3 Loss given default

Loss given default (LGD) – represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

LGD is modelled based on the expected rate of recovery of collateral and the relationship between this and the amount of the loan. LGD is calculated using parameters LGD1 and LGD 2. LGD1 is calculated as the pre-default historical recovery rate whilst LGD2 is the post-default recovery rate and applies to Stage 3 accounts. The LGD2 is time dependent with the parameter increasing as the account stays longer in default. The final LGD is a probability weighted value for the loss rates under the scenarios of liquidation, restructure, and cure.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.2 ECL measurement (continued)

7.2.4 Default

The Group companies consider a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition as summarised below:

12-month ECLs (Stage 1 – no increase in credit risk)

ECLs measured at an amount equal to the portion of Lifetime ECLs that result from default events possible within the next 12 months.

The 12-month ECL is calculated for the following exposures:

- Corporate exposures which do not exhibit SICR.
- Retail loans less than 30 days past due.
- Debt securities, loans to banks and bank balances which are not past due. These are a product of, 12 months PD, LGD and EAD.

Lifetime ECLs (Stage 2 – SICR)

These are ECLs that result from all possible default events over the expected life of a financial instrument. These ECLs are measured on assets with a SICR since initial recognition.

- Corporate loans which have shown SICR.
- Retail loans in 30 days to 89 days past due.
- Debt securities, loans to banks and bank balances where the credit risk has significantly increased since initial recognition.

These are a product of Lifetime PD, Lifetime LGD and EAD.

Lifetime ECLs (Stage 3 – default)

These ECLs are measured on all credit impaired/in default credit exposures.

- All credit impaired/in default corporate and retail loans and advances to banks and other debt securities in default.
- These are corporates which have/are credit impaired or retail loans in default/90 and above days past due.
- Exposures which are 90 days+ past due.

These are a product of default PD, Lifetime LGD and EAD.

7.3 Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The assessment of SICR incorporates forward-looking information and is performed on a monthly basis at a portfolio level for all retail loans, as well as portfolio level below internal thresholds. The use of the rebuttable presumption of significant increase in risk means that an account is categorised as Stage 2 when the days past due (DPD) is > 30 days and < 90 days. In addition to the Rebuttable Presumption the Group companies will also consider the output of its multi factor early warning/risk monitoring analysis as a qualitative measure for corporate and treasury exposures. Customer loans and advances exceeding internal thresholds and low-risk financial instrument exposures are assessed on a monthly and quarterly basis by the Credit Department, Bank Management and the Loans Review Committee. The assessment of SICR incorporates forward-looking information and is performed on a monthly basis at a portfolio level for all retail loans. Corporate and treasury exposures are assessed individually through the Early Warning list which is reviewed monthly and monitored by an independent team in Credit Risk department, together with quarterly reviews by the Impairment Committee of exposures against performance criteria.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.3 Significant increase in credit risk (continued)

7.3.1 SICR – quantitative measures

- Corporate loans – if the loan is 30 days past due, or has had a rating downgrade from origination of more than two grades using the Group's internal rating tool.
- Retail loans – if the loan is reclassified from <30 days past due to 30 to 89 days past due.
- Treasury exposures which are past due.

7.3.2 SICR – qualitative measures – Retail

- Extension of credit terms.
- Retrenchment/dismissal of employee.
- Employer facing financial difficulties.
- Salary diversion.

7.3.3 SICR – qualitative measures – Corporate and Treasury

- Borrower is on Basel II Credit Risk Classification Standard/Internal Category 2.
- Significant adverse changes in business, financial or economic conditions in which the borrower operates.
- Actual or expected forbearance or restructuring of debt.
- Early signs of cash flow/liquidity problems such as delay in servicing debt.
- Significant decline in account turnover.
- Breach of significant debt covenants.
- Qualifying modified loans.
- Delay in settlement of obligations.

7.4 Benchmarking ECL

7.4.1 Corporate

Portfolio assessment is performed by way of a collective assessment semi-empirical IFRS 9 model (the ECL Model) developed in consultation with external consultants using available historic information to support the modelling of PD, LGD and EAD. Individual assessment is performed on all customer loans and advances after having defined a minimum exposure threshold. The Group companies elected to use a country rating by sovereign debt approach, which forms the basis of calculating the PD's of all financials assets within scope of IFRS 9 guidelines. The sovereign debt PD is adjusted by individual corporate PD rates based on external rating provider S&Ps information.

LGDs of individually assessed customer loans and advances have been determined in terms of:

- Stages 1 and 2: an internal benchmark applied to a net exposure after application of future realisable cash flows, predominantly collateral held.
- Stage 3: net exposure after application of future realisable cash flows, predominantly collateral held. LGDs on various financial assets/low-risk financial instruments, with the exception of customer loans and advances, have been determined in terms of:
  - Basel II & III Guidelines: the treatment of sovereign exposures in the banking book.
  - Basel II Guidelines: applied under foundation IRB and observed in the Committee's study on Banks.
  - Internal benchmark on Securities & Derivatives engaged with corporate counterparties.

EAD is determined as below:

- For customer loans and advances: outstanding exposures plus undrawn limits.
- For other financial assets/low-risk financial instruments: outstanding exposures.

7.4.2 Treasury

ECL for Treasury exposures is based on benchmarked PDs and LGDs due to lack of historical data.

7.4.3 Retail

ECL for Retail exposures are based on model output with no benchmarking comparative since enough historical default data was available when designing the calculation model.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.5 Forward-looking information incorporated in the ECL models

Main macroeconomic factors affecting Corporate ECL allowances

The Group conducts scenario sensitivity analysis to assess the potential impact of changes in economic conditions on the carrying value of material loans and advances. This analysis is a key component of the Group's risk management strategy and helps ensure the robustness of our financial position under varying economic scenarios.

Sensitivity Analysis Methodology

The sensitivity analysis is performed using a range of macroeconomic scenarios that reflect plausible future economic profiles. These scenarios are developed in consultation with economic experts and include both baseline and stressed conditions. The key variables considered in these scenarios include the below tabulated factors:

Corporate advances

				Actual	Forecast			
Macro-economic factors	Country	ECL Scenario	**Assigned Weighting (%) (averages)**	**2023**	2024	2025	2026	2027
GDP Constant Prices, Percent change	Malawi	Base case	58.33%		6.612	3.022	4.614	4.330
		Good case	14.99%		16.256	11.897	13.870	13.508
		Better case	6.42%	**1.700**	24.692	19.876	22.095	21.632
		Bad case	14.18%		1.100	0.618	0.858	0.818
		Worse case	21.08%		0.354	0.205	0.281	0.268
Volume of Exports of goods and services, Percent change	Malawi	Base case	58.33%		4.994	6.766	9.129	28.767
		Good case	14.99%		(25.423)	(24.685)	(23.799)	(17.597)
		Better case	6.42%	**18.221**	(38.122)	(37.679)	(37.088)	(32.954)
		Bad case	14.18%		51.359	52.688	54.460	70.555
		Worse case	6.08%		82.220	83.401	85.173	100.529
GDP per Capita % Change	Zimbabwe	Base case	58.33%		0.027	0.024	0.047	0.047
		Good case	10.46%		(0.006)	(0.008)	0.003	0.004
		Better case	4.48%	**0.055**	(0.022)	(0.024)	(0.016)	(0.015)
		Bad case	18.70%		0.110	0.108	0.122	0.123
		Worse case	8.02%		0.160	0.158	0.171	0.172
Current Account Balance	Zimbabwe	Base case	58.33%		(0.207)	(0.296)	(0.475)	(0.554)
		Good case	10.46%		(0.658)	(0.728)	(1.513)	(1.573)
		Better case	4.48%	**0.280**	(0.879)	(0.940)	(1.993)	(2.044)
		Bad case	18.70%		0.908	0.848	1.659	1.608
		Worse case	8.02%		1.590	1.521	3.004	2.944
Inflation average consumer prices	Botswana	Base case	58.33%		5.987	5.825	5.852	(0.204)
		Good case	0.00%		6.014	5.852	5.879	2.461
		Better case	0.00%	**6.500**	6.040	5.879	5.906	3.026
		Bad case	29.17%		1.357	1.357	1.357	(1.361)
		Worse case	12.50%		0.335	0.335	0.335	(2.249)
General government net debt	Botswana	Base case	58.33%		40.475	39.446	39.617	1.047
		Good case	0.00%		40.646	39.617	39.789	18.018
		Better case	0.00%	**40.601**	40.817	39.789	39.960	21.618
		Bad case	29.17%		10.990	10.990	10.990	(6.324)
		Worse case	12.50%		4.476	4.476	4.476	(11.981)
GDP per Capita % Current Prices	Mozambique	Base case	58.33%		684.118	724.094	757.543	903.577
		Good case	3.22%		709.409	740.411	768.149	905.209
		Better case	1.38%	**647.135**	724.910	751.017	776.307	906.840
		Bad case	25.95%		521.768	525.847	526.663	526.663
		Worse case	11.12%		445.080	449.159	449.975	449.975
General government gross debt	Mozambique	Base case	58.33%		83.271	74.547	68.959	62.552
		Good case	3.22%		73.457	68.686	64.870	60.099
		Better case	1.38%	**89.663**	69.095	65.551	62.552	58.327
		Bad case	25.95%		100.854	96.084	94.312	93.630
		Worse case	11.12%		112.304	107.806	106.307	105.625
General government revenue as a percent of GDP	Zambia	Base case	58.33%		21.262	20.973	20.706	20.530
		Good case	5.47%		21.499	21.316	21.153	21.063
		Better case	2.34%	**21.180**	21.647	21.499	21.389	21.316
		Bad case	23.70%		19.857	19.772	19.655	19.554
		Worse case	10.16%		19.223	19.157	19.043	18.946

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.5 Forward-looking information incorporated in the ECL models (continued)

Main macroeconomic factors affecting Corporate ECL allowances

Macro-economic factors	Country	ECL Scenario	Assigned Weighting (%) (averages)	Actual 2023	Forecast 2024	2025	2026	2027
Current account balances	Zambia	Base case	58.33%		1.435	1.573	1.703	1.789
		Good case	5.47%		1.322	1.409	1.486	1.530
		Better case	2.34%	**1.113**	1.253	1.322	1.374	1.409
		Bad case	23.70%		2.126	2.169	2.230	2.282
		Worse case	10.16%		2.454	2.489	2.549	2.601
Total investment as a percent of GDP	Zambia	Base case	58.33%		32.072	32.617	32.986	32.949
		Good case	5.47%		31.429	31.713	31.892	31.892
		Better case	2.34%	**31.643**	31.077	31.288	31.429	31.429
		Bad case	23.70%		34.621	34.895	35.131	35.131
		Worse case	10.16%		36.092	36.378	36.583	36.583

Analysis of inputs to the ECL model under multiple economic scenarios

The following table outlines the impact of multiple scenarios on the Group's corporate ECL allowance. This table shows the ECL of each probability weighted scenario of applying multiple economic scenarios compared to the ECL that would have resulted from applying a 100% weighting to the base case scenario as reported as at 31 December 2023. Management was unable to disclose comparative macroeconomic assumptions and related sensitivity analyses for 2022 as the information was unavailable. For the corporate model the point in time data required to reperform sensitivities as at 31 December 2022 had not been retained. Therefore, it was not feasible to perform a sensitivity analysis in the absence of the same. For the retail model, the information available for the 2022 year was not comparable in source and parameter configuration for Botswana. In the case of Malawi, Mozambique and Zimbabwe, in which the Group has retail portfolios, the experiential and causal data available was statistically limiting for the purpose of determining viable scenarios.

	Total ECL Provision USD
2023	
As reported	**24 985 393**
Scenarios	
Base case	**24 465 591**
Good case	**23 738 468**
Better case	**23 597 922**
Bad case	**26 508 720**
Worse case	**28 298 230**

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.5 Forward-looking information incorporated in the ECL models (continued)

Main macroeconomic factors affecting Retail ECL allowances

Three scenarios have been used for the retail framework.

- Base Case
- Up Case
- Down Case

Once a strong causal relationship is established between a loan book's behaviour and one or more macroeconomic factors, we incorporate forecasted macroeconomic factors into the model. This is done by comparing historic and future macroeconomic data together with the loan book behaviour to identify quantitative relationships. If a correlation structure exists between historic macroeconomic data and the loan book behaviour, then this provides a good basis for incorporating FLI by means of forecasted macroeconomic data. The base case forecast is derived for the relevant macroeconomic factors and is used as is. The Up and Down scenarios are created from the Base scenario by building a statistical tolerance interval around the Base scenario.

Three macroeconomic variables were applied, namely lending rate, unemployment rate and foreign exchange rate. The sensitivity table below summarises the principal macroeconomic indicators included in the economic scenarios used as at 31 December 2023 for the years 2023 to 2027. This scenario analysis was performed for the Retail portfolio in Botswana, which carries the most material, and empirically correlated performance history against macroeconomic variables.

It is anticipated that the below relationships would apply to the developing Retail portfolios in Malawi, Mozambique, and Zimbabwe; however, causal macroeconomic relationships will be established in each country's Retail portfolio upon sufficient experiential data being accumulated. The Group will continue to assess the representativeness of scenarios and their stressed outcomes as each Retail business matures in these markets.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.5 Forward-looking information incorporated in the ECL models (continued)

Macroeconomic factors

Key drivers	ECL Scenario	Assigned Weightings %	2023 %	2024 %	2025 %	2026 %	2027 %	Long term rate %
Lending Rate (%)	Down	20		6.55	8.15	9.54	10.87	9.28
	Base	60	**6.76**	7.91	9.08	10.29	11.52	9.69
	Up	20		9.27	10.01	11.04	12.16	10.09
Unemployment Rate (%)	Down	20	**32.94**	32.20	34.06	37.13	38.04	39.52
	Base	60	**28.26**	31.11	33.31	36.53	37.52	39.20
	Up	20	**24.78**	30.02	32.57	35.93	37.00	38.88
FX USD (LCY/USD)	Down	20		14.14	13.40	15.20	16.96	13.36
	Base	60	**13.49**	14.94	13.94	15.64	17.34	13.60
	Up	20		15.74	14.48	16.08	17.72	13.84

The corresponding financial impact assessment of the different scenarios on the ECL allowance is demonstrated below.

Analysis of inputs to the ECL model under multiple economic scenarios

		2023 Total ECL USD	Total income statement charge-USD	2022 Total ECL USD
Botswana	As reported	**5 309 629**	1 289 863	4 019 7656
	Base case	**4 360 423**	394 344	3 966 079
	Up case	**4 932 260**	1 487 304	3 444 956
	Down case	**8 534 617**	3 778 981	4 755 636

The Botswana Retail 'Up Case' scenario has a higher ECL relative to the base case due to the interplay between the different macroeconomic variables chosen.

For the retail model, the information available for the 2022 year was not comparable in source and parameter configuration for Botswana. In the case of Malawi, Mozambique and Zimbabwe, in which the Group has retail portfolios, the experiential and causal data available was statistically limiting for the purpose of determining viable scenarios.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.5 Forward-looking information incorporated in the ECL models (continued)

Forward-looking information

The calculation of ECLs incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio for each Banking entity in the Group.

Historical and forecasts of these economic variables (the base economic scenario) are sourced from Central Banks Monetary Policy, Fiscal updates, World Bank/IMF and BMI Research economic forecast and provide the best estimate view of the economy over the next five years. Key economic variables are statistical and modelled using econometric techniques which are employed to build predictive regression functions. These variables are then extrapolated to a 15-year forecast horizon. The impact of the projected default levels is then applied to the PD through scalars. Forward-looking indicators for scenarios and related probabilities considered in determining the Group's forward-looking assumptions for the purposes of its ECLs, noting the wide range of possible scenarios and macroeconomic outcomes. Various scenarios are also considered to reflect the Base case, Better case, Good case, Bad case and Worst-case scenarios. This is line with IFRS 9 provisions to arrive at an ECL estimation that is an unbiased and probability weighted estimate of future losses.

After five years, in order to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, meaning that economic variables tend to a long run average growth rate such as gross domestic product over a period of two to five years. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates. Forward-looking indicators for scenarios and related probabilities are considered in determining the Group's forward-looking assumptions for the purposes of its ECLs, noting the wide range of possible scenarios and macroeconomic outcomes, these scenarios represent reasonable and supportable forward-looking views as at reporting date.

7.6 ECL model governance

The models used for PD, EAD and LGD calculations are governed day to day through the internal Impairments Committee. This committee comprises of senior managers in Risk, Finance and the Business. Decisions and key judgements made by the Impairments Committee relating to the impairments and model overrides will be taken to Board Risk, Board Credit and Board Audit Committee. Credit risk processes from origination to monitoring and other operational processes around impairments now take into cognisance IFRS 9 requirements.

7.6.1 Maximum exposure to credit risk by credit quality grade before credit enhancements

The Group Company has an internal rating scale which is mapped into the Basel II grading system. The internal rating is broadly classified into, performing loans, standard monitoring and non-performing.

1) Performing loans

Loans and advances not past due and which are not part of renegotiated loans are considered to be performing assets; these are graded as per the S&P credit rating scale as grade 1 – 3.

2) Standard monitoring grade

These are loans and advances which are less than 90 days past due and in some cases not past due, but the business has significant concern on the performance of that exposure, as per the S&P credit rating scale these are grade 4 – 7.

3) Non-performing grade

These are loans and overdrafts on which interest is no longer accrued or included in income unless the customer pays. These non-performing (past due) assets include balances where the principal amount and/or interest is due and unpaid for 90 days or more, as per the S&P credit rating scale these are grade 8 – 10.

4) Loans and advances renegotiated

No significant modifications of financial assets were implemented in the financial year, thereby resulting in no significant modification gains or losses for the year. Exposures on which relief has been offered have been assessed to determine whether the requirement for relief is expected to be temporary or permanent in nature. Where the requirement for relief is expected to be temporary in nature and as such qualified as a non-distressed restructure, the staging of the exposure prior to the restructure has been maintained, and adjustments have been made to coverage to allow for incremental credit risk and potential masking of normal arrears. Where the requirement for relief is not expected to be temporary in nature, the exposure has been treated as a distressed restructure, and staging and coverage has been adjusted in line with normal practice.

Collateral held includes immovable and moveable assets. The Group's policy is to pursue the timely realisation of the collateral in an orderly manner. The Group does not use any non-cash collateral for its own operations.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.6 ECL model governance (continued)

7.6.2 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

In its normal course of business, the Group engages external agents to recover funds from repossessed properties or other assets in its retail portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and not treated as non–current assets held for sale.

The tables on the following pages show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.6 ECL model governance (continued)

7.6.2 Collateral and other credit enhancements (continued)

The below tables provide an analysis of the fair values of collateral held and credit enhancements for Stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may have a low individual ECL (when the discounted value of the collateral is greater than the EAD). The individual ECLs, however, cannot be nil as the Company has minimum LGD floors regardless of the collateral held. The Stage 3 ECL would not be higher than net exposure as shown below. Uncollateralised balance sheet exposures to credit risk, relating to loans and advances to customers amounted to USD 269 282 628 (2022: USD 220 554 171 excess collateral). Uncollateralised off-balance sheet exposures amounted to USD 52 022 031 (2022: USD 12 615 939). The net exposure includes over-collateralised financial assets.

Type of collateral or credit enhancement		Fair value of collateral and credit enhancements held			Fair value of collateral and credit enhancements held						
USD	Maximum exposure to credit risk	Cash	Securities	3rd party/ gov guarantees	Property	Other	Offsetting agreements	Total collateral	Net exposure	Collateral coverage %	Associated ECL
2023											
Loans and advances to customers											
Term loans	455 936 163	15 273 105	4 140 945	47 037 965	293 862 209	207 796 127	–	568 110 351	(112 174 188)	125%	13 913 481
Mortgage loans	16 190 739	40 345	–	–	67 505 004	154 211	–	67 699 560	(51 508 821)	418%	1 524 577
Overdraft	252 023 131	13 950 926	211 220	26 147 871	290 029 056	134 312 837	–	464 651 910	(212 628 779)	184%	4 137 213
Finance leases	12 031 032	1 023	–	–	1 706 006	9 328 308	–	11 035 337	995 695	92%	217 066
Total	736 181 065	29 265 399	4 352 165	73 185 836	653 102 275	351 591 483	–	1 111 497 158	(375 316 093)	151%	19 792 337
Cash and balances with central banks											
Deposits with Central Banks	171 990 927	–	–	–	–	–	–	–	171 990 927	–	33 118
Balances with other banks	78 263 250	–	–	–	–	–	–	–	78 263 250	–	6 297
Placements with other banks	144 628 104	–	–	–	–	–	–	–	144 628 104	–	71
Balances in the course of clearing with other banks	1 317 509	–	–	–	–	–	–	–	1 317 509	–	–
Cash balances	3 329 000	–	–	–	–	–	–	–	3 329 000	–	–
Total	399 528 790	–	–	–	–	–	–	–	399 528 790	–	39 486
Money market investments						–					
Held at Amortised cost											
Treasury Bills	60 172 554	–	–	–	–	–	–	–	60 172 554	–	445 158
Placements with other banks	18 389 806	–	–	–	–	–	–	–	18 389 806	–	2 893 036
Government Promissory Notes	123 400 027	–	–	–	–	–	–	–	123 400 027	–	1 659 069
Corporate Bonds	7 851 149	–	–	–	–	–	–	–	7 851 149	–	195 793
Government Stocks	11 067 984	–	–	–	–	–	–	–	11 067 984	–	–
Held at fair value through other comprehensive income											
Treasury Bills	4 467 762	–	–	–	–	–	–	–	4 467 762	–	–
Total	225 349 282	–	–	–	–	–	–	–	225 349 282	–	5 193 056
Repurchase agreements											
Repurchase agreements	5 000 000	–	–	–	–	–	–	–	5 000 000	–	19 869
Total	5 000 000	–	–	–	–	–	–	–	5 000 000	–	19 869
Other assets											
Card security deposit and settlement balances	2 613 003	–	–	–	–	–	–	–	2 613 003	–	–
Other receivables	12 107 646	–	–	–	–	–	–	–	12 107 646	–	33 250
Total	14 720 649	–	–	–	–	–	–	–	14 720 649	–	33 250
Total on balance sheet	1 380 779 786	29 265 399	4 352 165	73 185 836	653 102 275	351 591 483	–	1 111 497 158	269 282 628	–	25 077 998
Guarantees and letters of credit											
Guarantees	170 681 139	34 888 885	–	2 590 901	40 103 856	52 111 213	–	129 694 855	40 986 284	76%	1 396 340
Letters of credit	25 360 963	865 446	–	–	19 198 171	–	–	20 063 617	5 297 346	79%	14 809
Undrawn facilities	5 738 401	–	–	–	–	–	–	–	5 738 401	–	–
Total	201 780 503	35 754 331	–	2 590 901	59 302 027	52 111 213	–	149 758 472	52 022 031	74%	1 411 149

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.6 ECL model governance (continued)

7.6.2 Collateral and other credit enhancements (continued)

Type of collateral or credit enhancement*		Fair value of collateral and credit enhancements held			Fair value of collateral and credit enhancements held						
USD	Maximum exposure to credit risk	Cash	Securities	3rd party/ gov guarantees	Property	Other	Offsetting agreements	Total collateral	Net exposure	Collateral coverage %	Associated ECL
2022											
Loans and advances to customers											
Term loans	445 494 607	25 408 480	7 174 888	4 721 561	398 032 136	377 532 043	–	812 869 109	(367 374 502)	182%	10 844 304
Mortgage loans	22 951 882	74 485	–	–	75 768 087	229 106	–	76 071 678	(53 119 796)	331%	292 971
Overdraft	182 413 363	16 629 726	72 954	11 926 614	351 542 473	217 152 113	–	597 323 879	(414 910 516)	327%	1 511 901
Finance leases	13 718 853	1 460	–	–	1 820 218	8 641 401	5 332 103	15 795 182	(2 076 329)	115%	203 312
Total	664 578 705	42 114 150	7 247 842	16 648 175	827 162 914	603 554 663	5 332 103	1 502 059 848	(837 481 143)	956%	12 852 488
Cash and balances with central banks											
Deposits with Central Banks	98 090 204	–	–	–	–	–	–	–	98 090 204	–	3 023
Balances with other banks	99 661 776	–	–	–	–	–	–	–	99 661 776	–	4 224
Placements with other banks	142 152 602	–	–	–	–	–	–	–	142 152 602	–	163
Balances in the course of clearing with other banks	3 655 776	–	–	–	–	–	–	–	3 655 776	–	7 320
Cash balances	40 591 050	–	–	–	–	–	–	–	40 591 050	–	–
Total	384 151 408	–	–	–	–	–	–	–	384 151 408	–	14 730
Money market investments						–					
Held at Amortised cost											
Treasury Bills	62 429 691	–	–	–	–	–	–	–	62 429 691	–	415 788
Placements with other banks	5 911 669	–	–	–	–	–	–	–	5 911 669	–	288 486
Government Promissory Notes	114 399 966	–	–	–	–	–	–	–	114 399 966	–	986 676
Corporate Bonds	10 937 713	–	–	–	–	–	–	–	10 937 713	–	59 670
Government Stocks	11 571 385	–	–	–	–	–	–	–	11 571 385	–	(2 640)
Held at fair value through other comprehensive income											
Treasury Bills	6 786 282	–	–	–	–	–	–	–	6 786 282	–	–
Total	212 036 706	–	–	–	–	–	–	–	212 036 706		1 747 980
Repurchase agreements											
Repurchase agreements	5 040 116	–	–	–	–	–	–	–	5 040 116	–	2 280
Total	5 040 116	–	–	–	–	–	–	–	5 040 116	–	2 280
Other assets											
Card security deposit and settlement balances	2 350 818	–	–	–	–	–	–	–	2 350 818	–	–
Customer funds receivable from foreign currency auction	377 115	–	–	–	–	–	–	–	377 115	–	–
Other receivables	15 443 188	–	–	–	–	–	–	–	15 443 188	–	186
Total	18 171 121	–	–	–	–	–	–	–	18 171 121	–	186
Total on balance sheet	1 283 978 056	42 114 150	7 247 842	16 648 175	827 162 914	603 554 663	5 332 103	1 502 059 848	(218 081 792)	117%	14 617 664
Guarantees and letters of credit											
Guarantees	103 318 775	42 640 526	–	–	59 315 261	46 929 339	–	148 885 125	(45 566 350)	144%	841 326
Letters of credit	68 547 144	1 066 367	–	–	19 009 730	–	–	20 076 097	48 471 047	29%	429 945
Undrawn facilities	9 711 243	–	–	–	–	–	–	–	9 711 243	–	–
Total	181 577 162	43 706 893	–	–	78 324 990	46 929 339	–	168 961 222	12 615 939	93%	1 271 271

* Fair value of collaterals and credit enhancements held have been disclosed by class of financial assets for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.6 ECL model governance (continued)

7.6.3 Overview of modified and forborne loans

From a risk management point of view, once an asset is forborne or modified due to financial difficulties of the borrower, the Group's Risk department continues to monitor the exposure until it exits forbearance, that is, it is either cured or completely and ultimately derecognised.

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12mECL measurement during the period:

	Post modification		Pre-modification	
USD	**Gross carrying amount**	**Corresponding ECL**	**Gross carrying amount**	**Corresponding ECL**
2023				
Facilities that have cured since modification and are now measured using 12mECL (Stage 1) modification and are now measured using 12mECL (Stage 1).	**2 936 544**	**145 304**	**3 616 808**	**557 592**
Facilities that reverted to (Stage 2/3) LTECL having once cured LTECL having once cured.	**126 599**	**816**	**215 671**	**2 030**

	Post modification		Pre-modification	
USD	Gross carrying amount	Corresponding ECL	Gross carrying amount	Corresponding ECL
2022				
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	1 187 114	6 697	2 000 606	–
Facilities that reverted to (Stage 2/3) LTECL having once cured	–	–	–	–

* Gross carrying amounts and corresponding ECLs of previously modified financial assets have been disclosed for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

7.7 Disclosure on credit risk

The Group's exposure to credit risk principally comprises of loans and advances to customers, finance lease receivables, repurchase agreements and money market investments. The Banks in the Group have an internal rating scale which is mapped into the Basel II Credit Risk grading system. The internal rating is broadly classified into Standard (Performing), Substandard (past due but not impaired) and Non-performing (impaired).

7.7.1 Performing loans

These are loans and securities for which are neither past due nor impaired and which are not part of restructured loans.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.2 Past due but not impaired loans

These are loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

7.7.3 Impaired loans and securities

These are loans and securities for which the Group has determined that there is probability that it will be unable to collect all principal and/or interest due according to the contractual terms of the loan/ securities agreements.

7.7.4 Distribution of credit risk exposure by sector for loans and advances to customers

The Group monitors concentration of credit risk by sector. Economic sector risk concentrations within the customer loan and finance lease portfolio at 31 December 2022 and 31 December 2023 were as follows:

Credit risk exposure by sector

	Consolidated	
USD	2023	2022
Agriculture	52 351 487	43 533 307
Mining	11 757 568	5 876 483
Financial Services	16 466 981	17 573 215
Construction	32 715 044	30 510 162
Energy/Electricity/Gas/Water	14 917 137	14 210 220
Manufacturing	106 175 869	110 242 663
Wholesale and Retail	106 376 513	109 825 193
Individual/Households	253 724 065	200 188 657
Real Estate	36 939 770	43 593 433
Tourism and Leisure	23 776 716	30 107 347
Transport and Communication	48 574 173	40 525 525
Others	32 405 742	18 392 500
Total credit risk exposure	**736 181 065**	664 578 705

7.7.5 Credit quality per class of financial assets

The table below shows maximum exposure to credit risk without considering any collateral. The maximum exposure is presented gross, before effect of mitigation through the use of collateral agreements.

		Consolidated		Separate	
USD	Notes	2023	Restated 2022	2023	2022
Gross maximum exposure:					
Balances with central banks	9	171 990 927	98 090 204	–	–
Balances with other banks	9	78 263 250	99 661 776	6 515 058	2 897 440
Placements with other banks		144 628 104	142 152 602	–	–
Cash balances	9	3 329 000	40 591 050		
Cheques in the course of clearing	9	1 317 509	3 655 776	–	–
Money market investments	10	225 349 282	212 036 706	–	–
Repurchase agreements	12	5 000 000	5 040 116	–	–
Loans and advances	11	736 181 065	664 578 705	–	–
Other assets[1]		14 720 649	18 171 121	4 992 071	4 954 465
Total recognised financial assets		**1 380 779 786**	1 283 978 056	**11 507 129**	7 851 905
Letters of credit	53	25 360 963	68 547 144	–	–
Guarantees	53	170 681 139	103 318 775	–	6 168 340
Undrawn facilities	53	5 738 401	9 711 243	–	–
Total unrecognised financial assets		**201 780 502**	181 577 162	–	6 168 340
Total credit risk exposure		**1 582 560 465**	1 465 555 218	**11 507 129**	14 020 245

1 Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities. Refer to Note 60 for details relating to the restatement.

Notes to the financial statements (continued)

For the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.6 Credit quality by Internal rating grade*

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month Basel PD range and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the Group's internal grading system are explained in Note 7.61 and the Group's impairment assessment and measurement approach is set out in Note 6.6.10.

	Gross carrying amount					Expected credit losses			
USD	12 month Basel PD range	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2023									
Loans and advances to customers									
Performing									
High grade	0.00% – 0.50%	146 991 398	428 538	–	147 419 936	966 196	36	–	966 232
Standard grade	0.50% – 11.7%	505 646 502	35 443 364	2 703 503	543 793 369	5 223 938	93 414	1 785 276	7 102 628
Sub-standard grade	11.7% – 29.50%	15 607 580	6 124 045	4 369 984	26 101 609	38 684	1 274 923	2 396 836	3 710 443
Low grade	29.5% – 100%	23 861	2 311 779	12 297 519	14 633 159	1 192	673 825	4 963 354	5 638 371
Non-performing									
Individually impaired	100.00%	–	–	4 232 992	4 232 992	–	–	2 374 663	2 374 663
Total		668 269 341	44 307 726	23 603 998	736 181 065	6 230 010	2 042 198	11 520 129	19 792 337
Coverage ratio		0.932%	4.609%	48.806%					
Cash and balances with central banks									
Performing									
High grade	0.00% – 0.50%	200 792 213	–	–	200 792 213	33 323	–	–	33 323
Standard grade	0.50% – 11.7%	198 736 577	–	–	198 736 577	3 872	–	–	3 872
Sub-standard grade	11.7% – 29.50%	–	–	–	–	–	–	–	–
Low grade	29.5% – 100%	–	–	–	–	–	–	–	–
Non-performing									
Individually impaired	100%	–	–	–	–	–	–	–	–
Total		399 528 790	–	–	399 528 790	37 195	–	–	37 195
Coverage ratio		0.010%	–	–					
Money market investments									
Performing									
High grade	0.00% – 0.50%	190 014 340	–	–	190 014 340	4 782 779	–	–	4 782 779
Standard grade	0.50% – 11.7%	7 851 149	–	–	7 851 149	195 793	–	–	195 793
Sub-standard grade	11.7% – 29.50%	27 483 793	–	–	27 483 793	214 484	–	–	214 484
Low grade	29.5% – 100%	–	–	–	–	–	–	–	–
Non-performing									
Individually impaired	100%	–	–	–	–	–	–	–	–
Total		225 349 282	–	–	225 349 282	5 193 056	–	–	5 193 056
Coverage ratio		2.304%	–	–					

* The credit quality and the maximum exposure to credit risk for the Group's financial assets based on its internal credit rating system have been disclosed for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

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Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.6 Credit quality by Internal rating grade* (continued)

USD	12 month Basel PD range	Gross carrying amount Stage 1	Gross carrying amount Stage 2	Gross carrying amount Stage 3	Gross carrying amount Total	Expected credit losses Stage 1	Expected credit losses Stage 2	Expected credit losses Stage 3	Expected credit losses Total
2023									
Repurchase agreements									
Performing									
High grade	0.00% – 0.50%	5 000 000	–	–	5 000 000	19 869	–	–	19 869
Standard grade	0.50% – 11.7%	–	–	–	–	–	–	–	–
Sub-standard grade	11.7% – 29.50%	–	–	–	–	–	–	–	–
Low grade	29.5% – 100%	–	–	–	–	–	–	–	–
Non-performing									
Individually impaired	100%	–	–	–	–	–	–	–	–
Total		5 000 000	–	–	5 000 000	19 869	–	–	19 869
Coverage ratio		0.397%	–	–					
Other assets									
Performing									
High grade	0.00% – 0.50%	5 028 657	–	–	5 028 657	–	–	–	–
Standard grade	0.50% – 11.7%	9 691 992	–	–	9 691 992	33 250	–	–	33 250
Sub-standard grade	11.7% – 29.50%	–	–	–	–	–	–	–	–
Low grade	29.5% – 100%	–	–	–	–	–	–	–	–
Non-performing									
Individually impaired	100%	–	–	–	–	–	–	–	–
Total		14 720 649	–	–	14 720 649	33 250	–	–	33 250
Coverage ratio		0.226%	–	–					
Guarantees and letters of credit									
Performing									
High grade	0.00% – 0.50%	9 454 413	–	–	9 454 413	12 094	–	–	12 094
Standard grade	0.50% – 11.7%	178 677 672	10 779 154	–	189 456 826	906 894	297 376	–	1 204 270
Sub-standard grade	11.7% – 29.50%	2 603 387	236 855	29 022	2 869 264	164 342	15 111	15 332	194 785
Low grade	29.5% – 100%	–	–	–	–	–	–	–	–
Non-performing									
Individually impaired	100%	–	–	–	–	–	–	–	–
Total		190 735 472	11 016 009	29 022	201 780 503	1 083 330	312 487	15 332	1 411 149
Coverage ratio		0.568%	2.837%	52.829%					

* The credit quality and the maximum exposure to credit risk for the Group's financial assets based on its internal credit rating system have been disclosed for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.6 Credit quality by Internal rating grade* (continued)

		Gross carrying amount				Expected credit losses			
USD	12 month Basel PD range	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2022									
Loans and advances to customers									
Performing									
High grade	0.00% – 0.50%	88 481 106	–	–	88 481 106	140 219	–	–	140 219
Standard grade	0.50% – 11.7%	508 061 276	18 173 635	976 140	527 211 051	2 908 838	286 306	457 237	3 652 381
Sub-standard grade	11.7% – 29.50%	1 711 821	29 713 875	4 146 376	35 572 072	11 107	3 302 398	310 529	3 624 034
Low grade	29.5% – 100%	58 400	45 956	6 365 285	6 469 641	585	527	2 835 796	2 836 908
Non-performing		–	–	–		–	–	–	
Individually impaired	100.00%	–	–	6 844 835	6 844 835	–	–	2 598 946	2 598 946
Total		598 312 603	47 933 466	18 332 636	664 578 705	3 060 749	3 589 231	6 202 508	12 852 488
Coverage ratio		0.512%	7.49%	33.83%					
Cash and balances with central banks									
Performing									
High grade	0.00% – 0.50%	270 767 874	–	–	270 767 874	14 567	–	–	14 567
Standard grade	0.50% – 11.7%	113 383 534	–	–	113 383 534	163	–	–	163
Sub-standard grade	11.7% – 29.50%	–	–	–	–	–	–	–	–
Low grade	29.5% – 100%	–	–	–	–	–	–	–	–
Non-performing									
Individually impaired	100%	–	–	–	–	–	–	–	–
Total		384 151 408	–	–	384 151 408	14 730	–	–	14 730
Coverage ratio		0.004%	–	–					
Money market investments									
Performing									
High grade	0.00% – 0.50%	212 036 706	–	–	212 036 706	1 747 980	–	–	1 747 980
Standard grade	0.50% – 11.7%	–	–	–	–	–	–	–	–
Sub-standard grade	11.7% – 29.50%	–	–	–	–	–	–	–	–
Low grade	29.5% – 100%	–	–	–	–	–	–	–	–
Non-performing									
Individually impaired	100%	–	–	–	–	–	–	–	–
Total		212 036 706	–	–	212 036 706	1 747 980	–	–	1 747 980
Coverage ratio		0.824%	–	–					
Repurchase agreements									
Performing									
High grade	0.00% – 0.50%	5 040 116	–	–	5 040 116	2 280	–	–	2 280
Standard grade	0.50% – 11.7%	–	–	–	–		–	–	–
Sub-standard grade	11.7% – 29.50%	–	–	–	–	–	–	–	–
Low grade	29.5% – 100%	–	–	–	–	–	–	–	–
Non-performing									
Individually impaired	100%	–	–	–	–	–	–	–	–
Total		5 040 116	–	–	5 040 116	2 280	–	–	2 280
Coverage ratio		0.045%	–	–					

* The credit quality and the maximum exposure to credit risk for the Group's financial assets based on its internal credit rating system have been disclosed for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.6 Credit quality by Internal rating grade* (continued)

		Gross carrying amount				Expected credit losses			
USD	12 month Basel PD range	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2022									
Other assets									
Performing									
High grade	0.00% – 0.50%	18 171 121	–	–	18 171 121	186	–	–	186
Standard grade	0.50% – 11.7%	–	–	–	–	–	–	–	–
Sub-standard grade	11.7% – 29.50%	–	–	–	–	–	–	–	–
Low grade	29.5% – 100%	–	–	–	–	–	–	–	–
Non-performing									
Individually impaired	100%	–	–	–	–	–	–	–	–
Total		18 171 121	–	–	18 171 121	186	–	–	186
Coverage ratio		0.001%	–	–					
Guarantees and letters of credit									
Performing									
High grade	0.00% – 0.50%	69 065 329	–	–	69 065 329	947 116	–	–	947 116
Standard grade	0.50% – 11.7%	112 511 833	–		112 511 833	324 155	–	–	324 155
Sub-standard grade	11.7% – 29.50%	–	–	–	–	–	–	–	–
Low grade	29.5% – 100%	–	–	–	–	–	–	–	–
Non-performing									
Individually impaired	100%	–	–	–	–	–	–	–	–
Total		181 577 162	–	–	181 577 162	1 271 271	–	–	1 271 271
Coverage ratio		0.188%	–	–					

* The credit quality and the maximum exposure to credit risk for the Group's financial assets based on its internal credit rating system have been disclosed for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.7 Exposure to credit risk

The Group's maximum exposure to credit risk and ECLs are analysed and reconciled as follows:

Maximum credit risk exposure

	Gross carrying amount				Expected credit losses			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2023								
Loans and advances to customers								
Term loans	404 991 774	32 690 064	18 254 325	455 936 163	5 102 540	1 340 117	7 470 824	13 913 481
Mortgage loans	15 104 675	575 716	510 348	16 190 739	118 190	14 912	1 391 475	1 524 577
Overdraft	237 499 448	10 176 442	4 347 241	252 023 131	951 465	674 228	2 511 520	4 137 213
Finance leases	10 673 444	865 504	492 084	12 031 032	57 815	12 941	146 310	217 066
Total	668 269 341	44 307 726	23 603 998	736 181 065	6 230 010	2 042 198	11 520 129	19 792 337
Cash and balances with central banks								
Deposits with Central Banks	171 990 927	–	–	171 990 927	33 118	–	–	33 118
Balances with other banks	78 263 250	–	–	78 263 250	4 006	–	–	4 006
Placements with other banks	144 628 104	–	–	144 628 104	71	–	–	71
Balances in the course of clearing with other banks	1 317 509	–	–	1 317 509	–	–	–	–
Cash balances	3 329 000	–	–	3 329 000	–	–	–	–
Total	399 528 790	–	–	399 528 790	37 195	–	–	37 195
Money market investments						–		
Held at Amortised cost								
Treasury Bills	60 172 554	–	–	60 172 554	445 158	–	–	445 158
Placements with other banks	18 389 806	–	–	18 389 806	2 893 036	–	–	2 893 036
Government Promissory Notes	123 400 027	–	–	123 400 027	1 659 069	–	–	1 659 069
Corporate Bonds	7 851 149	–	–	7 851 149	195 793	–	–	195 793
Government Stocks	11 067 984	–	–	11 067 984	–	–	–	–
Held at fair value through other comprehensive income	–				–			–
Treasury Bills	4 467 762	–	–	4 467 762	–	–	–	–
Total	225 349 282	–	–	225 349 282	5 193 056	–	–	5 193 056
Repurchase agreements								
Repurchase agreements	5 000 000	–	–	5 000 000	19 869	–	–	19 869
Total	5 000 000	–	–	5 000 000	19 869	–	–	19 869
Other assets								
Card security deposit and settlement balances	2 613 003	–	–	2 613 003	–	–	–	–
Customer funds receivable from foreign currency auction	–	–	–	–	–	–	–	–
Other receivables	12 107 646	–	–	12 107 646	33 250	–	–	33 250
Total	14 720 649	–	–	14 720 649	33 250	–	–	33 250
Total on balance sheet	1 312 868 062	44 307 726	23 603 998	1 380 779 786	11 515 671	2 042 198	11 520 129	25 075 707
Guarantees and letters of credit								
Guarantees	159 636 108	11 016 009	29 022	170 681 139	1 068 521	312 487	15 332	1 396 340
Letters of credit	25 360 963	–	–	25 360 963	14 809	–	–	14 809
Undrawn committed credit facilities	5 738 400	–	–	5 738 400	–	–	–	–
Total	190 735 472	11 016 009	29 022	201 780 503	1 083 330	312 487	15 332	1 411 149

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.7 Exposure to credit risk (continued)

The Group's maximum exposure to credit risk and expected credit losses are analysed and reconciled as follows:

Maximum credit risk exposure

Restated[1]	Gross carrying amount				Expected credit losses			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2022								
Loans and advances to customers								
Term loans	399 364 198	34 910 345	11 220 064	445 494 607	2 879 085	3 525 470	4 439 749	10 844 304
Mortgage loans	22 281 700	217 454	452 728	22 951 882	24 120	3 200	265 651	292 971
Overdraft	164 868 067	11 972 565	5 572 731	182 413 363	100 733	55 141	1 356 027	1 511 901
Finance leases	11 798 638	833 102	1 087 113	13 718 853	56 811	5 420	141 081	203 312
Total	598 312 603	47 933 466	18 332 636	664 578 705	3 060 749	3 589 231	6 202 508	12 852 488
Cash and balances with central banks								
Deposits with Central Banks	98 090 204	–	–	98 090 204	3 023	–	–	3 023
Balances with other banks	99 661 776	–	–	99 661 776	4 224	–	–	4 224
Placements with other banks	142 152 602	–	–	142 152 602	163	–	–	163
Balances in the course of clearing with other banks	3 655 776	–	–	3 655 776	7 320	–	–	7 320
Cash balances	40 591 050	–	–	40 591 050		–	–	–
Total	384 151 408	–	–	384 151 408	14 730	–	–	14 730
Money market investments						–		
Held at Amortised cost								
Treasury Bills	62 429 691	–	–	62 429 691	415 788	–	–	415 788
Placements with other banks[1]	5 911 669	–	–	5 911 669	288 486	–	–	288 486
Government Promissory Notes	114 399 966	–	–	114 399 966	986 676	–	–	986 676
Corporate Bonds	10 937 713	–	–	10 937 713	59 670	–	–	59 670
Government Stocks	11 571 385	–	–	11 571 385	(2 640)	–	–	(2 640)
Held at fair value through other comprehensive income								–
Treasury Bills	6 786 282	–	–	6 786 282	–	–	–	–
Total	212 036 706	–	–	212 036 706	1 747 980	–	–	1 747 980
Repurchase agreements								
Repurchase agreements	5 040 116	–	–	5 040 116	2 280	–	–	2 280
Total	5 040 116	–	–	5 040 116	2 280	–	–	2 280
Other assets								
Card security deposit and settlement balances	2 350 818	–	–	2 350 818	–	–	–	–
Customer funds receivable from foreign currency auction	377 115	–	–	377 115	–	–	–	–
Other receivables[1]	15 443 188	–	–	15 443 188	186	–	–	186
Total	18 171 121	–	–	18 171 121	186	–	–	186
Total on balance sheet	1 283 978 056	47 933 466	18 332 636	1 283 978 056	4 825 925	3 589 231	6 202 508	14 617 664
Guarantees and letters of credit								
Guarantees	103 318 775	–	–	103 318 775	841 326	–	–	841 326
Letters of credit	68 547 144	–	–	68 547 144	429 945	–	–	429 945
Other undrawn commitments to lend	9 711 243	–	–	9 711 243	–		–	–
Total	181 577 162	–	–	181 577 162	1 271 271	–	–	1 271 271

1 Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities. Refer to note 60 for details relating to the restatement. The comparative figures for guarantees and letters of credit have been amended to include other undrawn commitments to lend as per the requirements of IFRS 7 Financial Instruments: Disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.7 Exposure to credit risk* (continued)

	Gross carrying amount				Expected credit losses			
	Loans and advances				Loans and advances			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2023								
Balance as at 1 January 2023	598 312 603	47 933 466	18 332 636	664 578 705	3 060 749	3 589 231	6 202 508	12 852 488
New assets originated or purchased[1]	380 974 905	28 473 080	7 040 145	416 488 130	5 011 779	2 101 066	8 522 602	15 635 447
Payments and assets derecognised	(203 467 587)	(16 187 681)	(4 848 505)	(224 503 773)	(2 329 409)	(1 000 957)	(2 063 407)	(5 393 773)
Transfer (from)/to stage 1	(25 518 004)	22 995 785	2 522 219	–	(108 639)	286 565	(177 926)	–
Transfer (from)/to stage 2	22 625 718	(28 650 897)	6 025 179	–	752 886	(1 238 148)	485 262	–
Transfer (from)/to stage 3	(1 423 604)	42 955	1 380 649	–	123 777	(313 572)	189 795	–
Impact on ECL of transfers	–	–	–	–	(654 276)	229 500	934 045	509 269
Impaired accounts written off	(598 788)	(299 252)	(1 335 109)	(2 233 149)	(281 736)	(262 498)	(1 394 451)	(1 938 685)
Recoveries	–	(173 612)	(379 970)	(553 582)	–	(23 080)	(192 076)	(215 156)
Changes to models	–	–	–	–	230 181	41 569	276 741	548 491
Amounts written off	–	(1 095 204)	(221 863)	(1 317 067)	–	–	(95 017)	(95 017)
Effects of changes in exchange rates	(102 635 902)	(8 730 914)	(4 911 383)	(116 278 199)	424 698	(1 367 478)	(1 167 947)	(2 110 727)
Balance as at 31 December 2023	668 269 341	44 307 726	23 603 998	736 181 065	6 230 010	2 042 198	11 520 129	19 792 337

1 Stage 3 includes loans advances originated during the year but moved to stage 3.

	Gross carrying amount				Expected credit losses			
	Money market investments				Money market investments			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2023								
Balance as at 1 January 2023	212 036 706	–	–	212 036 706	1 747 980	–	–	1 747 980
New assets originated or purchased	181 825 693	–	–	181 825 693	2 468 377	–	–	2 468 377
Payments and assets derecognised	(87 751 352)	–	–	(87 751 352)	(573 920)	–	–	(573 920)
Effects of changes in exchange rates	(80 761 765)	–	–	(80 761 765)	1 550 619	–	–	1 550 619
Balance as at 31 December 2023	225 349 282	–	–	225 349 282	5 193 056	–	–	5 193 056

* Changes in gross carrying amounts for financial assets which are subjected to credit risk have been disclosed for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.7 Exposure to credit risk* (continued)

	Gross carrying amount				Expected credit losses			
	Other assets				Other assets			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2023								
Balance as at 1 January 2023	18 171 121	–	–	18 171 121	186	–	–	186
New assets originated or purchased	2 144 626	–	–	2 144 626	102 144	–	–	102 144
Payments and assets derecognised	(2 744 082)	–	–	(2 744 082)	–	–	–	–
Effects of changes in exchange rates	(2 851 016)	–	–	(2 851 016)	(69 080)	–	–	(69 080)
Balance as at 31 December 2023	14 720 649	–	–	14 720 649	33 250	–	–	33 250

	Gross carrying amount				Expected credit losses			
	Cash and balances with central banks				Cash and balances with central banks			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2023								
Balance as at 1 January 2023	384 151 408	–	–	384 151 408	14 730	–	–	14 730
New assets originated or purchased	187 016 625	–	–	187 016 625	47 109	–	–	47 109
Payments and assets derecognised	(60 485 958)	–	–	(60 485 958)	(11 422)	–	–	(11 422)
Effects of changes in exchange rates	(111 153 285)	–	–	(111 153 285)	(13 222)	–	–	(13 222)
Balance as at 31 December 2023	399 528 790	–	–	399 528 790	37 195	–	–	37 195

* Changes in gross carrying amounts for financial assets which are subjected to credit risk have been disclosed for the first time
in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

Notes to the financial statements (continued)
for the year ended 31 December 2023

7 Risk management (continued)
7.7 Disclosure on credit risk (continued)
7.7.7 Exposure to credit risk (continued)

USD	Gross carrying amount – Repurchase agreements Stage 1	Stage 2	Stage 3	Total	Expected credit losses – Repurchase agreements Stage 1	Stage 2	Stage 3	Total
2023								
Balance as at 1 January 2023	5 040 116	–	–	5 040 116	2 280	–	–	2 280
New assets originated or purchased	7 346 941	–	–	7 346 941	29 195	–	–	29 195
Payments and assets derecognised	(4 478 390)	–	–	(4 478 390)	(1 866)	–	–	(1 866)
Effects of changes in exchange rates	(2 908 667)	–	–	(2 908 667)	(9 740)	–	–	(9 740)
Balance as at 31 December 2023	5 000 000	–	–	5 000 000	19 869	–	–	19 869

USD	Gross carrying amount – Guarantees and letters of credit Stage 1	Stage 2	Stage 3	Total	Expected credit losses – Guarantees and letters of credit Stage 1	Stage 2	Stage 3	Total
2023								
Balance as at 1 January 2023	181 577 162	–	–	181 577 162	1 271 271	–	–	1 271 271
New assets originated or purchased	172 762 429	771 984	–	173 534 413	640 130	7 209	–	647 339
Payments and assets derecognised	(127 052 841)	(872 169)	(8 729)	(127 933 739)	(424 042)	(3 228)	(588)	(427 858)
Transfer to/(from) stage 1	(9 761 779)	9 732 668	29 111	–	(50 022)	47 549	2 473	–
Transfer to/(from) stage 2	511 836	(511 836)	–	–	1 550	(1 550)	–	–
Impact on ECL of transfers	–	–	–	–	3 970	258 268	12 906	275 144
Changes to models	–	–	–	–	306 900	29	–	306 929
Effects of changes in exchange rates	(27 301 335)	1 895 362	8 640	(25 397 333)	(666 427)	4 210	541	(661 676)
Balance as at 31 December 2023	190 735 472	11 016 009	29 022	201 780 503	1 083 330	312 487	15 332	1 411 149

* Changes in gross carrying amounts for financial assets which are subjected to credit risk have been disclosed for the first time
in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

The increase in stage 3 exposures is mainly from Zimbabwe and Mozambique. Zimbabwe ECL movements to stage 3 are mainly from project finance while Mozambique stage 3 transfers relate to payroll lending to government employees.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.7 Exposure to credit risk* (continued)

	Gross carrying amount				Expected credit losses			
	Loans and advances				Loans and advances			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2022								
Balance as at 1 January 2022	481 883 153	66 805 158	16 586 637	565 274 948	4 102 468	1 847 802	6 513 209	12 463 479
New assets originated or purchased[1]	314 341 838	30 893 901	30 604 974	375 840 713	2 698 935	2 936 084	9 724 627	15 359 646
Payments and assets derecognised	(198 175 694)	(43 099 972)	(8 027 617)	(249 303 283)	(2 896 535)	(1 336 073)	(3 024 810)	(7 257 418)
Transfer (from)/to stage 1	11 101 772	6 713 477	(17 815 249)	–	305 010	478 287	(783 297)	–
Transfer (from)/to stage 2	5 637 100	(9 543 356)	3 906 256	–	399 018	(332 502)	(66 516)	–
Transfer (from)/to stage 3	(1 395 449)	527 867	867 582	–	(52 299)	(24 419)	76 718	–
Impaired accounts written off	–	–	(7 416 873)	(7 416 873)	–	–	(3 545 341)	(3 545 341)
Other movements	–	–	–	–	(174 170)	(485 858)	(2 375 130)	(3 035 158)
Foreign exchange adjustments	(15 080 117)	(4 363 609)	(373 074)	(19 816 800)	(1 321 678)	505 910	(316 952)	(1 132 720)
Balance as at 31 December 2022	598 312 603	47 933 466	18 332 636	664 578 705	3 060 749	3 589 231	6 202 508	12 852 488

1 Stage 3 includes loans advances originated during the year but moved to stage 3.

	Gross carrying amount				Expected credit losses			
	Money market investments				Money market investments			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2022								
Balance as at 1 January 2022	237 973 167	44 616 903	–	282 590 070	88 865	2 039 002	–	2 127 867
New assets originated or purchased	106 626 201	–	–	106 626 201	1 366 958	–	–	1 366 958
Payments and assets derecognised	(146 998 725)	(1 074 258)	–	(148 072 983)	(453 082)	(508 768)	–	(961 850)
Transfer to/(from) stage 1	39 970 336	(39 970 336)	–	–	1 366 979	(1 366 979)	–	–
Effect of modifications	–	–	–	–	(649 499)	–	–	(649 499)
Effects of changes in exchange rates	(25 534 273)	(3 572 309)	–	(29 106 582)	27 759	(163 255)	–	(135 496)
Balance as at 31 December 2022	212 036 706	–	–	212 036 706	1 747 980	–	–	1 747 980

* Changes in gross carrying amounts for financial assets which are subjected to credit risk have been disclosed for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

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Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.7 Exposure to credit risk* (continued)

	Gross carrying amount				Expected credit losses			
	Other assets				Other assets			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2022								
Balance as at 1 January 2022	18 883 818	–	–	18 883 818	622 853	–	–	622 853
New assets originated or purchased	6 679 369	–	–	6 679 369	186	–	–	186
Payments and assets derecognised	(7 683 343)	–	–	(7 683 343)	(622 853)	–	–	(622 853)
Effects of changes in exchange rates	291 277	–	–	291 277	–	–	–	–
Balance as at 31 December 2022	18 171 121	–	–	18 171 121	186	–	–	186

	Gross carrying amount				Expected credit losses			
	Cash and balances with central banks				Cash and balances with central banks			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2022								
Balance as at 1 January 2022	308 755 110	–	–	308 755 110	40 979	–	–	40 979
New assets originated or purchased	100 134 127	–	–	100 134 127	(4 644)	–	–	(4 644)
Payments and assets derecognised	(27 505 477)	–	–	(27 505 477)	(22 722)	–	–	(22 722)
Effects of changes in exchange rates	2 767 648	–	–	2 767 648	1 117	–	–	1 117
Balance as at 31 December 2022	384 151 408	–	–	384 151 408	14 730	–	–	14 730

* Changes in gross carrying amounts for financial assets which are subjected to credit risk have been disclosed for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.7 Disclosure on credit risk (continued)

7.7.7 Exposure to credit risk* (continued)

	Gross carrying amount				Expected credit losses			
	Repurchase agreements				Repurchase agreements			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2022								
Balance as at 1 January 2022	55 512 583			55 512 583	47 558	–	–	47 558
New assets originated or purchased	5 000 000	–	–	5 000 000	44 558	–	–	44 558
Payments and assets derecognised	(48 180 977)	–	–	(48 180 977)	(41 307)	–	–	(41 307)
Impact on ECL of transfers	–	–	–	–	(45 278)	–	–	(45 278)
Effects of changes in exchange rates	(7 291 490)	–	–	(7 291 490)	(3 251)	–	–	(3 251)
Balance as at 31 December 2022	5 040 116	–	–	5 040 116	2 280	–	–	2 280

	Gross carrying amount				Expected credit losses			
	Guarantees and letters of credit				Guarantees and letters of credit			
USD	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
2022								
Balance as at 1 January 2022	141 901 123	2 136 757	25 532	144 063 412	799 482	46 720	7 056	853 258
New assets originated or purchased	129 357 678	1 783 791	–	131 141 469	1 433 230	2 627	–	1 435 857
Payments and assets derecognised	(85 095 232)	(3 889 898)	(24 256)	(89 009 386)	(955 612)	(48 434)	(7 277)	(1 011 323)
Transfer to/(from) stage 1	–	–	–	–	–	–	–	–
Transfer to/(from) stage 2	–	–	–	–	–	–	–	–
Transfer to/(from) stage 3	–	(9 746)	9 746	–	–	(657)	657	–
Impact on ECL of transfers	–	–	–	–	–	–	–	–
Other movements	–	–	(12 678)	(12 678)	(2 935)	–	(719)	(3 654)
Effects of changes in exchange rates	(4 586 407)	(20 904)	1 656	(4 605 655)	(2 894)	(256)	283	(2 867)
Balance as at 31 December 2022	181 577 162	–	–	181 577 162	1 271 271	–	–	1 271 271

* Changes in gross carrying amounts for financial assets which are subjected to credit risk have been disclosed for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.8 Currency risk

The table below indicates the net open positions in various currencies to which the Group had significant exposure at the end of the reported periods on its non-trading monetary assets and liabilities. The analysis calculates the effect of a possible 10% appreciation and depreciation of the currency rate against the United States Dollar (all other variables being constant) on the statement of profit or loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities).

The net open foreign currency position (NOP) of the Group is set out below:

(USD)	Consolidated			
Currency	NOP	Risk position	Stress factor	Risk measure
2023				
EUR	**641 913**	**641 913**	**39%**	**51 520**
GBP	**375 804**	**408 878**	**40%**	**42 289**
USD	**4 145 424**	**4 145 424**	**30%**	**324 861**
ZAR	**988 071**	**988 071**	**39%**	**78 748**
Others	**11 461 519**	**11 461 519**	**30%**	**5 960 652**
Total	**17 612 732**	**17 645 806**		**6 458 071**
2022				
EUR	2 104 592	2 104 592	94%	3 787 981
GBP	2 831 393	2 831 393	93%	7 205 432
USD	8 582 819	8 582 819	34%	13 790 493
ZAR	1 094 042	1 094 042	42%	116 652
Others	497 813	506 242	37%	515 070
Total	15 110 659	15 119 088		25 415 628

Others as a currency group comprises mainly of the Zimbabwean Dollar (ZWL), as well as the Zambian Kwacha (ZMW), Japanese Yen (JPY), and Indian Rupee (INR).

(USD)	Separate			
Currency	NOP	Risk position	Stress factor	Risk measure
2023				
Others	**7 067 688**	**7 067 688**	**30%**	**2 120 307**
Total	**7 067 688**	**7 067 688**		**2 120 307**
2022				
Others	6 350 782	6 350 782	26%	1 651 203
Total	6 350 782	6 350 782		1 651 203

1 Currency volatility was calculated as daily standard deviation of currency rates for a year, over seven years. The worst standard deviation was considered as the daily stress measure that is, worst daily volatility. The stress factor was then defined to be a stress even whereby positions are held for a period of 40 days.

2 Risk measure represents the potential foreign currency gain/loss if the NOP position was held for 40 days.

7.8.1 Foreign exchange risk

Foreign exchange risk relates to the exposure of the Group's foreign exchange position to adverse movements in foreign exchange rates. These movements may impact on the Group's future cash flows.

Foreign Exchange Risk Management

The Group manages this risk by adhering to internally set limits and those set by the Regulators in respective jurisdictions. The business generally uses sensitivity-based measures to monitor market risk positions with Net Open Position (NOP) to capital sensitivity for foreign exchange risk. In respect of monetary assets and liabilities in foreign currency, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.8 Currency risk (continued)

7.8.1 Foreign exchange risk (continued)

A movement in each of the currencies below against the United Stated Dollar would have resulted in an equivalent but opposite impact. A negative amount in the table reflects a potential net reduction in the income statement or equity, while a positive amount reflects a net potential increase.

Appreciation of the USD

Consolidated

Currency	2023 NOP	2023 USD appre-ciation by 10% %	2023 Effect on profit before tax LCY	2023 Effect on equity LCY	2022 NOP	2022 USD appre-ciation by 10% %	2022 Effect on profit before tax LCY	2022 Effect on equity LCY
EUR	641 913	+10	(64 191)	(44 472)	2 104 592	+10	(210 459)	(147 869)
GBP	375 804	+10	(37 580)	(26 036)	2 831 393	+10	(283 139)	(198 934)
USD	4 145 424	+10	–	–	8 582 819	+10	–	–
ZAR	988 071	+10	(98 807)	(68 454)	1 094 042	+10	(109 404)	(76 867)
Others	11 461 519	+10	(1 146 152)	(794 054)	497 813	+10	(49 781)	(34 976)

Depreciation of the USD

Consolidated

Currency	2023 NOP	2023 USD appre-ciation by 10% %	2023 Effect on profit before tax LCY	2023 Effect on equity LCY	2022 NOP	2022 USD appre-ciation by 10% %	2022 Effect on profit before tax LCY	2022 Effect on equity LCY
EUR	641 913	-10	64 191	44 472	2 104 592	-10	210 459	147 869
GBP	375 804	-10	37 580	26 036	2 831 393	-10	283 139	198 934
USD	4 145 424	-10	–	–	8 582 819	-10	–	–
ZAR	988 071	-10	98 807	68 454	1 094 042	-10	109 404	76 867
Others	11 461 519	-10	1 146 152	794 054	497 813	-10	49 781	34 976

Currency sensitivity analysis as well as net exposure of financial instruments subject to currency risk have been disclosed for comparatives to align with current year presentation, in line with the requirements of IFRS 7 Financial Instruments: Disclosures. Previously these were disclosed on an aggregated basis.

Market risk

Market risk is the risk of the bank's earnings or capital being reduced due to the bank being impacted by changes in the level of volatility of prices affecting the positions in its trading books or due to the repricing mismatch in the bank's assets and liabilities. The fluctuation in market variables includes, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations. The Group separates exposures to market risk into trading and non-trading portfolios (banking book).

Management of Market Risk

The Group uses sensitivity-based measures to monitor the market risk positions within each risk type, for example, for interest rate risk in the banking book, the net Interest sensitivity and for foreign currency risk, the Net Open Position (NOP) to capital. Sensitivity limits are set for portfolios, products and risk types, with risk both across and within asset classes.

Overall authority for market risk is vested in each entity's Asset and Liability Committee (ALCO). Group Risk 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.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.9 Interest rate risk

7.9.1 Interest rate gap analysis

The tables below summarise the exposure to interest rate risk as at 31 December 2023. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Consolidated			Consolidated					
USD	Non interest sensitive	Overnight	0 – 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Over 12 months	Total
2023									
Assets									
Cash and balances with central banks	126 794 958	70 212 995	79 776 633	162 638 478	–	–	–	–	439 423 064
Money market investments	–	–	4 067 357	2 845 872	43 608 531	26 470 597	69 128 758	74 035 111	220 156 226
Loans and advances to customers	28 930	83 400 321	59 998 753	33 442 548	24 597 905	10 712 517	93 091 363	411 116 391	716 388 728
Derivative financial assets	–	–	–	907 654	5 301 652	–	–	–	6 209 306
Repurchase agreements	–	–	–	4 980 131	–	–	–	–	4 980 131
Other financial assets	28 834 393	–	–	–	–	–	–	–	28 834 393
Total assets	155 658 281	153 613 316	143 842 743	204 814 683	73 508 088	37 183 114	162 220 121	485 151 502	1 415 991 848
Liabilities									
Balances due to other banks	–	18 080 504	6 966 546	4 369 404	6 828 351	2 000 000	29 159 227	2 870 346	70 274 378
Customer deposits	57 529 477	297 198 348	147 488 833	169 055 030	121 468 288	175 295 847	78 534 030	49 625 231	1 096 195 084
Derivative financial liabilities	–	–	–	694 913	203 808	3 946 506	–	–	4 845 227
Subordinated debt	–	–	2 587 200	1 176 000	7 920 368	–	–	137 790	11 821 358
Loan payable	–	–	–	–	17 493 154	–	346 130	15 995 778	33 835 062
Lease liabilities	–	–	951 921	35 236	51 000	154 404	–	4 884 425	6 076 986
Covertible preference shares	–	–	–	–	–	–	–	10 786 747	10 786 747
Other payables	20 409 250	266 339	–	5 787 994	49 413	48 292	155 340	1 316 731	28 033 359
Total liabilities	77 938 727	315 545 191	157 994 500	181 118 577	154 014 382	181 445 049	108 194 727	85 617 048	1 261 868 201
Total on-balance sheet interest sensitivity gap	77 719 554	(161 931 875)	(14 151 757)	23 696 106	(80 506 294)	(144 261 935)	54 025 394	399 534 454	154 123 647
Off-balance sheet exposures									
Financial guarantees	–	–	9 095 873	57 091 353	57 674 691	26 098 397	–	20 720 825	170 681 139
Letters of credit	–	–	14 021 554	6 823 808	2 830 500	1 685 101	–	–	25 360 963
Other undrawn commitments to lend	–	–	5 738 401	–	–	–	–	–	5 738 401
	–	–	28 855 828	63 915 161	60 505 191	27 783 498	–	20 720 825	201 780 503
Total on and off-balance sheet interest sensitivity gap	77 719 554	(161 931 875)	(43 007 585)	(40 219 055)	(141 011 485)	(172 045 433)	54 025 394	378 813 629	(47 656 856)

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.9 Interest rate risk (continued)

7.9.1 Interest rate gap analysis (continued)

	Consolidated			Consolidated					
USD	Non interest sensitive	Overnight	0 – 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Over 12 months	Total
2022									
Assets									
Cash and balances with central banks	108 045 544	23 810 766	151 130 709	101 149 659	–	–	–	–	384 136 678
Money market investments	–	–	15 044 851	25 672 014	31 398 584	64 383 732	17 126 403	56 663 142	210 288 726
Loans and advances to customers	10 161 394	17 138 710	42 977 724	85 238 122	36 201 257	103 441 705	15 205 103	341 362 202	651 726 217
Derivative assets	–	–	242	233	–	2 490 895	1 899 841	–	4 391 211
Repurchase agreements	–	–	–	–	5 037 836	–	–	–	5 037 836
Other financial assets	17 583 175	2 043 554	–	–	–	9 060 935	–	–	28 687 664
Total assets	135 790 113	42 993 030	209 153 526	212 060 028	72 637 677	179 377 267	34 231 347	398 025 344	1 284 268 332
Liabilities									
Balances due to other banks	–	334 245	12 150 979	1 670 085	21 054 538	–	1 574 971	–	36 784 818
Customer deposits	94 378 934	236 975 133	170 540 811	199 575 471	107 970 379	126 007 740	75 118 587	28 502 911	1 039 069 966
Derivative liabilities	–	–	–	1 401 326	2 000 000	–	–	–	3 401 326
Subordinated debt	–	–	–	3 879 081	8 567 511	–	–	–	12 446 592
Convertible preference shares	–	–	–	–	–	–	–	10 786 747	10 786 747
Loan payable	–	–	–	–	–	–	340 423	16 580 081	16 920 504
Lease liabilities	–	–	1 242 639	44 490	64 395	160 871		5 059 110	6 571 505
Other financial liabilities	11 787 841	442 071	57 098	51 929	50 752	52 823	3 345 358	–	15 787 872
Total liabilities	106 166 775	237 751 449	183 991 527	206 622 382	139 707 575	126 221 434	80 379 339	60 928 849	1 141 769 330
Total on-balance sheet interest sensitivity gap	29 623 338	(194 758 419)	25 161 999	5 437 646	(67 069 898)	53 155 833	(46 147 992)	337 096 495	142 499 002
Off-balance sheet exposures									
Financial guarantees	–	–	7 960 422	45 318 205	24 102 320	10 843 938	–	15 093 890	103 318 775
Letters of credit	–	–	11 946 190	2 535 042	41 946 752	8 328 650	–	3 790 510	68 547 144
Other undrawn commitments to lend	–	9 711 243	–	–	–	–	–	–	9 711 243
	–	9 711 243	19 906 612	47 853 247	66 049 072	19 172 588	–	18 884 400	181 577 162
Total on and off-balance sheet interest sensitivity gap	29 623 338	(204 469 662)	5 255 387	(42 415 601)	(133 118 970)	33 983 245	(46 147 992)	318 212 095	(39 078 160)

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.9 Interest rate risk (continued)

7.9.1 Interest rate gap analysis (continued)

USD	Separate Non interest sensitive	Overnight	0 – 1 month	Separate 1 – 3 months	3 – 6 months	6 – 9 months	9 –12 months	Over 12 months	Total
2023									
Assets									
Cash and balances with central banks	–	–	6 515 058	–	–	–	–	–	6 515 058
Other financial assets	–	–	–	–	–	–	–	3 300 000	3 300 000
Total assets	–	–	6 515 058	–	–	–	–	3 300 000	9 815 058
Liabilities									
Convertible preference shares	–	–	–	–	–	–	–	10 786 747	10 786 747
Loan payable	–	–	–	–	–	–	346 130	15 995 778	16 341 908
Other financial liabilities	–	–	–	–	–	–	49 753	26 299	76 052
Total liabilities	–	–	–	–	–	–	395 883	26 808 824	27 204 707
Total interest sensitivity gap	–	–	6 515 058	–	–	–	(395 883)	(23 508 824)	(17 389 649)

USD	Separate Non interest sensitive	Overnight	0 – 1 month	Separate 1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Over 12 months	Total
2022									
Assets									
Cash and balances with central banks	–	–	2 897 440	–	–	–	–	–	2 897 440
Other financial assets	–	–	–	–	–	–	–	3 300 000	3 300 000
Total assets	–	–	2 897 440	–	–	–	–	3 300 000	6 197 440
Liabilities									
Convertible preference shares	–	–	–	–	–	–	–	10 786 747	10 786 747
Loan payable	–	–	–	–	–	–	345 896	16 544 304	16 890 200
Other financial liabilities	–	–	–	–	–	–	40 536	22 767	63 303
Total liabilities	–	–	–	–	–	–	386 432	27 353 818	27 740 250
Total interest sensitivity gap	–	–	2 897 440	–	–	–	(386 432)	(24 053 818)	(21 542 810)

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.9 Interest rate risk (continued)

7.9.1 Interest rate gap analysis (continued)

The effective interest rates for the principal financial assets and liabilities at 31 December 2023 were:

	Consolidated		Separate	
%	**2023 Interest rate percentage range**	2022 Interest rate percentage range	**2023 Interest rate percentage range**	2022 Interest rate percentage range
ASSETS				
Government securities	**1 – 110**	1 – 110	**–**	–
Deposits with banking institutions	**1 – 110**	1 – 110	**–**	–
Loans and advances to customers	**6.5 – 200**	6.5 – 200	**–**	–
LIABILITIES				
Customer deposits	**0.10 – 80**	0.10 – 80	**–**	–
Loans payable	**1 – 9.2**	1 – 9.2	**7–10**	7–9
Preference shares	**5 – 9**	5 – 9	**9**	8–9

Exposure to Interest Rate Risk in the Banking Book (IRRBB)

IRRBB refers to the current or prospective risk to a bank's capital and to its earnings, arising from the impact of adverse movements in interest rates on its banking book. The principal tool used to measure and control Interest Rate Risk exposure within the Group's Banking Book portfolio is Net Interest Income (NII). NII is the difference between revenues generated by interest-bearing assets and the cost of servicing (interest burdened) liabilities.

NII as a measure of IRRBB is calculated for a change in the interest rates and provides us with net interest income/loss over the next 12 months due to the shift in the interest rates. The Banks within the Group uses the standardised framework to calculate NII as outlined in the Basel Committee IRRBB Standards to the extent that it does not conflict with local regulation for the management of IRRBB.

The shock parameters were applied independently for each Bank based on potential adverse factors arising from economic fundamentals.

An aggregation of countries' NII stress impact was adopted as the Group's stress measure. This is reflecting that countries' balance sheets are being managed separately and shock parameters were applied differently depending on respective economic fundamentals.

NII measures the sensitivity of annual earnings to changes in interest rates. NII sensitivity is calculated at change intervals (increase or decrease) 500 basis points in the interest rate.

USD	**2023 Change in NII**	**% contribution**	2022 Change in NII	% contribution
NII Impact per country				
Botswana	**2 941 993**	**47%**	827 123	14%
Malawi	**1 097 749**	**17%**	1 390 463	24%
Mozambique	**183 746**	**3%**	541 305	9%
Zambia	**1 456 413**	**23%**	1 172 538	20%
Zimbabwe	**623 281**	**10%**	1 950 351	33%
Total	**6 303 181**	**100%**	5 881 779	100%

An increase in interest rates by 500 basis points would increase the NII by USD 6 303 181 (2022: USD 5 881 779) and a decrease in interest rates by 500 basis points would have an equal and opposite effect on NII.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.10 Equity risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks.

The value of investments in equity instruments held by FCB Malawi and carried at FVPL as at 31 December 2023 and 2022 were as follows:

Investments at FVPL

	Consolidated	
USD	**2023**	2022
Fair value of investments at FVPL	**9 815 296**	4 610 875
Increase in fair value during the year	**5 763 753**	3 679 303
Impact on profit of		
Increase of share price by 10%	**981 530**	461 088
Decrease of share price by 10%	**(981 530)**	(461 088)

The value of investments in equity instruments held by FCB Zimbabwe and FCB Mozambique carried at FVOCI as at 31 December 2023 and 2022 were as follows:

Investments at FVOCI

	Consolidated	
USD	**2023**	2022
Fair value of investments at FVOCI	**4 331 698**	5 905 854
(Decrease)/increase in fair value during the year	**(1 572 512)**	399 423
Impact on profit of		
Increase of investment value by 10%	**433 170**	590 585
Decrease of investment value by 10%	**(433 170)**	(590 585)

7.11 Liquidity risk

Liquidity risk is the risk that business units are unable to meet their payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet obligations to repay depositors and to fulfil commitments to lend. Liquidity risk, more generally, is the risk that the business unit(s) will be unable to continue operating as a going concern owing to a lack of funding. Liquidity risk is inherent in all the Group's banking operations.

Liquidity risk management

Liquidity risk is managed by using a two-pronged approach whereby the liquidity position is managed both from a business as usual (BAU) as well as a stressed perspective. BAU liquidity risk management refers to the management of the cash inflows and outflows of the business unit(s) in the ordinary course of business, whereas stress liquidity risk management refers to the management of liquidity risk during times of unexpected outflows arising from bank specific, market specific and combined stress events. This is all done at Business Unit level with the support of Group Treasury.

Contingency funding plan

Contingent Funding and Liquidity Plan has been designed to protect depositors, creditors and Shareholders during adverse liquidity conditions. The plan includes early warning indicators and sets out the crisis response strategy addressing sources of stress funding, strategies for crisis avoidance/minimisation and the internal and external communication strategy. Liquidity simulation exercises are conducted regularly to test the robustness of the plan and to ensure that key stakeholders remain up to date on liquidity matters.

Liquidity risk measurement

The following tools are used to assess and measure liquidity risk:

- Liquidity gap analysis with balance sheet behaviour
- Liquidity ratio analysis (key risk Indicators)
- Stress testing.

The contractual liquidity gap shows the mismatch before any adjustments are made for product and customer behavioural assumptions. Monitoring of liquidity risk using structural gaps is facilitated by the adoption of limit appetite triggers. Should there be breaches and the liquidity situation tightens, ALCO triggers the contingency funding plan to raise additional funding. ALCO reviews the product and customer behavioural assumptions when there is indication that there is a shift in one or more of the variables.

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Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.11 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial assets and the undiscounted cash flows of its financial liabilities as at 31 December:

	Consolidated			Consolidated				
USD	Carrying amount	Gross nominal amount	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Over 12 months	Total
2023								
Assets								
Cash and balances with central banks	439 423 064	439 423 064	372 018 597	67 404 467	–	–	–	439 423 064
Money market investments	220 156 226	220 156 226	13 694 449	8 223 718	38 087 146	50 299 176	109 851 737	220 156 226
Derivative financial assets	6 209 306	6 209 306	380 633	527 020	5 301 653	–	–	6 209 306
Repurchase agreement	4 980 131	4 980 131	–	4 980 131	–	–	–	4 980 131
Loans and advances to customers	716 388 728	716 388 728	136 101 142	45 007 659	71 556 452	76 694 197	387 029 278	716 388 728
Investments at fair value through other comprehensive income	4 331 698	4 331 698	–	4 331 698	–	–	–	4 331 698
Investments at fair value through profit or loss	9 815 296	9 815 296	4 626 144	1 297 288	1 297 288	1 297 288	1 297 288	9 815 296
Other financial assets	14 687 399	14 687 399	694 218	8 486 383	874 645	–	4 632 153	14 687 399
Total discounted assets	**1 415 991 848**	**1 415 991 848**	**527 515 183**	**140 258 364**	**117 117 184**	**128 290 661**	**502 810 456**	**1 415 991 848**
Liabilities								
Balances due to other banks	70 274 378	71 116 156	40 656 611	4 582 207	4 995 338	2 000 000	18 882 000	71 116 156
Derivative financial liabilities	4 845 227	4 853 494	4 288 943	296 040	268 511	–	–	4 853 494
Customer deposits	1 096 195 084	1 108 019 144	495 798 097	171 910 224	116 804 273	166 143 639	157 362 911	1 108 019 144
Other financial liabilities	28 033 359	28 033 359	12 288 771	5 204 012	5 300 875	2 421 026	2 818 675	28 033 359
Lease liabilities	6 076 986	6 963 379	951 921	35 236	51 000	1 356 257	4 568 965	6 963 379
Subordinated debt	11 821 358	17 839 405	101 267	21 963	367 094	491 615	16 857 466	17 839 405
Loan payable	33 835 062	37 660 569	362 135	362 135	20 479 261	362 135	16 094 903	37 660 569
Convertible preference shares	10 786 747	11 757 555	242 702	242 702	242 702	242 702	10 786 747	11 757 555
Total undiscounted liabilities	**1 261 868 201**	**1 286 243 061**	**554 690 447**	**182 654 519**	**148 509 054**	**173 017 374**	**227 371 667**	**1 286 243 061**
Off-balance sheet exposures								
Guarantees	169 284 799	170 681 139	9 095 873	57 091 353	57 674 691	26 098 397	20 720 825	170 681 139
Letters of credit	25 346 154	25 360 963	14 021 554	6 823 808	2 830 500	1 685 101	–	25 360 963
Undrawn facilities	5 738 401	5 738 401	5 738 401	–	–	–	–	5 738 401
Total off-balance sheet exposures	**200 369 354**	**201 780 503**	**28 855 828**	**63 915 161**	**60 505 191**	**27 783 498**	**20 720 825**	**201 780 503**

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.11 Liquidity risk (continued)

	Consolidated			Consolidated				
USD (As restated)	Carrying amount	Gross nominal amount	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Over 12 months	Total
2022								
Assets								
Cash and balances with central banks	384 136 678	384 136 678	362 375 042	21 761 636	–	–	–	384 136 678
Money market investments	210 288 726	210 288 726	19 820 252	19 015 725	14 623 615	57 714 208	99 114 926	210 288 726
Derivative assets	4 391 211	4 391 211	2 902 697	1 488 039	–	475	–	4 391 211
Loans and advances to customers	651 726 217	651 726 217	76 644 968	75 803 349	53 103 992	78 677 347	367 496 561	651 726 217
Repurchase agreement	5 037 836	5 037 836	–	5 037 836	–	–	–	5 037 836
Investments at fair value through other comprehensive income	5 905 854	5 905 854	–	5 905 854	–	–	–	5 905 854
Investments at fair value through profit or loss	4 610 875	4 610 875	922 175	922 175	922 175	922 177	922 173	4 610 875
Other assets	18 170 935	18 170 935	11 090 310	5 726 833	–	658 193	695 599	18 170 935
Total discounted assets	1 284 268 332	1 284 268 332	473 755 444	135 661 447	68 649 782	137 972 400	468 229 259	1 284 268 332
Liabilities								
Balances due to other banks	36 784 818	36 784 818	6 413 619	11 179 584	17 653 155	1 538 460	–	36 784 818
Derivative liabilities	3 401 326	3 401 326	2 507 091	894 235	–	–	–	3 401 326
Customer deposits	1 039 069 966	1 051 382 852	529 745 874	168 087 293	109 774 194	127 229 316	116 546 175	1 051 382 852
Other payables	15 787 872	15 787 872	4 471 123	7 686 042	1 815 355	1 815 352	–	15 787 872
Lease liabilities	6 571 505	6 990 307	1 242 639	44 490	64 395	872 150	4 766 633	6 990 307
Subordinated debt	12 446 592	18 748 082	106 425	23 082	385 793	516 656	17 716 126	18 748 082
Loan payable	16 920 504	18 180 334	375 282	375 282	375 282	375 282	16 679 206	18 180 334
Convertible preference shares	10 786 747	11 757 555	242 702	242 702	242 702	242 702	10 786 747	11 757 555
Total undiscounted liabilities	1 141 769 330	1 163 033 146	545 104 755	188 532 710	130 310 876	132 589 918	166 494 887	1 163 033 146
Off-balance sheet exposures								
Financial guarantees	102 477 449	103 318 775	7 960 422	45 318 205	24 102 320	10 843 938	15 093 890	103 318 775
Letters of credit	68 117 199	68 547 144	11 946 190	2 535 042	41 946 752	8 328 650	3 790 510	68 547 144
Other undrawn commitments to lend	9 711 243	9 711 243	9 711 243	–	–	–	–	9 711 243
Total off-balance sheet exposures	180 305 891	181 577 162	29 617 855	47 853 247	66 049 072	19 172 588	18 884 400	181 577 162

* Off balance sheet exposures have been disclosed for the first time in the current financial year end with related comparatives.
* Total assets were previously shown on an undiscounted basis in FY 2022 and has been restated to show maturity analysis on a discounted basis to conform with the presentation in the current financial year.
* Lease liabilities, loan payable and convertible preference shares were previously shown on an aggregated basis under 'other liabilities' in FY 2022 and has been disaggregated appropriately per class of assets.
* The customer deposit amounts have changed to reflect the correct undiscounted values. Refer to the next page to show what the numbers were as previously reported.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.11 Liquidity risk (continued)

USD (As previously reported)	Consolidated Carrying amount	Gross nominal amount	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Over 12 months	Total
2022								
Assets								
Cash and balances with central banks	384 136 678	399 305 237	362 566 807	25 850 430	1 343 000	2 687 000	6 858 000	399 305 237
Money market investments	212 189 041	233 428 487	22 003 400	19 445 068	15 358 350	70 617 032	106 004 637	233 428 487
Loans and advances to customers	651 726 217	691 844 272	74 128 827	96 389 979	52 531 475	66 418 105	402 375 886	691 844 272
Repurchase agreements	13 918 881	13 918 879	9 821 220	1 331 136	922 175	922 175	922 173	13 918 879
Other asset balances	20 643 315	20 643 501	7 916 864	6 816 000	5 910 637	–	–	20 643 501
Total undiscounted assets	1 282 614 132	1 359 140 376	476 437 118	149 832 613	76 065 637	140 644 312	516 160 696	1 359 140 376
Liabilities								
Customer deposits	1 039 069 966	1 088 211 658	413 752 873	192 687 172	241 758 661	179 989 657	60 023 295	1 088 211 658
Balances due to other banks	47 647 347	49 267 045	35 999 244	6 087 243	5 642 097	1 538 461	–	49 267 045
Other liability balances	46 484 050	50 493 084	5 005 386	641 676	740 033	19 096 379	25 009 610	50 493 084
Total undiscounted liabilities	1 133 201 363	1 187 971 787	454 757 503	199 416 091	248 140 791	200 624 497	85 032 905	1 187 971 787

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.11 Liquidity risk (continued)

USD	Separate			Separate				
	Carrying amount	**Gross nominal amount**	**Up to 1 month**	**1 – 3 months**	**3 – 6 months**	**6 – 12 months**	**Over 12 months**	**Total**
2023								
Assets								
Cash and cash equivalents	**6 515 058**	**6 515 058**	**6 515 058**	**–**	**–**	**–**	**–**	**6 515 058**
Other financial assets	**3 300 000**	**3 300 000**	**–**	**–**	**–**	**–**	**3 300 000**	**3 300 000**
Total discounted assets	**9 815 058**	**9 815 058**	**6 515 058**	**–**	**–**	**–**	**3 300 000**	
Liabilities								
Lease liabilities	**76 052**	**76 052**	**–**	**–**	**–**	**49 753**	**26 299**	**76 052**
Loan payable	**16 341 908**	**17 543 443**	**362 135**	**362 135**	**362 135**	**362 135**	**16 094 903**	**17 543 443**
Convertible preference shares	**10 786 747**	**11 757 555**	**242 702**	**242 702**	**242 702**	**242 702**	**10 786 747**	**11 757 555**
Total undiscounted liabilities	**27 204 707**	**29 377 050**	**604 837**	**604 837**	**604 837**	**654 590**	**26 907 949**	**29 377 050**

USD	Separate			Separate				
	Carrying amount	Gross nominal amount	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Over 12 months	Total
2022								
Assets								
Cash and cash equivalents	2 897 440	2 897 440	2 897 440	–	–	–	–	2 897 440
Other financial assets	3 300 000	3 300 000	–	–	–	–	3 300 000	3 300 000
Total assets	6 197 440	6 197 440	2 897 440	–	–	–	3 300 000	6 197 440
Liabilities								
Lease liabilities	63 303	63 303				40 536	22 767	63 303
Loan payable	16 890 200	18 180 334	375 282	375 282	375 282	375 282	16 679 206	18 180 334
Convertible preference shares	10 786 747	11 757 555	242 702	242 702	242 702	242 702	10 786 747	11 757 555
Total liabilities	27 740 250	30 001 192	617 984	617 984	617 984	658 520	27 488 720	30 001 192

* Liquidity risk maturity for the Company has been disclosed for the first time in the current financial year end with related comparatives.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.11 Liquidity risk (continued)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

USD	On demand	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Over 12 months	Total
2023							
Guarantees	**–**	**9 095 873**	**57 091 353**	**57 674 691**	**26 098 397**	**20 720 825**	**170 681 139**
Letters of credit	**–**	**14 021 554**	**6 823 808**	**2 830 500**	**1 685 101**	**–**	**25 360 963**
Undrawn facilities	**–**	**5 738 401**	**–**	**–**	**–**	**–**	**5 738 401**
Total commitments and guarantees	**–**	**28 855 828**	**63 915 161**	**60 505 191**	**27 783 498**	**20 720 825**	**201 780 503**

USD	On demand	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	Over 12 months	Total
2022							
Guarantees	–	7 960 422	45 318 205	24 102 320	10 843 938	15 093 890	103 318 775
Letters of credit	–	11 946 190	2 535 042	41 946 752	8 328 650	3 790 510	68 547 144
Undrawn facilities	–	9 711 243	–	–	–	–	9 711 243
Total commitments and guarantees	–	29 617 855	47 853 247	66 049 072	19 172 588	18 884 400	181 577 162

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.11 Liquidity risk (continued)

Analysis of encumbered and unencumbered assets*

Below is the analysis of the Group's encumbered and unencumbered assets that would be available to obtain additional future funding as securities. For this purpose, encumbered assets are:

- Assets which have been pledged as collateral (e.g., which are required to be separately disclosed under IFRS 7); or
- Assets that an entity believes it is restricted from using to secure funding, for legal or other reasons, which may include market practice or sound risk management. Restrictions related to the legal position of certain assets.

Unencumbered assets are the remaining assets that the Group owns.

Consolidated

USD	Encumbered		Unencumbered		
	Pledged as collateral	Other	Available as collateral	Other	Total
2023					
Asset type					
Cash and balances with central banks	–	6 693 349	432 729 715	–	439 423 064
Money market investments	81 998 340	–	138 157 886	–	220 156 226
Repurchase agreements	–	–	4 980 131		4 980 131
Derivative financial instruments	–	–	6 209 306	–	6 209 306
Investments assets at fair value through profit or loss	–	–	9 815 296	–	9 815 296
Loans and advances to customers	–	–	716 388 728	–	716 388 728
Investments at fair value through other comprehensive income	–	–	4 331 698	–	4 331 698
Other assets	9 630	–	14 677 769	–	14 687 399
Total	**82 007 970**	**6 693 349**	**1 327 290 529**	**–**	**1 415 991 848**

Consolidated

USD	Encumbered		Unencumbered		
	Pledged as collateral	Other	Available as collateral	Other	Total
2022					
Asset type					
Cash and balances with central banks	–	6 761 923	377 374 755	–	384 136 678
Money market investments	100 649 408	–	109 639 318	–	210 288 726
Repurchase agreements	–	–	5 037 836		5 037 836
Derivative financial instruments	–	–	4 391 211	–	4 391 211
Investments assets at fair value through profit or loss	–	–	4 610 875	–	4 610 875
Loans and advances to customers	–	–	651 726 217	–	651 726 217
Investments at fair value through other comprehensive income	–	–	5 905 854	–	5 905 854
Other assets	–	–	18 170 935	–	18 170 935
Total	100 649 408	6 761 923	1 176 857 001	–	1 284 268 332

* Analysis of encumbered and unencumbered assets has been disclosed for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.12 Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the consolidated statements of financial position, are:

- To comply with the capital requirements set by the Central Bank (Reserve Bank of Malawi);
- To safeguard the Group's ability to continue as a going concern so that it can continue to "provide returns for shareholders and benefits for other stakeholders; and"
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel, as implemented by the Reserve Bank Of Malawi for supervisory purposes. The required information is filed with Group on a quarterly basis. The Group maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the Reserve Bank of Malawi which takes into account the risk profile of the Group.

The Group's regulatory capital is managed by the Finance department and comprises two tiers:

- **Tier 1 capital:**

  Stated capital (net of any book values of the treasury shares) non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 Capital.

- **Tier 2 capital:**

  Qualifying subordinated loan capital and collective impairment allowances. Given the prevailing economic context, the Group has adopted a prudent approach to balancing an efficient capital position with the need to retain sufficient capital for unexpected fluctuations in earnings volatility. This has resulted in increasing the capital adequacy ratio and conserving capital, and taking into account a medium- to long-term horizon.

	Consolidated	
USD	**2023**	2022
Share capital	**117 409 081**	117 409 081
Non distributable reserves	**(27 255 312)**	(27 255 312)
Translation reserve	**(41 012 158)**	(25 296 966)
Retained earnings	**131 548 887**	98 145 576
Non controlling interest	**78 403 157**	68 965 412
Deduct:		
Deferred tax asset	**1 447 747**	2 262 313
Excess Minority Interest Tier 1 Capital	**–**	–
Total Tier 1 Capital	**257 645 909**	229 705 479
Tier 2 Capital		
Translation reserve	**(41 012 158)**	(25 296 966)
Non distributable reserves	**(20 631 144)**	(23 074 270)
Property revaluation reserve	**13 319 772**	10 188 610
Loan loss reserve	**5 084 373**	3 097 300
Eligible subordinated debt	**11 821 358**	12 446 592
Tier 2 Capital	**(31 417 799)**	(22 638 734)
Total qualifying capital	**226 228 110**	207 066 745
Risk Weighted Assets (RWA)		
Credit RWAs	**991 842 085**	935 893 719
Market RWAs	**19 217 565**	12 865 415
Operational RWAs	**208 641 560**	156 645 615
Total Risk Weighted Assets	**1 219 701 210**	1 105 404 749
Tier 1 risk based capital ratio (minimum 10%)	**21.1%**	20.8%
Total risk-weighted capital ratio (minimum 15%)	**18.5%**	18.7%

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.12 Capital management (continued)

Country	Metric	2023 Tier 1 Capital	2023 Total Capital	2022 Tier 1 Capital	2022 Total Capital
Botswana	Minimum Requirement %	**7.50%**	**12.50%**	7.50%	12.50%
	Actual %	**13.95%**	**17.74%**	13.50%	19.30%
	Absolute minimum requirement (USD'000)		**53 725**		37 543
	Actual (USD'000)	**50 975**	**64 837**	40 549	58 093
Malawi	Minimum Requirement %	**10.00%**	**15.00%**	10.00%	15.00%
	Actual %	**15.95%**	**19.12%**	16.60%	20.90%
	Absolute minimum requirement (USD'000)		**42 583**		41 918
	Actual (USD'000)	**37 300**	**44 725**	46 302	58 358
Mozambique	Minimum Requirement %	**10.00%**	**12.00%**	10.00%	12.00%
	Actual %	**16.93%**	**18.48%**	20.10%	22.80%
	Absolute minimum requirement (USD'000)		**26 604**		26 617
	Actual (USD'000)	**29 050**	**31 710**	24 173	27 487
Zambia	Minimum Requirement %	**5.00%**	**10.00%**	5.00%	10.00%
	Actual %	**13.82%**	**13.82%**	17.60%	17.60%
	Absolute minimum requirement (USD'000)		**13 727**		12 627
	Actual (USD'000)	**18 974**	**18 974**	22 164	22 164
Zimbabwe	Minimum Requirement %	**8.00%**	**12.00%**	8.00%	12.00%
	Actual %	**22.09%**	**33.35%**	23.80%	34.10%
	Absolute minimum requirement (USD'000)		**30 000**		30 000
	Actual (USD'000)	**50 253**	**75 872**	42 289	60 622

Minimum capital requirements for each jurisdiction in local currencies are as follows:

1. Botswana – maximum of P5 million, 12.5% of RWAs
2. Malawi – maximum of MWK10 billion, 15% of RWAs
3. Mozambique – maximum MZN1.7million, 12% of RWAs
4. Zambia – maximum of ZMW104 million, 10% of RWAs
5. Zimbabwe is absolute at USD 30 million.

7.13 Country risk

Country risk is the risk that economic, social, and political conditions and events in a foreign country will affect the current or projected financial condition or resilience of the Group.

Generally, these occurrences relate, but are not limited, to sovereign events such as defaults or restructuring; political events such as contested elections or referendums; restrictions on currency movements; non–market currency convertibility; regional conflicts; economic contagion from the events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

The Group is vulnerable to three general types of crises-sovereign default, exchange rate, and banking system. Currency devaluations, foreign exchange controls, and other political actions such as nationalization or expropriation of assets can affect both domestic and foreign entities. Currency devaluations increase the Group's exposure to credit, price, and liquidity risks.

The Group's risk management framework incorporates a number of measures and tools to monitor this risk. These measures include stress testing of concentrated portfolios; various limits by country; Country Risk Management committee meetings (monthly or as necessary) for in-country reviews and the Group Board Risk Committee meetings (quarterly) to review and re-assess guidance for each country. The country risk is generally identified with the domicile of the legal entity which is the Group's counterparty, unless the majority of assets or revenues of such entity are located in another country, in which case reference is made to such different country. Further disclosures on how the Group manages country risk relating to expected credit losses on financial assets are included in note 7.14.

Group and Country Board Risk Committees are responsible providing oversight over management of country risk. The following tables provides a summary of exposures by country of risk:

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.13 Country risk* (continued)

USD	Botswana	Malawi	Mauritius	Mozambique	Zambia	Zimbabwe	Eliminations	Total
	Consolidated			Consolidated				
2023								
Financial assets								
Cash and balances with central banks	**124 515 603**	**51 512 014**	**8 120 243**	**150 099 685**	**61 310 451**	**77 822 514**	**(33 957 446)**	**439 423 064**
Money market investments	**27 270 716**	**95 436 086**	**–**	**22 096 434**	**66 281 950**	**12 071 041**	**(3 000 000)**	**220 156 226**
Loans and advances to customers	**315 739 175**	**109 797 714**	**–**	**102 320 110**	**102 469 402**	**86 062 327**	**–**	**716 388 728**
Repurchase agreements	**–**	**4 980 131**	**–**	**–**	**–**	**–**	**–**	**4 980 131**
Derivative financial assets	**2 265 617**	**–**	**–**	**–**	**3 943 689**	**–**	**–**	**6 209 306**
Investments at fair value through profit or loss	**–**	**6 486 440**	**–**	**–**	**–**	**3 328 856**	**–**	**9 815 296**
Investments at fair value through other comprehensive income	**–**	**–**	**–**	**99 023**	**–**	**4 232 675**	**–**	**4 331 698**
Other assets	**12 734 836**	**19 407 576**	**153 638 260**	**9 223 218**	**13 022 748**	**75 418 062**	**(164 216 772)**	**119 227 928**
Total exposure	**482 525 947**	**287 619 961**	**161 758 503**	**283 838 470**	**247 028 240**	**258 935 475**	**(201 174 218)**	**1 520 532 377**
Commitments and guarantees	**44 283 712**	**136 640**	**–**	**135 317 133**	**6 286 018**	**15 757 000**	**–**	**201 780 503**

USD	Botswana	Malawi	Mauritius	Mozambique	Zambia	Zimbabwe	Eliminations	Total
	Consolidated			Consolidated				
2022								
Financial assets								
Cash and balances with central banks	117 460 033	55 111 821	5 977 290	94 594 898	32 303 641	83 293 095	(4 604 100)	384 136 678
Money market investments	11 568 955	89 432 615	–	10 902 842	84 947 867	13 436 447	–	210 288 726
Loans and advances to customers	286 861 240	124 094 245	–	84 636 076	90 361 537	65 773 119	–	651 726 217
Repurchase agreements	–	4 997 917	–	–	–	18 299	21 620	5 037 836
Derivative financial assets	2 490 896	–	–	–	1 900 315	–	–	4 391 211
Investments at fair value through profit or loss	–	4 610 875	–	–	–	–	–	4 610 875
Investments at fair value through other comprehensive income	–	–	–	99 069	–	5 806 785	–	5 905 854
Other assets	9 243 254	29 207 015	153 172 247	7 753 203	11 652 868	54 114 503	(146 538 911)	118 604 179
Total exposure	427 624 378	307 454 488	159 149 537	197 986 088	221 166 228	222 442 248	(151 121 391)	1 384 701 576
Commitments and guarantees	32 914 594	13 562 057	–	114 123 975	9 998 536	10 978 000	–	181 577 162

* Concentration of credit risk by geography by class of financial assets has been disclosed for the first time in the current year financial statements with related comparatives, in line with the requirements of IFRS 7 Financial Instruments: Disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.14 Overall application of the going concern principle given uncertainties presented by macroeconomic changes

The Directors have reviewed the Group's budgets and flow of funds forecasts. The Directors have considered the Group's ability to continue as a going concern considering current and anticipated economic conditions. These budgets and flow of funds forecasts incorporate the expected consequences of geopolitical conflicts on the economy, the market and the operating environment, and include projections of these impacts on the Group's capital, funding and funding requirements.

As part of this assessment, the Directors considered:

- The sufficiency of the Group's financial resources over a three-year horizon. The management of the Group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, are the critical enablers of the achievement of the Group's stated growth and return targets and is driven by the Group's overall risk appetite. Forecast change in earnings and balance sheet RWA are based on the Group's macroeconomic outlook and are evaluated against available financial resources considering the requirements of capital providers and regulators;
- The adequacy of the Group's liquidity as the Group supports customers throughout the crisis;
- The Group's operating resilience, to provide continuity of service through the crisis;
- The resilience of the Group's IT and operating systems;
- The legal and regulatory environment in which the Group operates; and
- The potential valuation concerns around Group's assets recognised on the statement of financial position. Given the Group's risk appetite, credit risk governance, ongoing monitoring, evaluation and management, the Directors are of the view that the emerging and expected losses from the conflict are immaterial, and any are rigorously managed with minimum expected shock to the Group's earnings and asset quality.

Notes to the financial statements (continued)

for the year ended 31 December 2023

7 Risk management (continued)

7.15 Climate-related risks

The Group and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy. For example, changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Group considers climate risks part of the credit assessment process, where applicable, on a case-by-case basis in evaluation of borrower's credit risk. There is no approved policy for climate risk for the Group yet, but a climate related risks framework is under development for FCB Malawi. Further work for development of climate-related risk frameworks is expected to be rolled out for Zambia and Zimbabwe in line with regulatory requirements. The frameworks will be used to assess the impact of climate risk on the business; and in building the knowledge and capacity of its workforce in matters relating to climate-related risk. Despite the progress, the Group acknowledges the need for further efforts to fully integrate climate in the Group's risk assessments and management protocols.

In 2023 the Malawi Stock Exchange (MSE) issued new listing requirements relating to Social and Environmental Governance (ESG) Reporting which will be applicable from 2024. Key requirements of the new rules requires that the issuer:

a) must disclose its sustainability policy, including mitigation of risks, sustainability performance data and other material information which deepens stakeholders' understanding of corporate performance;

b) should provide a balanced and objective view of their performance by including both positive and negative impacts on the environment and society, how it relates to its stakeholders and contributes to sustainable development;

c) is encouraged to apply Global Reporting Initiatives (GRI) Guidelines or Standards on ESG reporting and

d) where other frameworks are adopted, consideration should be taken that the framework provides—

   (i) benchmarks and performance measurement systems that allow comparison over time; and

   (ii) guidance on key performance indicators and data which should be measured.

The MSE further recommends the adoption of the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines or Standards, in disclosing the company's sustainability performance. The GRI Sustainability Reporting Guidelines or Standards are globally applicable and sets out general principles and indicators that listed companies can use to measure and report their economic, environment and social performance.

There has been on going engagements between MSE and all stakeholders, including FMBCH to ensure a smooth transition to these new requirements. Work is under way ensure that the Group fully adopts these new MSE requirements for the year ending 31 December 2024.

The impact of climate related risks has been assessed on a number of reported amounts and the accompanying disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2023

8 Fair value measurement

8.1 Fair value of financial instruments

		Consolidated			Consolidated			
USD	Notes	Financial assets at FVPL	Financial liabilities at FVPL	Financial assets at amortised cost	Financial assets at FVOCI	Financial liabilities at amortised cost	Total carrying amount	Fair values
2023								
Financial assets								
Cash and cash equivalents	9	–	–	439 423 064	–	–	439 423 064	439 423 064
Money market investments	10	–	–	220 156 226	–	–	220 156 226	220 156 226
Loans and advances to customers	11	–	–	716 388 728	–	–	716 388 728	716 388 728
Derivative financial assets	13	6 209 306	–		–	–	6 209 306	6 209 306
Repurchase Agreements	12	–	–	4 980 131	–	–	4 980 131	4 980 131
Financial asset at FVOCI	17	–	–		4 331 698	–	4 331 698	4 331 698
Other assets	20	–	–	14 720 649	–	–	14 720 649	14 720 649
Investments at FVPL	16	9 815 296	–		–	–	9 815 296	9 815 296
		16 024 602	–	1 395 668 798	4 331 698	–	1 416 025 098	1 416 025 098
Financial liabilities								
Balances due to other banks	26	–	–	–	–	70 274 378	70 274 378	70 274 378
Customer deposits	27	–	–	–	–	1 096 195 084	1 096 195 084	1 096 195 084
Derivative financial liabilities	13	–	4 845 227	–	–		4 845 227	4 845 227
Lease liabilities	23	–	–	–	–	6 076 986	6 076 986	6 076 986
Other payables	28	–	–	–	–	46 285 407	46 285 407	46 285 407
Loans payable	29	–	–	–	–	33 835 062	33 835 062	33 835 062
Subordinated debt	30	–	–	–	–	11 821 358	11 821 358	11 821 358
Convertible preference shares	32	–	–	–	–	10 786 747	10 786 747	10 786 747
		–	4 845 227	–	–	1 275 275 022	1 280 120 249	1 280 120 249
Off-balance sheet items								
Guarantees		–	–	–	–	169 284 799	169 284 799	169 284 799
Letters of credit for customers		–	–	–	–	25 346 154	25 346 154	25 346 154
Undrawn facilities		–	–	–	–	5 738 401	5 738 401	5 738 401
Total off-balance sheet items		–	–	–	–	200 369 354	200 369 354	200 369 354

Notes to the financial statements (continued)

for the year ended 31 December 2023

8 Fair value measurement (continued)

8.1 Fair value of financial instruments (continued)

Restated		Consolidated			Consolidated			
USD	Notes	Financial assets at FVPL	Financial liabilities at FVPL	Financial assets at amortised cost	Financial assets at FVOCI	Financial liabilities at amortised cost	Total carrying amount	Fair values
2022								
Financial assets								
Cash and cash equivalents	9	–	–	384 136 678	–	–	384 136 678	384 136 678
Money market investments[1]	10	–	–	210 288 726	–	–	210 288 726	210 288 726
Loans and advances to customers	11	–	–	651 726 217	–	–	651 726 217	651 726 217
Derivative financial assets[1]	13	4 391 211	–		–	–	4 391 211	4 391 211
Repurchase Agreements	12	–	–	5 037 836	–	–	5 037 836	5 037 836
Financial asset at FVOCI	17	–	–		5 905 854	–	5 905 854	5 905 854
Other assets[1]	20	–	–	18 171 121	–	–	18 171 121	18 171 121
Investments at FVPL	16	4 610 875	–		–	–	4 610 875	4 610 875
		9 002 086	–	1 269 360 578	5 905 854	–	1 284 268 518	1 284 268 518
Financial liabilities								
Balances due to other banks[1]	26	–	–	–	–	36 784 818	36 784 818	36 784 818
Customer deposits	27	–	–	–	–	1 039 069 966	1 039 069 966	1 039 069 966
Derivative financial liabilities[1]	13	–	3 401 326	–	–	3 401 326	3 401 326	3 401 326
Lease liabilities	23	–	–	–	–	6 571 505	6 571 505	6 571 505
Other payables[1, 2]	28	–	–	–	–	45 073 798	45 073 798	45 073 798
Loans payable[2]	29	–	–	–	–	16 920 504	16 920 504	16 920 504
Subordinated debt	30	–	–	–	–	12 446 592	12 446 592	12 446 592
Convertible preference shares	32	–	–	–	–	10 786 747	10 786 747	10 786 747
		–	3 401 326	–	–	1 167 653 930	1 171 055 256	1 171 055 256
Off-balance sheet items								
Guarantees		–	–	–	–	102 477 449	102 477 449	102 477 449
Letters of credit for customers		–	–	–	–	68 117 199	68 117 199	68 117 199
Undrawn facilities		–	–	–	–	9 711 243	9 711 243	9 711 243
Total off-balance sheet items		–	–	–	–	180 305 891	180 305 891	180 305 891

1 Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities. Refer to note 60 for details relating to the restatement.

2 Accrued interest on loans payable has been reclassified from other payables to loans payable. The reclassification has also been applied to prior year.

Notes to the financial statements (continued)

for the year ended 31 December 2023

8 Fair value measurement (continued)

8.2 Assets and liabilities by fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:

- quoted market prices in active markets for similar instruments;
- quoted prices for identical or similar instruments in markets that are considered less than active;

Level 3: or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The valuation techniques for fair value measurement of financial instruments has been assessed at a business unit and Group level to determine the impact that market volatility has had on the fair value measurements of instruments held.

	Consolidated					
	2023			2022		
USD	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
FAIR VALUE HIERARCHY						
Investment at FVPL	**9 815 296**	**–**	**–**	4 610 875	–	–
Investment at FVOCI	**–**	**–**	**4 331 698**	–	–	5 905 854
Treasury bills measured at FVOCI	**–**	**–**	**4 467 762**	–	–	6 786 282
Derivative financial assets	**–**	**6 209 306**	**–**	–	4 391 211	–
Derivative financial liabilities	**–**	**4 845 227**	**–**	–	3 401 326	–
Property and equipment	**–**	**–**	**39 820 363**	–	–	44 066 952

Level 1: Inputs quoted at market price in active market.

Level 2: Inputs with observable directly (prices) or indirectly (derived from prices) or similar instruments.

Level 3: Unobservable inputs whose valuation are inputs not based on market information or for which assumptions are made.

Valuation for investments at FVPL is done using quoted prices by the Malawi Stock Exchange.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates and credit spreads used in estimating discount rates, bond and equity prices, and foreign currency exchange rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, and exchange-traded derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The Group does not provide fair value disclosure for financial instruments not measured at fair value, when the carrying amount is a reasonable approximation of fair value and for an investment in equity instruments that do not have a quoted price in an active market for an identical instrument.

Notes to the financial statements (continued)

for the year ended 31 December 2023

8 Fair value measurement (continued)

8.3 Sensitivity of fair value measurements to changes in unobservable market data

The table below describes the effect of changing the significant unobservable inputs to reasonable possible alternatives. All changes except for debt and equity instruments classified as fair value through other comprehensive income (FVOCI) would be reflected in the statement of profit or loss. Sensitivity data are calculated using a number of techniques, including analysing price dispersion of different price sources, adjusting model inputs to reasonable changes within the fair value methodology.

The ranges are not comparable or symmetrical as the model inputs are usually not in the middle of the favourable/unfavourable range.

The table below shows data in relation to Level 3 inputs that are already aggregated on the underlying product levels without assuming any potential diversification effect, but including potential off-sets from economic or accounting hedge relationships in place. The Directors are of the opinion that, whilst there may be some diversification benefits, incorporating these would not be significant to the analysis.

	Consolidated			
	2023		2022	
USD	**Favourable changes**	**Unfavourable changes**	Favourable changes	Unfavourable changes
Investments at fair value through profit or loss	**648 644**	**(648 644)**	461 087	(461 087)
Equity instruments at fair value through OCI	**719 610**	**(677 280)**	2 284 196	(2 149 832)
Treasury bills measured at fair value through other comprehensive income	**953 020**	**(896 960)**	987 153	(929 086)
Digital gold coins	**565 930**	**(532 640)**	461 087	(461 087)
Total	**2 887 204**	**(2 755 524)**	4 193 523	(4 001 092)

8.4 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The following table summarises the valuation techniques together with the significant unobservable inputs used to calculate the fair value of the Group's Level 3 assets and liabilities. The range of values indicates the highest and lowest level input used in the valuation technique and, as such, only reflects the characteristics of the instruments as opposed to the level of uncertainty in their valuation. Relationships between unobservable inputs have not been incorporated in this summary.

Category of asset/liability	**Valuation applied**	**Significant unobservable inputs**	**Range of estimates utilised for the unobservable inputs**
Unquoted equity financial instrument	Discounted cash flow	Cashflows and discount rates	29% to 85%
Land and buildings	Market/income approach	Capitalisation rates	7% to 9%
Investment properties	Market/income approach	Capitalisation rates	7% to 9%
Treasury bills	Discounted cash flow	Market Yield – not actively traded	7%

Notes to the financial statements (continued)

for the year ended 31 December 2023

8 Fair value measurement (continued)

8.5 Movements in Level 3 financial instruments measured at fair value

The following tables show a reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities which are recorded at fair value. Transfers from Level 3 to Level 2 occur when the market for some securities became more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. There were no transfers between levels in the current reporting period. Therefore, the Group did not require significant unobservable inputs to calculate their fair value.

	Consolidated				Consolidated							
USD	**At 1 January 2023**	**Purchase**	**Sales**	**Issuances**	**Maturities**	**Transfers into Level 3**	**Transfer from Level 3**	**Net interest income, net trading income and other income**	**Other comprehensive income**	**Exchange rate differences**	**At 31 December 2023**	**Unrealised gains and losses related to balances held at the end of the period**
2023												
Assets measured at fair value on a recurring basis												
Investments at fair value through other comprehensive income	**5 905 854**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1 572 512)**	**(1 644)**	**4 331 698**	**(1 572 512)**
Treasury bills	**6 786 282**				**(993 759)**				**(1 324 761)**	**–**	**4 467 762**	**(1 324 761)**
	12 692 136	**–**	**–**	**–**	**(993 759)**	**–**	**–**	**–**	**(2 897 273)**	**(1 644)**	**8 799 460**	**(2 897 273)**

	Consolidated				Consolidated							
USD	At 1 January 2022	Purchase	Sales	Issuances	Maturities	Transfers into Level 3	Transfer from Level 3	Net interest income, net trading income and other income	Other comprehensive income	Exchange rate differences	At 31 December 2022	Unrealised gains and losses related to balances held at the end of the period
2022												
Assets measured at fair value on a recurring basis												
Investments at fair value through other comprehensive income	5 301 985	–	–	–	–	–	–	–	399 423	204 446	5 905 854	399 423
Treasury bills	16 734 001				(9 753 725)				(193 994)	–	6 786 282	(193 994)
	22 035 986	–	–	–	(9 753 725)	–	–	–	205 429	204 446	12 692 136	205 429

Notes to the financial statements (continued)

for the year ended 31 December 2023

9 Cash and balances with central banks

USD	Consolidated 2023	Consolidated Restated 2022	Separate 2023	Separate 2022
Deposits with Central Banks	**171 990 927**	98 090 204	**–**	–
Balances with other banks	**78 263 250**	99 661 776	**6 515 058**	2 897 440
Placements with other banks	**144 628 104**	142 152 602	**–**	–
Balances in the course of clearing with other banks	**1 317 509**	3 655 776	**–**	–
Cash balances	**43 490 137**	40 591 050	**–**	–
Total cash and balances with central banks before expected credit losses and cash collateral	**439 689 927**	384 151 408	**6 515 058**	2 897 440
Less: Expected credit loss	**(37 195)**	(14 730)	**–**	**–**
Less: Cash collateral maturing after 3 months	**(229 668)**	–	**–**	–
Total cash and balances with central banks	**439 423 064**	384 136 678	**6 515 058**	2 897 440
Reconciliation of cash and balances held with central banks to total cash and cash equivalents presented in the statement of cash flows is as follows:				
Total cash and balances with central banks	**439 423 064**	384 136 678	**6 515 058**	**2 897 440**
Less: Mandatory reserves	**(46 738 691)**	(7 363 868)	**–**	–
Add: Expected credit losses	**37 195**	14 730	**–**	–
	(46 701 496)	(7 349 138)		
Total cash and cash equivalents	**392 721 568**	376 787 540	**6 515 058**	2 897 440

Balances with the central banks include a balance of USD 46 738 691 (2022: USD 7 363 868) held with Bank of Mozambique for cash reserve maintenance requirements.

The legislation in force on 31 December 2023 Circular N.02/EMO/2023 of the Central Bank, issued in the period of constitution of legal reserves starting on 31 May 2023, determines that financial institutions must deposit a balance average corresponding to 39.0% in local currency and 39.5% in foreign currency (2022: 10.5% in local currency and 11.5% in foreign currency) of its Customer deposits at the end of each period. No interest is earned on these minimum reserve balances with the Central Bank. These cash reserves are restricted and are not intended for daily use by the Bank. For purposes of the statement of cash flows, mandatory reserves with Central Banks are excluded from cash and cash equivalents.

All other balances with Central Banks relate to cash held in current accounts and primary reserve requirement which is determined through ''reserves averaging''. The Group does not have to meet the primary reserve requirement daily but, rather, fulfil these statutory requirements on an average basis. Hence, this makes them available for use and is classified as cash and cash equivalents.

Notes to the financial statements (continued)

for the year ended 31 December 2023

10 Money market investments

USD	Consolidated 2023	Consolidated Restated 2022
Held at Amortised cost		
Treasury Bills	**60 172 554**	62 429 691
Placements with other banks	**18 389 806**	5 911 669
Government Promissory Notes	**123 400 027**	114 399 966
Corporate Bonds	**7 851 149**	10 937 713
Government Stocks	**11 067 984**	11 571 385
Held at fair value through other comprehensive income		
Treasury Bills	**4 467 762**	6 786 282
Total before expected credit losses	**225 349 282**	212 036 706
Expected credit loss	**(5 193 056)**	(1 747 980)
Total money market investments	**220 156 226**	210 288 726
Movement during the year was as follows:		
As at 1 January (as previously reported)	**213 937 021**	282 590 070
Impact of restatement (Note 60)	**(1 900 315)**	–
Restated	**212 036 706**	282 590 070
Effect of changes in exchange rate and hyperinflation	**(90 321 052)**	(58 379 447)
Fair value loss on treasury bills at FVOCI	**(1 324 761)**	(209 597)
Net maturities/(purchases)	**104 958 389**	(11 964 320)
As at 31 December	**225 349 282**	212 036 706
Expected Credit losses		
Balance at 1 January	**(1 747 980)**	(2 318 328)
(Charge)/credit for the year (Note 51)	**(3 445 076)**	570 348
Balance at 31 December	**(5 193 056)**	(1 747 980)
Total money market investments	**220 156 226**	210 288 726

The interest rate on money market investments approximates the market interest rate and hence the carrying amount reasonably approximates the fair value. Money market investments held to earn interest income over their tenor and to collect contractual cash flows are classified as financial assets at amortised cost. Treasury bills held at fair value through other comprehensive income (FVOCI) are held to earn interest income but may be sold. Placements with other banks with a tenor of more than three months have been classified as money market investments.

Notes to the financial statements (continued)

for the year ended 31 December 2023

11 Loans and advances to customers

	Consolidated	
USD	2023	2022
Loans and advances to customers is made up of:		
Term loans	455 936 163	445 494 607
Mortgage loans	16 190 739	22 951 882
Overdraft	252 023 131	182 413 363
Finance leases	12 031 032	13 718 853
Gross carrying amount of loans and advances to customers	736 181 065	664 578 705
Loans and advances at amortised cost are receivable as follows:		
Maturing within 3 months	167 015 761	155 515 950
Maturing between 3 and 12 months	138 256 572	154 848 065
Maturing after 12 months	430 908 732	354 214 690
Gross carrying amount of loans and advances to customers	736 181 065	664 578 705
Stage 1 Allowances		
Balance at 1 January	(3 060 749)	(4 102 468)
Effect of changes in exchange rate and hyperinflation	885 258	1 321 678
Charge for the year (Note 51)	(4 054 519)	(279 959)
Balance at 31 December	(6 230 010)	(3 060 749)
Stage 2 Allowances		
Balance at 1 January	(3 589 231)	(1 847 802)
Effect of changes in exchange rate and hyperinflation	(5 232)	(505 910)
Credit/(charge) for the year (Note 51)	1 552 265	(1 235 519)
Balance at 31 December	(2 042 198)	(3 589 231)
Stage 3 Allowances		
Balance at 1 January	(6 202 508)	(6 513 209)
Charge for the year (Note 51)	(7 165 636)	(3 217 315)
Other movements	232 500	(334 277)
Effect of changes in exchange rate and hyperinflation	1 403 712	316 952
Write offs	211 803	3 545 341
Balance at 31 December	(11 520 129)	(6 202 508)
Net Loans and advances to customers	716 388 728	651 726 217

** Finance leases have been disclosed under loans and advances to customers.

The Directors consider that the carrying amounts of loans, lease receivables and advances are a reasonable approximation of their fair value. Internal reporting and performance measurement of these loans, lease receivables and advances are at amortised cost. Impairment of loans and advances has been calculated as disclosed in Notes 7.7.7 and 51. Loans, lease receivables and advances by industry/sector have been disclosed in Note 7.8. Effective interest rates for loans and advances have been disclosed in Note 7.9.

Notes to the financial statements (continued)

for the year ended 31 December 2023

12 Repurchase agreements

USD	Consolidated 2023	Restated[1] 2022
As at 1 January (as previously reported)	**13 921 161**	94 206 809
Impact of restatement (Note 60)	**(8 881 045)**	–
Restated opening balance	**5 040 116**	94 206 809
Movement during the year was as follows:		
Purchases	**570 315 699**	789 591 733
Maturities	**(567 447 148)**	(832 297 737)
Effect of changes in exchange rate	**(2 908 667)**	(46 460 689)
Gross Carrying amount as at 31 December	**5 000 000**	5 040 116
Expected credit losses	**(19 869)**	(2 280)
Net Carrying amount as at 31 December	**4 980 131**	5 037 836
Funds under repurchase agreement: Split by Currency		
United States Dollars (USD)	**4 980 131**	5 037 836
Gross Carrying amount as at 31 December	**4 980 131**	5 037 836

1 Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities. Refer to note 60 for details relating to the restatement.

The corresponding liability has been included in Note 26.1 as part of balances due to other banks.

13 Derivative financial instruments

USD	Consolidated 2023	Restated[1] 2022
Derivatives in economic hedge relationships		
Derivative assets		
Foreign currency swaps	**–**	18 516
Foreign currency forward contracts	**6 209 306**	4 372 695
	6 209 306	4 391 211
Derivative liabilities		
Foreign currency swaps	**3 946 506**	2 000 000
Foreign currency forward contracts	**898 721**	1 401 326
	4 845 227	3 401 326
Net gains/(losses) on derivative instruments		
Net (losses)/gains on foreign currency swaps	**(227 072)**	538 456
Net gains on foreign currency forward contracts	**2 317 719**	1 461 716
	2 090 647	2 000 172

1 Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities. Refer to note 60 for details relating to the restatement.

Notes to the financial statements (continued)

for the year ended 31 December 2023

14 Current tax

14.1 Current tax expense

	Consolidated		Separate	
USD	2023	2022	2023	2022
Current year tax based on profits	31 489 961	23 146 869	–	–
Prior year over provision	(702 998)	(2 080 735)	–	
Dividend tax	2 510 271	1 691 878	2 510 271	1 691 878
Deferred tax movement (Note 25)	1 710 310	3 146 093	–	–
Income tax expense	35 007 544	25 904 105	2 510 271	1 691 878

14.2 Reconciliation of effective tax rate

	Consolidated		Separate	
USD	2023	2022	2023	2022
Corporate tax rate	15.0%	15.0%	15%	15.0%
Foreign companies tax differential	16.70%	16.70%	–	–
Non-deductible expenses	13.00%	9.17%	8.07%	8.24%
Tax exempt income	(13.92%)	(11.13%)	(10.85%)	(10.85%)
Effective tax rate	30.78%	29.74%	12.22%	12.39%

14.3 Income tax payable

	Consolidated		Separate	
USD	2023	2022	2023	2022
As at 1 January	1 372 164	1 706 826	–	–
Charges for the year	31 489 961	23 146 869	–	–
Dividend tax	2 510 271	1 691 878	2 510 271	1 691 878
Effect of changes in exchange rate and hyperinflation	1 590 399	(4 368 424)	–	–
Prior year over provision	(702 998)	(2 080 735)		
Paid during the year	(29 501 653)	(18 724 250)	(2 510 271)	(1 691 878)
As at 31 December	6 758 144	1 372 164	–	–

Income tax payable is presented as follows in the statements of financial position.
Presented as:

	Consolidated		Separate	
USD	2023	2022	2023	2022
Current tax asset	(2 759 472)	(2 375 378)	–	–
Current tax liabilities	9 517 616	3 747 542	–	–
	6 758 144	1 372 164	–	–

Notes to the financial statements (continued)

for the year ended 31 December 2023

14 Current tax (continued)

14.4 Statutory tax rate

Statutory tax rates for territories in the Group are as follows:[1]

	2023	2022
Botswana	**22.00%**	22.00%
Malawi	**30.00%**	30.00%
Mozambique	**32.00%**	32.00%
Mauritius	**15.00%**	15.00%
Zambia	**30.00%**	30.00%
Zimbabwe	**24.72%**	24.72%

1 The tax rates for the foreign operations range from 22% to 32%. In Mauritius, the Company is subject to income tax at 15%. However, a Global Business Licence company is entitled to a foreign tax credit equivalent to 80% of the Mauritius tax liability or the actual foreign tax suffered.

Taxation

Under the current laws, the Company is subject to tax in Mauritius on its taxable profits at a rate of 15%. Foreign tax credit applies on any foreign source income that has been subject to any foreign tax. Mauritius does not have any capital gains tax and furthermore, any trading profits on the sale of securities are generally exempt from tax.

Regulatory

The Financial Services Commission ("FSC") issued a Global Business Licence ("GBL") to the Company on 30 September 2020. Further to the changes made by the Finance (Miscellaneous Provisions) Act 2018 ("FMPA 2018") to the Financial Services Act ("FSA"), the FSC is no longer empowered to issue any GBL1 as from 1 January 2019.

As from 1 July 2021, the Company was no longer allowed to compute its foreign tax according to a presumed amount of 80% of the Mauritian tax of the relevant foreign sourced income. Furthermore, transactions with GBL corporations and non-residents will not necessarily be considered to be foreign sourced income. Effective as from 1 January 2019, the Company may apply an exemption on its foreign dividend income, interest income and profits from foreign permanent establishments: the exemption is computed at 80% of the relevant foreign sourced income and is subject to certain prescribed conditions. The exemption is not mandatory so that the Company may apply the credit system if it so wishes.

15 Assets held for sale

	Consolidated	
USD	2023	2022
As at 1 January	**132 722**	342 971
Property repossessed during the year	**–**	55 217
Transfer from investment property (Note 21)	**2 217 391**	–
Disposal of assets held	**(132 687)**	
Transfer to property and equipment (Note 24)		(230 510)
Effect of changes in exchange rates	**(35)**	(34 956)
Carrying amount as at 31 December	**2 217 391**	132 722

Assets held for sale include:

Non-current assets held for sale relates to a commercial building, Dolphin house, located in Harare Central Business District. This property is being actively sold with the sale transaction expected to complete within the next twelve months.

The property currently has two tenants occupying the ground floor out of the ten floors. The rental contracts are both set to expire on 31 July 2024. The bank has no intention of developing the property and thus it will be sold in its present condition.

The sale of Dolphin house is highly probable as the following conditions have been met:

a) A resolution has been made to sell the property. In addition, Bard Real Estate has been engaged in locating a buyer and handling the sale of the property.

b) The property has been actively marketed with offers under consideration.

Given that the offers are under consideration, it is anticipated that the property will be sold during the 2024 financial year.

The Group has also assessed that the sale of these assets is highly probable. These conditions were met before the reporting date.

The assets held for sale have been measured at fair value less costs to sell.

Notes to the financial statements (continued)

for the year ended 31 December 2023

16 Investments at fair value through profit or loss

	Consolidated 2023	Consolidated 2022
Shares held (numbers)		
Illovo Sugar (Malawi) Plc	**8 665 541**	8 665 541
Telekom Networks Malawi Plc	**–**	4 304 286
Share price (cents)		
Illovo Sugar (Malawi) Plc	**0.75**	0.53
Telekom Networks Malawi Plc	**–**	0.01
Market value (USD)		
Illovo Sugar (Malawi) Plc	**6 486 440**	4 560 411
Telekom Networks Malawi Plc	**–**	50 464
Total investments in shares	**6 486 440**	4 610 875
Digital gold coins	**3 328 856**	–
Total investments at FVPL	**9 815 296**	4 610 875
Balance at 1 January	**4 610 875**	6 615 485
Purchase of investments of Digital Gold Coins	**4 320 000**	–
Disposal	**(97 645)**	(4 545 180)
Effect of changes in exchange rate	**(4 781 687)**	(1 138 733)
Movement in fair value (Note 44)	**5 763 753**	3 679 303
Total investments at FVPL	**9 815 296**	4 610 875

All investments in listed companies are listed on the Malawi Stock Exchange and are measured at FVPL as they are held for trading. The movement in fair value is taken to profit or loss. Fair value measurement of investments in listed companies has been categorised as Level 1 fair value based on quoted prices on the Malawi Stock Exchange.

17 Investments at fair value through other comprehensive income

USD	Consolidated 2023	Consolidated 2022
Equity instruments		
As at January	**5 905 854**	5 301 985
Effect of changes in exchange rate and hyperinflation	**(1 644)**	204 446
Fair value (loss)/gain	**(1 572 512)**	399 423
Total equity instruments	**4 331 698**	5 905 854
Represented by		
Investment in Zimswitch Technologies Private Limited (Zimswitch)	**3 886 200**	5 559 379
Swift Investment	**346 475**	247 406
Investment in Sociedade Interbancária de Moçambique (SIMO)	**99 023**	99 069
Total equity instruments	**4 331 698**	5 905 854

Financial assets at FVOCI represent shares held by banks in the Group in local switch companies. FCB Zimbabwe holds 11.98% of the issued share capital of Zimswitch Limited and First Capital Bank S.A. (Mozambique) (FCB Mozambique) holds 0.5% of SIMO's issued share capital. Directors have used the dividend growth model to value FCB Zimbabwe's stake in Zimswitch. In Mozambique, there is no active market for this financial instrument. The switch is not fully operational and fair value cannot be reliably determined. The investment has therefore been measured at cost. The Group has no intention to dispose of these investments.

Notes to the financial statements (continued)
for the year ended 31 December 2023

18 Investments in subsidiary companies

			Separate			
			Holding %		USD	
	Nature of Business	Type of Investment	**2023**	2022	**2023**	2022
First Capital Bank PLC (Malawi)	Banking	Equity Shares	**100.00**	100.00	**88 034 223**	88 034 223
Afcarme Zimbabwe Holdings (Private) Limited	Banking	Equity Shares	**100.00**	100.00	**17 670 080**	17 670 080
First Capital Bank Limited (Zambia)	Banking	Equity Shares	**49.00**	49.00	**4 634 343**	4 634 343
First Capital Shared Services Limited	Shared Service	Equity Shares	**100.00**	100.00	**4 159 549**	4 159 549
First Capital Bank Limited (Botswana)	Banking	Equity Shares	**38.60**	38.60	**3 046 405**	3 046 405
First Capital Bank Limited (Botswana)	Banking	Preference Shares	**100.00**	100.00	**2 475 355**	2 475 355
First Capital Bank S.A. (Mozambique)	Banking	Equity Shares	**80.00**	80.00	**21 365 742**	21 365 742
Total investments in subsidiary companies					**141 385 697**	141 385 697

The investment in preference shares is classified as financial assets measured at amortised cost in accordance with the substance of the contractual terms of the instruments (cumulative preference interest at 8.26% per annum. The Bank's preference shares are redeemable at the option of the Bank but not within five years from issuance and bear non-discretionary coupons that are cumulative.

19 Investment in joint venture

	Consolidated	
USD	**2023**	2022
Group's interest in investment		
Group's interest at beginning of year	**15 580 000**	11 875 000
Share of (loss)/profit in joint venture	**(1 240 468)**	4 423 662
Impairment loss on investment in joint venture	**–**	(718 662)
Carrying amount of investment as at 31 December	**14 339 532**	15 580 000

The Group owns 50% investment in Makasa Sun (Pvt) Limited. The other 50% is owned by First Capital Pension Fund. Makasa Sun (Pvt) Limited owns a hotel located in the tourist resort town of Victoria Falls, Zimbabwe which it leases out but has been under renovations after the tenant exited the premises. No rental income has been accrued in the current year. The fair value of investment property was determined by external, independent property valuers, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. In 2023, the hotel was not operational, hence registered Nil (2022: USD 1 080 918) in revenue. Makasa Sun's functional currency was also changed in conjunction with that of FCB Zimbabwe. Refer to notes 2.3.1, 5.6 and 59.

Summary information Makasa Sun (Private) Limited (joint venture):

USD	**2023**	2022
Revenue	**–**	1 080 918
Fair value gain/loss on investment property	**10 546 000**	8 276 164
(Loss)/profit for the year	**7 765 000**	8 847 323
Total comprehensive income	**10 546 000**	8 847 323
Non current assets	**30 000 000**	40 565 496
Current assets	**464 000**	678 736
Non current liabilities	**1 500 000**	2 028 275
Current liabilities	**285 000**	51 833
Equity	**28 679 000**	**39 164 124**

As at 31 December 2023 the Group's 50% share of equity was USD 14 339 532. The summarised financial information provided for 2022 is inflation adjusted. However, the Group's share of equity as at 31 December 2022 was based on the adjusted equity of USD 32 800 000.

Notes to the financial statements (continued)

for the year ended 31 December 2023

20 Other assets

	Consolidated		Separate	
USD	2023	Restated[1] 2022	2023	2022
Prepayments	9 756 238	5 756 656	913 957	486 813
Stock of stationery, computer spares and other items	418 447	661 435	–	–
Card security deposit and settlement balances	2 613 003	2 350 818	–	–
Customer funds receivable from foreign currency auction	–	377 115	–	–
Subordinated debt	–	–	3 300 000	3 300 000
Other receivables	12 107 646	15 443 188	1 692 071	1 654 465
Gross Balance	24 895 334	24 589 212	5 906 028	5 441 278
Less: Expected credit loss	(33 250)	(186)	–	–
Total other assets	24 862 084	24 589 026	5 906 028	5 441 278
Current	20 866 091	19 718 125	2 606 028	2 141 278
Non-current	3 995 993	4 870 901	3 300 000	3 300 000
Total other assets	24 862 084	24 589 026	5 906 028	5 441 278

1 Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities. Refer to note 60 for details relating to the restatement.

Prepayments consists of expenses paid in advance including rentals paid for retail outlets, annual maintenance contracts and software licence fees for several items of software and hardware used in the day-to-day operations of companies in the Group.

Consolidated other receivables include funds receivable from currency auctions, cash collateral pledged, balances receivable for pledged securities and clearing accounts. Separate other receivables include amounts due from subsidiaries for the Group. These balances are recoverable less than one year and are interest free. Due to the short-term nature of these assets, historical experience to date and forward looking information, other receivables are regarded as having a low probability of default.

Subordinated debt (nominal value USD 3 300 000) was issued by FCB Mozambique in 2022 to enable the issuer to comply with minimum regulatory capital requirements in accordance with laws and regulations in force in the Republic of Mozambique. The loan term is 5 years repayable in January 2027 and bears interest at a nominal rate of 9% payable semi-annually. FCB Mozambique has an early redemption option subject to approval by Banco de Mozambique. As at reporting date, the Bank did not exercise this option.

Notes to the financial statements (continued)

for the year ended 31 December 2023

21 Investment property

Investment property comprises commercial properties that are leased to third parties and land held for capital appreciation. Movement during the year was as follows:

	Consolidated	
USD	2023	2022
At fair value		
Balance as at 1 January	**4 800 000**	4 700 000
Transfer from Property and equipment (Note 24)	**–**	100 000
Transfer to assets held for sale (Note 15)	**(2 217 391)**	–
Fair value loss	**(1 088 609)**	–
Balance as at 31 December	**1 494 000**	4 800 000

The fair value of investment property was determined by external, independent property valuers, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the investment property portfolio annually. The fair value measurement of the investment property has been categorised as Level 3 in the fair value hierarchy based on the inputs to the valuation approach.

Operating costs incurred on investment properties during the year were USD 45 000 (2022: USD 58 000). No contingent rents are charged.

22 Intangible assets

	Consolidated		Separate	
USD	2023	2022	2023	2022
COST				
As at 1 January	**21 211 608**	21 490 084	**5 531 950**	3 264 365
Transfer from property and equipment (Note 24)	**54 034**	110 709	**–**	–
Additions	**2 170 105**	2 682 979	**1 262 839**	2 267 585
Disposals	**(207 762)**	–	**–**	–
Effect of changes in exchange rate and hyperinflation	**(3 710 674)**	(3 072 164)	**–**	–
Reclassification	**(142 495)**	–	**–**	–
As at 31 December	**19 374 816**	21 211 608	**6 794 789**	5 531 950
ACCUMULATED AMORTISATION				
As at 1 January	**(12 960 394)**	(11 672 641)	**(1 609 212)**	(949 576)
Effect of changes in exchange rate and hyperinflation	**2 149 122**	1 252 133	**–**	–
Transfer from property and equipment (Note 24)	**–**	(26 247)	**–**	–
Disposals	**64 754**	–	**–**	–
Charge for the year	**(1 820 322)**	(2 513 639)	**(1 148 408)**	(659 636)
As at 31 December	**(12 566 840)**	(12 960 394)	**(2 757 620)**	(1 609 212)
Carrying amount as at 31 December	**6 807 976**	8 251 214	**4 037 169**	3 922 738

Intangible assets include computer software, website development, core banking, switch software and licences which are accounted for at cost incurred on acquisition or development. These assets are controlled by the Group and are separately identifiable.

Notes to the financial statements (continued)

for the year ended 31 December 2023

23 Leases

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
RIGHT-OF-USE ASSET				
Balance at the beginning of the year	**6 592 797**	5 823 944	**41 900**	117 941
Additions	**3 472 742**	4 332 615	**19 112**	–
Modifications	**(60 407)**	–	**–**	–
Terminations[1]	**(27 369)**	(2 158 828)	**–**	–
Depreciation charge	**(2 785 458)**	(453 332)	**(7 711)**	(76 041)
Effect of changes in exchange rate and hyperinflation	**(758 172)**	(951 602)	**–**	–
Carrying amount at 31 December	**6 434 133**	6 592 797	**53 301**	41 900
LEASE LIABILITIES				
Maturity analysis – contractual undiscounted cash flows				
Less than one year	**2 394 414**	2 223 674	**49 753**	40 536
One to five years	**3 928 591**	3 116 767	**26 299**	22 767
More than five years	**640 374**	1 649 865	**–**	–
Total undiscounted contractual cash flows as at 31 December	**6 963 379**	6 990 306	**76 052**	63 303
Lease liabilities included in statement of financial position				
Current	**2 607 317**	3 300 908	**46 831**	40 536
Non-current	**3 469 669**	3 270 597	**29 221**	22 767
Carrying amount at 31 December	**6 076 986**	6 571 505	**76 052**	63 303
Movement in lease liability				
Balance at the beginning of the year	**6 571 505**	6 341 210	**63 303**	138 325
Interest charges	**620 138**	343 417	**4 589**	4 029
Additions	**1 359 695**	1 892 848	**12 749**	–
Payments	**(2 474 352)**	(2 005 970)	**(4 589)**	(75 022)
Terminations	**–**	–	**–**	(4 029)
	6 076 986	6 571 505	**76 052**	63 303
Amounts recognised in Profit and Loss				
Interest on lease liability	**620 138**	343 417	**4 589**	4 029
Expenses-short term low value leases	**122 769**	1 121 898	**–**	–
Depreciation charge	**2 785 458**	453 332	**7 711**	76 041
	3 528 365	1 918 647	**12 300**	80 070

1 Terminations were misclassified as disposals in the prior year. This has been amended accordingly in the current year.

Right-of-use assets include leased property.

Notes to the financial statements (continued)

for the year ended 31 December 2023

24 Property and equipment

USD	Freehold property	Leasehold improve-ments	Motor vehicles	Corporate aircraft	Motor vehicles – operating lease	Equipment, fixtures and fittings	Capital work in progress*	Consolidated total
	Consolidated				Consolidated			
2023								
Cost or valuation								
Balance at 1 January 2023	**32 305 954**	**11 760 998**	**5 483 603**	**1 456 050**	**–**	**24 555 167**	**3 685 295**	**79 247 067**
Impact of change in functional currency	**–**	**–**	**1 858 576**		**–**	**3 923 770**		**5 782 346**
Additions	**1 920 039**	**381 557**	**944 122**	**–**	**–**	**5 240 402**	**5 078 098**	**13 564 218**
Revaluation surplus	**1 416 778**	**97 135**	**450 000**	**–**	**–**	**2 550 515**	**–**	**4 514 428**
Reclassification from intangible assets	**–**	**–**	**–**	**–**	**–**	**142 495**	**–**	**142 495**
Effect of changes in exchange rate	**(5 020 532)**	**(3 120 117)**	**(883 733)**	**(532 286)**	**–**	**(6 088 091)**	**(2 181 011)**	**(17 825 770)**
Disposals	**–**	**(315 451)**	**(457 961)**	**–**	**–**	**(596 347)**	**–**	**(1 369 759)**
Transfers to intangible assets (Note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**(54 034)**	**(54 034)**
Transfer from work-in-progress	**365 212**	**28 789**	**–**	**–**	**–**	**328 803**	**(722 804)**	**–**
Balance at 31 December 2023	**30 987 451**	**8 832 911**	**7 394 607**	**923 764**	**–**	**30 056 714**	**5 805 544**	**84 000 991**
Accumulated depreciation								
Balance at 1 January 2023	**531 489**	**2 581 656**	**3 464 008**	**501 337**	**–**	**18 147 848**	**–**	**25 226 338**
Charge for the year	**663 879**	**562 450**	**1 016 432**	**73 257**	**–**	**4 787 699**	**–**	**7 103 717**
Released on disposal	**–**	**(306 893)**	**(246 054)**	**–**	**–**	**(577 071)**	**–**	**(1 130 018)**
Transfers								**–**
Effect of changes in exchange rate	**(127 785)**	**(471 258)**	**(580 753)**	**(182 928)**	**–**	**(4 476 424)**	**–**	**(5 839 148)**
Released on revaluation	**(162 825)**	**(62 666)**	**–**	**–**	**–**	**–**	**–**	**(225 491)**
Balance at 31 December 2023	**904 758**	**2 303 289**	**3 653 633**	**391 666**	**–**	**17 882 052**	**–**	**25 135 398**
Carrying amount								
At 31 December 2023	**30 082 693**	**6 529 622**	**3 740 974**	**532 098**	**–**	**12 174 662**	**5 805 544**	**58 865 593**
At 31 December 2022	31 774 465	9 179 342	2 019 595	954 713	–	6 407 319	3 685 295	54 020 729

* Capital work in progress represents development costs on the various branches of the Group's banking interests.

The Group capitalised completed projects to property and equipment with resultant reclassifications from Capital Work in Progress.

Had freehold property and leasehold improvements been held at historical cost, the carrying value less depreciation and impairment losses would have been approximately USD 20 103 342 (2022: USD 20 931 727).

Notes to the financial statements (continued)

for the year ended 31 December 2023

24 Property and equipment (continued)

USD	Consolidated Freehold property	Leasehold improve-ments	Motor vehicles	Corporate aircraft	Consolidated Motor vehicles – operating lease	Equipment, fixtures and fittings	Capital work in progress*	Consolidated total
2022								
Cost or valuation								
Balance at 1 January 2022	37 440 628	10 837 020	5 726 464	1 811 168	29 851	26 886 623	975 887	83 707 641
Additions	371 394	533 086	1 365 586	–	–	3 268 328	4 795 810	10 334 204
Fair value gain	2 115 455	1 235 642	–	–	–		–	3 351 097
Effect of changes in exchange rate and hyper inflation	(7 575 070)	(1 850 891)	(1 483 188)	(355 118)	–	(5 901 364)	(475 355)	(17 640 986)
Disposals	–	–	(338 465)	–	(29 851)	(156 374)	–	(524 690)
Transfers from/(to) investment property (Note 21)	(100 000)	–	–	–	–	–	–	(100 000)
Transfers to intangible assets (Note 22)	53 547	775 631	213 206	–	–	457 954	(1 611 047)	(110 709)
Transfer from assets held for sale (Note 15)	–	230 510	–	–	–	–	–	230 510
Balance at 31 December 2022	32 305 954	11 760 998	5 483 603	1 456 050	–	24 555 167	3 685 295	79 247 067
Accumulated depreciation								
Balance at 1 January 2022	788 191	2 146 503	4 216 366	753 714	29 851	19 975 040	–	27 909 665
Charge for the year	2 357 245	483 733	541 860	89 521	–	2 228 531	–	5 700 890
Released on disposal	–	–	(305 463)	–	(29 851)	(22 892)	–	(358 206)
Transfers	–	–	–	–	–	(26 247)	–	(26 247)
Effect of changes in exchange rate and hyperinflation	(2 053 785)	17 555	(988 755)	(341 898)	–	(4 006 584)	–	(7 373 467)
Released on revaluation	(560 162)	(66 135)	–	–	–	–	–	(626 297)
	531 489	2 581 656	3 464 008	501 337	–	18 147 848	–	25 226 338
Carrying amount							–	–
At 31 December 2022	31 774 465	9 179 342	2 019 595	954 713	–	6 407 319	3 685 295	54 020 729
At 31 December 2021	36 652 437	8 690 517	1 510 098	1 057 454	–	6 911 583	975 887	55 797 976

* Capital work in progress represents development costs on the various branches of the Group's banking interests.
The Group capitalised completed projects to property and equipment with resultant reclassifications from Capital Work in Progress.

Revaluation surplus sensitivity

The revaluation of items of property, plant and equipment, and leasehold improvements, is conducted periodically.

The revaluation exercises are conducted across the Group on the basis of input from independent valuation experts. In the current reporting period, motor vehicles and equipment, fixturers and fittings were revalued due to a change in functional currency in Zimbabwe.

These specialists use a combination of models and underlying parameters, or variables, to arrive at estimated valuations of property, plant and equipment adopted in these financial statements.

Should the combined effect of all applicable variables, parameters and the models be varied upwards or downwards, the revaluation surpluses would have been as follows:

USD	5% positive impact	5% adverse impact
2023		
Revaluation surplus as recognised	**3 095 913**	**3 095 913**
Sensitivity impact	**154 796**	**(154 796)**
Sensitivity-adjusted revaluation surplus	**3 250 709**	**2 941 117**

USD	5% positive impact	5% adverse impact
2022		
Revaluation surplus as recognised	3 351 097	3 351 097
Sensitivity impact	167 555	(167 555)
Sensitivity-adjusted revaluation surplus	3 518 652	3 183 542

Notes to the financial statements (continued)

for the year ended 31 December 2023

24 Property and equipment (continued)

USD	Separate Equipment, fixtures and fittings	Separate Total
COST		
Balance at 1 January 2023	**1 570 402**	**1 570 402**
Additions	**305 957**	**305 957**
Balance at 31 December 2023	**1 876 359**	**1 876 359**
ACCUMULATED DEPRECIATION		
Balance at 1 January 2023	**784 811**	**784 811**
Charge for the year	**369 122**	**369 122**
Balance at 31 December 2023	**1 153 933**	**1 153 933**
Carrying amount at 31 December 2023	**722 426**	**722 426**
COST		
Balance at 1 January 2022	1 191 355	1 191 355
Additions	390 598	390 598
Disposal	(11 551)	(11 551)
Balance at 31 December 2022	1 570 402	1 570 402
ACCUMULATED DEPRECIATION		
Balance at 1 January 2022	574 119	574 119
Charge for the year	210 692	210 692
Balance at 31 December 2022	784 811	784 811
Carrying amount at 31 December 2022	785 591	785 591

The freehold properties and leasehold improvements of the Group's companies were last revalued by independent valuers on an open market value current as at 31 December 2023 for all entities apart from FCB Botswana which was performed as at 31 October 2022 as the carrying values were considered to approximate the market value.

Property and equipment were subjected to impairment testing by way of internal evaluation of obsolescence of equipment. No items of property and equipment were pledged as collateral as at 31 December 2022 and 31 December 2023. The fair value measurement for properties has been categorised as Level 3 fair value based on inputs to the valuation techniques used. The following table shows the valuation technique used in measuring the fair values of freehold properties and leasehold improvements, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
Open Market Value Basis Open market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.	The valuation approach adopted takes cognisance of the performance of the property market at the time of valuation. The approach relies on sales data and all relevant factors pertaining to the property market.
The valuation process makes comparisons between the subject property and comparable property in order to formulate an opinion for a fair market value using an estimate of the future potential net income generated by the use of the property.	The method recognises that property can be assembled, not only for occupation and use of the owner, but also to let to one or more tenants who will pay the owner rent for the right to the use and occupation of the property.

Notes to the financial statements (continued)

for the year ended 31 December 2023

25 Deferred tax

Consolidated

USD	Opening balance	Recognised in profit or loss	Recognised in other compre-hensive income	Effect of changes in exchange rate	Closing balance
2023					
Property and equipment	**2 627 544**	**(109 406)**	**–**	**(49 797)**	**2 468 341**
Accrued income	**2 465 299**	**4 456 199**	**–**	**(753 268)**	**6 168 230**
Revaluation of property	**877 073**	**–**	**(383 095)**	**(56 538)**	**437 440**
Gratuity and severance pay liabilities	**(490 342)**	**(384 752)**	**–**	**269 395**	**(605 699)**
Expected credit loss provisions	**(1 771 971)**	**(2 271 253)**	**–**	**724 694**	**(3 318 530)**
Other temporary differences[1]	**1 471 899**	**19 522**	**(388 725)**	**1 161 384**	**2 264 080**
	5 179 502	**1 710 310**	**(771 820)**	**1 295 870**	**7 413 862**
2022					
Property and equipment	1 858 172	53 067	–	716 305	2 627 544
Accrued income	2 133 389	170 643	–	161 267	2 465 299
Revaluation of property	632 682	–	(591 712)	836 103	877 073
Tax losses	(2 695 177)	2 695 177	–	–	–
Gratuity and severance pay liabilities	(350 021)	(67 675)	–	(72 646)	(490 342)
Expected credit loss provisions	(854 029)	(336 970)	–	(580 972)	(1 771 971)
Other temporary differences	601 443	631 851	57 989	180 616	1 471 899
	1 326 459	3 146 093	(533 723)	1 240 673	5 179 502

1 Other temporary differences include provisions for bonus, management fees, operational losses, frauds and forgeries, prepaid expenses, right of use assets and lease liabilities, deferred commission expense, unrealised gains on mark-to-market, investment securities and investment property.

Consolidated

USD	2023	2022
Disclosed as:		
Deferred tax assets	**(1 447 747)**	(2 262 313)
Deferred tax liabilities	**8 861 609**	7 441 815
Balance as at 31 December	**7 413 862**	5 179 502

Deferred income tax assets are recognised only to the extent that the related tax benefit is probable.

Notes to the financial statements (continued)

for the year ended 31 December 2023

26 Balances due to other banks

26.1 Balances due to other banks

	Consolidated	
USD	2023	Restated[1] 2022
Repurchase agreements[1]	**3 314 208**	5 001 269
Borrowings from other banks[1]	**58 089 824**	18 131 115
BOZ – TMTRF	**2 870 345**	7 484 094
FMO Line of Credit	**6 000 001**	6 168 340
Total balances due to other banks	**70 274 378**	36 784 818
Payable as follows:		
Due within one year	**53 589 902**	32 773 077
Due between two and five years	**16 684 476**	4 011 741
Total balances due to other banks	**70 274 378**	36 784 818

1 Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities. Refer to note 60 for details relating to the restatement.

In 2020, FCB Zambia secured a targeted medium-term refinancing facility, Bank of Zambia – Targeted Medium Term Refinancing Facility, for on-lending to customers. Interest is payable linked to the Zambia Monetary policy rate which was 8% per annum. The loan is repayable in quarterly instalments with interest. The loan was disbursed in three tranches whose maturity dates are 1 September 2023, 4 February 2024 and 8 February 2025. In the prior year these loan balances were reported under balances due to other banks and have been reclassified to loans payable.

Borrowings from other banks represent short term facilities with interest rates ranging from 7–8% with interest payable in quarterly instalments.

Borrowings from other banks include, but are not limited to, facility lines of credit from European Investment Bank, Afreximbank, and Crown Agents Bank. In May 2022, FCB Zimbabwe secured a development line of credit amounting to EUR 12.5 million from EIB. As at 31 December 2023, the Bank had drawn down in the order of USD 11 million. The facility matures in April 2029. In August 2023, FCB Zimbabwe secured a USD 20 million trade finance facility from African Export Import Bank to support its SME clients. As at 31 December 2023, the Bank had an outstanding balance of USD 6 million. The trade finance facility expires in June 2026. In addition, FCB Mozambique has correspondent banking lines with Crown Agents Bank and CitiBank. These amounted to USD 13 million, at nil interest, and repayable on a short-term, revolving basis.

Notes to the financial statements (continued)

for the year ended 31 December 2023

26 Balances due to other banks (continued)

26.2 Movement in term borrowings

Consolidated

USD	Balance due to other banks (Note 26.1)	Subordinated debt (Note 30)	Loans payable (Note 29)	Total
2023				
As at 1 January as previously reported	47 647 347	12 446 592	16 920 504	77 014 443
Impact of restatement (Note 60)	(10 862 529)	–	–	(10 862 529)
Restated	36 784 818	12 446 592	16 920 504	66 151 914
Net increase or (decrease) in term borrowings	29 828 577	–	16 602 314	46 430 891
Additions	71 290 283	–	17 496 736	88 787 019
Repayment	(41 461 706)	–	(894 422)	(42 356 128)
Accrued interest		140 709	346 130	486 839
Unamortised issue cost	–	(31 241)	–	(31 241)
Effects of changes in exchange rate and hyperinflation	3 660 983	(734 702)	(33 886)	2 892 395
Carrying amount as at 31 December	70 274 378	11 821 358	33 835 062	115 930 798

Separate

USD	Loans payable (Note 29)	Total
2023		
As at 1 January	16 890 200	16 890 200
Net decrease in term borrowings	(894 422)	(894 422)
Additions	–	–
Repayments	(894 422)	(894 422)
Accrued interest	346 130	346 130
Effects of changes in exchange rates	–	–
Carrying amount as at 31 December	16 341 908	16 341 908

Notes to the financial statements (continued)
for the year ended 31 December 2023

26 Balances due to other banks (continued)
26.2 Movement in term borrowings

Restated[1]	Consolidated			
USD	Balance due to other banks (Note 26.1)	Subordinated debt (Note 30)	Loans payable (Note 29)	Total
2022				
As at 1 January	209 385 951	16 012 218	17 167 924	242 566 093
Net increase or (decrease) in term borrowings	(173 018 204)	(2 250 661)	(247 420)	(175 516 285)
Additions	219 163 700	–	–	219 163 700
Repayment	(392 181 904)	(2 434 691)	(247 420)	(394 864 015)
Accrued interest	–	184 030	340 423	524 453
Unamortised issue cost	–	(41 396)	–	(41 396)
Effects of changes in exchange rate and hyperinflation	417 071	(1 273 569)	–	(856 498)
Carrying amount as at 31 December	36 784 818	12 446 592	16 920 504	66 151 914

1 Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities. Refer to note 60 for details relating to the restatement.

	Separate	
USD	Loans payable (Note 46)	Total
2022		
As at 1 January	22 312 077	22 312 077
Net decrease in term borrowings	(5 000 000)	(5 000 000)
Additions	–	–
Repayments	(5 000 000)	(5 000 000)
Accrued interest	345 896	345 896
Effects of changes in exchange rates	(767 773)	(767 773)
Carrying amount as at 31 December	16 890 200	16 890 200

Notes to the financial statements (continued)

for the year ended 31 December 2023

27 Customer deposits

USD	Consolidated 2023	Consolidated 2022
Current accounts	**327 241 830**	213 385 113
Savings accounts	**69 678 755**	64 268 674
Foreign currency denominated accounts	**249 649 809**	281 922 739
Term deposit accounts	**437 223 128**	467 137 858
Interest payable on deposits	**12 401 995**	7 703 486
Other deposits – cash security	**–**	4 652 096
Total customer deposits	**1 096 195 084**	1 039 069 966
Payable as follows:		
Maturing within three months	**621 018 504**	726 888 369
Maturing after three months	**475 176 580**	312 181 597
Total customer deposits	**1 096 195 084**	1 039 069 966

Deposits from customers only include financial instruments classified as liabilities at amortised cost. Fair value of deposits from customers approximates carrying amount due to their alignment with market rates. Foreign currency denominated current accounts have been disclosed separately from other current accounts as at 31 December 2022 and 31 December 2023.

28 Other payables

USD	Consolidated 2023	Consolidated Restated[1] 2022	Separate 2023	Separate 2022
Accrued expenses	**19 699 686**	24 566 303	**1 004 729**	645 310
Bankers cheques issued and uncleared	**3 501 924**	664 557	**–**	–
Margins on letters of credit and other instruments	**2 120 419**	1 132 818	**–**	–
Trade and other payables	**20 963 378**	14 076 846	**24 642**	268 313
Unclaimed dividends payable	**–**	4 633 274	**–**	–
Total other payables	**46 285 407**	45 073 798	**1 029 371**	913 623

1 Prior year financial statements were restated to correct errors relating to presentation and disclosures of derivative financial assets and liabilities. Refer to note 60 for details relating to the restatement. Trade and other payables comparatives have been disaggregated to separately disclose unclaimed dividends payable.

All amounts included in other payables are non-interest bearing. Directors consider that the carrying amounts of other payables approximate their fair values.

29 Loans payable

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Related parties	**6 500 000**	6 500 000	**6 500 000**	6 500 000
Other lenders	**9 495 778**	10 080 081	**9 495 778**	10 044 304
Commercial paper	**17 214 397**	–	**–**	–
Accrued interest[1]	**624 887**	340 423	**346 130**	345 896
Total loans payable	**33 835 062**	16 920 504	**16 341 908**	16 890 200

1 Accrued interest on loans payable has been reclassified from other payables to loans payable. The reclassification has also been applied to prior year.

During the year 2017, FMBCH, obtained loan facilities of USD 6.5 million from related parties for the purpose of discharging the purchase consideration for acquisition of shares in FCB Zimbabwe. These loans are unsecured and bear an interest of 9% pa, with the first interest payment due one year after drawdown and thereafter every quarter.

Related party loans are unsecured and repayable in full in 2026. These loans bear interest rate of 9% payable annually.

Commercial paper was issued by FCB Mozambique in November 2023 with maturity date of May 2024 and a fixed interest rate of 15% per annum.

Notes to the financial statements (continued)

for the year ended 31 December 2023

30 Subordinated debt

	Consolidated		Separate	
USD	2023	2022	2023	2022
Movement during the year:				
As at 1 January	12 446 592	16 012 218	–	–
Repayment	–	(2 434 691)	–	–
Accrued interest[1]	140 709	184 030	–	–
Unamortised issue cost	(31 241)	(41 396)		
Effect of changes in exchange rate	(734 702)	(1 273 569)	–	–
Carrying amount as at 31 December	11 821 358	12 446 592	–	–

1 Prior period has amended to disclose accrued interest separately.

	Consolidated		Separate	
USD	2023	2022	2023	2022
Notes issued by FCB Botswana	11 821 358	12 446 592	–	–

Subordinated debt comprises:

a) BWP15 million floating rate notes of BWP 1.00 each maturing on 1 July 2027, which earned interest at a cumulative rate of 7.96% following introduction of the Monetary Policy Rate (MOPR) by the Bank of Botswana in April 2022.

b) BWP33 million floating rate notes of BWP 1.00 each maturing on 25 July 2028, which earned interest at a cumulative rate of 8.16% following introduction of the MOPR by the Bank of Botswana in April 2022. The Bank has an early optional redemption date of 25 January 2023 subject to prior written consent from Bank of Botswana.

c) BWP100 million floating rate notes of BWP 1.00 each maturing on 31 July 2029, which earned interest at a cumulative rate of 8.51% following introduction of the MOPR by the Bank of Botswana in April 2022. FCB Botswana has an early optional redemption date of 30 April 2024 subject to prior written consent from Bank of Botswana.

d) BWP4 million floating rate notes of BWP 1.00 each maturing on 31 July 2029, which earned interest at a cumulative rate of 8.51% following introduction of the MOPR by the Bank of Botswana in April 2022. FCB Botswana has an early optional redemption date of 30 April 2024 subject to prior written consent from Bank of Botswana.

e) BWP5 million floating rate notes of BWP 1.00 each maturing on 31 January 2030, which earned interest at a cumulative rate of 8.51% following introduction of the MOPR by the Bank of Botswana in April 2022. The Bank has an early optional redemption date of 16 January 2025 subject to prior written consent from Bank of Botswana.

The subordinated debt notes constitute direct, subordinated and unsecured obligations of FCB Botswana. The notes rank pari passu among themselves and are subordinated to general creditors and claims of depositors.

Refer to Note 7.11 on liquidity risk for undiscounted maturity analysis disclosure.

Notes to the financial statements (continued)

for the year ended 31 December 2023

31 Financial guarantees, letters of credit and other undrawn commitments

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Group.

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. The nominal values of such commitments are listed below:

	Consolidated	
USD	**2023**	2022
Financial guarantees	**170 681 139**	103 318 775
Letters of credit	**25 360 963**	68 547 144
Other undrawn commitments	**5 738 401**	9 711 243
Total	**201 780 503**	181 577 162

Information regarding the ECL allowance for financial guarantees, letters of credit and other undrawn commitments respectively is presented in Note 7.

32 Convertible preference shares

During the year 2017, FMBCH concluded an agreement with Barclays Bank PLC ("BBPLC"), for the acquisition of the Zimbabwe. Payment for the acquisition was made partly through cash consideration of USD6.6 million and partly by issue to BBPLC of 10 786 747 convertible redeemable preference shares of USD1.00 each in the capital of the Company.

32.1 Convertible reference shares

At issue the 10 786 747 preference shares were convertible after three years at USD 0.0472 cents of per share and FMBCH is obliged to pay a fixed cumulative preferential dividend of 5% per annum out of profits or other reserves available for distribution.

It was agreed during 2020, it to extend the conversion date of the preference shares for a further two years to 10 October 2022 at the same conversion price of USD 0.0472. The interest terms of the preference shares are set out below:

- From issue to 09 October 2020 5% per annum
- 10 October 2020 to 09 October 2021 7% per annum
- 10 October 2021 to 09 October 2022 8% per annum
- 10 October 2022 onwards 9% per annum.

The convertible preference shares were acquired by Magni Holdings Limited and Prime Bank Limited from BBPLC during November 2021. The new shareholders agreed not to convert the preference shares for three years from November 2021. Accordingly, the preference shares were not convertible. The preference share agreement has been extended for a further 3 years to 31 October 2027.

Notes to the financial statements (continued)

for the year ended 31 December 2023

32 Convertible preference shares (continued)

32.2 Evaluation of Convertible preference shares as debt

The Board of Directors assessed the Company's Convertible preference shares to qualify as a compound financial instrument on the following bases:

Fixed interest payments: Interest by way of preferential cumulative dividends is payable at regular intervals (bi-annually: June and December annually).

The Preference shareholders shall be entitled to be paid out of profits or other reserves available for distribution a fixed cumulative preferential dividend of (as at reporting date) 9% per annum thereon in priority to any payment of any distribution to the holders of any other class of shares. The holder has no voting right at any General Meeting.

Maturity date: The shares are set to mature at 3-year intervals. The subscription also allows for investors terminating their investments and calling on all cumulative preferential dividends.

Priority of payments: While the priority of payments is subordinate to other creditors, it ranks ahead of ordinary share capital and equity. All rights of the investors are cumulative. Preference Shares shall constitute unsecured and subordinated obligations of the Company and shall accordingly rank junior to all secured and unsubordinated creditors of the Company but ahead of the claims of ordinary shareholders.

Redemption features: The holders of the preference shares shall have the right to require FMBCH to redeem the whole of the preference shares when there is a change of control of the company or upon expiry of three years from the issue date.

Conversion features: In the event that the preference shares are not redeemed as provided, the holder, having the option to convert, shall be entitled to convert all its shares into full ordinary shares by providing a conversion notice to the Company. Each preference share shall be converted into ordinary shares at a predetermined conversion price of USD 0.0472.

Based on the terms and conditions of the convertible preference shares, there is both an element of equity and liability and hence, this is a compound financial instrument. The equity portion is immaterial.

Notes to the financial statements (continued)

for the year ended 31 December 2023

33 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled. Trading assets and liabilities including derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the Group uses the same basis of expected repayment behaviour that was used for estimating the EIR. Issued debt reflects the contractual coupon amortisation.

As at 31 December 2023

	Consolidated		
USD	Within 12 Months	After 12 Months	Total
ASSETS			
Cash and balances with central banks	439 423 064	–	439 423 064
Money market investments	146 121 115	74 035 111	220 156 226
Loans and advances to customers	305 272 337	411 116 391	716 388 728
Repurchase agreements	4 980 131	–	4 980 131
Derivative financial assets	6 209 306	–	6 209 306
Current tax assets	2 759 472	–	2 759 472
Assets held for sale	2 217 391	–	2 217 391
Investments at fair value through profit or loss	8 518 007	1 297 289	9 815 296
Investments at fair value through other comprehensive income	–	4 331 698	4 331 698
Investment in joint venture	–	14 339 532	14 339 532
Other assets	20 866 091	3 995 993	24 862 084
Investment property	–	1 494 000	1 494 000
Intangible assets	–	6 807 976	6 807 976
Right-of-use assets	–	6 434 133	6 434 133
Property and equipment	–	58 865 593	58 865 593
Deferred tax assets	–	1 447 747	1 447 747
Total assets	936 366 914	584 165 463	1 520 532 377
LIABILITIES			
Balances due to other banks	53 589 902	16 684 476	70 274 378
Customer deposits	1 046 569 853	49 625 231	1 096 195 084
Derivative financial liabilities	4 845 227	–	4 845 227
Other payables	46 285 407	–	46 285 407
Current tax liabilities	9 517 616	–	9 517 616
Lease liabilities	2 607 317	3 469 669	6 076 986
Loans payable	17 839 284	15 995 778	33 835 062
Subordinated debt	140 709	11 680 649	11 821 358
Convertible preference shares	–	10 786 747	10 786 747
Provisions	–	6 178 404	6 178 404
Deferred tax liabilities	–	8 861 609	8 861 609
Total liabilities	1 181 395 315	123 282 563	1 304 677 878

Notes to the financial statements (continued)

for the year ended 31 December 2023

33 Maturity analysis of assets and liabilities (continued)

As at 31 December 2022	Consolidated		
USD	Within 12 Months	After 12 Months	Total
ASSETS			
Cash and balances with central banks	384 136 678	–	384 136 678
Money market investments	153 406 325	56 882 401	210 288 726
Loans and advances to customers	310 364 015	341 362 202	651 726 217
Repurchase agreements	5 037 836	–	5 037 836
Derivative financial assets	4 391 211	–	4 391 211
Current tax assets	2 375 378	–	2 375 378
Assets held for sale	132 722	–	132 722
Investments at fair value through profit or loss	–	4 610 875	4 610 875
Investments at fair value through other comprehensive income	–	5 905 854	5 905 854
Investment in joint venture	–	15 580 000	15 580 000
Other assets	19 718 125	4 870 901	24 589 026
Investment property	–	4 800 000	4 800 000
Intangible assets	–	8 251 214	8 251 214
Right-of-use assets	–	6 592 797	6 592 797
Property and equipment	–	54 020 729	54 020 729
Deferred tax assets	–	2 262 313	2 262 313
Total assets	879 781 549	504 920 027	1 384 701 576
LIABILITIES			
Balances due to other banks	32 773 077	4 011 741	36 784 818
Customer deposits	922 523 791	116 546 175	1 039 069 966
Derivative financial liabilities	3 401 326	–	3 401 326
Other payables	45 073 798	–	45 073 798
Current tax liabilities	3 747 542	–	3 747 542
Lease liabilities	3 300 908	3 270 597	6 571 505
Loans payable	624 887	16 295 617	16 920 504
Subordinated debt	184 030	12 262 562	12 446 592
Convertible preference shares	–	10 786 747	10 786 747
Provisions	–	5 574 497	5 574 497
Deferred tax liabilities	–	7 441 815	7 441 815
Total liabilities	1 011 629 359	176 189 751	1 187 819 110

Notes to the financial statements (continued)

for the year ended 31 December 2023

33 Maturity analysis of assets and liabilities (continued)

As at 31 December 2023

USD	Separate Within 12 Months	 After 12 Months	 Total
ASSETS			
Cash and balances with central banks	6 515 058	–	6 515 058
Investments in subsidiary companies	–	141 385 697	141 385 697
Other assets	2 606 028	3 300 000	5 906 028
Intangible assets	–	4 037 169	4 037 169
Right-of-use assets	43 831	9 470	53 301
Property and equipment	–	722 426	722 426
Total assets	**9 164 917**	**149 454 762**	**158 619 679**
LIABILITIES			
Other payables	1 029 371	–	1 029 371
Lease liabilities	43 831	27 421	76 052
Loans payable	346 130	15 995 778	16 341 908
Convertible preference shares	–	10 786 747	10 786 747
Total liabilities	**1 424 132**	**26 809 946**	**28 234 078**

As at 31 December 2022

USD	Separate Within 12 Months	 After 12 Months	 Total
ASSETS			
Cash and balances with central banks	2 897 440	–	2 897 440
Investments in subsidiary companies	–	141 385 697	141 385 697
Other assets	2 141 278	3 300 000	5 441 278
Intangible assets	–	3 922 738	3 922 738
Right-of-use assets	–	41 900	41 900
Property and equipment	–	785 591	785 591
Total assets	5 038 718	149 435 926	154 474 644
LIABILITIES			
Other payables	913 623	–	913 623
Lease liabilities	40 536	22 767	63 303
Loans payable	345 896	16 544 304	16 890 200
Convertible preference shares	–	10 786 747	10 786 747
Total liabilities	1 300 055	27 353 818	28 653 873

Notes to the financial statements (continued)

for the year ended 31 December 2023

34 Provisions

USD	Consolidated Staff retention incentive	Outstanding employee leave	Others	Total
Balance as at 1 January 2023	**2 701 913**	**2 056 641**	**815 943**	**5 574 497**
Arising during the year	**1 689 493**	**290 591**	**5 736 714**	**7 716 798**
Utilised	**(2 925 633)**	**(169 172)**	**(1 590 132)**	**(4 684 937)**
Effects of changes in exchange rates and hyper inflation	**(777 445)**	**(76 164)**	**(1 574 345)**	**(2 427 954)**
Balance as at 31 December 2023	**688 328**	**2 101 896**	**3 388 180**	**6 178 404**
Balance as at 1 January 2022	2 483 069	2 233 657	1 786 011	6 502 737
Arising during the year	2 701 913	2 056 641	815 943	5 574 497
Utilised	(1 986 455)	(1 786 926)	(1 428 809)	(5 202 190)
Effects of changes in exchange rates and hyper inflation	(496 614)	(446 731)	(357 202)	(1 300 547)
Balance as at 31 December 2022	2 701 913	2 056 641	815 943	5 574 497

The staff retention incentive represents a provision for performance based staff incentive and is included in staff costs.

Employee entitlements to annual leave are recognised when they accrue to employees. Others includes the estimate for provisions of legal cases and provisions for guarantees and documentary credits.

35 Share capital

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Issued and fully paid up	**117 409 081**	117 409 081	**117 409 081**	117 409 081
Total authorised shares of 2 458 250 000 Authorised ordinary at no par value share capital	**117 409 081**	117 409 081	**117 409 081**	117 409 081

The terms and conditions of the ordinary shares are as follows:

i. Each holder has a right to one vote on a poll at a meeting of the Company on any resolution;

ii. Each holder has an equal share in dividends authorised by the Board; and

iii Each holder has a right to an equal share in the distribution of the surplus assets of the Company.

36 Restructuring reserve

In 2017, the takeover of FCB Malawi was a business combination of entities under common control. Shares issued by the Company as a consequence of the offer were recorded at fair value on the date of issue determined by reference to their stock exchange quoted price. In the consolidated financial statements, a Restructuring reserve has been debited with the difference between the fair value of FMBCH shares issued and the historic carrying amount of FCB Malawi issued shares, share premium, and accumulated non-statutory reserves at date of share exchange. Restructuring reserve includes net translation reserve of USD 3 467 428 and property revaluation reserve of USD 4 766 722 which shall be reclassified to profit or loss upon disposal of the related asset.

36.1 Restructuring reserve movements comprise:

USD	Consolidated 2023	Consolidated 2022
Historical cost of 2 336 250 000 shares	**161 497**	161 497
Share premium	**2 164 142**	2 164 142
Fair value of 2 336 250 000 shares at the completion of share exchange	**(105 707 965)**	(105 707 965)
Net increase	**(103 382 326)**	(103 382 326)
Adjustment for reserves prior to restructuring		
Property revaluation reserve	**4 766 722**	4 766 722
Translation reserve	**3 467 428**	3 467 428
Retained earnings	**40 637 553**	40 637 553
Balance as at 31 December	**(54 510 623)**	(54 510 623)

Notes to the financial statements (continued)

for the year ended 31 December 2023

37 Property revaluation reserve

	Consolidated	
USD	2023	2022
Balance as at 1 January	10 284 604	6 341 795
Property revaluation	4 514 428	3 351 097
Deferred tax on revalued assets	383 095	591 712
Balance as at 31 December	15 182 127	10 284 604
Attributable to owners of parent		
Balance as at 1 January	10 188 610	6 341 795
Property revaluation	3 007 472	3 228 028
Deferred tax on revalued assets	123 690	618 787
Balance as at 31 December	13 319 772	10 188 610
Attributable to non-controlling interest		
Property revaluation	1 506 956	123 069
Deferred tax on revalued assets	259 405	(27 075)
Balance as at 31 December	1 766 361	95 994

38 Loan loss reserve

In order to comply with asset classification directives by central banks, the Directors have made a transfer to the loan loss reserve in addition to provisions charged to profit or loss.

39 Other reserves

Other reserves include the following:

Investment revaluation reserve

The Group's investments in corporate bonds and debentures held as available for sale financial assets under IFRS 9 have been classified as financial assets at Fair Value through Other Comprehensive Income (FVTOCI) because they are held with an objective both to collect contractual cash flows and to sell the bonds. The change in the fair value on these redeemable notes continues to accumulate in the investment revaluation reserve until they are derecognised or reclassified.

Share based payment reserve

The fair value of share options granted to employees is classified under share based payment reserve. The reserve is reduced when the employees exercise their share options.

40 Foreign currency translation reserve

This represents translation differences arising on translation of foreign subsidiaries at the end of the reporting period.

Notes to the financial statements (continued)

for the year ended 31 December 2023

41 Group subsidiaries

41.1 Shareholding in subsidiaries

As at 31 December 2023, the Company had the following subsidiaries:

Subsidiary	Domicile	Shares held by FMBCH 2023	Shares held by FMBCH 2022	Sub subsidiary	Domicile	Shares held by subsidiary 2023	Shares held by subsidiary 2022
First Capital Bank Plc	Malawi	**100**	100	FMB Forex Bureau Limited (dormant)	Malawi	**100**	100
				FMB Pensions Limited (dormant)	Malawi	**100**	100
				FMB Capital Markets Limited (dormant)	Malawi	**100**	100
				International Commercial Bank Limited (dormant)	Malawi	**100**	100
First Capital Bank Limited	Botswana	**38.6**	38.6	Diron Ridge (Pty) Limited	Botswana	**100**	100
Afcarme Zimbabwe Holdings (Private) Limited	Zimbabwe	**100**	100	First Capital Bank Limited	Zimbabwe	**52.49**	52.49
				Thulile (Private) Limited	Zimbabwe	**100**	100
First Capital Bank Limited	Zambia	**49**	49				
First Capital Bank S.A.	Mozambique	**80**	80				
First Capital Shared Services Limited	Mauritius	**100**	100				

Notes to the financial statements (continued)

for the year ended 31 December 2023

41 Group subsidiaries (continued)

41.2 Non-controlling interests (NCI) in subsidiaries

Summarised statements of financial position as at 31 December.

USD	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme Zimbabwe	Total
2023					
NCI percentage and voting rights	61.40%	20%	51%	47.51%	
ASSETS					
Cash and balances with central banks	124 515 603	150 099 685	61 310 451	77 822 514	413 748 253
Money market investments	27 270 716	22 096 434	66 281 950	12 071 041	127 720 141
Loans and advances to customers	315 739 175	102 320 110	102 469 402	86 062 327	606 591 014
Current tax assets	855 770	947 069	682 675	248 029	2 733 543
Repurchase agreements	–	–	–	–	–
Derivative financial assets	2 265 617	–	3 943 689	–	6 209 306
Assets held for sale	–	–	–	2 217 391	2 217 391
Investments at fair value through profit or loss	–	–	–	3 328 856	3 328 856
Equity instruments	–	99 023	–	4 232 675	4 331 698
Investment in joint venture	–	–	–	14 339 532	14 339 532
Other assets	3 098 430	3 422 248	3 575 647	11 693 538	21 789 863
Investment property	–	–	–	1 494 000	1 494 000
Intangible assets	260 227	460 371	489 960	612 034	1 822 592
Right-of-use assets	574 025	1 233 130	539 436	3 828 451	6 175 042
Property and equipment	7 868 225	3 160 400	6 584 192	24 936 103	42 548 920
Deferred tax assets	3 559	–	1 150 838	–	1 154 397
Total assets	482 451 347	283 838 470	247 028 240	242 886 491	1 256 204 548
LIABILITIES					–
Balances due to other banks	13 099 880	25 540 504	18,748,164	24 416 101	81,804,649
Customer deposits	394 520 499	171 016 314	201 623 326	130 096 708	897 256 847
Derivative financial liabilities	898 721	–	3 946 506	–	4 845 227
Other payables	4 343 135	6 754 476	1 945 381	7 383 208	20 426 200
Income tax liabilities	76 191	6 919 392	–	–	6 995 583
Lease liabilities	661 043	1 255 038	967 131	2 822 357	5 705 569
Loans payable	–	17 493 153	–	–	17,493,153
Subordinated debt	11 821 358	3 442 725	–	–	15 264 083
Preference shares	1 949 451	–	–	–	1 949 451
Provisions	1 502 157	916 219	603 828	1 838 887	4 861 091
Deferred tax liabilities	1 547 400	–	–	8 361 553	9 908 953
Total liabilities	430 419 835	233 337 821	227 834 336	174 918 814	1 066 510 806
Net assets	52 031 512	50 500 649	19 193 904	67 967 677	189 693 742
Net assets attributable to NCI	30 635 642	10 098 178	8 035 527	29 633 810	78 403 157
Carrying amount of NCI	30 635 642	10 098 178	8 035 527	29 633 810	78 403 157
Dividend paid to NCI	(2 778 288)	(1 225 515)	(2 311 869)	(2 861 591)	(9 177 263)

The net asset values consolidated into the Group's financial statements between that attributable to the parent and non-controlling interests are arrived at after considering fair value adjustments to align subsidiaries' assets and liabilities to fair value at reporting date, exchange rate differences through the reporting period, and after eliminating intercompany transactions and balances.

Notes to the financial statements (continued)

for the year ended 31 December 2023

41 Group subsidiaries (continued)

41.2 Non-controlling interests (NCI) in subsidiaries (continued)

Summarised statements of profit or loss and other comprehensive income for the year ended 31 December.

USD	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme Zimbabwe	Total
2023					
NCI percentage and voting rights	61.40%	20%	51%	47.51%	
Interest and similar income	52 744 410	33 331 094	28 530 798	24 676 770	139 283 072
Interest expense and similar charges	(19 478 057)	(9 439 840)	(10 643 757)	(1 703 242)	(41 264 896)
Net interest income	33 266 353	23 891 254	17 887 041	22 973 528	98 018 176
Fee and commission income	2 458 422	5 966 396	3 187 785	25 594 262	37 206 865
Fee and commission expense	(341 137)	(646 174)	(956 877)	(15 000)	(1 959 188)
Income from investments	–	10 486	–	382 353	392 839
Net gains on derivative instruments	2 090 647	–	–	–	2 090 647
Gain on foreign exchange transactions	2 394 431	16 166 263	4 223 863	24 263 556	47 048 113
Other operating income	244 311	53 358	308 213	260 451	866 333
Total non-interest income	6 846 674	21 550 329	6 762 984	50 485 622	85 645 609
Total operating income	40 113 027	45 441 583	24 650 025	73 459 150	183 663 785
Staff and training costs	(7 646 469)	(7 151 725)	(4 911 879)	(16 616 695)	(36 326 768)
Premises and equipment costs	(1 463 987)	(1 556 769)	(1 331 611)	(6 628 421)	(10 980 788)
Depreciation and amortisation	(950 010)	(1 362 404)	(720 000)	(4 245 987)	(7 278 401)
Administration and general expenses	(6 209 010)	(4 657 633)	(4 321 631)	(19 683 158)	(34 871 432)
Impairment loss on financial assets	(1 926 731)	(3 325 607)	(767 122)	(4 637 199)	(10 656 659)
Total expenses	(18 196 207)	(18 054 138)	(12 052 243)	(51 811 460)	(100 114 048)
Operating profit	21 916 820	27 387 445	12 597 782	21 647 690	83 549 737
Fair value loss on investment property	–	–	–	(1 088 609)	(1 088 609)
Share of profit in joint venture	–	–	–	(1 240 468)	(1 240 468)
Profit before income tax expense	21 916 820	27 387 445	12 597 782	19 318 613	81 220 660
Income tax expense	(5 133 078)	(8 202 769)	(3 738 395)	(3 620 404)	(20 694 646)
Profit for the year	16 783 742	19 184 676	8 859 387	15 698 209	60 526 014
Profit allocated to NCI	10 305 218	3 836 935	4 518 287	7 458 219	26 118 659

Notes to the financial statements (continued)

for the year ended 31 December 2023

41 Group subsidiaries (continued)

41.2 Non-controlling interests (NCI) in subsidiaries (continued)

Summarised statements of financial position as at 31 December

USD	First Capital Bank Botswana Restated	First Capital Bank Mozambique	First Capital Bank Zambia Restated	Afcarme Zimbabwe	Total Restated
2022					
NCI percentage and voting rights	61.40%	20.00%	51.00%	47.51%	
ASSETS					
Cash and cash equivalents	117 460 033	94 594 898	32 303 641	83 293 095	327 651 667
Money market investments	11 568 955	10 902 842	84 947 867	13 436 447	120 856 111
Loans and advances to customers	286 861 240	84 636 076	90 361 537	65 773 119	527 631 972
Derivative financial assets	2 490 896		1 900 315		4 391 211
Current tax asset	–	432 345	340 186	1 560 308	2 332 839
Repurchase agreements	–	–	–	18 299	18 299
Assets held for sale	–	132 722	–	–	132 722
Equity instruments	–	99 069	–	5 806 785	5 905 854
Investment in joint venture	–	–	–	15 580 000	15 580 000
Other assets	2 575 095	2 643 655	3 540 355	11 642 894	20 401 999
Deferred tax assets	125	–	1 477 147	–	1 477 272
Investment property	–	–	–	4 800 000	4 800 000
Intangible assets	291 354	467 249	310 662	988 398	2 057 663
Right-of-use assets	563 295	1 266 213	1 030 589	3 262 172	6 122 269
Property and equipment	5 813 385	2 811 020	4 953 930	16 280 730	29 859 065
Total assets	427 624 378	197 986 089	221 166 229	222 442 247	1 069 218 943
LIABILITIES					
Balances due to other banks	9 981 486	334 245	14 917 565	1 165 122	26 398 418
Customer deposits	352 432 163	150 762 639	177 036 170	141 026 347	821 257 319
Derivative financial liabilities	1 401 326	–	2 000 000	–	3 401 326
Other payables	4 253 761	3 222 265	2 675 775	17 798 011	27 949 812
Income tax payable	353 282	814 209	–	–	1 167 491
Lease liabilities	612 438	1 264 757	1 427 951	2 652 913	5 958 059
Deferred tax liabilities	934 021	–	–	6 593 653	7 527 674
Provisions	1 273 670	681 321	944 994	1 696 580	4 596 565
Subordinated debt	12 446 592	3 442 725	–	–	15 889 317
Preference shares	2 048 749	–	–	–	2 048 749
Total liabilities	385 737 488	160 522 161	199 002 455	170 932 626	916 194 730
Net assets	41 886 890	37 463 928	22 163 774	51 509 621	153 024 213
Net assets attributable to NCI	25 707 182	7 492 786	11 303 525	24 461 919	68 965 412
Carrying amount of NCI	25 707 182	7 492 786	11 303 525	24 461 919	68 965 412
Dividend paid to NCI	(2 637 150)	–	(1 657 500)	(3 235 956)	(7 530 605)

Notes to the financial statements (continued)

for the year ended 31 December 2023

41 Group subsidiaries (continued)

41.2 Non-controlling interests (NCI) in subsidiaries (continued)

Summarised statements of profit or loss and other comprehensive income for the year ended 31 December

USD	First Capital Bank Botswana Restated	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme Zimbabwe	Total Restated
2022					
NCI percentage and voting rights	61.40%	20.00%	51.00%	47.51%	
Interest and similar income	41 928 144	17 382 447	27 380 624	19 350 176	106 041 391
Interest expense and similar charges	(14 180 965)	(4 509 304)	(8 656 725)	(956 906)	(28 303 900)
Net interest income	27 747 179	12 873 143	18 723 899	18 393 270	77 737 491
Fee and commission income	2 382 259	4 682 471	4 448 718	17 742 191	29 255 639
Fee and commission expense	(203 831)	(627 221)	(837 608)	(4 078)	(1 672 738)
Income from investments	–	(6 287)	–	423 037	416 750
Net gains on derivative instruments	1 932 239	–	–	–	1 932 239
Gain on foreign exchange transactions	2 343 183	10 486 129	3 803 575	13 761 377	30 394 264
Other operating income	431 789	(21 665)	631 796	673 761	1 715 681
Total non-interest income	6 885 639	14 513 427	8 046 481	32 596 288	62 041 835
Total operating income	34 632 818	27 386 570	26 770 380	50 989 558	139 779 326
Staff and training costs	(6 704 247)	(5 519 445)	(5 213 528)	(12 149 250)	(29 586 470)
Premises and equipment costs	(3 328 835)	(520 623)	(301 077)	(1 420 994)	(5 571 529)
Depreciation and amortisation	(933 250)	(1 326 002)	(806 483)	(1 570 351)	(4 636 086)
Administration and general expenses	(4 636 026)	(3 818 295)	(5 354 889)	(14 893 870)	(28 703 080)
Impairment loss on financial assets	(1 489 367)	(755 956)	(751 505)	(995 353)	(3 992 181)
Total expenses	(17 091 725)	(11 940 321)	(12 427 482)	(31 029 818)	(72 489 346)
Operating profit	17 541 093	15 446 249	14 342 898	19 959 740	67 289 980
Net Monetary Loss	–	–	–	(7 662 127)	(7 662 127)
Impairment loss on investment in joint venture	–	–	–	(718 662)	(718 662)
Share of profit in joint venture	–	–	–	4 423 662	4 423 662
Profit before income tax expense	17 541 093	15 446 249	14 342 898	16 002 613	63 332 853
Income tax expense	(3 878 131)	(4 396 406)	(4 331 180)	(4 629 216)	(17 234 933)
Profit for the year	13 662 962	11 049 843	10 011 718	11 373 397	46 097 920
Profit allocated to NCI	8 389 059	2 209 969	5 105 976	5 403 501	21 106 230

Notes to the financial statements (continued)

for the year ended 31 December 2023

41 Group subsidiaries (continued)

41.2 Non-controlling interests (NCI) in subsidiaries (continued)

Summarised cash flow information for the year ended 31 December

USD	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme Zimbabwe	Total
2023					
Operating	**37 274 464**	**14 203 096**	**74 296 505**	**(8 332 000)**	**117 442 065**
Investing	**(9 287 939)**	**(12 766 335)**	**(19 951 770)**	**(8 278 000)**	**(50 284 044)**
Financing	**(4 807 553)**	**10 822 356**	**(10 035 409)**	**16 583 330**	**12 562 724**
Net increase or decrease in cash and cash equivalents	**23 178 972**	**12 259 117**	**44 309 326**	**(26 670)**	**79 720 745**

USD	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme Zimbabwe	Total
2022					
Operating	68 538 003	57 078 106	88 542 391	53 023 059	263 727 526
Investing	(39 269 992)	270 880	(23 777 396)	(15 402 920)	(78 179 428)
Financing	(6 984 674)	3 300 000	(9 807 370)	(7 437 810)	(20 929 854)
Net increase or decrease in cash and cash equivalents	22 283 337	60 648 986	54 957 625	30 182 329	164 618 244

Notes to the financial statements (continued)

for the year ended 31 December 2023

42 Net interest income

42.1 Interest and similar income

USD	Consolidated 2023	Consolidated Restated 2022	Separate 2023	Separate 2021[2]
Interest income calculated using the effective interest method				
Loans and advances	128 947 126	99 282 037	–	–
Lease finance	924 321	840 292	–	–
Government notes and stocks	43 076 702	36 911 204	–	–
Placements with other banks[1]	11 169 408	5 740 452	–	–
Corporate bonds	5 384 688	2 371 031	–	–
	189 502 245	145 145 016	–	–
Other interest and similar income				
Other interest earning assets	2 461 732	2 244 331	297 000	291 225
Total interest and similar income	191 963 977	147 389 347	297 000	291 225

1 Prior year financial statements were restated to correct errors relating to presentation of net gains from derivative financial instruments. Refer to note 60 details relating to the restatement.

42.2 Interest expense and similar charges

USD	Consolidated 2023	Consolidated Restated[1] 2022	Separate 2023	Separate 2022
Interest expense calculated using the effective interest method				
Instruments at amortised costs	55 429 344	38 462 439	2 384 575	2 381 115
Interest expense and similar charges	55 429 344	38 462 439	2 384 575	2 381 115
Customer deposits	47 121 564	28 677 168	–	–
Subordinated debt	950 249	961 637	–	–
Preference shares	970 807	887 469	970 807	887 469
Borrowings from banks[1]	2 723 058	5 030 252	–	–
Loans payable	3 043 528	2 562 496	1 409 179	1 489 617
Lease liability	620 138	343 417	4 589	4 029
Total interest expense and similar charges	55 429 344	38 462 439	2 384 575	2 381 115

1 Prior year financial statements were restated to correct errors relating to presentation of net gains from derivative financial instruments. Refer to note 60 details relating to the restatement.

Notes to the financial statements (continued)

for the year ended 31 December 2023

43 Net fee and commission income

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Fee and commission income				
Account activity fees	**28 706 309**	18 691 321	**–**	–
Card-based transaction fees	**156 843**	3 001 112	**–**	–
Guarantee fees[1]	**7 954 203**	5 078 447	**–**	–
Facility processing fees	**3 330 839**	3 286 023	**–**	–
Insurance commission	**433 236**	163 408	**–**	–
Other fees and commissions	**13 835 065**	7 962 168	**–**	–
Total fee and commissions income	**54 416 495**	38 182 479	**–**	–
Fees and commission expense	**(1 959 188)**	(1 672 738)	**–**	–
Net fee and commission income	**52 457 307**	36 509 741	**–**	–

1 Prior year guarantee fees included in other fees and commissions presented separately.

Fee income and expense relates to amounts other than those included in determining the effective interest rate. These arise from financial assets and liabilities that are not measured at FVPL, and trust and other fiduciary duties that result in the holding or investing of assets on behalf of the Group's customers.

Disaggregated revenue information

USD	Consolidated Botswana	Malawi	Mozambique	Zambia	Zimbabwe	Total
2023						
Account activity fees	**272 608**	**1 471 842**	**1 242 440**	**352 832**	**25 366 587**	**28 706 309**
Card-based transaction fees	**5 059**	**63 440**	**1 008**	**4 839**	**82 497**	**156 843**
Guarantees	**374 499**	**1 264 896**	**3 605 127**	**106 679**	**2 603 002**	**7 954 203**
Facility processing fees	**–**	**2 076 945**	**1 242 681**	**11 213**	**–**	**3 330 839**
Insurance commission	**270 236**	**–**	**–**	**–**	**163 000**	**433 236**
Other fees and commission	**1 227 428**	**4 015 253**	**4 009 020**	**1 646 962**	**2 936 402**	**13 835 065**
Gross fees and commissions income	**2 149 830**	**8 892 376**	**10 100 276**	**2 122 525**	**31 151 488**	**54 416 495**
Less: Fees and commission expense	**(341 137)**	**–**	**(646 174)**	**(956 877)**	**(15 000)**	**(1 959 188)**
Net fees and commission expense	**1 808 693**	**8 892 376**	**9 454 102**	**1 165 648**	**31 136 488**	**52 457 307**
2022						
Account activity fees	281 702	1 315 709	1 033 702	245 523	15 814 685	18 691 321
Card-based transaction fees	294 067	785 486	–	32 071	1 889 488	3 001 112
Guarantees	554 703	966 751	2 893 078	221 892	442 023	5 078 447
Facility processing fees	–	1 615 098	694 498	976 427	–	3 286 023
Insurance commission	104 319	–	–	–	59 089	163 408
Other fees and commission	736 705	4 641 629	199 631	1 084 175	1 300 028	7 962 168
Gross fees and commissions income	1 971 496	9 324 673	4 820 909	2 560 088	19 505 313	38 182 479
Less: Fees and commission expense	(203 831)	–	(627 221)	(837 608)	(4 078)	(1 672 738)
Net fees and commission expense	1 767 665	9 324 673	4 193 688	1 722 480	19 501 235	36 509 741

Notes to the financial statements (continued)

for the year ended 31 December 2023

44 Income from investments

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Dividend income	**528 175**	657 691	**23 466 815**	16 366 222
Movement in fair value of investments at FVPL (Note 16)	**5 763 753**	3 679 303	**–**	–
Total income from investments	**6 291 928**	4 336 994	**23 466 815**	16 366 222

45 Net gains on foreign exchange transactions

USD	Consolidated 2023	Consolidated Restated 2022	Separate 2023	Separate 2022
Net foreign exchange revaluation gain	**25 239 068**	23 826 997	**657 527**	292 126
Net foreign exchange trading income[1]	**25 313 987**	13 164 290	**–**	–
Other trading income	**3 199 319**	590 406	**–**	–
Total net gain on foreign exchange transactions	**53 752 374**	37 581 693	**657 527**	292 126

1 Prior year financial statements were restated to correct errors relating to presentation of net gains from derivative financial instruments. Refer to note 60 details relating to the restatement.

46 Other operating income

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
(Loss)/gain on disposal of assets	**(30 758)**	75 503	**–**	–
Rental income	**495 650**	307 647	**–**	–
Bad debts recovered	**35 896**	218 162	**–**	–
Cost recoveries	**–**	–	**9 927 545**	7 735 511
Sundry income	**740 704**	1 595 661	**128 091**	1 819
Total other operating income	**1 241 492**	2 196 973	**10 055 636**	7 737 330

1 Prior year financial statements were restated to correct errors relating to presentation of net gains from derivative financial instruments. Refer to note 60 details relating to the restatement.

47 Staff and training costs

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Salaries and other short-term benefits	**46 215 296**	42 577 371	**4 167 003**	4 007 360
Training and other staff costs	**8 089 403**	3 278 911	**1 698 159**	389 643
Contributions to defined contribution plans	**2 350 727**	1 894 148	**11 234**	1 645
Total staff and training costs	**56 655 426**	47 750 430	**5 876 396**	4 398 648

Notes to the financial statements (continued)

for the year ended 31 December 2023

48 Premises and equipment costs

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Repairs and maintenance	**1 570 457**	1 051 727	**52**	–
Equipment hire	**368 194**	251 310	**–**	–
IT related costs	**13 217 300**	10 007 992	**2 583 701**	1 808 889
Rent, rates and utilities	**1 596 270**	1 510 822	**85 732**	76 358
Security costs	**1 579 234**	1 471 232	**33 407**	19 041
Total premises and equipment costs	**18 331 455**	14 293 083	**2 702 892**	1 904 288

49 Depreciation and amortisation

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Property and Equipment (Note 24)	**7 103 717**	5 700 890	**369 122**	210 692
Lease – right-of-use asset depreciation (Note 23)	**2 785 458**	453 332	**7 711**	76 041
Intangible assets amortisation (Note 22)	**1 820 322**	2 513 639	**1 148 408**	659 636
Total depreciation and amortisation	**11 709 497**	8 667 861	**1 525 241**	946 369

50 Administration and general expenses

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Auditor's remuneration	**1 899 925**	1 364 409	**92 065**	98 250
Bank charges	**1 306 738**	2 081 163	**845**	1 826
Non-Executive Director's fees and expenses	**1 288 918**	1 092 775	**268 265**	212 461
Insurance	**1 150 050**	1 067 947	**2 613**	–
Legal consultancy fees, fines and penalties	**3 798 874**	1 839 311	**551 443**	494 518
Marketing costs	**3 153 069**	2 254 368	**20 569**	31 885
Motor vehicle running costs	**525 532**	176 082	**12 662**	12 667
Operational losses	**951 057**	1 497 230	**–**	–
Other administration costs[1]	**12 074 587**	7 321 879	**190 863**	196 952
Treasury bill balances write off[2]	**2 864 337**	–	**–**	–
Cash in transit expenses	**697 477**	973 770	**–**	–
Postage	**294 716**	170 776	**57**	3 222
Printing and stationery	**1 734 794**	1 082 603	**57 918**	45 586
Professional subscriptions	**1 183 844**	493 129	**67 548**	19 559
Repairs and maintenance other	**726 547**	1 045 958	**33 387**	46 260
Communication and connectivity costs	**283 656**	1 136 797	**–**	2 090
Travel expenses	**2 369 804**	1 984 911	**139 588**	240 894
Total administration and general expenses	**36 303 925**	**25 583 108**	**1 437 823**	**1 406 170**

1 Other administration expenses include various office running expenses primarily from Zimbabwe due to inflationary pressures.

2 Treasury bill balances write off related to FCB Zimbabwe.

Notes to the financial statements (continued)

for the year ended 31 December 2023

51 Impairment loss on financial assets

USD	Consolidated 2023	2022
Impairment charge on loans, finance leases and advance to customers		
Impairment charge	10 757 145	8 065 596
Recoveries	(1 089 255)	(3 332 803)
	9 667 890	4 732 793
Impairment allowance on other financial assets		
Impairment charge/(credit):		
– Money market	3 445 076	(570 348)
– Cash and cash equivalents	22 465	(26 249)
– Repurchase agreements	17 589	(45 278)
– Other assets	33 064	(622 844)
– Guarantees and letters of credit	139 878	943 620
Recoveries	(38 074)	(209 731)
	3 619 998	(530 830)
Total impairment loss on financial assets	13 287 888	4 201 963

52 Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2023 was based on profit attributable to ordinary shareholders of USD 52 624 910 (2022: USD 40 088 574) and a weighted average number of ordinary shares adjusted for the dilutive effect of convertible preference shares calculated as follows:

USD	Consolidated 2023	2022
BASIC EARNINGS PER SHARE (EPS)		
Profit/(loss) attributable to ordinary shareholders (USD)	52 624 910	40 088 574
Weighted average number of ordinary shares in issue	2 458 250 000	2 458 250 000
Basic earnings per share (US cents)	2.141	1.631

The calculation of diluted earnings per share at 31 December 2023 was based on adjusted profit attributable to ordinary shareholders of USD 53 564 854 (2022: 40 979 327) and a weighted average number of ordinary shares adjusted for the dilutive effect of convertible preference shares calculated as follows:

USD	Consolidated 2023	2022
DILUTED EARNINGS PER SHARE		
Adjusted profit attributable to ordinary shareholders (USD)	53 564 854	40 979 327
Weighted average number of ordinary shares in issue	2 458 250 000	2 458 250 000
Adjustment for convertible preferences shares	228 532 775	228 532 775
Diluted average number of ordinary shares	2 686 782 775	2 686 782 775
Diluted earnings per share (US cents)	1.994	1.525

The 10 786 747 convertible preference shares (see Note 32) are convertible into ordinary shares and are dilutive in 2023 and 2022.

Notes to the financial statements (continued)

for the year ended 31 December 2023

53 Contingent liabilities

In common with other banks, the business of the Group's entities involves acceptances, guarantees, performance bonds and indemnities.

The majority of these facilities are offset by corresponding obligations of third parties.

The contractual amount of the Group companies' off balance sheet financial instruments that commit it to extend credit to customers are as follows:

	Consolidated		Separate	
USD	2023	2022	2023	2022
Acceptances and letters of credit	25 360 963	68 547 144	–	–
Financial guarantees	170 681 139	103 318 775	–	6 168 340
Other undrawn commitments to lend[1]	5 738 401	9 711 243	–	–
	201 780 503	181 577 162	–	6 168 340
Other contingent liabilities	962 140	8 173 370	–	–

1 Prior year other undrawn commitments to lend presented separately from other contingent liabilities.

Contingencies in respect of letters of credit will only crystallise into an asset or a liability when bills are presented in accordance with the terms and conditions of payment of the individual letters of credit. Contingencies in respect of guarantees and performance bonds issued will only crystallise into an asset and a liability in the event of default by the relevant counterparty.

Legal claims assessed to be probable have been included as provisions in Note 34.

Other contingent liabilities represent civil litigation matters that will crystallise into a liability only in the unlikely event of an unfavourable judgement.

FMBCH entered into an agreement to act as a guarantor of two USD 10 million loan facilities to its subsidiaries FCB Malawi and FCB Botswana separately from lender FMO. This loan facility is for on-lending to each bank's customers.

54 Capital commitments

Capital expenditures which had been authorised at the balance sheet date but not recognised in the financial statements are as follows:

	Consolidated		Separate	
USD	2023	2022	2023	2022
Authorised and contracted for	21 325 671	21 289 564	4 701 500	–
Authorised but not yet contracted for	6 745 763	7 340 241	905 000	–
Total Capital commitment	28 071 434	28 629 805	5 606 500	–

The Group's commitments are classified as below:

	Consolidated		Separate	
USD	2023	2022	2023	2022
Authorised and contracted for				
Property and equipment	18 866 674	–	2 306 500	–
Intangible assets - Computer software	2 458 997	–	2 395 000	–
	21 325 671	–	4 701 500	–
Authorised but not yet contracted for				
Property and equipment	4 709 230	28 629 805	505 000	–
Intangible assets - Computer software	2 036 533	–	400 000	–
	6 745 763	28 629 805	905 000	–
Total Capital commitment	28 071 434	28 629 805	5 606 500	–

Notes to the financial statements (continued)

for the year ended 31 December 2023

55 Related party transactions

55.1 Transactions with subsidiaries and other related parties

The following transactions were carried during the year:

Name of related parties	Relationship	Nature of transactions	USD 2023	USD 2022
Administration and secretarial services				
JTC Fiduciary Services (Mauritius) Limited	Administrator and secretary	Administrative and secretary fees	**(29 896)**	(21 472)
Dividend income on preference shares				
First Capital Bank Limited (Botswana)	Subsidiary	Dividend income on preference shares	**161 354**	155 800
Dividend income on ordinary shares				
First Capital Bank Limited (Zimbabwe)	Subsidiary	Dividend income on ordinary shares	**3 164 080**	3 578 017
First Capital Bank Limited (Botswana)	Subsidiary	Dividend income on ordinary shares	**1 746 611**	1 657 882
First Capital Bank Plc (Malawi)	Subsidiary	Dividend income on ordinary shares	**11 271 505**	9 382 023
First Capital Bank Limited (Zambia)	Subsidiary	Dividend income on ordinary shares	**2 221 207**	1 592 500
First Capital Bank S.A.(Mozambique)	Subsidiary	Dividend income on ordinary shares	**4 902 059**	–
Group shared services for subsidiaries				
First Capital Bank Limited (Zimbabwe)	Subsidiary	Group shared services	**2 836 596**	2 462 304
First Capital Bank Limited (Botswana)	Subsidiary	Group shared services	**1 675 414**	1 303 244
First Capital Bank S.A. (Mozambique)	Subsidiary	Group shared services	**1 039 650**	544 185
First Capital Bank Plc (Malawi)	Subsidiary	Group shared services	**3 336 774**	2 615 835
First Capital Bank Limited (Zambia)	Subsidiary	Group shared services	**1 039 110**	809 943
Interest income				
First Capital Bank S.A. (Mozambique)	Subsidiary	Interest on subordinated debt	**297 000**	291 225
Interest paid on convertible preference shares				
Magni Holdings Limited	Shareholder	Interest on convertible preference shares	**(485 404)**	(443 734)
Prime Bank Limited	Shareholder	Interest on convertible preference shares	**(485 404)**	(443 734)

Notes to the financial statements (continued)

for the year ended 31 December 2023

55 Related party transactions (continued)

55.1 Transactions with subsidiaries and other related parties (continued)

Name of related parties	Relationship	Nature of transactions	USD 2023	USD 2022
Interest paid on loans				
First Capital Bank Limited (Zambia)	Subsidiary	Interest on loan payable	–	(50 694)
First Capital Bank Limited (Botswana)	Subsidiary	Interest on loan payable	–	(24 583)
Mrs Meeta Anadkat	Immediate family member of a shareholder	Interest on loan payable	**(91 250)**	(91 250)
Premier Capital (Mauritius) Limited	Shareholder	Interest on loan payable	**(114 063)**	(114 063)
Prime Bank Limited	Shareholder	Interest on loan payable	**(296 563)**	(296 563)
Loan repayment				
First Capital Bank Limited (Zambia)	Subsidiary	Repayment of long-term borrowing	–	(2 500 000)
First Capital Bank Limited (Botswana)	Subsidiary	Repayment of long-term borrowing	–	(2 500 000)
Dividend paid				
Premier Capital (Mauritius) Limited	Shareholder	Dividend paid on ordinary shares	**(4 200 304)**	(1 915 665)
Prime Bank Limited	Shareholder	Dividend paid on ordinary shares	**(1 438 899)**	(656 250)
Prime Capital Holdings Limited	Shareholder	Dividend paid on ordinary shares	**(1 438 899)**	(656 250)
Magni Holdings Limited	Shareholder	Dividend paid on ordinary shares	**(1 271 713)**	(580 000)
Hitesh N. Anadkat	Shareholder	Dividend paid on ordinary shares	**(343 178)**	(156 995)
NG Anadkat Limited	Shareholder	Dividend paid on ordinary shares	**(148 370)**	(67 688)
Livingstone Exports Limited	Shareholder	Dividend paid on ordinary shares	**(73 710)**	(41 117)
Livingstone Holdings Limited	Shareholder	Dividend paid on ordinary shares	**(83 855)**	(32 792)
Thomas Kadantot	Shareholder	Dividend paid on ordinary shares	**(8 702)**	(3 969)
Omega O'Neill	Shareholder and immediate family member of a director	Dividend paid on ordinary shares	**(7 166)**	(3 273)
Shaun Anadkat	Shareholder and immediate family member of a director	Dividend paid on ordinary shares	**(3 837)**	(1 750)
Sheena Anadkat	Shareholder and immediate family member of a director	Dividend paid on ordinary shares	**(2 741)**	(1 250)
Dillon Anadkat	Shareholder and immediate family member of a director	Dividend paid on ordinary shares	**(2 193)**	(1 000)

No interest was charged on balances outstanding from related parties.

The Mauritius entities provide strategic, technological and operations shared services to the banking subsidiaries in the Group.

Notes to the financial statements (continued)

for the year ended 31 December 2023

55 Related party transactions (continued)

55.2 Balances with subsidiaries and other related parties

Outstanding balances with related parties as at 31 December are as follows:

Name of related parties	Relationship	Nature of transactions	USD 2023	USD 2022
Balances outstanding – Group shared services				
First Capital Bank Limited (Zimbabwe)	Subsidiary	Group shared services	**1 178 393**	59 736
First Capital Bank Limited (Botswana)	Subsidiary	Group shared services	**149 452**	121 358
First Capital Shared Services Limited	Subsidiary	Group shared services	**72**	1 271 956
First Capital Bank Plc (Malawi)	Subsidiary	Group shared services	**(165 869)**	(390 115)
First Capital Bank S.A. (Mozambique)	Subsidiary	Group shared services	**131 757**	134 934
First Capital Bank Limited (Zambia)	Subsidiary	Group shared services	**78 640**	150 607
Loan receivable				
First Capital Bank S.A. (Mozambique)	Subsidiary	Subordinated debt	**3 442 725**	3 300 000
Loans payable				
Mrs Meeta Anadkat	Immediate family member of a shareholder	Loan payable	**(1 000 000)**	(1 000 000)
Premier Capital (Mauritius) Limited	Shareholder	Loan payable	**(1 250 000)**	(1 250 000)
Prime Bank Limited	Shareholder	Loan payable	**(3 250 000)**	(3 250 000)
Convertible preference shares outstanding				
Magni Holdings Limited	Shareholder	Convertible preference shares	**(5 393 374)**	(5 393 374)
Prime Bank Limited	Shareholder	Convertible preference shares	**(5 393 373)**	(5 393 373)
Cash and cash equivalents				
First Capital Bank Limited (Botswana)	Subsidiary	Cash and cash equivalents	**4 602 302**	504 702
First Capital Bank Plc (Malawi)	Subsidiary	Cash and cash equivalents	**10 465**	13 352
First Capital Bank S.A. (Mozambique)	Subsidiary	Cash and cash equivalents	**34 258**	41 250
Preference shares investment				
First Capital Bank Limited (Botswana)	Subsidiary	Preference shares	**1 949 451**	2 475 355

Notes to the financial statements (continued)

for the year ended 31 December 2023

55 Related party transactions (continued)

55.3 Compensation of key management personnel

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors of the company and its parent, as well as members of the executive committee who are not directors.

Compensation paid to the board of directors and to other key management personnel, as well as the number of share instruments held, are shown below:

	Consolidated		Separate	
USD	2023	2022	2023	2022
Executive directors	2 208 616	1 326 946	–	–
Key Management Personnel	12 072 370	9 478 945	3 711 363	2 899 616
Short-term employee benefits	11 720 345	9 233 104	3 711 363	2 899 616
Post-employment benefits	229 142	121 633	–	–
Share based payments	122 883	124 208	–	–
Non-Executive directors	869 408	1 085 759	186 000	186 000
	15 150 394	11 891 650	3 897 363	3 085 616

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. Senior management personnel of the Group, excluding non-executive directors, are included in an annual cash bonus scheme. Bonuses in this scheme are determined on the basis of both financial and non-financial KPIs depending on their roles. Amounts awarded under this scheme are included in short-term employee benefits in the table above.

55.4 Transactions with key management personnel

	Consolidated		Separate	
USD	2023	2022	2023	2022
Senior management				
Loans and advances				
Loans outstanding at the beginning of the year	2 512 077	1 261 797	–	–
Change in key management structures	(177 779)	97 224	–	–
Net change in loans during the year	1 024 936	1 303 988	–	–
Effects of changes in exchange rates	(510 513)	(150 932)	–	–
Loans outstanding at the end of the	2 848 721	2 512 077	–	–
Interest income	143 098	107 207	–	–
Deposits				
Deposits outstanding at the beginning of the year	312 343	207 149	–	–
Change in key management structures	39 207	246 539	–	–
Net change in deposits during the year	523 912	(96 558)	–	–
Effects of changes in exchange rates	(31 409)	(44 787)	–	–
Deposits outstanding at the end of the year	844 053	312 343	–	–
Net interest expense	3 306	2 855	–	–

Notes to the financial statements (continued)

for the year ended 31 December 2023

55 Related party transactions (continued)

55.5 Corporate bodies directly or indirectly related to Directors:

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Corporate bodies directly or indirectly related to Directors				
Loans and advances				
Loans outstanding at the beginning of the year	**3 681 282**	5 819 806	**–**	–
Net change in loans during the year	**5 809 495**	(1 723 063)	**–**	–
Effects of changes in exchange rates	**(1 411 491)**	(415 461)	**–**	–
Loans outstanding at the end of the year	**8 079 286**	3 681 282	**–**	–
Interest income	**283 381**	211 852	**–**	–
Deposits				
Deposits outstanding at the beginning of the year	**9 454 686**	6 674 621	**–**	–
Net change in deposits during the year	**7 976 436**	3 445 171	**–**	–
Effects of changes in exchange rates	**(2 200 433)**	(665 106)	**–**	–
Deposits outstanding at the end of the year	**15 230 689**	9 454 686	**–**	–
Net interest income/(expense)	**78 800**	(19 170)	**–**	–

56 Directors' fees and expenses

Compensation paid to the board of directors are shown below:

USD	Consolidated 2023	Consolidated 2022	Separate 2023	Separate 2022
Executive Directors	**2 208 616**	1 326 946	**–**	–
Non-Executive Directors	**869 408**	1 085 759	**186 000**	186 000
	3 078 024	2 412 705	**186 000**	186 000

57 Events after the reporting date

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2023, of USD 10 625 148 (0.43 cents per ordinary share) will be proposed for members' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the members of FMBcapital Holdings Plc will be accounted for in equity as an appropriation of accumulated profits in the financial year ending 31 December 2024.

Notes to the financial statements (continued)

for the year ended 31 December 2023

58 Exchange rates used for translating the Group's foreign operations

Rates in the table below were used in calculation of the Group's foreign currency translation reserve when converting to the Group reporting currency. The main contributors of currency depreciation include Malawi and Zambia.

	2023		2022	
Entity	Closing rate	Average rate	Closing rate	Average rate
Afcarme Zimbabwe Holdings (Private) Limited[1]	**1.00**	**1.00**	687.28	687.28
First Capital Bank Limited (Botswana)	**13.40**	**13.36**	12.76	12.32
First Capital Bank Plc (Malawi)	**1 683.33**	**1 145.60**	1 026.09	937.46
First Capital Bank S.A. (Mozambique)	**63.90**	**63.89**	63.87	63.84
First Capital Bank Limited (Zambia)	**25.75**	**20.13**	18.11	16.89
First Capital Shared Services Limited	**44.05**	**45.19**	43.65	43.91

1 Effective 1 January 2023 Afcarme Zimbabwe Holdings (Private) Limited and its subsidiaries changed their functional currency to United States Dollar.

59 Net monetary loss

Net Monetary Loss is the cost of inflation representing loss in value on net monetary assets arising from Zimbabwe. The current cost of USD Nil (2022: USD 7 662 127) in the statement of profit or loss and other comprehensive income was calculated using the balance sheet method. In 2022, FMBcapital Holdings plc recognised net monetary losses as a result of its controlling interest via Afcarme Zimbabwe Holdings (Private) Limited, in First Capital Bank Zimbabwe, functioning in a hyperinflationary currency, the Zimbabwean Dollar (ZWL).

In late 2022, the Board and management of First Capital Bank Zimbabwe assessed the predominant currency used by its clients, counterparty banks, key stakeholders including statutory bodies and authorities, shareholders, and employees. It was noted that the use of US Dollars was dominant across all of the bank's various stakeholders. Further, the legal use of the US Dollar to originate and settle transactions prevailed prior to, during and subsequent to, 2023.

Finally, First Capital Bank Zimbabwe listed on the Victoria Falls Stock Exchange effective May 2023, a US Dollar denominated exchange on which capital issuance, redemptions and distributions are all required to be effected in US Dollars.

As a result of the foregoing, the Board and management of First Capital Bank Zimbabwe assessed the bank's functional currency to have changed to US Dollars in terms of IAS 21. The annual financial statements of First Capital Bank Zimbabwe accordingly were prepared in US Dollars as the functional currency. These annual financial statements were independently audited by Deloitte Zimbabwe, upon which an unqualified opinion was expressed.

Subsequent to 31 December 2023, the Government of Zimbabwe announced the cessation of the ZWL, to be replaced by a new gold and reserve-backed currency, the ZiG. As at the date of Board approval of these financial statements, the Board and management of First Capital Bank Zimbabwe, as well as of FMBcapital Holdings plc, maintained their assessment of US Dollar being the Bank's functional currency, and will continue to periodically review the various factors influencing choice of functional currency.

As a result of these factors, the net monetary loss measured or included in the First Capital Bank Zimbabwe 2023 statements of financial position, comprehensive income, cashflows and changes in equity was USD Nil (2022: USD 7 662 127).

Additional disclosure related to the application of US Dollars as functional currency is included in Note 2.3.1 of these financial statements.

Notes to the financial statements (continued)

for the year ended 31 December 2023

60 Restatements

60.1 Correction of error in accounting and classification of derivative financial instruments

The board of directors identified the following adjustments which the board does not consider material. However, the adjustments have been applied retrospectively in line with *IAS 8 Accounting Policies, Change in Accounting Estimates and Errors* in order to achieve improved disclosures. The errors relate to presentation and disclosure of the following:

60.1.1 Foreign currency swaps

FCB Botswana incorrectly recognised, presented and disclosed as repurchase agreement asset of USD 8 881 045 with corresponding liability classified under balances due to other banks of USD 8 862 529. In addition, the amounts were disclosed as measured at amortised cost. Additionally, the net gains and losses from these financial instruments were incorrectly classified as interest income or interest expense. The error was corrected in the current year through classification to net gains on derivative instruments with comparative amounts restated. An amount of USD 858 510 was recognised as interest income and USD 320 054 as interest expense.

In the consolidated financial statements, FCB Zambia currency swaps of USD 1 900 315 were reported in money market investments as placement with other banks. The related swap liability balance of USD 2 000 000 was reported in balances due to other banks. The swap asset and swap liability balances have been reclassified to derivative financial assets and derivative financial liabilities respectively.

60.1.2 Foreign currency forward contracts

These instruments were inaccurately classified as other assets and other payables to the value of BWP 31 535 450 (USD 2 472 380) and BWP 17 874 053 (USD 1 401 326) respectively and disclosed as financial instruments measured at amortised cost. Additionally, the gains and losses relating to the derivative assets or liabilities were incorrectly presented as part of gains on foreign exchange transactions in the statement of profit or loss. The net effect of this correction between net interest income and non-interest income in 2022 was USD 538 456. The error was corrected in the current year with the comparatives restated accordingly. Valuation errors in prior years were not material to warrant restatement of retained earnings in the prior periods.

The resulting comparative derivative financial assets and liabilities were restated as indicated in the Statement of financial position extract below.

60.2 Reclassification of accrued interest

Accrued interest on loans payable has been reclassified from other payables to loans payable.

Although the balance was not material, the reclassification was also applied to prior year to align with current period classification. The net impact of the reclassification was to reduce other payables by USD 241 298, and to increase loans payable by the same amount.

60.3 Classification of balances held with central bank for mandatory reserving requirements

Balances held with Bank of Mozambique for mandatory reserving requirements have been excluded in the current period Group's cash and cash equivalents as these balances are not available for daily use and do not meet the definition of cash and cash equivalents under IAS 7 Cash Flow Statements. Prior year cash flow statement has been restated to align with the classification of these balances in FCB Mozambique's financial statements and achieve comparability with current reporting period.

Notes to the financial statements (continued)

for the year ended 31 December 2023

60 Restatements (continued)

60.4 Impact of restatements on financial statements

The following tables show the adjustments recognised for each individual financial statement line item. Financial statement line items that were not affected by the restatements have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The restatement adjustments are explained in more detail in Notes 60.1, 60.2 and 60.3. The restatements had no impact on profit before tax, profit after tax and earnings per share for the year ended 31 December 2022.

Statement of financial position (extract)

	Consolidated		
USD	As previously reported 2022	Increase/ (Decrease)	Restated 2022
ASSETS			
Money market investments	212 189 041	(1 900 315)	210 288 726
Repurchase agreements	13 918 881	(8 881 045)	5 037 836
Derivative financial assets	–	4 391 211	4 391 211
Other assets	27 061 406	(2 472 380)	24 589 026
Total assets	1 393 564 105	(8 862 529)	1 384 701 576
LIABILITIES			
Balances due to banks	47 647 347	(10 862 529)	36 784 818
Derivative financial liabilities	–	3 401 326	3 401 326
Other payables	46 716 422	(1 642 624)	45 073 798
Loans payable	16 679 206	241 298	16 920 504
Total liablilties	1 196 681 639	(8 862 529)	1 187 819 110

Statement of profit or loss and other comprehensive income (extract)

	Consolidated		
USD	As previously reported 2022	Increase/ (Decrease)	Restated 2022
Interest income	148 247 857	(858 510)	147 389 347
Interest expense	(38 782 493)	320 054	(38 462 439)
Net interest income	109 465 364	(538 456)	108 926 908
Gain on foreign exchange transactions	39 043 409	(1 461 716)	37 581 693
Net gains/(losses) on derivative instruments	–	2 000 172	2 000 172
Total non-interest income	82 087 117	538 456	82 625 573

Notes to the financial statements (continued)

for the year ended 31 December 2023

60 Restatements (continued)

60.4 Impact of restatements on financial statements (continued)

Statement of cash flows (extract)

	Consolidated		
USD	As previously reported 2022	Increase/ (Decrease)	Restated 2022
Cash flows from operating activities			
Interest and fees received	184 287 212	(507 065)	183 780 147
Interest paid	(29 712 200)	320 054	(29 392 146)
Cash paid to suppliers and employees	(44 383 945)	360 776	(44 023 169)
Changes in mandatory reserves at central bank	–	3 454 033	3 454 033
	110 191 067		113 818 865
Increase or decrease in net customer balances	119 182 286	46 544 500	165 726 786
Cash generated from operations	229 373 353	50 172 298	279 545 651
Net cash generated from operating activities	211 316 160	50 172 298	261 488 458
Cash flows from investing activities			
Maturities/(purchase) of repurchase agreements	89 424 268	(46 718 264)	42 706 004
Net cash generated/(used) in investing activities	93 115 674	(46 718 264)	46 397 410
Cash and cash equivalents at beginning of year	308 755 109	(10 818 623)	297 936 486
Effects of changes in exchange rate	(37 837 123)	722	(37 836 401)
Cash and cash equivalents at 31 December	384 151 408	(7 363 868)	376 787 540

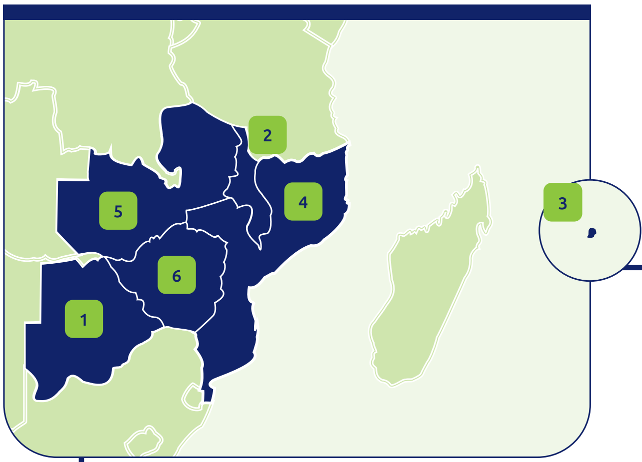
Abbreviations and acronyms

FMBCH or the Company	FMBcapital Holdings Plc
the Group	First Capital Bank Plc (Malawi), First Capital Bank Limited (Zambia), First Capital Bank Limited (Botswana), First Capital Bank S.A. (Mozambique), First Capital Shared Services Limited, Afcarme Zimbabwe Holdings (Private) Limited, First Capital Bank Limited (Zimbabwe)
FCB Botswana	First Capital Bank Limited (Botswana)
FCB Malawi	First Capital Bank Plc (Malawi)
FCB Mozambique	First Capital Bank S.A. (Mozambique)
FCB Zambia	First Capital Bank Limited (Zambia)
FCB Zimbabwe	Afcarme Zimbabwe Holdings (Private) Limited, First Capital Bank Limited (Zimbabwe)
FCSSL	First Capital Shared Services Ltd
FMBcH	FMBcapital Holdings Plc

CAR	Capital Adequacy Ratio
CFA	Chartered Financial Analyst
CIB	Corporate and Investment Banking
COO	Chief Operating Officer
COVID	Corona Virus Disease
CSR	Corporate Social Responsibility
EAD	Exposure at default
ECL	Expected Credit Losses
EPS	Earnings Per Share
FVPL	Fair Value through Profit or Loss
FVOCI	Fair Value through Other Comprehensive Income
FX	Foreign Exchange
GMD	Group Managing Director
IAS	International Accounting Standards
ICT	Information and Communication Technology
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ICAAP	Internal Capital Adequacy and Assessment Process
ITGRC	IT Governance, Risk and Compliance
<IR>	Integrated Reporting

LAR	Liquid Asset Ratio
LC	Letter of Credit
LGD	Loss given default
LPG	Liquified Petroleum Gas
M&A	Mergers and Acquisitions
MDR	Managed Detection and Response
MRC	Management Risk Committee
NCI	Non-Controlling Interests
NOP	Net Open Foreign Currency Position
NPAT	Net Profit After Tax
NPLs	Non-Performing Loans
PD	Probability of Default
PPE	Personal Protective Equipment
PRM	Professional Risk Manager
RBM	Reserve Bank of Malawi
RWA	Risk-Weighted Assets
RMA	Relationship Management Application
RTGS	Real-Time Gross Settlement
SICR	Significant Increase in Credit Risk
USD	United States Dollars

Where to find us



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Notes

Notes

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FMBcapital HOLDINGS plc

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