2022 Annual financial statements

FMBcapital HOLDINGS plc

Belief comes first

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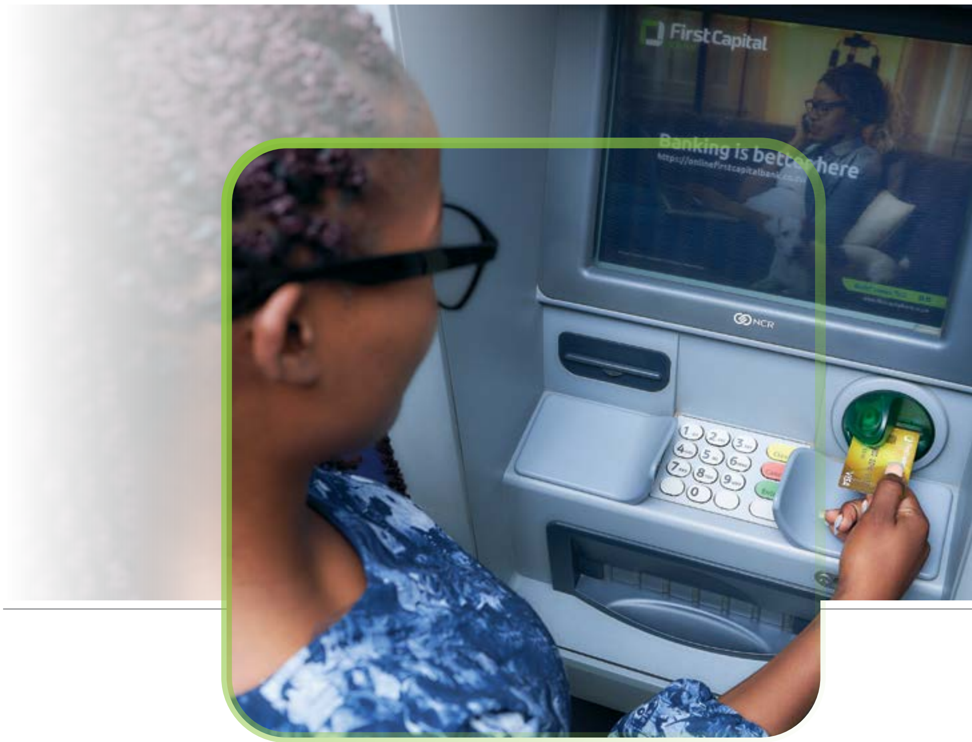


Directors' report

for the year ended 31 December 2022

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 2022.

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 (FSC) in Mauritius, and listed on the Malawi Stock Exchange (MSE).

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 38 of the financial statements.

Directors' interests in the Company

As at 31 December 2022, 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:

		2022		2021	
Name		**Shares**	**%**	Shares	%
Premier Capital (Mauritius) Limited	(i)	**766 266 044**	**31.17**	766 266 044	31.17
Prime Bank Limited		**262 500 000**	**10.68**	262 500 000	10.68
Prime Capital Holdings Limited		**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)	**62 797 891**	**2.55**	61 710 170	2.51
NG Anadkat Limited	(i)	**27 067 289**	**1.10**	27 067 289	1.10
Livingstone Exports Limited	(i)	**16 446 961**	**0.66**	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 interest 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 FCB Malawi, a wholly owned subsidiary of the Company.

(iii) Ms. Omega O'Neill is an immediate family member of Mr. J. M. O'Neill. Mr. J.M. O'Neill resigned from the Board of the Company effective May 2022.

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

The Board of Directors and Directors' remuneration

As at 31 December 2022, the Board comprised:

Terence Michael Davidson – Chairman
Busisa Moyo (Appointed July 2022)
Johannes Christoffel Els
Priscilla Balgobin-Bhoyrul
Susanne Alfs
Hitesh Natwarlal Anadkat
Gavin John Chapman
Mahendra Gursahani
Rajkamal Taposeea
John Michael O'Neill (Resigned May 2022)

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.

Remuneration paid by the Company and its subsidiaries to Directors of the Company has been disclosed in Note 53 of the annual financial statements.

The individual remuneration of the Directors is disclosed below:

USD	**2022**	2021
Name of Non-executive Director		
Terence M. Davidson	**60 000**	57 500
Hitesh N. Anadkat	**18 000**	15 500
Busisa Moyo	**9 000**	–
Johannes C. Els	**18 000**	15 000
Mahendra Gursahani	**18 000**	–
Priscilla Balgobin-Bhoyrul	**18 000**	16 000
Rajkamal Taposeea	**18 000**	16 000
Susanne Alfs	**18 000**	16 500
John M. O'Neill	**9 000**	16 500
	186 000	153 000

Gavin J. Chapman is not remunerated as agreed with Barclays and Mahendra Gursahani was not remunerated as a Non-executive Director in 2021 as he was acting as interim Group Managing Director.

Directors' report (continued)

for the year ended 31 December 2022

Dividend

During 2022 a final dividend in respect of the financial year ended 31 December 2021 of USD 2 458 250 (0.1 US cents per ordinary share) was approved by the Shareholders at the Annual General Meeting in June 2022 and paid in July 2022. An interim dividend in respect of the financial year ended 31 December 2022 of USD 3 687 375 (0.15 US cents per ordinary share) was approved by the Directors in August 2022 and paid in September 2022.

The directors have approved 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). 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 2023.

Therefore, the dividend in relation to the 2022 financial year will amount to USD 12 000 000 (2021: USD 4 424 850), comprising a settled first interim dividend of USD 3 687 375, or 0.15 US cents per share (2021: USD 1 966 600, or 0.08 US cents) and a second interim dividend of USD 8 312 625, or 0.34 US cents per share (2021: USD 2 458 250, or 0.1 US cents per share). This will equate to a 30% dividend pay out against profit attributable to owners of the Company (2021: 16%).

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 which are well diversified and is, therefore, able to address short-term stress factors within reasonable parameters.

The effects of the Covid-19 pandemic on the Group's ability to continue as a going concern were also considered, given the uncertainty around further mutations and variations to the virus, as well as the impact on the Group's future results. As 2022 progressed, the infection and mortality statistics were assessed as not being material to the Group's financial results, position and cash flows.

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.

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.

Auditor's report and financial statements

The independent auditor's report is set out on pages 7 to 9 and the financial statements are set out on pages 10 to 102.

On behalf of the Board

Terence Davidson
Director

Busisa Moyo
Director

Directors' responsibilities

for the year ended 31 December 2022

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 2022 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 2022, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards. The consolidated and separate financial statements comply with the Mauritius Companies Act, 2001 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 Mauritius Companies Act, 2001 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 Mauritius Companies Act, 2001.

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

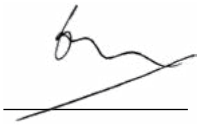
- Maintenance of proper accounting records
- Selection of suitable accounting policies and applying them consistently
- Making judgements and estimates that are reasonable and prudent
- Compliance with applicable accounting standards, when preparing financial statements, subject to any material departures 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.

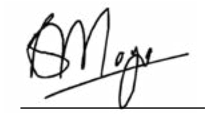
The directors confirm that they have complied with the above requirements in preparing the consolidated and separate financial statements.

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 17 May 2023 and are signed on its behalf by:



Terence Davidson
Director



Busisa Moyo
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 2022.

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,
Ebène,
Mauritius
17 May 2023

Independent auditor's report

Deloitte.

7th - 8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Shareholders of FMBcapital Holdings Plc

Report on the audit of the consolidated and separate financial statements

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 10 to 102, which comprise the consolidated and separate statements of financial position as at 31 December 2022, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2022, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Global Business Licence companies.

Basis for opinion

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 in accordance with the International Ethics Standard Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses	
Directors and Management apply significant judgement in determining the expected credit losses ("ECL"). ECL relating to loans to customers represent Management's best estimate of the expected losses within the Group's loan portfolios at the reporting date. Directors and Management apply significant judgement in the following: • Evaluation of significant increase in credit risk ("SICR"). • Determination of macroeconomic inputs into the SICR assessment and expected credit loss measurement. • Evaluation of the expected credit losses raised for stage 3 exposures. • The estimation of the probability of default, exposure at default and the loss given default. Due to the significance of the judgements applied in the overall determination of the provision for expected credit losses across the Group's different loan portfolios, this is considered to be a key audit matter.	Our procedures included the following amongst others: • We evaluated the design and implementation of key controls over the loan impairment process, focusing on the measurement of the ECL, the governance processes implemented for credit models and inputs into the ECL models and how the Directors ensure they have appropriate oversight of the ECL. • We evaluated the design and implementation and tested the operating effectiveness of controls relating to the loan origination process and credit reviews. • We evaluated the ECL models and key assumptions applied in the calculation of the ECL. This includes use of Deloitte internal credit risk specialists to evaluate the assumptions and accuracy of the calculations in the models. • We assessed and challenged the data inputs and key assumptions made by Directors and Management into the ECL models, which includes the evaluation of SICR, estimated macroeconomic inputs, stage classification of exposures and the estimated probability of default, exposure at default and loss given default. • We assessed the reasonableness of the calculated ECL by comparing it against ECL ratios for other local banking entities. • We evaluated the adequacy of the financial statement disclosures including key assumptions, judgements and sensitivities.

Deloitte.

7th - 8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Shareholders of FMBcapital Holdings Plc (Cont'd)

Report on the audit of the consolidated and separate financial statements (cont'd)

Other information

The directors are responsible for the other information. The other information comprises the directors' report, directors' responsibilities and the certificate from the secretary but does not include the consolidated and 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 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. We have nothing to report in this regard.

Responsibilities of 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 in compliance with the requirements of the and in compliance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Global Business Licence companies and they are also responsible 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's and the 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/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Company's financial reporting process.

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 skepticism 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's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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's and the 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.

Deloitte.

7th - 8th floor, Standard Chartered Tower
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Ebène 72201
Mauritius

Independent auditor's report to the Shareholders of FMBcapital Holdings Plc (Cont'd)

Report on the audit of the consolidated and separate financial statements (cont'd)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (cont'd)

- 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.
- 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 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless laws 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.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Company and its subsidiaries other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Use of this report

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte.

Deloitte

Chartered Accountants

17 May 2023

Agrawal.

Vishal Agrawal, FCA

Licensed by FRC

Statements of financial position

as at 31 December 2022

		Consolidated		Separate	
USD	Note	**2022**	2021	**2022**	2021
ASSETS					
Cash and balances with central banks	9	**384 136 678**	308 714 131	**2 897 440**	9 099 531
Money market investments	10	**212 189 041**	280 271 742	**–**	–
Loans and advances to customers	11	**651 726 217**	552 811 469	**–**	–
Repurchase agreements	12	**13 918 881**	94 159 251	**–**	–
Current tax asset	13	**2 375 378**	856 840	**–**	–
Assets held for sale	14	**132 722**	342 971	**–**	–
Investments at fair value through profit or loss	15	**4 610 875**	6 615 485	**–**	–
Investments at fair value through other comprehensive income	16	**5 905 854**	5 301 985	**–**	–
Investments in subsidiary companies	17	**–**	–	**141 385 697**	141 385 697
Investment in joint venture	18	**15 580 000**	11 875 000	**–**	–
Other assets	19	**27 061 406**	34 370 411	**5 441 278**	1 435 991
Investment property	20	**4 800 000**	4 700 000	**–**	–
Intangible assets	21	**8 251 214**	9 817 443	**3 922 738**	2 314 789
Right-of-use assets	22	**6 592 797**	5 823 944	**41 900**	117 941
Property and equipment	23	**54 020 729**	55 797 976	**785 591**	617 236
Deferred tax assets	24	**2 262 313**	3 899 227	**–**	–
Total assets		**1 393 564 105**	1 375 357 875	**154 474 644**	154 971 185
LIABILITIES AND EQUITY					
Liabilities					
Balances due to other banks	25	**47 647 347**	209 385 951	**–**	–
Customer deposits	26	**1 039 069 966**	887 233 383	**–**	–
Other payables	27	**46 716 422**	32 779 088	**1 124 617**	1 726 075
Current tax liabilities	13	**3 747 542**	2 563 666	**–**	–
Lease liabilities	22	**6 571 505**	6 341 210	**63 303**	138 325
Deferred tax liabilities	24	**7 441 815**	5 225 686	**–**	–
Provisions	28	**5 574 497**	6 502 737	**–**	–
Loans payable	29	**16 679 206**	17 164 924	**16 679 206**	22 312 077
Subordinated debt	30	**12 446 592**	16 012 218	**–**	–
Convertible preference shares	31	**10 786 747**	10 786 747	**10 786 747**	10 786 747
Total liabilities		**1 196 681 639**	1 193 995 610	**28 653 873**	34 963 224
Equity					
Share capital	32	**117 409 081**	117 409 081	**117 409 081**	117 409 081
Restructuring reserve	33	**(54 510 623)**	(54 510 623)	**–**	–
Property revaluation reserve	34	**10 188 610**	6 341 795	**–**	–
Loan loss reserve	35	**3 097 300**	2 280 094	**–**	–
Other reserves	36	**4 181 042**	4 009 717	**–**	–
Foreign currency translation reserve	37	**(50 593 932)**	(24 170 309)	**–**	–
Retained earnings		**98 145 576**	65 337 350	**8 411 690**	2 598 880
Total equity attributable to equity holders of the Company		**127 917 054**	116 697 105	**125 820 771**	120 007 961
Non-controlling interests	38.2	**68 965 412**	64 665 160	**–**	–
Total equity		**196 882 466**	181 362 265	**125 820 771**	120 007 961
Total equity and liabilities		**1 393 564 105**	1 375 357 875	**154 474 644**	154 971 185

The consolidated and separate financial statements were approved for issue by the Company's Board of Directors on 17 May 2023 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 2022

		Consolidated		Separate	
USD	Notes	2022	2021	2022	2021
Interest and similar income	39.1	**148 247 857**	126 014 015	**291 225**	250 788
Interest expense and similar charges	39.2	**(38 782 493)**	(28 885 972)	**(2 381 115)**	(2 384 031)
Net interest income/(expense)		**109 465 364**	97 128 043	**(2 089 890)**	(2 133 243)
Net fee and commission income	40	**36 509 741**	44 862 118	**–**	–
Income from investments (including investment properties)	41	**4 336 994**	3 892 132	**16 366 222**	8 152 372
Gain on foreign exchange transactions	42	**39 043 409**	25 893 046	**292 126**	685 365
Other operating income	43	**2 196 973**	1 608 135	**7 737 330**	2 759 678
Total non-interest income		**82 087 117**	76 255 431	**24 395 678**	11 597 415
Total operating income		**191 552 481**	173 383 474	**22 305 788**	9 464 172
Staff and training costs	44	**(47 750 430)**	(44 427 820)	**(4 398 648)**	(1 543 212)
Premises and equipment costs	45	**(14 293 083)**	(14 704 316)	**(1 904 288)**	(1 345 284)
Depreciation and amortisation	46	**(8 667 861)**	(8 242 283)	**(946 369)**	(719 704)
Administration and general expenses	47	**(25 583 108)**	(29 523 603)	**(1 406 170)**	(850 224)
Total non-interest expenses		**(96 294 482)**	(96 898 022)	**(8 655 475)**	(4 458 424)
Operating profit before impairment		**95 257 999**	76 485 452	**13 650 313**	5 005 748
Impairment loss on financial assets	48	**(4 201 963)**	(7 057 932)	**–**	–
Operating profit		**91 056 036**	69 427 520	**13 650 313**	5 005 748
Net monetary loss		**(7 662 127)**	(5 128 967)	**–**	–
Loss on owner occupied property	23	**–**	(3 364 777)	**–**	–
Impairment loss on investment in joint venture	18	**(718 662)**	(16 505 648)	**–**	–
Fair value gain on investment property	20	**–**	447 795	**–**	–
Share of profit in joint venture	18	**4 423 662**	14 222 205	**–**	–
Profit before income tax expense		**87 098 909**	59 098 128	**13 650 313**	5 005 748
Income tax expense	13.1	**(25 904 105)**	(18 652 122)	**(1 691 878)**	(806 304)
Profit for the year		**61 194 804**	40 446 006	**11 958 435**	4 199 444
OTHER COMPREHENSIVE INCOME					
Items that will not be classified to profit or loss					
Revaluation surplus on property	23, 34	**3 351 097**	–	**–**	–
Deferred tax on revalued property	24	**591 712**	–	**–**	–
Fair value gain on FVOCI financial assets**		**205 429**	4 041 383	**–**	–
Deferred tax on FVOCI financial assets	24	**(57 989)**	–	**–**	–
		4 090 249	4 041 383	**–**	–
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operations*		**(35 662 819)**	7 678 880	**–**	–
Total other comprehensive (loss)/income for the year		**(31 572 570)**	11 720 263	**–**	–
Total comprehensive income for the year		**29 622 234**	52 166 269	**11 958 435**	4 199 444
Profit or loss attributable to:					
Owners of the parent		**40 088 574**	27 206 368	**11 958 435**	4 199 444
Non-controlling interests	38.2	**21 106 230**	13 239 638	**–**	–
Profit for the year		**61 194 804**	40 446 006	**11 958 435**	4 199 444
Total comprehensive income attributable to:					
Owners of the parent		**17 589 187**	32 831 648	**11 958 435**	4 199 444
Non-controlling interests		**12 033 047**	19 334 621	**–**	–
Total comprehensive income for the year		**29 622 234**	52 166 269	**11 958 435**	4 199 444
Basic earnings per share (US cents)	49	**1.631**	1.107	**–**	–
Diluted earnings per share (US cents)	49	**1.525**	1.042	**–**	–

* Incorporates the effects of hyperinflation.

** Includes fair value gain on equity investments of USD 399 423 (note 16), a fair value loss on treasury bills at FVOCI of USD 209 597 (note 10) and movement in impairment reserve of USD 15 609.

Statements of changes in equity

for the year ended 31 December 2022

	Consolidated									
USD	Share capital	Restructuring reserve	Property revaluation reserve	Loan loss reserve	Non-distributable reserves	Translation reserve	Retained earnings	Equity attributable to owners	Non–controlling interest	Total equity
Opening 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 FVOCI financial assets	**–**	**–**	**–**	**–**	**107 871**	**–**	**–**	**107 871**	**97 558**	**205 429**
Deferred tax on FVOCI financial assets	**–**	**–**	**–**	**–**	**(30 450)**	**–**	**–**	**(30 450)**	**(27 539)**	**(57 989)**
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*	**–**	**–**	**–**	**–**	**–**	**(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)**	**–**	**–**	**–**
Impairment of FVOCI financial assets	**–**	**–**	**–**	**–**	**(223 585)**	**–**	**–**	**(223 585)**	**(202 218)**	**(425 803)**
Net transfer from loan loss reserve	**–**	**–**	**–**	**817 206**	**–**	**–**	**(817 206)**	**–**	**–**	**–**
	–	**–**	**–**	**817 206**	**93 932**	**–**	**(1 134 723)**	**(223 585)**	**(202 218)**	**(425 803)**
Other movements										
Shares issued to non-controlling interests through exercise of share options	**–**	**–**	**–**	**–**	**(28)**	**–**	**–**	**(28)**	**28**	**–**
	–	**–**	**–**	**–**	**(28)**	**–**	**–**	**(28)**	**28**	**–**
Transactions with owners, recorded directly in equity										
Contribution by and distribution to owners										
Dividends paid to owners of the parent	**–**	**–**	**–**	**–**	**–**	**–**	**(6 145 625)**	**(6 145 625)**	**–**	**(6 145 625)**
Dividends paid to non-controlling interests (Note 38.2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(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**
Opening balance 1 January 2021	117 409 081	(54 510 623)	6 341 795	4 185 987	1 457 189	(31 412 494)	40 590 307	84 061 242	52 079 507	136 140 749
Profit for the year	–	–	–	–	–	–	27 206 368	27 206 368	13 239 638	40 446 006
Other comprehensive income										
Fair value gain on investment net of deferred tax	–	–	–	–	–	–	2 122 130	2 122 130	1 919 253	4 041 383
Arising on consolidation of foreign subsidiaries*	–	–	–	–	–	3 496 974	–	3 496 974	4 181 906	7 678 880
Total other comprehensive income	–	–	–	–	–	3 496 974	2 122 130	5 619 104	6 101 159	11 720 263
Total comprehensive income for the year	–	–	–	–	–	3 496 974	29 328 498	32 825 472	19 340 797	52 166 269
Transfers within reserves										
Transfer to other reserves	–	–	–		2 378 395	–	(2 378 395)	–	–	–
Transfer to loan loss reserve	–	–	–	(1 905 893)	–	–	1 905 893	–	–	–
	–	–	–	(1 905 893)	2 378 395	–	(472 502)	–	–	–
Other movements										
Recognition of share-based payments	–	–	–	–	5 311	–	–	5 311	4 803	10 114
	–	–	–	–	5 311	–	–	5 311	4 803	10 114
Transactions with owners, recorded directly in equity										
Contribution by and distribution to owners										
Arising on increase of control in subsidiary	–	–	–	–	168 822	3 745 211	(175 753)	3 738 280	(3 988 280)	(250 000)
Issue of ordinary shares during the year	–	–	–	–	–	–	(3 933 200)	(3 933 200)	–	(3 933 200)
Dividends paid to non-controlling interests (Note 38.2)	–	–	–	–	–	–	–	–	(2 771 667)	(2 771 667)
Total transactions with owners	–	–	–	–	168 822	3 745 211	(4 108 953)	(194 920)	(6 759 947)	(6 954 867)
Balance as at 31 December 2021	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

* Incorporates the effects of hyperinflation.

Statements of changes in equity (continued)

for the year ended 31 December 2022

	Separate		
USD	Share capital	Retained earnings	Total equity
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 transactions with owners	**–**	**(6 145 625)**	**(6 145 625)**
Balance as at 31 December 2022	**117 409 081**	**8 411 690**	**125 820 771**
Balance as at 1 January 2021	117 409 081	2 332 636	119 741 717
Profit for the year	–	4 199 444	4 199 444
Total comprehensive income	–	4 199 444	4 199 444
Transactions with owners recorded directly in equity			
Contribution by and distribution to owners			
Dividends paid to owners	–	(3 933 200)	(3 933 200)
Total transactions with owners	–	(3 933 200)	(3 933 200)
Balance as at 31 December 2021	117 409 081	2 598 880	120 007 961

Statements of cash flows

for the year ended 31 December 2022

USD	Note	Consolidated 2022	Consolidated 2021	Separate 2022	Separate 2021
Cash flows from operating activities					
Interest and fees received		**184 287 212**	196 499 298	**8 978 686**	4 135 116
Interest paid		**(29 712 200)**	(28 830 096)	**(3 022 624)**	(3 008 852)
Cash paid to suppliers and employees		**(44 383 945)**	(92 711 688)	**(9 498 321)**	(3 384 079)
		110 191 067	74 957 514	**(3 542 259)**	(2 257 815)
Increase/(decrease) in net customer balances		**119 182 286**	(2 574 791)	**–**	–
Cash generated from/(used in) operations		**229 373 353**	72 382 723	**(3 542 259)**	(2 257 815)
Dividends received		**667 057**	2 406 624	**16 210 876**	7 997 000
Income taxes paid	13.3	**(18 724 250)**	(22 693 973)	**(1 691 878)**	(806 304)
Net cash generated from operating activities		**211 316 160**	52 095 374	**10 976 739**	4 932 881
Cash flows from investing activities					
Maturities/(purchases) of money market investments	10	**11 964 320**	(97 621 039)	**–**	–
Maturities/(purchases) of currency swaps	12	**89 424 268**	(36 993 509)	**–**	–
Sale of investments at fair value through profit or loss	15	**4 545 180**	721 253	**–**	–
Investments in subsidiaries	17	**–**	–	**–**	(250 000)
Proceeds from sale of equipment		**199 089**	1 302 788	**–**	44 238
Proceeds from assets held for sale		**–**	884 910	**–**	–
Acquisition of property and equipment and intangible assets	21, 23	**(13 017 183)**	(12 199 259)	**(2 658 183)**	(894 479)
Net cash generated from/(used in) investing activities		**93 115 674**	(143 904 856)	**(2 658 183)**	(1 100 241)
Cash flows from financing activities					
Equity transaction with non-controlling interests		**–**	(250 000)	**–**	–
Proceeds from issue of shares		**72**	–	**–**	–
Dividends paid to non-controlling interest		**(7 530 605)**	(2 771 667)	**–**	–
Dividends paid to owners of parent		**(6 145 625)**	(3 933 200)	**(6 145 625)**	(3 933 200)
Subordinated debt issued by subsidiary		**–**	–	**(3 300 000)**	–
Payments for lease liabilities		**(2 005 970)**	(1 944 240)	**(75 022)**	(16 424)
Net (repayments of)/proceeds from short and long term borrowings	25.2	**(175 516 285)**	131 370 600	**(5 000 000)**	5 000 000
Net cash (used in)/generated from financing activities		**(191 198 413)**	122 471 493	**(14 520 647)**	1 050 376
Net increase in cash and cash equivalents		**113 233 421**	30 662 011	**(6 202 091)**	4 883 016
Cash and cash equivalents at beginning of year		**308 755 110**	307 795 095	**9 099 531**	4 216 515
Effect of changes in exchange rates and hyperinflation		**(37 837 123)**	(29 701 996)	**–**	–
Cash and cash equivalents at 31 December*	9	**384 151 408**	308 755 110	**2 897 440**	9 099 531

* Consolidated cash and cash equivalents at 31 December are gross amounts excluding expected credit losses of US$ 14 730 and US$ 40 979 for 2022 and 2021 respectively.

Notes to the financial statements

for the year ended 31 December 2022

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 Mauritius 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 International Financial Reporting Standards (IFRS) 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 (FVTPL);
- financial instruments at fair value through other comprehensive income (FVOCI); and
- subsidiary reporting in the currency of a hyperinflationary economy.

2.3 Impact of Covid-19 and Russo-Ukraine conflict on the Group

2.3.1 Covid-19 impact

From an accounting perspective, the specific areas of judgement did not change due to the coronavirus (Covid-19) pandemic. Enhanced judgement was required to take into account the impact of Covid-19.

Now over two years since Covid-19 was declared a pandemic, and reaching endemic status, the impact on the Group has been assessed as not significant in financial terms for the year ended 31 December 2022. Given the dynamic and evolving nature of Covid-19, the economic and financial impact will continue to be monitored and appropriate assumptions applied in the measurement of the Group's assets and liabilities.

Due to the scale and nature of the Covid-19 pandemic, it is not possible to accurately predict the full extent and duration of its economic impact. However, as disclosed in Note 7, with respect to the Group's credit risk profile of its financial assets, the incremental adverse impact of the virus on the recoverability and performance of the Group's various financial asset classes has been nil to low. As a result, a majority of the Covid-19 related overlays have been released during the 2022 financial year.

2.3.2 Russo-Ukraine conflict impact

The Russo-Ukraine conflict has ensued for over a year, and has impacted global supplies of wheat, fertiliser, gas and oil inter alia, in turn heightening rising global inflation. The Company and the Group's Boards of Directors have been actively evaluating the economic implications of this geopolitical tension in the short, medium and long-term as they affect the Group's strategy. This included tightened credit and liquidity risk management practices. Overall, the Group's earnings quantum and quality, expected credit losses, and assets have not been materially adversely affected, as evidenced by the financial results, cash flows and position. The Company and the Group's Boards and management continue to actively monitor the development and effects of this conflict on its going concern and strategic realisation.

Notes to the financial statements (continued)

for the year ended 31 December 2022

2 Basis of preparation (continued)

2.4 IAS 29 Financial reporting in hyperinflationary economies

The Zimbabwe economy remained hyperinflationary for the year ended 31 December 2022 and, accordingly, the Group has continued to apply the provisions of IAS 29. The financial statements of the Group's Zimbabwe subsidiaries have been 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 which 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 has determined that the Zimbabwe All Items **Consumer Price Index (CPI)** is the most appropriate indicator of changes in the purchasing power of the Zimbabwe Dollar. It has 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	2022	2021
CPI	13 673	3 977
USD interbank rate	687.28	108.67

Notes to the financial statements (continued)

for the year ended 31 December 2022

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 issued effective for annual periods ending 31 December 2022

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily in effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard/ Interpretation	Content	Applicable for financial years beginning on or after
Property, Plant and Equipment: Proceeds before intended use – *Amendments to IAS 16*	The amendment to IAS 16 *Property, Plant and Equipment* (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework – *Amendments to IFRS 3*	Minor amendments were made to IFRS 3 *Business Combinations* to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 21 *Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract *Amendments to IAS 37*	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.	1 January 2022

Notes to the financial statements (continued)

for the year ended 31 December 2022

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

3.2 New and amended standards and interpretations issued but not yet effective for annual periods ending 31 December 2022 (continued)

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective. The directors do not expect that the adoption of these Standards will have a material impact on the financial statements of the Group in future periods.

Standard/ Interpretation*	Content	Applicable for financial years beginning on or after
Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies *– Amendments to IAS 1 and IFRS Practice Statement 2* *Amendments to IAS 1*	The narrow-scope amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* * Since approving these amendments, the IASB has issued an exposure draft proposing further changes and the deferral of the amendments until at least 1 January 2024.	1 January 2023
Disclosure of Accounting Policies *– Amendments to IAS 1 and IFRS Practice Statement 2*	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023

Notes to the financial statements (continued)

for the year ended 31 December 2022

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

3.2 New and amended standards and interpretations issued but not yet effective for annual periods ending 31 December 2022 (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 Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023

Notes to the financial statements (continued)

for the year ended 31 December 2022

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

3.2 New and amended standards and interpretations issued but not yet effective for annual periods ending 31 December 2022 (continued)

Standard/ Interpretation	Content	Applicable for financial years beginning on or after
Sale or contribution of assets between an investor and its associate or joint venture – *Amendments to IFRS 10 and IAS 28*	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 constitute 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. ** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.	Not Applicable**

Notes to the financial statements (continued)

for the year ended 31 December 2022

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.

2022 (USD)	Botswana	Malawi	Mauritius	Mozambique	Zambia	Zimbabwe	Adjustments	Consolidated total
Interest and similar income	42 757 496	42 192 039	291 225	17 382 447	27 380 624	19 350 176	(1 106 150)	148 247 857
Interest expense and similar charges	(14 490 149)	(8 845 031)	(2 394 321)	(4 509 304)	(8 656 725)	(956 906)	1 069 943	(38 782 493)
Net interest income/(expense)	**28 267 347**	**33 347 008**	**(2 103 096)**	**12 873 143**	**18 723 899**	**18 393 270**	**(36 207)**	**109 465 364**
Net fees and commissions	2 178 428	9 302 627	–	4 055 250	3 611 110	17 738 113	(375 787)	36 509 741
Gain/(loss) from investments	–	3 920 244	16 366 222	(6 287)	–	423 037	(16 366 222)	4 336 994
Gain/(loss) on foreign exchange transactions	3 755 254	7 559 397	296 538	10 486 129	3 803 575	13 761 377	(618 861)	39 043 409
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	**6 365 471**	**21 307 170**	**27 941 621**	**14 513 427**	**8 046 481**	**32 596 288**	**(28 683 341)**	**82 087 117**
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 non-interest 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)
Loss on owner occupied property	–	–	–	–	–	–	–	–
Impairment loss on investment in joint venture	–	–	–	–	–	(718 662)	–	(718 662)
Fair value gain/(loss) on investment property	–	–	–	–	–	–	–	–
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	436 486 907	307 454 488	159 149 537	197 986 088	221 166 228	222 442 248	(151 121 391)	1 393 564 105
Segment liabilities	(394 618 533)	(247 020 389)	(30 804 249)	(160 522 160)	(199 002 454)	(170 932 627)	6 218 773	(1 196 681 639)

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

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

3 Eliminations include inter-segmental transactions and balances.

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

Notes to the financial statements (continued)
for the year ended 31 December 2022

4 Segment reporting (continued)

2021 (USD)	Botswana	Malawi	Mauritius	Mozambique	Zambia	Zimbabwe	Adjustments	Consolidated total
Interest and similar income	32 722 785	39 039 259	250 788	12 184 115	18 905 190	25 193 652	(2 281 774)	126 014 015
Interest expense and similar charges	(9 968 527)	(7 865 371)	(2 654 882)	(5 015 690)	(5 328 836)	(488 491)	2 435 825	(28 885 972)
Net interest income/(expense)	22 754 258	31 173 888	(2 404 094)	7 168 425	13 576 354	24 705 161	154 051	97 128 043
Net fees and commissions	2 071 920	11 517 986	–	2 885 154	2 289 743	26 097 315	–	44 862 118
Gain/(loss) from investments	–	2 980 684	8 152 372	(18 904)	(1 193 726)	2 124 078	(8 152 372)	3 892 132
Gain/(loss) on foreign exchange transactions	3 656 685	7 612 258	528 122	2 803 219	2 879 384	8 412 058	1 320	25 893 046
Other operating income	57 151	738 357	5 698 164	(16 696)	27 115	817 422	(5 713 378)	1 608 135
Total non-interest income	5 785 756	22 849 285	14 378 658	5 652 773	4 002 516	37 450 873	(13 864 430)	76 255 431
Total operating income	28 540 014	54 023 173	11 974 564	12 821 198	17 578 870	62 156 034	(13 710 379)	173 383 474
Staff and training costs	(6 731 401)	(10 793 779)	(3 408 863)	(4 396 165)	(4 040 566)	(15 080 582)	23 536	(44 427 820)
Premises and equipment costs	(1 125 619)	(3 786 695)	(1 978 935)	(1 142 654)	(931 632)	(5 738 781)	–	(14 704 316)
Depreciation and amortisation	(965 328)	(3 035 145)	(1 100 651)	(1 175 213)	(738 703)	(1 227 243)	–	(8 242 283)
Administration and general expenses	(4 648 910)	(9 354 140)	(882 484)	(2 700 251)	(3 410 548)	(14 217 112)	5 689 842	(29 523 603)
Total non-interest expenses	(13 471 258)	(26 969 759)	(7 370 933)	(9 414 283)	(9 121 449)	(36 263 718)	5 713 378	(96 898 022)
Impairment loss on financial assets	(2 556 923)	(1 738 720)	–	(1 418 071)	(675 711)	(668 507)	–	(7 057 932)
Operating profit	12 511 833	25 314 694	4 603 631	1 988 844	7 781 710	25 223 809	(7 997 001)	69 427 520
Net monetary loss	–	–	–	–	–	(5 128 967)	–	(5 128 967)
Loss on owner occupied property	–	–	–	–	–	(3 364 777)	–	(3 364 777)
Impairment loss on investment in joint venture	–	–	–	–	–	(16 505 648)	–	(16 505 648)
Fair value gain/(loss) on investment property	–	–	–	–	–	447 795	–	447 795
Share of profit in joint venture	–	–	–	–	–	14 222 205	–	14 222 205
Profit before income tax expense	12 511 833	25 314 694	4 603 631	1 988 844	7 781 710	14 894 417	(7 997 001)	59 098 128
Income tax expense	(3 017 795)	(6 984 682)	(806 304)	(524 086)	(2 973 318)	(5 071 156)	725 219	(18 652 122)
Profit for the year	9 494 038	18 330 012	3 797 327	1 464 758	4 808 392	9 823 261	(7 271 782)	40 446 006
Segment assets	440 562 472	439 043 947	158 408 281	120 376 363	169 102 595	238 485 685	(190 621 468)	1 375 357 875
Segment liabilities	(405 377 881)	(380 437 155)	(35 910 523)	(93 942 825)	(151 863 125)	(177 456 031)	50 991 930	(1 193 995 610)

1 Segment performance is measured consistently with operating profits or losses in the consolidated financial statements.
2 Transfer prices between operating segments are based on the Group's internal pricing framework.
3 Eliminations include inter-segmental transactions and balances.
4 Total operating income is attributable based on where the operations are located.

Notes to the financial statements (continued)

for the year ended 31 December 2022

5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated 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 2021.

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, taking into account 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.

5.3 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.

Notes to the financial statements (continued)

for the year ended 31 December 2022

5 Significant accounting judgements, estimates and assumptions (continued)

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 Fair value through other comprehensive income (FVOCI) – 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.

5.6 FVOCI – 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.

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

The change in functional currency from USD to Zimbabwe Dollar (ZWL) was effective from 1 October 2018. During the 2018 reporting period, the only exchange mechanism that FCB Zimbabwe had access to was ZWL, which was also the only official exchange mechanism. This led to FCB Zimbabwe concluding that the appropriate exchange rate to use at the date of the change in functional currency and after the change in functional currency up until the end of the 2018 reporting period was the official rate of 1:1.

Statutory Instrument (S.I.) 33 of 2019 introduced Real Time Gross Settlement (RTGS) dollar (ZWL) as a currency effective 22 February 2019. Subsequently, S.I. 142 of 2019 promulgated the Zimbabwe dollar (ZWL) as a currency replacing the RTGS dollar. Therefore,the Group adopted the ZWL as the functional and presentation currency effective this date. While there has been noticeably to be increased use of the United States Dollar (USD), the functional currency has still been assessed as the ZWL. In addition, the interbank rate between the ZWL and the USD has been broadly accepted as the fair rate of exchange.

The Reserve Bank of Zimbabwe (RBZ) implemented certain key monetary policy measures during February 2019. The most significant change was the establishment of a new foreign exchange interbank market, and this interbank market will complement the existing official foreign exchange mechanism with the RBZ. The establishment of this interbank market has created an additional legal exchange mechanism whereby the bank is able to trade RTGS dollars (official currency). The starting rate of trade in this interbank market, was 2.5 RTGS: USD.

The foreign exchange interbank market was replaced by the foreign exchange auction trading system as from 23 June 2020. As at 31 December 2022, the rate deteriorated to 687.28 RTGS: USD from 108.67 RTGS: USD as at 31 December 2021.

During 2022, the Zimbabwe year-on-year monthly inflation rate moved from 61% to 244% at the end of December 2022. Therefore, FCB Zimbabwe remains a Group entity operating in a hyperinflationary economy and the results for FCB Zimbabwe continue to be adjusted in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. CPI at the beginning of the reporting period was 3 977 (2021: 2 475) and closed at 13 673 (2021: 3 977).

Notes to the financial statements (continued)

for the year ended 31 December 2022

5 Significant accounting judgements, estimates and assumptions (continued)

5.8 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.

5.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions for legal claims

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision, management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

5.10 Control over subsidiaries with less than 50% majority

Note 38 lists certain entities of the Group that are consolidated even though the Group has less than 50% ownership interest and voting rights.

The Directors of the Company assessed whether the Group has control over these subsidiaries based on whether the Group has the practical ability to direct the relevant activities of the subsidiaries unilaterally.

In making their judgement, the Directors considered the Group's absolute size of holding and the relative size of and dispersion of the shareholdings owned by the other Shareholders. After assessment, the Directors concluded that the Group has a sufficiently dominant voting interest and Board representation to direct the relevant activities of these subsidiaries and therefore the Group has control.

If the Directors had concluded that the ownership interest was insufficient to give the Group control, these subsidiaries would instead have been classified as associates and the Group would have accounted for its interests using the equity method of accounting.

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant 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 (the functional currency). The consolidated financial statements 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 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 6.1.7 below), after initially being recognised at cost.

6.1.6 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. The Group has a joint venture. Interests in joint ventures are accounted for using the equity method (see 6.1.7 below), after initially being recognised at cost in the consolidated statement of financial position.

6.1.7 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. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. 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.

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant accounting policies (continued)

6.1 Basis of consolidation (continued)

6.1.7 Equity method (continued)

Unrealised gains on transactions between the Group and its associates and 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.

6.1.8 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. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

6.1.9 Interest in equity – accounted investees

The Group's interests in equity-accounted investees are interests in associates. Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies. Interests in associates are accounted for using the equity method. They are recognised initially at fair value. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profits or loss and other comprehensive income of equity investees, until the date on which significant influence ceases.

6.2 Business combination

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 2022

6 Significant 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.

6.4 Common control transactions

Common controlled transactions are recorded at book value. Any difference between cost and book value is taken directly to equity.

6.5 Foreign currency

6.5.1 Foreign currency transactions

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. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates (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.

6.6 Financial assets and liabilities

6.6.1 Recognition and measurement

The Group initially recognises loans, debt securities issued and subordinate receivables on the date on which they are originated. All other financial assets or financial liabilities are recognised on the trade date which is the date on which the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus (for an item not classified at FVTPL) transaction costs that are directly attributable to its acquisition or issue.

The difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and the consideration received (including any new accounts obtained less any new liability assumed) is recognised in profit or loss.

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.2 Classification

Financial assets

The Group classifies its financial assets into one of the following categories:

- Amortised cost;
- Fair Value Through Other Comprehensive Income (FVOCI) – debt investments;
- Fair Value Through Other Comprehensive Income (FVOCI) – equity investments; or
- Fair Value through Profit and Loss (FVTPL).

The following table shows the classification of financial assets, the business model and the subsequent measurement.

Financial Instrument	Business model	IFRS 9 classification	IFRS 9 Subsequent measurement
• Loans and advances to customers • Placements with other banks • Money market investments • Cash and cash equivalents	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	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)	Held for trading FVTPL	Financial assets FVTPL	These are measured at fair value with net gains and losses recognised in profit or loss.

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.3 Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises certain assets when they are deemed to be uncollectible.

6.6.4 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.

6.6.5 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.

6.6.6 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.7 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 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.

6.6.8 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 2022

6 Significant accounting policies (continued)

6.6 Financial assets and liabilities (continued)

6.6.9 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.

6.6.10 Derecognition of financial assets

Full derecognition only occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the Group transfers both its contractual right to receive cash flows from the financial assets (or retains the contract rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. When an asset is transferred, in some circumstances, the Group may retain an interest in it (continuing involvement), requiring the Group to repurchase it in certain circumstances for other than its fair value on that date.

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding (i.e., no reasonable expectation of recovery). This assessment considers both qualitative and quantitative information, such as past performance, behaviour and recoveries.

The Group assesses whether there is a reasonable expectation of recovery at an exposure level.

6.6.11 Derecognition of 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 party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss component of the statement of comprehensive income. Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

6.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand 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 financial assets are measured at amortised cost using the effective interest method less impairment losses. Other non-financial assets are measured at cost less impairment losses, if any. Other assets comprise prepayments, cheques in the course of collection, dividends receivable, stocks of consumable stationery and computer spares and other receivables.

6.9 Loans and advances to customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

The Group classifies its loans and advances to customers as financial assets at amortised cost. When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date as a loan to the other party, the underlying asset is not recognised in the Group's financial statements. Loans and advances are subsequently measured at their amortised cost using the effective interest method.

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant accounting policies (continued)

6.10 Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs, for investments not at FVTPL. Based on business model and intended use, certain other portfolios of investment securities are held to maturity and as such are initially recognised, and subsequently measured at amortised cost. Subsequent to initial recognition, investment securities are accounted for depending on their classification as either FVOCI or FVTPL.

6.11 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.

6.12 Investments in associates

Investments in associates are recognised at fair value in the separate financial statements, where these exist.

6.13 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. The effects of any changes in estimates are accounted for on a prospective basis.

6.14 Property and equipment

6.14.1 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 6.16.

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.

6.14.2 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 PP&E is transferred directly to retained earnings when the asset is sold or disposed.

6.14.3 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.

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant accounting policies (continued)

6.14 Property and equipment (continued)

6.14.4 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	25%
• Equipment, fixtures and fittings	20%

6.14.5 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.

6.15 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.

6.16 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 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.

6.17 Customer deposits and balances due to other banks

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.

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 FVTPL.

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant accounting policies (continued)

6.18 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 FVTPL.

6.19 Share capital

6.19.1 Share issue costs

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

6.20 Employee benefits

6.20.1 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.

6.20.2 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.

6.21 Net interest income

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

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.

6.22 Leases

6.22.1 Finance leases – Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also provides finance leasing to customers.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for ECL on the finance leases.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (that is, after a deduction of the loss allowance).

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant accounting policies (continued)

6.22 Leases (continued)

6.22.2 Operating lease – Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

For right-of-use asset, the lease liability is initially measured at the present value of future lease payments at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease payments change due to changes in payment terms, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the statements of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Property and Equipment policy.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For all contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant accounting policies (continued)

6.23 Fees and commission income

The Group applies IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 contains a single model that establishes a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is transferred to the customer. Fees and commissions charged for services provided by the Group are recognised as the services are provided, for example on completion of an underlying transaction.

6.24 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 FVTPL includes all realised and unrealised fair value changes.

6.25 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.

6.25.1 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.

6.25.2 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;
- 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; and
- taxable temporary differences arising on the initial recognition of goodwill.

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 Significant accounting policies (continued)

6.26 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.

6.27 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.

6.28 Fair value measurement

Covid-19, and subsequently the Russo-Ukraine war, resulted in price volatility in the financial markets, affecting the fair value measurement of financial instruments either directly – if fair value is determined based on market prices (for example, in case of shares or debt securities traded on an active market), or indirectly, if a valuation technique is based on inputs that are derived from volatile markets. Covid-19 resulted in price volatility in the financial markets, and this affected the fair value measurement of financial instruments either directly – if fair value is determined based on market prices (for example, in case of shares or debt securities traded on an active market), or indirectly – for example, if a valuation technique is based on inputs that are derived from volatile markets.

Financial instruments fair value measurement techniques have been reassessed by the respective committees at both business unit and Group level to determine the impact that the market volatility introduced originally by Covid-19, and subsequently during 2022 by the Russo-Ukraine conflict, has had on the fair value measurements of these instruments.

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 take into account 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.

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant 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.

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

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (such as financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

6.30 Offsetting

In accordance with IAS 32 *Financial Instruments: Presentation*, the Group reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a current legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is also addressed in Note 6.6.4 in these accounting policies.

6.31 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.

6.32 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.

6.33 Assets held for sale

Non-current assets (or disposal Groups) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such assets are measured at the lower of carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal Group) to fair value less costs to sell, to the extent that it has not been recognised previously in any remeasurement. A gain is recognised for any subsequent increase in fair value less costs to sell of the asset, but not in excess of the cumulative impairment loss that has been recognised previously on the asset.

Such assets or disposal Groups classified as held for sale are not depreciated or amortised.

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.

6.34 Interest rate benchmarks and reference interest rate reform

As reported in the Group's 2021 Annual Financial Statements, the Financial Stability Board (previously the Financial Stability Forum) (FSB) had initiated a fundamental review and reform of the predominant global interest rate benchmarks. This review seeks 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).

With effect from 31 December 2021, the Intercontinental Exchange Benchmark Administration Limited (ICEBA) ceased publication of EUR, CHF, JPY and GBP related LIBOR rates for all tenors extending after this date. The ICEBA used a two-stage approach for the cession of the USD LIBOR rates with the shorter tenor (one-week and two-month) USD LIBOR rates no longer being published after 31 December 2021 and the remaining being the one-month, three-month, six-month and 12-month tenor rates planned for non-publication from 30 June 2023. The IBORs to which the Group is exposed to will be replaced largely by the Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short-term Rate (ESTR).

Notes to the financial statements (continued)

for the year ended 31 December 2022

6 Significant accounting policies (continued)

6.34 Interest rate benchmarks and reference interest rate reform (continued)

Certain of the Group's debt obligations and contracts have been re-priced at SOFR, in the main, as are most new exposures. The Group's asset and liability committees continue to monitor the progression of the remaining USD LIBOR-linked contracts (one, three, six and 12-month tenor rates) to manage the transition to appropriate ARR ahead of cessation on 30 June 2023.

Communications to clients are ongoing via multiple platforms along with one-on-one engagements to discuss transition where exposed to USD LIBOR rates that mature post-cessation date, are undertaken by the Group's Treasury and International Banking team.

We reported on the ARR transition in our 2021 Annual Financial Statements. The above transition away from IBOR introduces a number of risks to the Group including, but not limited to:

- Financial risk – risk of not appropriately (re-)pricing the debt facilities to ensure a fair transfer of value.
- Model risk – risk that the valuation models used by the Group do not meet regulatory or commercial requirements.
- Operational risk – risk of the Group's systems not being able to accommodate for the changes to the interest rates as agreed with the clients.
- Compliance/regulatory risk – risk of regulatory penalties, sanctions or other repercussions for failure to comply with transitional requirements.
- Reputational risk – the risk to the Group's or the subsidiary banks' reputation from failing to adequately prepare for the transition.
- Conduct risk – risk that arises when transitioning existing IBOR-linked contracts either due to unevenly balanced new contract terms, or poorly understood transitional actions by the Group.
- Legal risk – risk of being non-compliant to the agreements previously agreed with clients.

Group treasury is managing the transition to ARRs and is evaluating the extent to which loans advanced and liabilities reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

The Group's derivative instruments are governed by International Swaps and Derivatives Association (ISDA) 2006 definitions. ISDA published its IBOR Fallbacks Protocol (the Protocol), which will apply following a permanent cessation of an IBOR and ensures an orderly transition for IBOR linked contracts in the event that renegotiated contracts are not in place at the time of the cessation of LIBOR.

For new contracts being entered into, the Group is working with its customers and other counterparties, such as international financial institutions to perform a transition of legacy IBOR-based financial instruments to alternative benchmark interest rates and develop new financial products for its customers. The Group is also enhancing its IT systems and internal processes to ensure smooth transition from IBOR to alternative benchmark interest rates.

The table below discloses amounts of non-derivative financial assets and liabilities at 31 December 2022 that are linked with LIBOR, with exposures which are maturing before 30 June 2023 and after 30 June 2023. Exposures of the Group are linked with the three-month LIBOR or six-month LIBOR which will cease to be published on 30 June 2023:

2022 (USD)	Non-derivative financial assets	Non-derivative financial liabilities
Outstanding as at 31 December 2022		
Maturities before 30 June 2023		
USD three-month LIBOR	–	**7 837 176**
Total	–	**7 837 176**
Maturities after 30 June 2023		
USD three-month LIBOR	**3 600 543**	–
Total	**3 600 543**	–

Notes to the financial statements (continued)

for the year ended 31 December 2022

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 bank 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.

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

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

7.1 Credit risk (continued)

7.1.3 Credit risk grading (continued)

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 2022

7 Risk management (continued)

7.2 Expected Credit Loss (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 give 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 calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

LGD is modelled based on the expected rate of recovery of collateral and the relationship between this and the amount of the loan.

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 bank 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, 12 months LGD and EAD.

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

7.2 Expected Credit Loss (ECL) measurement (continued)

7.2.4 Default (continued)

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.

7.3.1 SICR – quantitative measures

- Corporate loans – if the loan is 30 days past due, or has had a rating downgrade 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.

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

7.3 Significant increase in credit risk (continued)

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 2022

7 Risk management (continued)

7.5 Forward-looking information incorporated in the ECL models

Main macroeconomic factors

The following tables show the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision of financial assets. Each scenario, namely base, good, better, bad and worse scenario, is presented for each identified time period.

Scenario weights

2022 (%)	Botswana	Malawi	Mozambique	Zambia	Zimbabwe
Scenario					
Base	58.33%	58.33%	58.33%	58.33%	58.33%
Good	16.70%	13.96%	15.46%	0.60%	15.57%
Better	7.16%	5.98%	6.63%	0.26%	6.67%
Bad	12.46%	15.21%	13.71%	28.56%	13.60%
Worse	5.34%	6.52%	5.87%	12.24%	5.83%
Macroeconomic variables applied	• Implied purchasing power parity (PPP) conversion rate • Volume of imports of goods and services • Current account balance	• Gross Domestic Product • General government net lending/ borrowing	• Gross Domestic Product • Constant prices • Inflation • Average consumer prices • Current account balance	• Gross Domestic Product • Constant prices • General government revenue • Current account balance	• Gross Domestic Product • Constant prices • General government dross debt

Significant increase in credit risk

The assessment of Covid-19 and the Russo-Ukraine conflict on ECLs has not been performed using an overall blanket approach (where Covid-19 and the Russo-Ukraine conflict is seen as a SICR trigger) that will result in the entire portfolio of advances moving into their respective next staging bucket. Rather a more systematic and targeted approach to assess the impact of Covid-19 and the Russo-Ukraine conflict on the customer base has been undertaken.

As part of this assessment of the Group's operations, the following was considered:

- Identification of commercial sectors as key risk areas.
- Customer initiated requests for loan restructures.
- Consideration of markets whose governments had provided risk mitigating stimulus packages.
- The adequacy of the borrower's liquidity given the impact of the pandemic on the entity's customers.
- The borrower's operating resilience, such as the ability to continue providing goods and services.
- The extent of disruption on onward and backward supply chains.
- The potential valuation concerns around the Group's assets recognised on the statement of financial position.

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

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

The assessment of SICR and the calculation of ECLs both incorporate 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 fifteen years. Key economic variables are statistical and modelled using econometric techniques are used to build predictive regression functions. 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 Write offs

Financial assets are written off either partially or in their entirety only when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated ECL allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment expense.

7.7 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.

7.7.1 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.

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

7.7 ECL model governance (continued)

7.7.1 Maximum exposure to credit risk by credit quality grade before credit enhancements (continued)

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.

7.7.2 Performing loans

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

7.7.3 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.

7.7.4 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.

7.7.5 Distribution of credit risk exposure by sector

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 were as follows:

Credit risk exposure by sector

	Consolidated	
USD	2022	2021
Agriculture	43 533 307	42 992 000
Mining	5 876 483	9 602 238
Financial services	17 573 215	12 983 806
Construction	30 510 162	27 181 527
Energy/electricity/gas/water	14 210 220	8 379 768
Manufacturing	110 242 663	74 350 052
Wholesale and retail	109 825 193	96 874 271
Individual/households	200 188 657	146 229 231
Real estate	43 593 433	45 380 195
Tourism and leisure	30 107 347	5 491 700
Transport and communication	40 525 525	26 692 275
Others	18 392 500	69 117 885
Total credit risk exposure	**664 578 705**	**565 274 948**

7.7.6 Credit quality per class of financial assets

The table below shows maximum exposure to credit risk without taking into account any collateral. The maximum exposure is presented gross, before effect of mitigation through the use of master netting and collateral agreements.

		Consolidated		Separate	
USD	Note	2022	2021	2022	2021
Gross maximum exposure:					
Balances with central banks	9	98 090 204	100 554 768	–	–
Balances with other banks	9	99 661 776	115 660 862	2 897 440	9 099 531
Cash balances	9	40 591 050	46 364 552	–	–
Placements with other banks	9	142 152 602	45 816 070	–	–
Money market investments	10	213 937 021	282 590 070	–	–
Cheques in the course of clearing	9	3 655 776	358 858	–	–
Repurchase agreements	12	13 921 161	94 206 809	–	–
Loans and advances	11	664 578 705	565 274 948	–	–
Other assets		20 643 501	18 883 818	4 954 465	1 011 952
Total recognised financial assets		**1 297 231 796**	**1 269 710 755**	**7 851 905**	**10 111 483**
Letters of credit	50	68 547 144	40 415 220	–	–
Financial guarantees	50	103 318 775	94 315 697	6 168 340	12 366 122
Total unrecognised financial assets		**171 865 919**	**134 730 917**	**6 168 340**	**12 366 122**
Total credit risk exposure		**1 469 097 715**	**1 404 441 672**	**14 020 245**	**22 477 605**

Notes to the financial statements (continued)

For the year ended 31 December 2022

7 Risk management (continued)

7.7 ECL model governance (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

	Maximum credit risk exposure				ECL reconciliation			
2022 (USD)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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	7 811 984	–	–	7 811 984	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	213 937 021	–	–	213 937 021	1 747 980	–	–	1 747 980
REPURCHASE AGREEMENTS								
Repurchase agreements	13 921 161	–	–	13 921 161	2 280	–	–	2 280
Total	13 921 161	–	–	13 921 161	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	17 915 568	–	–	17 915 568	186	–	–	186
Total	20 643 501	–	–	20 643 501	186	–	–	186
Total on-balance sheet	1 230 965 694	47 933 466	18 332 636	1 297 231 796	4 825 925	3 589 231	6 202 508	14 617 664
GUARANTEES AND LETTERS OF CREDIT								
Financial guarantees	103 318 775	–	–	103 318 775	284 487	–	556 839	841 326
Letters of credit	68 547 144	–	–	68 547 144	57 263	1 456	371 226	429 945
Total	171 865 919	–	–	171 865 919	341 750	1 456	928 065	1 271 271

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

7.7 ECLmodel governance (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

	Maximum credit risk exposure				ECL reconciliation			
2021 (USD)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES TO CUSTOMERS								
Term loans	294 312 334	44 684 294	8 721 339	347 717 967	3 349 857	1 714 930	3 020 178	8 084 965
Mortgage loans	11 456 075	739 705	679 516	12 875 296	185 323	7 360	291 619	484 302
Overdraft	164 535 694	21 302 908	6 238 342	192 076 944	483 389	123 424	2 613 056	3 219 869
Finance leases	11 579 050	78 251	947 440	12 604 741	83 899	2 088	588 356	674 343
Total	481 883 153	66 805 158	16 586 637	565 274 948	4 102 468	1 847 802	6 513 209	12 463 479
CASH AND BALANCES WITH CENTRAL BANKS								
Deposits with central banks	100 554 768	–	–	100 554 768	2 401	–	–	2 401
Balances with other banks	115 660 862	–	–	115 660 862	30 835	–	–	30 835
Placements with other banks	45 816 070	–	–	45 816 070	3 263	–	–	3 263
Balances in the course of clearing with other banks	358 858	–	–	358 858	4 480	–	–	4 480
Cash balances	46 364 552	–	–	46 364 552	–	–	–	–
Total	308 755 110	–	–	308 755 110	40 979	–	–	40 979
MONEY MARKET INVESTMENTS						–		
Held at amortised cost								
Treasury bills	48 517 934	–	–	48 517 934	156 911	–	–	156 911
Placements with other banks	17 253 059	–	–	17 253 059	–	–	–	–
Government stocks	155 468 173	44 616 903	–	200 085 076	37 500	2 039 002	–	2 076 502
Held at fair value through other comprehensive income								
Treasury bills	16 734 001	–	–	16 734 001	84 915	–	–	84 915
Total	237 973 167	44 616 903	–	282 590 070	279 326	2 039 002	–	2 318 328
REPURCHASE AGREEMENTS								
Repurchase agreements	94 206 809	–	–	94 206 809	47 558	–	–	47 558
Total	94 206 809	–	–	94 206 809	47 558	–	–	47 558
OTHER ASSETS								
RBZ receivable for NOP support	8 253 833	–	–	8 253 833	335 317	–	–	335 317
Other receivables	10 629 985	–	–	10 629 985	287 713	–	–	287 713
Total	18 883 818	–	–	18 883 818	623 030	–	–	623 030
Total on-balance sheet	1 141 702 057	111 422 061	16 586 637	1 269 710 755	5 093 361	3 886 804	6 513 209	15 493 374
GUARANTEES AND LETTERS OF CREDIT								
Guarantees	92 153 408	2 136 757	25 532	94 315 697	103 868	48 350	25 532	177 750
Letters of credit	40 415 220	–	–	40 415 220	149 901	–	–	149 901
Total	132 568 628	2 136 757	25 532	134 730 917	253 769	48 350	25 532	327 651

Notes to the financial statements (continued)

For the year ended 31 December 2022

7 Risk management (continued)

7.7 ECL model governance (continued)

7.7.7 Exposure to credit risk (continued)

2022 (USD)	Loans and advances				Cash and balances with central banks			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening impairment as at 1 January 2022	4 102 468	1 847 802	6 513 209	12 463 479	40 979	–	–	40 979
Effects of changes in exchange rates and hyperinflation	(2 147 283)	(641 910)	(2 008 675)	(4 797 868)	–	–	–	–
Transfer between stages:								
Transfer (to)/from stage 1	348 971	(39 244)	(309 727)	–	–	–	–	–
Transfer (to)/from stage 2	72 744	33 925	(106 669)	–	–	–	–	–
Transfer (to)/from stage 3	51 505	35 710	(87 215)	–	–	–	–	–
Net impairments (raised)/released								
Net impairment charge during the year	1 198 816	2 352 948	5 441 897	8 993 661	(26 249)	–	–	(26 249)
Impaired accounts written off	–	–	(182 718)	(182 718)	–	–	–	–
Recoveries	(566 472)	–	(2 766 331)	(3 332 803)	–	–	–	–
Net movement on interest in suspense	–	–	(291 263)	(291 263)	–	–	–	–
Balance as at 31 December 2022	3 060 749	3 589 231	6 202 508	12 852 488	14 730	–	–	14 730

	Money market investments				Repurchase agreements			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening impairment as at 1 January 2022	279 326	2 039 002	–	2 318 328	47 558	–	–	47 558
Effects of changes in exchange rates and hyperinflation	686 534	(686 534)	–	–	–	–	–	–
Transfer between stages:								
Transfer (to)/from stage 1	1 352 468	(1 352 468)	–	–	–	–	–	–
Transfer (to)/from stage 2	–	–	–	–	–	–	–	–
Transfer (to)/from stage 3	–	–	–	–	–	–	–	–
Net impairments (raised)/released								
Net impairment movement during the year	(570 348)	–	–	(570 348)	(45 278)	–	–	(45 278)
Impaired accounts written off	–	–	–	–	–	–	–	–
Recoveries	–	–	–	–	–	–	–	–
Movement on interest in suspense	–	–	–	–	–	–	–	–
Balance as at 31 December 2022	1 747 980	–	–	1 747 980	2 280	–	–	2 280

	Other assets				Guarantees and letters of credit			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening impairment as at 1 January 2022	623 030	–	–	623 030	253 679	48 350	25 532	327 561
Effects of changes in exchange rates and hyperinflation	249 731	–	–	249 731	174 064	(47 090)	(126 884)	90
Transfer between stages:								
Transfer (to)/from stage 1	–	–	–	–	–	–	–	–
Transfer (to)/from stage 2	–	–	–	–	–	–	–	–
Transfer (to)/from stage 3	–	–	–	–	–	–	–	–
Net impairments (raised)/released								
Net impairment movement during the year	(662 844)	–	–	(662 844)	(85 993)	196	101 352	15 555
Impaired accounts written off	–	–	–	–	–	–	–	–
Recoveries	(209 731)	–	–	(209 731)	–	–	–	–
Balance as at 31 December 2022	186	–	–	186	341 750	1 456	–	343 206

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

7.7 ECL model governance (continued)

7.7.7 Exposure to credit risk (continued)

2021 (USD)	Loans and Advances Stage 1	Loans and Advances Stage 2	Loans and Advances Stage 3	Loans and Advances Total	Cash and balances with central banks Stage 1	Cash and balances with central banks Stage 2	Cash and balances with central banks Stage 3	Cash and balances with central banks Total
Opening impairment as at 1 January 2021	1 606 193	523 586	8 575 511	10 705 290	39 388	–	–	39 388
Effects of changes in exchange rates and hyperinflation	(424 730)	(199 740)	(3 383 085)	(4 007 555)	–	–	–	–
Transfer between stages:								
Transfer (to)/from stage 1	(416 217)	597 835	(181 618)	–	–	–	–	–
Transfer (to)/from stage 2	(92 035)	(1 216 189)	1 308 224	–	–	–	–	–
Transfer (to)/from stage 3	39 891	(34 097)	(5 794)	–	–	–	–	–
Net impairments (raised)/released								
Net impairment charge during the year	3 389 366	2 176 407	2 910 995	8 476 768	1 591	–	–	1 591
Recoveries	–	–	(2 711 024)	(2 711 024)	–	–	–	–
Balance as at 31 December 2021	4 102 468	1 847 802	6 513 209	12 463 479	40 979	–	–	40 979

2021 (USD)	Money market investments Stage 1	Money market investments Stage 2	Money market investments Stage 3	Money market investments Total	Repurchase agreements Stage 1	Repurchase agreements Stage 2	Repurchase agreements Stage 3	Repurchase agreements Total
Opening impairment as at 1 January 2021	1 187 170	–	–	1 187 170	50 138	–	–	50 138
Transfer between stages:								
Transfer (to)/from stage 1	–	–	–	–	–	–	–	–
Transfer (to)/from stage 2	–	–	–	–	–	–	–	–
Transfer (to)/from stage 3	–	–	–	–	–	–	–	–
Net impairments (raised)/released								
Net impairment movement during the year	(907 844)	2 039 002	–	1 131 158	(2 580)	–	–	(2 580)
Balance as at 31 December 2021	279 326	2 039 002	–	2 318 328	47 558	–	–	47 558

2021 (USD)	Other assets Stage 1	Other assets Stage 2	Other assets Stage 3	Other assets Total	Guarantees and letters of credit Stage 1	Guarantees and letters of credit Stage 2	Guarantees and letters of credit Stage 3	Guarantees and letters of credit Total
Opening impairment as at 1 January 2021	409 154	–	–	409 154	222 992	–	–	222 992
Effects of changes in exchange rates and hyperinflation	156 516	–	–	156 516	–	–	–	–
Transfer between stages:								
Transfer (to)/from stage 1	–	–	–	–	(18 140)	–	18 140	–
Transfer (to)/from stage 2	–	–	–	–	–	–	–	–
Transfer (to)/from stage 3	–	–	–	–	–	–	–	–
Net impairments (raised)/released								
Net impairment movement during the year	213 876	–	–	213 876	48 917	48 350	7 392	104 659
Recoveries	(156 516)	–	–	(156 516)	–	–	–	–
Balance as at 31 December 2021	623 030	–	–	623 030	253 769	48 350	25 532	327 651

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

7.8 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 include, 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 the depth of the market being one of the principal factors in determining the level of limits set. Sensitivity limits are to ensure that there is sufficient diversification of risk both across and within asset classes. During 2022, the Group only had foreign exchange in its trading book. 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.

7.9 Interest rate risk

Interest rate gap analysis

The tables below summarise the exposure to interest rate risk as at 31 December 2022. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Group does not bear an interest rate risk on unrecognised financial instruments.

Consolidated

2022 (USD)	Non interest sensitive	Overnight	0-1 month	1-3 months	3-6 months	6-9 months	9-12 months	Over 12 months	Total
Financial assets	169 856 655	189 122 589	294 610 799	160 559 695	30 631 677	19 859 997	90 277 263	317 568 871	1 272 487 546
Financial liabilities	382 582 111	199 513 648	240 687 108	84 291 892	55 746 588	44 992 550	12 755 819	159 348 069	1 179 917 785
Interest sensitivity gap	(212 725 456)	(10 391 059)	53 923 691	76 267 803	(25 114 911)	(25 132 553)	77 521 444	158 220 802	92 569 761
2021 (USD)									
Financial assets	18 883 818	386 798 163	352 914 445	111 230 471	83 152 312	32 410 658	64 305 865	274 292 487	1 323 988 219
Financial liabilities	141 562 837	397 407 452	131 167 482	159 603 348	70 043 228	62 888 165	44 082 500	182 669 579	1 189 424 591
Interest sensitivity gap	(122 679 019)	(10 609 289)	221 746 963	(48 372 877)	13 109 084	(30 477 507)	20 223 365	91 622 908	134 563 628

The effective interest rates for the principal financial assets and liabilities at 31 December 2022 were:

%	2022 Interest rate percentage range	2021 Interest rate percentage range
ASSETS		
Government securities	1 – 110	1 – 22
Deposits with banking institutions	1 – 110	1 – 16
Loans and advances to customers	6.5 – 200	6.5 – 60
LIABILITIES		
Customer deposits	0.10 – 80	0.15 – 10
Loans payable	1 – 9.2	8 – 9
Preference shares	5 – 9	5 – 8

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

7.9 Interest rate risk (continued)

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.

USD	2022 Change in NII	% contribution	2021 Change in NII	% contribution
NII Impact per country				
Botswana	**827 123**	**14**	456 648	9
Malawi	**1 390 463**	**24**	414 103	8
Mozambique	**541 305**	**9**	390 258	8
Zambia	**1 172 538**	**20**	308 097	6
Zimbabwe	**1 950 351**	**33**	3 465 250	69
Total	**5 881 780**	**100**	5 034 356	100

7.10 Equity risk

The value of investments in equity instruments held by FCB Malawi and carried at FVTPL as at 31 December 2022 and 2021 were as follows:

USD	2022	2021
Fair value of investments at FVTPL	**4 610 875**	6 615 485
Increase in fair value during the year	**3 679 303**	2 679 234
Impact on profit of:		
Increase of share price by 10%	**461 088**	661 549
Decrease of share price by 10%	**(461 088)**	(661 549)

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

7 Risk management (continued)

7.11 Liquidity risk (continued)

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.

The contractual liquidity gap analysis as at 31 December 2022 is given below:

Consolidated

2022 (USD)	Carrying amount	Gross nominal amount	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 12 months
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**
Money market investments	**212 189 041**	**233 428 487**	**22 003 400**	**19 445 068**	**15 358 350**	**70 617 032**	**106 004 637**
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**
Repurchase agreements	**13 918 881**	**13 918 879**	**9 821 220**	**1 331 136**	**922 175**	**922 175**	**922 173**
Other asset balances	**20 643 315**	**20 643 501**	**7 916 864**	**6 816 000**	**5 910 637**	**–**	**–**
Total assets	**1 282 614 132**	**1 359 140 376**	**476 437 118**	**149 832 613**	**76 065 637**	**140 644 312**	**516 160 696**
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**
Balances due to other banks	**47 647 347**	**49 267 045**	**35 999 244**	**6 087 243**	**5 642 097**	**1 538 461**	**–**
Other liability balances	**46 484 050**	**50 493 084**	**5 005 386**	**641 676**	**740 033**	**19 096 379**	**25 009 610**
Total liabilities	**1 133 201 363**	**1 187 971 787**	**454 757 503**	**199 416 091**	**248 140 791**	**200 624 497**	**85 032 905**
Net liquidity gap			**21 679 615**	**(49 583 478)**	**(172 075 154)**	**(59 980 185)**	**431 127 791**
Cumulative liquidity gap			**21 679 615**	**(27 903 863)**	**(199 979 017)**	**(259 959 202)**	**171 168 589**

2021 (USD)	Carrying amount	Gross nominal amount	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 12 months
ASSETS							
Cash and balances with central banks	308 714 131	310 411 928	277 043 509	7 276 950	7 103 197	10 833 580	8 154 692
Money market investments	280 271 742	294 866 095	38 907 718	51 548 030	27 448 985	86 626 234	90 335 128
Loans and advances to customers	552 811 469	588 466 395	21 658 798	67 249 628	77 869 926	139 602 942	282 085 101
Repurchase agreements	94 159 251	96 143 219	49 363 938	20 101 156	–	26 678 125	–
Other asset balances	18 883 818	18 883 818	18 883 818	–	–	–	–
Total assets	1 254 840 411	1 308 771 455	405 857 781	146 175 764	112 422 108	263 740 881	380 574 921
LIABILITIES							
Customer deposits	887 233 383	928 743 247	105 903 638	162 370 318	191 275 158	303 836 447	165 357 686
Balances due to other banks	209 385 951	212 114 971	122 746 392	66 144 508	797 341	6 529 730	15 897 000
Other liability balances	39 518 352	39 518 352	39 518 352	–	–	–	–
Total liabilities	1 136 137 686	1 180 376 570	268 168 382	228 514 826	192 072 499	310 366 177	181 254 686
Undrawn approved facilities			72 780 300	–	–	–	–
Net liquidity gap			64 909 099	(82 339 062)	(79 650 391)	(46 625 296)	199 320 235
Cumulative liquidity gap			64 909 099	(17 429 963)	(97 080 354)	(143 705 650)	55 614 585

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

7.12 Foreign exchange risks

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

During 2022, the Group only had foreign exchange risk in its trading book. 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. The net open foreign currency position (NOP) of the Group is set out below:

	Consolidated			
USD	NOP	Risk position	Stress factor	Risk measure
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**
2021				
EUR	1 636 276	1 636 276	29%	473 662
GBP	3 262 429	3 262 429	15%	475 449
USD	21 323 201	21 323 201	13%	2 668 973
ZAR	1 347 195	1 347 195	13%	181 323
Others	306 012	306 012	26%	79 732
Total	27 875 113	27 875 113		3 879 139

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 i.e. 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.

7.13 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 respective Central Banks in the jurisdictions we operate as a financial institution.
- 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, Bank of Botswana, Banco de Moçambique, Bank of Zambia and The Reserve Bank of Zimbabwe 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 as stipulated by the respective central banks which takes into account the risk profile of the Group. The Group's regulatory capital is managed by the Group Risk and Finance departments in conjunction with the subsidiary ALM and Board Risk Committees, 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 considering a medium- to long-term horizon.

Notes to the financial statements (continued)

for the year ended 31 December 2022

7 Risk management (continued)

7.13 Capital management (continued)

Country	Metric	2022 Tier 1 Capital	2022 Total Capital	2021 Tier 1 Capital	2021 Total Capital
Botswana	Minimum requirement %	**7.5%**	**12.5%**	7.5%	12.5%
	Actual %	**13.5%**	**19.3%**	10.3%	16.4%
	Absolute minimum requirement (USD'000)		**37 543**		42 645
	Actual (USD'000)	**40 549**	**58 093**	34 108	54 186
Malawi	Minimum requirement %	**10.0%**	**15.0%**	10.0%	15.0%
	Actual %	**16.6%**	**20.9%**	18.4%	22.7%
	Absolute minimum requirement (USD'000)		**41 918**		12 281
	Actual (USD'000)	**46 302**	**58 358**	45 961	56 858
Mozambique	Minimum requirement %	**10.0%**	**12.0%**	10.0%	12.0%
	Actual %	**20.1%**	**22.8%**	27.6%	27.6%
	Absolute minimum requirement (USD'000)		**26 617**		26 633
	Actual (USD'000)	**24 173**	**27 487**	22 957	23 404
Zambia	Minimum requirement %	**5.0%**	**10.0%**	5.0%	10.0%
	Actual %	**17.6%**	**17.6%**	18.5%	18.5%
	Absolute minimum requirement (USD'000)		**12 627**		9 958
	Actual (USD'000)	**22 164**	**22 164**	17 520	17 520
Zimbabwe	Minimum requirement %	**8.0%**	**12.0%**	8.0%	12.0%
	Actual %	**23.8%**	**34.1%**	29.9%	36.6%
	Absolute minimum requirement (USD'000)		**30 000**		30 000
	Actual (USD'000)	**42 289**	**60 622**	64 799	84 382

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.

7.14 Overall application of the going concern principle given uncertainties presented by Covid-19 pandemic and the Russo-Ukraine conflict

Overall application of the going concern principle given uncertainties presented by Covid-19 pandemic during 2022 and 2021 and the Russo-Ukraine conflict during 2022.

The Directors have reviewed the Group's budgets and flow of funds forecasts. The Board of Directors has 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 the Russo-Ukraine conflict (the Covid-19 pandemic in 2021, which has now become endemic) 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 the 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 2022

8 Fair value

8.1 Fair value of financial instruments not held at fair value
The disclosed fair value of these financial assets and liabilities measured at amortised cost approximate their carrying value because of their short-term nature except for loans, advances and leases which are at variable interest rates.

		Consolidated					
USD	Note	Financial assets at FVTPL	Financial assets at amortised cost	Financial assets at FVOCI	Financial liabilities at amortised cost	Total carrying amount	Fair values
31 DECEMBER 2022							
Financial assets							
Cash and balances with central banks	9	–	384 136 678	–	–	384 136 678	384 136 678
Money market investments	10	–	212 189 041	–	–	212 189 041	212 189 041
Loans and advances to customers	11	–	651 726 217	–	–	651 726 217	651 726 217
Repurchase agreements	12	–	13 918 881	–	–	13 918 881	13 918 881
Investments at FVOCI	16	–	–	5 905 854	–	5 905 854	5 905 854
Other assets	19	–	20 643 501	–	–	20 643 501	20 643 501
Investments at FVTPL	15	4 610 875	–	–	–	4 610 875	4 610 875
		4 610 875	1 282 614 318	5 905 854	–	1 293 131 047	1 293 131 047
Financial liabilities							
Balances due to other banks	25	–	–	–	47 647 347	47 647 347	47 647 347
Customer deposits	26	–	–	–	1 039 069 966	1 039 069 966	1 039 069 966
Other payables	27	–	–	–	46 716 422	46 716 422	46 716 422
Lease liabilities	22	–	–	–	6 571 505	6 571 505	6 571 505
Subordinated debt	30	–	–	–	12 446 592	12 446 592	12 446 592
Loans payable	29	–	–	–	16 679 206	16 679 206	16 679 206
Convertible preference shares	29	–	–	–	10 786 747	10 786 747	10 786 747
		–	–	–	1 179 917 785	1 179 917 785	1 179 917 785
31 DECEMBER 2021							
Financial assets							
Cash and balances with central banks	9	–	308 714 131	–	–	308 714 131	308 714 131
Money market investments	10	–	280 271 742	–	–	280 271 742	280 271 742
Loans and advances to customers	11	–	552 811 469	–	–	552 811 469	552 811 469
Repurchase agreements	12	–	94 159 251	–	–	94 159 251	94 159 251
Investments at FVOCI	16	–	–	5 301 985	–	5 301 985	5 301 985
Other assets	19	–	18 883 818	–	–	18 883 818	18 883 818
Investments at FVTPL	15	6 615 485	–	–	–	6 615 485	6 615 485
		6 615 485	1 254 840 411	5 301 985	–	1 266 757 881	1 266 757 881
Financial liabilities							
Balances due to other banks	25	–	–	–	209 385 951	209 385 951	209 385 951
Customer deposits	26	–	–	–	887 233 383	887 233 383	887 233 383
Other payables	27	–	–	–	32 779 088	32 779 088	32 779 088
Lease liabilities	22	–	–	–	6 341 210	6 341 210	6 341 210
Subordinated debt	30	–	–	–	16 012 218	16 012 218	16 012 218
Loans payable	29	–	–	–	17 164 924	17 164 924	17 164 924
Convertible preference shares	29	–	–	–	10 786 747	10 786 747	10 786 747
		–	–	–	1 179 703 521	1 179 703 521	1 179 703 521

Notes to the financial statements (continued)

for the year ended 31 December 2022

8 Fair value (continued)

8.2 Fair values of financial instruments

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 or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: 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 have been assessed at a business unit and Group level to determine the impact that the market volatility has had on the fair value measurements of instruments held.

	Consolidated					
	2022			2021		
Fair Value Hierarchy (USD)	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial asset						
Investment at FVTPL	**4 610 875**	**–**	**–**	6 615 485	–	–
Investment at FVOCI	**–**	**–**	**5 905 854**	–	–	5 301 985
Treasury bills measured at FVOCI	**–**	**6 786 282**	**–**	–	16 734 001	–

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

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

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 2022

9 Cash and balances with central banks

	Consolidated		Separate	
USD	**2022**	2021	**2022**	2021
Deposits with central banks	**98 090 204**	100 554 768	**–**	–
Balances with other banks	**99 661 776**	115 660 862	**2 897 440**	9 099 531
Placements with other banks	**142 152 602**	45 816 070	**–**	–
Balances in the course of clearing with other banks	**3 655 776**	358 858	**–**	–
Cash balances	**40 591 050**	46 364 552	**–**	–
Total before expected credit loss	**384 151 408**	308 755 110	**2 897 440**	9 099 531
Expected credit loss	**(14 730)**	(40 979)	**–**	–
Total cash and cash equivalents	**384 136 678**	308 714 131	**2 897 440**	9 099 531

Deposits with central banks are inclusive of liquidity reserve requirements, and these liquidity reserve requirements are not available for the Group's operating activities and, further, do not attract interest. As at 31 December 2022 cash held for liquidity reserving requirements was USD 60.18 million. Other cash and cash equivalents with other banks earn interest between 0% – 22% (2021: 0% – 18%). Placements with other banks classified as cash and cash equivalents have a tenor of less than 3 months.

10 Money market investments

	Consolidated	
USD	**2022**	2021
Held at amortised cost		
Treasury bills	**62 429 691**	48 517 934
Placements with other banks	**7 811 984**	17 253 059
Government promissory notes	**114 399 966**	–
Corporate bonds	**10 937 713**	–
Government stocks	**11 571 385**	200 085 076
Held at fair value through other comprehensive income		
Treasury bills	**6 786 282**	16 734 001
Total before expected credit losses	**213 937 021**	282 590 070
Expected credit loss	**(1 747 980)**	(2 318 328)
Total money market investments	**212 189 041**	280 271 742
Movement during the year was as follows:		
As at 1 January	**282 590 070**	180 682 213
Effect of changes in exchange rate and hyperinflation	**(56 479 132)**	4 286 818
Fair value loss on treasury bills at FVOCI	**(209 597)**	–
Net (maturities)/purchases	**(11 964 320)**	97 621 039
As at 31 December	**213 937 021**	282 590 070
EXPECTED CREDIT LOSSES		
Balance at 1 January	**(2 318 328)**	(1 187 170)
Effect of changes in exchange rate and hyperinflation	**–**	–
Credit/(charge) for the year (Note 48)	**570 348**	(1 131 158)
Balance at 31 December	**(1 747 980)**	(2 318 328)
Total money market investments	**212 189 041**	280 271 742

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 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 2022

11 Loans and advances to customers

	Consolidated	
USD	2022	2021
Loans and advances to customers is made up of:		
Term loans	**445 494 607**	347 717 967
Mortgage loans	**22 951 882**	12 875 296
Overdraft	**182 413 363**	192 076 944
Finance leases**	**13 718 853**	12 604 741
Gross carrying amount of loans and advances to customers	**664 578 705**	565 274 948
Loans and advances at amortised cost are receivable as follows:		
Maturing within 3 months	**155 515 950**	190 539 144
Maturing between 3 and 12 months	**154 848 065**	108 166 739
Maturing after 12 months	**354 214 690**	266 569 065
Gross carrying amount of loans and advances to customers	**664 578 705**	565 274 948
EXPECTED CREDIT LOSSES		
Stage 1 Allowances		
Balance at 1 January	**(4 102 468)**	(2 915 021)
Effect of changes in exchange rate and hyperinflation	**1 321 678**	729 130
Charge for the year (Note 48)	**(279 959)**	(1 916 577)
Balance at 31 December	**(3 060 749)**	(4 102 468)
Stage 2 Allowances		
Balance at 1 January	**(1 847 802)**	(1 215 541)
Effect of changes in exchange rate and hyperinflation	**(505 910)**	771 763
Charge the year (Note 48)	**(1 235 519)**	(1 404 024)
Balance at 31 December	**(3 589 231)**	(1 847 802)
Stage 3 Allowances		
Balance at 1 January	**(6 513 209)**	(6 574 728)
Charge for the year (Note 48)	**(3 217 315)**	(2 445 143)
Provision increase offset against fees and commission income	**(43 014)**	389 111
Movement in suspense accounts	**(291 263)**	–
Effect of changes in exchange rate and hyperinflation	**316 952**	1 937 108
Write offs	**3 545 341**	180 443
Balance at 31 December	**(6 202 508)**	(6 513 209)
Net loans and advances to customers	**651 726 217**	552 811 469

**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 48. Loans, lease receivables and advances by industry/sector have been disclosed in Note 7.7. 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 2022

12 Repurchase agreements

USD	2022	2021
As at 1 January	94 206 809	57 251 400
Movement during the year was as follows:		
Additions	798 472 778	912 928 104
Maturities	(887 897 046)	(875 934 595)
Effect of changes in exchange rate	9 138 620	(38 100)
Gross carrying amount as at 31 December	13 921 161	94 206 809
Expected credit losses	(2 280)	(47 558)
Net carrying amount as at 31 December	13 918 881	94 159 251
Funds under currency swap: Split by Currency		
United States Dollars (USD)	8 041 161	73 838 015
Euro (EUR)	5 880 000	20 368 794
Gross carrying amount as at 31 December	13 921 161	94 206 809

The corresponding liability under the above currency swap arrangements has been disclosed in Note 25 as part of balances due to other banks. Maturity profile of Repurchase agreements has been disclosed in note 7.11 Liquidity risk.

13 Current tax

13.1 Current tax expense

	Consolidated		Separate	
USD	2022	2021	2022	2021
Current year tax based on profits	23 146 869	21 969 464	–	–
Changes in income tax estimates related to prior year	(2 080 735)	(1 632 112)	–	
Dividend tax	1 691 878	806 304	1 691 878	806 304
Origination and reversal of temporary differences (Note 24)	3 146 093	(2 491 534)	–	–
Income tax expense	25 904 105	18 652 122	1 691 878	806 304

13.2 Reconciliation of effective tax rate

	Consolidated 2022	Consolidated 2021	Separate 2022	Separate 2021
	15.0%	15.0%	15.0%	5.0%
Foreign companies tax differential	16.7%	16.7%	–	–
Non-deductible expenses	9.2%	10.1%	8.3%	10.1%
Tax exempt income	(11.1%)	(10.2%)	(10.9%)	(9.0%)
Effective tax rate	29.7%	31.6%	12.4%	16.1%

13.3 Current tax (asset)/liabilities

	Consolidated 2022	Consolidated 2021	Separate 2022	Separate 2021
As at 1 January	1 706 826	2 389 596	–	–
Charges for the year	23 146 869	21 969 464	–	–
Dividend tax	1 691 878	806 304	1 691 878	806 304
Effect of changes in exchange rate and hyperinflation	(4 368 424)	867 547	–	–
Changes in income tax estimates related to prior year	(2 080 735)	(1 632 112)		
Paid during the year	(18 724 250)	(22 693 973)	(1 691 878)	(806 304)
As at 31 December	1 372 164	1 706 826	–	–

Current tax asset/liabilities are presented as follows in the statements of financial position.

	Consolidated		Separate	
USD	2022	2021	2022	2021
Current tax asset	(2 375 378)	(856 840)	–	–
Current tax liabilities	3 747 542	2 563 666	–	–
	1 372 164	1 706 826	–	–

Notes to the financial statements (continued)

For the year ended 31 December 2022

13 Current tax (continued)

13.4 Statutory tax rate

Statutory tax rates for territories in the Group are as follows*

	2022	2021
Botswana	**22.00%**	22.0%
Malawi***	**30.00%**	30.0%
Mozambique	**32.00%**	32.0%
Mauritius	**15.00%**	15.0%
Zambia	**30.00%**	35.0%**
Zimbabwe	**24.72%**	24.72%

* 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.

** The statutory tax rate for Zambia was decreased from 35% to 30% with effect from November 2021.

*** With effect from May 2023, all taxable profits in excess of Malawian Kwacha 10 billion will be subject to 40%, whereas the first Malawian Kwacha 10 billion will continue to be taxed at 30%.

14 Assets held for sale

	Consolidated	
USD	2022	2021
As at 1 January	**342 971**	2 656 478
Property repossessed during the year	**55 217**	–
Impairment loss (Note 41)	**–**	(1 193 727)
Disposal of assets held	**–**	(884 910)
Effect of changes in exchange rates	**(34 956)**	(234 870)
Transfer to property and equipment (Note 23)	**(230 510)**	–
Carrying amount as at 31 December	**132 722**	342 971

Assets held for sale include:

- FCB Mozambique holds properties valued at USD 420 255 repossessed from borrowers following their failure to repay advanced loans. The Group is actively seeking buyers for these repossessed properties.
- Certain properties acquired by FCB Malawi on its acquisition of Opportunity International Bank of Malawi Limited (OIBM). Disposal of these assets did not materialise during the period originally envisaged. As a result, these assets were classified to property and equipment during the year (Note 23).

The Group has assessed the carrying value of the above assets. The Group has also assessed that the sale of these assets is highly probable.

15 Investments at fair value through profit or loss

	Consolidated	
	2022	2021
Shares held (numbers)		
Illovo Sugar (Malawi) Plc	**8 665 541**	12 915 541
National Investment Trust Plc*	**–**	20 889 343
Telekom Networks Malawi Plc	**4 304 286**	4 304 286
Share Price (cents)		
Illovo Sugar (Malawi) Plc	**0.53**	0.33
National Investment Trust Plc*	**–**	0.11
Telekom Networks Malawi Plc	**0.01**	0.02
Market Value (USD)		
Illovo Sugar (Malawi) Plc	**4 560 411**	4 203 451
National Investment Trust Plc*	**–**	2 308 952
Telekom Networks Malawi Plc	**50 464**	103 082
Total investments at FVTPL	**4 610 875**	6 615 485
Movement during the year		
Balance at 1 January	**6 615 485**	4 910 113
Sale of investments at FVTPL	**(4 545 180)**	(721 253)
Effect of changes in exchange rate	**(1 138 733)**	(252 609)
Movement in fair value (Note 41)	**3 679 303**	2 679 234
Total investments at FVTPL	**4 610 875**	6 615 485

* First Capital Bank Malawi Plc's holdings in National Investment Trust Plc were disposed of in full during the year ended 31 December 2022. All investments in listed companies are listed on the Malawi Stock Exchange and are designated at FVTPL upon initial recognition.

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.

Notes to the financial statements (continued)

for the year ended 31 December 2022

16 Investments at fair value through other comprehensive income

USD	Consolidated 2022	Consolidated 2021
Movement during the year		
As at January	**5 301 985**	699 299
Effect of changes in exchange rate and hyperinflation	**204 446**	13 854
Fair value gain	**399 423**	4 588 832
Equity instruments	**5 905 854**	5 301 985
Represented by		
Investment in Zimswitch Technologies Private Limited and SWIFT messaging services	**5 806 785**	5 202 853
Investment in Sociedade Interbancária de Moçambique (SIMO)	**99 069**	99 132
Total equity instruments	**5 905 854**	5 301 985

Equity instruments are measured at FVOCI and are held to collect contractual cash flows and to sell if the need arises and therefore accounted for at FVOCI. The Group has no intention to dispose of the investments at the moment. 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 Limited. 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 SIMO investment has therefore been measured at cost and has been assessed for impairment, and no impairment was noted. The investment in SWIFT messaging services is included in the Zimswitch valuation and is subject to the same valuation considerations, assumptions and outcomes.

17 Investments in subsidiary companies

	Nature of Business	Type of Investment	Holding % 2022	Holding % 2021	USD 2022	USD 2021
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
Movements during the year were as follows						
Opening balance					**141 385 697**	137 666 463
Subscription of shares for cash					**–**	250 000
Conversion of loan into investment					**–**	3 469 234
Total investments in subsidiary companies					**141 385 697**	141 385 697

Notes to the financial statements (continued)

for the year ended 31 December 2022

18 Investment in joint venture

	Consolidated	
USD	**2022**	2021
Group's interest in joint venture		
At beginning of year	**11 875 000**	11 933 118
Effect of changes in exchange rate and hyperinflation	**–**	2 391 268
Share of profit in joint venture	**4 423 662**	14 222 205
Dividends received during the year	**–**	(165 943)
Impairment loss on investment in joint venture	**(718 662)**	(16 505 648)
Carrying amount of investment as at 31 December	**15 580 000**	11 875 000

The Group owns 50% interest in Makasa Sun (Private) Limited through its subsidiary FCB Zimbabwe which is classified as a joint venture. The joint venture owns a hotel in Victoria Falls, Zimbabwe, which is classified as an investment property. 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 in USD. Given the limited market for properties of this nature an impairment provision has been made to reflect the value of the Group's 50% interest. The net assets of the joint venture exclusive of investment property, and the related effect of changes in exchange rate and hyperinflation were measured, and assessed to be negligible for separate disclosure. The same were classified with impairment losses on investment in joint ventures.

Summary financial information of Makasa Sun (Private) Limited (inflation adjusted):

USD	**2022**	2021
Revenue	**1 080 918**	1 062 593
Fair value gain on investment property	**8 276 164**	29 162 704
Profit for the year	**8 847 323**	28 444 410
Total comprehensive income	**8 847 323**	28 444 410
Non-current assets	**40 565 496**	59 405 981
Current assets	**678 736**	447 621
Non-current liabilities	**(2 028 275)**	(2 970 295)
Current liabilities	**(51 833)**	(18 529)

The above summarised information has been extracted from the financial statements of Makasa Sun (Private) Limited which are hyper-inflation adjusted amounts and presented in its functional currency – Zimbabwean dollars (ZWL$) and includes the fair value of the property as determined in ZWL$. The Group's functional currency is USD and as a result the Group adjusted the fair value as indicated above.

Notes to the financial statements (continued)

for the year ended 31 December 2022

19 Other assets

	Consolidated		Separate	
USD	2022	2021	2022	2021
Prepayments	5 756 656	3 752 665	486 813	424 039
Stock of stationery, computer spares and other items	661 435	355 127	–	–
Card security deposit and settlement balances	2 350 818	2 315 533	–	–
Customer funds receivable from foreign currency auction	377 115	9 659 520	–	–
Retentions for letters of credit	–	26 778	–	–
RBZ receivable for NOP support	–	8 253 833	–	–
Loan receivable from subsidiary	–	–	3 300 000	–
Other receivables	17 915 568	10 629 985	1 654 465	1 011 952
Gross balance	27 061 592	34 993 441	5 441 278	1 435 991
Expected credit loss	(186)	(623 030)	–	–
Total other assets	27 061 406	34 370 411	5 441 278	1 435 991
Current	22 190 505	28 592 353	2 141 278	1 435 991
Non-current	4 870 901	5 778 058	3 300 000	–
Total other assets	27 061 406	34 370 411	5 441 278	1 435 991

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.

Other receivables include prepaid staff benefits and amounts due from subsidiaries for the separate Company. 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.

The subordinated debt (nominal value USD 3 300 000) was issued by FCB Mozambique during the year 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. FC Mozambique has an early redemption option subject to approval by Banco de Mozambique.

The Reserve Bank of Zimbabwe (RBZ) receivable of USD 8.2 million related to the foreign currency commitment by the central bank to provide cash flows to cover USD 15.7 million net open position which arose after separation of RTGS and foreign currency balances. The receivable was fully recovered during the year through treasury bills issued by RBZ.

Maturity profile of Other assets has been disclosed in note 7.11 Liquidity risk.

Notes to the financial statements (continued)

for the year ended 31 December 2022

20 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	2022	2021
At fair value		
Balance as at 1 January	4 700 000	4 699 902
Transfer from property and equipment (Note 23)	100 000	–
Transfer to property and equipment (Note 23)	–	(1 499 125)
Effect of changes in exchange rate and hyperinflation	–	1 051 428
Change in fair value	–	447 795
Balance as at 31 December	4 800 000	4 700 000

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.

21 Intangible assets

Computer software

	Consolidated		Separate	
USD	2022	2021	2022	2021
COST				
As at 1 January	21 490 084	19 900 321	3 264 365	2 369 886
Transfer from property and equipment (Note 23)	110 709	859 636	–	–
Additions	2 682 979	1 335 983	2 267 585	894 479
Disposals	–	(4 597)	–	–
Effect of changes in exchange rate and hyperinflation	(3 072 164)	(601 259)	–	–
As at 31 December	21 211 608	21 490 084	5 531 950	3 264 365
ACCUMULATED AMORTISATION				
As at 1 January	(11 672 641)	(9 900 369)	(949 576)	(529 029)
Effect of changes in exchange rate and hyperinflation	1 252 133	422 172	–	–
Transfer from property and equipment (Note 23)	(26 247)	(69)	–	–
Disposals	–	1 633	–	–
Charge for the year (Note 46)	(2 513 639)	(2 196 008)	(659 636)	(420 547)
As at 31 December	(12 960 394)	(11 672 641)	(1 609 212)	(949 576)
Carrying amount as at 31 December	8 251 214	9 817 443	3 922 738	2 314 789

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 entity and are separately identifiable. Transfers of USD 110 709 were from capital work in progress for software development.

FMBcapital HOLDINGS plc

Notes to the financial statements (continued)

for the year ended 31 December 2022

22 Leases

USD	Consolidated 2022	Consolidated 2021	Separate 2022	Separate 2021
RIGHT-OF-USE ASSET				
Balance at the beginning of the year	**5 823 944**	7 699 382	**117 941**	112 269
Additions	**4 332 615**	1 997 055	**–**	30 568
Disposals	**(2 158 828)**	–	**–**	–
Depreciation charge (Note 46)	**(453 332)**	(1 712 652)	**(76 041)**	(24 896)
Effect of changes in exchange rate and hyperinflation	**(951 602)**	(2 159 841)	**–**	–
Carrying amount at 31 December	**6 592 797**	5 823 944	**41 900**	117 941
LEASE LIABILITIES				
Maturity analysis – contractual undiscounted cash flows				
Less than one year	**2 223 674**	1 029 071	**40 536**	61 142
One to five years	**3 116 767**	5 453 352	**22 767**	86 100
More than five years	**1 649 865**	1 092 628	**–**	–
Total undiscounted contractual cash flows as at 31 December	**6 990 306**	7 575 051	**63 303**	147 242
Lease liabilities included in statement of financial position				
Current	**3 300 908**	2 112 971	**40 536**	58 230
Non-current	**3 270 597**	4 228 239	**22 767**	80 095
Carrying amount at 31 December	**6 571 505**	6 341 210	**63 303**	138 325
Amounts recognised in profit or loss				
Interest on lease liability (Note 39.2)	**343 417**	623 177	**4 029**	9 714
Expenses – short-term low value leases	**1 121 898**	160 350	**–**	–
Depreciation charge (Note 46)	**453 332**	1 712 652	**76 041**	24 896
	1 918 647	2 496 179	**80 070**	34 610

	Consolidated			
USD	**Leased property**	**Leasehold improvements**	**Motor vehicles**	**Total**
2022				
Balance as at 1 January	**5 823 944**	**–**	**–**	**5 823 944**
Additions	**4 332 615**	**–**	**–**	**4 332 615**
Disposals	**(2 158 828)**	**–**	**–**	**(2 158 828)**
Depreciation (Note 46)	**(453 332)**	**–**	**–**	**(453 332)**
Effects of changes in exchange rate and hyperinflation	**(951 602)**	**–**	**–**	**(951 602)**
Carrying amount as at 31 December 2022	**6 592 797**	**–**	**–**	**6 592 797**
2021				
Balance as at 1 January	7 587 114	17 762	94 506	7 699 382
Additions	1 997 055	–	–	1 997 055
Depreciation (Note 46)	(1 600 384)	(17 762)	(94 506)	(1 712 652)
Effects of changes in exchange rate and hyperinflation	(2 159 841)	–	–	(2 159 841)
Carrying amount as at 31 December 2021	5 823 944	–	–	5 823 944

Notes to the financial statements (continued)

for the year ended 31 December 2022

23 Property and equipment

Consolidated

2022 (USD)	Freehold property	Leasehold improve-ments	Motor vehicles	Corporate aircraft	Motor vehicles – operating lease	Equipment, fixtures and fittings	Capital work in progress	Consolidated total
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 hyperinflation	**(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 (to)/from investment property (Note 20)	**(100 000)**	**–**	**–**	**–**	**–**	**–**	**–**	**(100 000)**
Transfers to intangible assets (Note 21)	**53 547**	**775 631**	**213 206**	**–**	**–**	**457 954**	**(1 611 047)**	**(110 709)**
Transfer from assets held for sale (Note 14)	**–**	**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 (Note 46)	**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)**
Transfer to intangible assets (Note 21)	**–**	**–**	**–**	**–**	**–**	**(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)**
Reversed on revaluation	**(560 162)**	**(66 135)**	**–**	**–**	**–**	**–**	**–**	**(626 297)**
Balance at 31 December 2022	**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.

Consolidated

2021 (USD)	Freehold property	Leasehold improve-ments	Motor vehicles	Corporate aircraft	Motor vehicles – operating lease	Equipment, fixtures and fittings	Capital work in progress	Consolidated total
COST OR VALUATION								
Balance at 1 January 2021	29 319 700	9 995 906	4 577 682	1 811 168	547 256	23 018 686	2 324 013	71 594 411
Additions	1 475 760	704 621	1 023 361	–	–	3 005 087	704 169	6 912 998
On acquisition of subsidiary	3 950 278	–	–	–	–	–	–	3 950 278
Fair value loss on owner occupied property	(3 364 777)	–	–	–	–	–	–	(3 364 777)
Effect of changes in exchange rate	4 802 348	(152 645)	294 226	–	–	702 761	(11 660)	5 635 030
Disposals	(108 880)	(289 853)	(469 901)	–	(517 405)	(273 749)	–	(1 659 788)
Transfers from/(to) investment property (Note 20)	1 267 550	–	–	–	–	–	231 575	1 499 125
Transfers to intangible assets (Note 21)	98 649	578 991	301 096	–	–	433 838	(2 272 210)	(859 636)
Balance at 31 December 2021	37 440 628	10 837 020	5 726 464	1 811 168	29 851	26 886 623	975 887	83 707 641
ACCUMULATED DEPRECIATION								
Balance at 1 January 2021	368 044	1 834 834	3 706 754	325 491	501 307	16 459 367	–	23 195 797
Charge for the year (Note 46)	726 078	455 713	595 808	102 732	19 535	2 433 757	–	4 333 623
Released on disposal	–	(32)	(369 179)	–	(493 497)	(95 116)	–	(957 824)
Transfers	–	–	–	–	–	(69)	–	(69)
Effect of changes in exchange rate and hyperinflation	(305 931)	(144 012)	282 983	325 491	2 506	1 177 101	–	1 338 138
Balance at 31 December 2021	788 191	2 146 503	4 216 366	753 714	29 851	19 975 040	–	27 909 665
Carrying amount								
At 31 December 2021	36 652 437	8 690 517	1 510 098	1 057 454	–	6 911 583	975 887	55 797 976
At 31 December 2020	28 951 656	8 161 072	870 928	1 485 677	45 949	6 559 320	2 324 013	48 398 614

* 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.

Notes to the financial statements (continued)

for the year ended 31 December 2022

23 Property and equipment (continued)

USD	Separate Motor vehicles	Equipment, fixtures and fittings	Total
COST			
Balance at 1 January 2022	–	1 191 355	1 191 355
Additions	–	390 598	390 598
Disposals		(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 (Note 46)	–	210 692	210 692
Balance at 31 December 2022	–	784 811	784 811
Carrying amount at 31 December 2022	–	785 591	785 591
COST			
Balance at 1 January 2021	142 045	1 193 855	1 335 900
Disposal	(142 045)	(2 500)	(144 545)
Balance at 31 December 2021	–	1 191 355	1 191 355
ACCUMULATED DEPRECIATION			
Balance at 1 January 2021	49 822	336 660	386 482
Charge for the year (Note 46)	35 947	238 314	274 261
Released on disposal	(85 769)	(855)	(86 624)
Balance at 31 December 2021	–	574 119	574 119
Carrying amount at 31 December 2021	–	617 236	617 236

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 2022 for all entities apart from FCB Zimbabwe which was done at the reporting date.

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. 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 2022

24 Deferred tax

USD	Consolidated Opening balance	Recognised in profit or loss	Recognised in other compre-hensive income	Effect of changes in exchange rate	Closing balance
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**
2021					
Property and equipment	4 706 447	(1 854 268)	–	(994 007)	1 858 172
Accrued income	1 488 407	181 630	–	463 352	2 133 389
Revaluation of property	537 421	375 568	–	(280 307)	632 682
Tax losses	(1 873 878)	(500 686)	–	(320 613)	(2 695 177)
Gratuity and severance pay liabilities	(218 305)	(133 590)	–	1 874	(350 021)
Expected credit loss provisions	(901 770)	(134 649)	–	(182 390)	(854 029)
Other temporary differences	291 515	(425 539)	127 965	607 502	601 443
	4 029 837	(2 491 534)	127 965	(339 809)	1 326 459

	Consolidated 2022	2021
Disclosed as:		
Deferred tax assets	**(2 262 313)**	(3 899 227)
Deferred tax liabilities	**7 441 815**	5 225 686
Balance as at 31 December	**5 179 502**	1 326 459

Notes to the financial statements (continued)

for the year ended 31 December 2022

25 Balances due to other banks

25.1 Balances due to other banks

	Consolidated	
USD	2022	2021
European Investment Bank	–	633 284
Currency swap liabilities	18 153 284	90 077 965
Borrowings from other banks	15 841 629	106 308 580
BOZ – TMTRF	7 484 094	–
FMO line of credit	6 168 340	12 366 122
Total balances due to other banks	47 647 347	209 385 951
Payable as follows:		
Due within one year	43 635 606	195 578 332
Due between one and five years	4 011 741	13 807 619
Total balances due to other banks	47 647 347	209 385 951

A facility with European Investment Bank (EIB) was made available to FCB Malawi for on lending to customers in specified economic sectors. The EIB line of credit, which is denominated in US Dollars, carries interest between 3.9% and 5.8% per annum and is repayable in equal bi-annual instalments and was repaid by June 2022.

In 2020, FCB Zambia secured a targeted medium-term refinancing facility, BOZ – TMTRF, 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.

Currency Swap liabilities represent borrowings by the Group where FCB Botswana, FCB Malawi and FCB Zimbabwe entered into foreign currency swap agreements with both domestic and foreign banks. The corresponding assets under the arrangements have been disclosed under Note 12.

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

In December 2019, the Group's subsidiaries entered into loan facility agreements of USD 10 million from lender Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO). This loan facility is for on-lending to each bank's customer. The interest on the loan is SOFR plus a margin of 3.5% and is repayable in equal quarterly instalments commencing on 10 March 2021 and ending on 10 December 2023. These loans are unsecured.

25.2 Movement in term borrowings

	Consolidated			
USD	Balance due to other banks (Note 25.1)	Subordinated debt (Note 30)	Loans payable (Note 29)	Total
Balance at 1 January 2022	209 385 951	16 012 218	17 167 924	242 566 093
Net decrease in term borrowings	(172 631 622)	(2 395 945)	(488 718)	(175 516 285)
Additions	230 026 229	38 746	–	230 064 975
Repayment	(402 657 851)	(2 434 691)	(488 718)	(405 581 260)
Effects of changes in exchange rate and hyperinflation	10 893 018	(1 180 762)	–	9 712 256
Unamortised issue cost	–	11 081	–	11 081
Carrying amount at 31 December 2022	47 647 347	12 446 592	16 679 206	76 773 145
Balance at 1 January 2021	80 792 222	17 504 281	15 810 033	114 106 536
Net increase in term borrowings	129 370 600	–	2 000 000	131 370 600
Additions	136 499 096	–	2 000 000	138 499 096
Repayment	(7 128 496)	–	–	(7 128 496)
Effects of changes in exchange rate and hyperinflation	(776 871)	(1 492 063)	(642 109)	(2 911 043)
Carrying amount at 31 December 2022	209 385 951	16 012 218	17 167 924	242 566 093

Notes to the financial statements (continued)

for the year ended 31 December 2022

25 Balances due to other banks (continued)

25.2 Movement in term borrowings (continued)

USD	Separate Loans payable (Note 29)
Balance at 1 January 2022	22 312 077
Net decrease in term borrowings	(5 000 000)
Repayments	(5 000 000)
Effects of changes in exchange rates and hyperinflation	(632 871)
Carrying amount at 31 December 2022	16 679 206
Balance at 1 January 2021	17 810 033
Net increase or (decrease) in term borrowings	5 000 000
Additions	5 000 000
Effects of changes in exchange rates and hyperinflation	(497 956)
Carrying amount at 31 December 2021	22 312 077

26 Customer deposits

	Consolidated	
USD	2022	2021
Current accounts	495 307 852	544 740 154
Savings accounts	64 268 674	73 939 108
Term deposit accounts	467 137 858	254 509 022
Interest payable on deposits	7 703 486	4 999 364
Other deposits – cash security	4 652 096	9 045 735
Total customer deposits	1 039 069 966	887 233 383
Payable as follows:		
Maturing within three months	726 888 369	632 727 502
Maturing after three months	312 181 597	254 505 881
Total customer deposits	1 039 069 966	887 233 383

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 short-term tenure. Other deposits of USD 4.6 million (2021: USD 9.1 million) are deposits held as collateral for loans advanced and letters of credit.

Notes to the financial statements (continued)

for the year ended 31 December 2022

27 Other payables

	Consolidated		Separate	
USD	**2022**	2021	**2022**	2021
Accrued expenses	**24 566 303**	18 571 049	**645 310**	1 346 240
Bankers cheques issued and uncleared	**664 557**	573 442	**–**	–
Interest payable	**241 298**	223 661	**210 994**	223 661
Margins on letters of credit and other instruments	**1 132 818**	1 821 332	**–**	–
Trade and other payables	**20 111 446**	11 569 983	**268 313**	136 552
Unclaimed dividends payable	**–**	19 621	**–**	19 622
Total other payables	**46 716 422**	32 779 088	**1 124 617**	1 726 075

All amounts included in other payables are non-interest bearing. Directors consider that the carrying amounts of other payables approximate their fair values due to their short-term nature. Maturity profile of other payables has been disclosed in note 7.11 Liquidity risk.

Accrued expenses for the Company as at 31 December 2022 of USD 645 310 (2021: USD 1 346 240) includes a bonus provision of USD 250 000 (2021: USD 200 000).

Included in consolidated trade and other payables are provisions for expected credit losses for letters of credit and guarantees as at 31 December 2022 of USD 1 271 271 (2021: USD 327 651).

28 Provisions

	Consolidated			
USD	**Performance bonus**	**Outstanding employee leave**	**Others**	**Total**
Balance as at 1 January 2022	**2 483 069**	**2 233 657**	**1 786 011**	**6 502 737**
Net movement during the period	**218 844**	**(177 016)**	**(970 068)**	**(928 240)**
Balance as at 31 December 2022	**2 701 913**	**2 056 641**	**815 943**	**5 574 497**
Balance as at 1 January 2021	1 698 032	277 787	954 807	2 930 626
Net movement during the period	785 037	1 955 870	831 204	3 572 111
Balance at 31 December 2021	2 483 069	2 233 657	1 786 011	6 502 737

The performance bonus represents a provision for performance based staff incentives relating to the preceding year's performance, is settled in cash and is not linked to any other performance conditions or a timeframe exceeding one year. The provision for performance bonus is included in staff costs. The performance bonus in respect of the separate Company for 2022 and 2021 are included in Note 27.

Employee entitlements to annual leave are recognised when they accrue to employees and are adjusted upon leave entitlement utilisation, or exit of the employee. Other provisions include the estimate for provisions of legal cases and provisions for guarantees, documentary credits and other liabilities.

29 Loans payable

	Consolidated		Separate	
USD	**2022**	2021	**2022**	2021
Related parties	**6 500 000**	6 500 000	**6 500 000**	6 500 000
Other lenders	**10 080 081**	10 510 638	**10 080 081**	10 510 638
Loan from subsidiaries	**–**	–	**–**	5 000 000
Accrued interest	**99 125**	154 286	**99 125**	301 439
Total loans payable	**16 679 206**	17 164 924	**16 679 206**	22 312 077

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

The principal amount including any interest outstanding is repayable after six years. The loans are due to mature during the second half of 2023.

A further loan of USD 9 450 009 was obtained in 2019. This is payable over four years at an interest rate of 8%, and interest is payable on a yearly basis with the principal due at the maturity of the loan. Maturity profile of loans payable has been disclosed in note 7.11 Liquidity risk.

Notes to the financial statements (continued)
for the year ended 31 December 2022

30 Subordinated debt

USD	Consolidated 2022	Consolidated 2021	Separate 2022	Separate 2021
Carrying amount	**16 012 218**	16 012 218	**–**	–
Movement during the year:				
As at 1 January	**16 012 218**	17 504 281	**–**	–
Additions	**38 746**	–	**–**	–
Repayment	**(2 434 691)**	–	**–**	–
Unamortised issue cost	**11 081**	–	**–**	–
Effect of changes in exchange rate	**(1 180 762)**	(1 492 063)	**–**	–
Carrying amount as at 31 December	**12 446 592**	16 012 218	**–**	–

USD	Consolidated 2022	Consolidated 2021	Separate 2022	Separate 2021
Notes issued by FCB Botswana	**12 446 592**	16 012 218	**–**	–

a) In 2022, First Capital Bank Botswana (FCB Botswana) issued BWP 15 million (USD 1.2 million). These are floating rate notes 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 (BOB) in April 2022.

b) In 2020, FCB Botswana issued BWP 5 million (USD 0.4 million). These are floating rate notes maturing on 17 January 2030 and earned interest at a cumulative rate of 8.51%. This previously earned interest at a rate linked to the BOB rate. The BOB rate has now been replaced by the MOPR. The Bank has an early optional redemption date of 16 January 2025 subject to prior written consent from the BOB.

c) In 2019, FCB Botswana received additional capital in the form of subordinated debt of BWP 104 million (USD 8.2 million) which qualified as Tier 2 Capital. These are floating rate notes maturing on 31 May 2029 and earned interest at a cumulative rate of 8.51%. This previously earned interest at a rate linked to the BOB rate. The BOB rate has now been replaced by the MOPR. The bank has an early optional redemption date of 30 April 2024 subject to prior written consent from the Bank of Botswana.

d) In 2018, FCB Botswana issued BWP 33 million (USD 2.6 million). These are floating rate notes maturing on 25 July 2028 and earned interest at cumulative rate of 8.16%. This previously earned interest at a rate linked to the BOB rate. The BOB rate has now been replaced by the MOPR. The bank has an early optional redemption date of 25 January 2023 subject to prior written consent from the Bank of Botswana. The early redemption option was not exercised as of the date of approval and publishing these financial statements.

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. Maturity profile of Subordinated debt has been disclosed in note 7.11 Liquidity risk.

31 Convertible preference shares

During the year 2017, FMBCH concluded an agreement with Barclays Bank plc (BBPLC), for the acquisition of the Zimbabwe – (Ex-Barclays Bank of Zimbabwe Limited). Payment for the acquisition was made partly through cash consideration of USD 6.6 million and partly by issue to BBPLC of 10 786 747 convertible redeemable preference shares of USD 1.00 each in the capital of the Company.

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, 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 and Prime Bank 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 payable on demand as at 31 December 2022.

Notes to the financial statements (continued)

for the year ended 31 December 2022

32 Share capital

	Consolidated		Separate	
USD	2022	2021	2022	2021
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 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.

33 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 the statement of profit or loss upon disposal of the related asset.

Restructuring reserve movements comprise:

USD	Consolidated
Historic cost of 2 336 250 000 shares	161 497
Share premium	2 164 142
Fair value of 2 336 250 000 shares at the completion of share exchange	(105 707 965)
Net increase	(103 382 326)
Adjustment for reserves prior to restructuring	
Property revaluation reserve	4 766 722
Translation reserve	3 467 428
Retained earnings	40 637 553
Balance as at 31 December 2021 and 2022	(54 510 623)

34 Property revaluation reserve

	Consolidated	
USD	2022	2021
Balance as at 1 January	6 341 795	6 341 795
Property revaluation	3 351 097	–
Deferred tax on revalued assets	591 712	–
Balance as at 31 December	10 284 604	6 341 795
Attributable to owners of parent		
Balance as at 1 January	6 341 795	6 341 795
Property revaluation	3 228 028	–
Deferred tax on revalued assets	618 787	–
Balance as at 31 December	10 188 610	6 341 795
Attributable to non-controlling interest		
Movement for the year		
Property revaluation	123 069	–
Deferred tax on revalued assets	(27 075)	–
Total movement for the year	95 994	–

Notes to the financial statements (continued)

for the year ended 31 December 2022

35 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 in accordance with IFRS 9 *Financial Instruments*.

36 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 FVOCI 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. The Group's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available for sale financial assets and were measured at fair value at each reporting date under IFRS 9 have been designated as at FVOCI. The change in fair value on these equity instruments continues to be accumulated in the investment revaluation reserve.

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.

37 Foreign currency translation reserve

This represents translation differences arising on translation of foreign subsidiaries at the end of the reporting period.

38 Group subsidiaries

38.1 Shareholding in subsidiaries

As at 31 December 2022, the Company had the following subsidiaries:

		Shares held by FMBCH				Shares held by subsidiary	
Subsidiary	Domicile	2022	2021	Sub subsidiary	Domicile	2022	2021
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	Jetwig Enterprises Proprietary Limited	Botswana	**100**	100
Afcarme Zimbabwe Holdings (Private) Limited	Zimbabwe	**100**	100	First Capital Bank Limited	Zimbabwe	**52.51**	52.51
				Thulile (Private) Limited	Zimbabwe	**100**	–
First Capital Bank Limited	Zambia	**49**	49				
First Capital Bank S.A.	Mozambique	**80**	80				
First Capital Shared Services Limited	Mauritius	**100**	100				

FCB Zimbabwe acquired 100% in Thulile (Private) Limited, a Company that owns land measuring 18 786 m^2 in Harare, Zimbabwe. The property is currently not leased out and is allocated for further development over the next three years. The value of the subsidiary is equivalent to value of the piece of land held. The land is revalued every three years or annually when there is significant change in value.

Notes to the financial statements (continued)

for the year ended 31 December 2022

38 Group subsidiaries (continued)

38.2 Non-controlling interests (NCI) in subsidiaries

2022 (USD)	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme Zimbabwe	Total
NCI percentage and voting rights	61.40%	20%	51%	47.49%	
ASSETS					
Cash and balances with central banks	117 460 033	94 594 898	32 303 641	83 293 095	327 651 667
Money market investments	11 568 955	10 902 842	86 848 182	13 436 447	122 756 426
Loans and advances to customers	286 861 240	84 636 076	90 361 537	65 773 119	527 631 972
Current tax asset	–	432 345	340 186	1 560 308	2 332 839
Repurchase agreements	8 881 045	–	–	18 299	8 899 344
Assets held for sale	–	132 722	–	–	132 722
Investments at fair value through other comprehensive income	–	99 069	–	5 806 785	5 905 854
Investment in joint venture	–	–	–	15 580 000	15 580 000
Other assets	5 047 475	2 643 655	3 540 355	11 642 894	22 874 379
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
Deferred tax assets	125	–	1 477 147	–	1 477 272
Total assets	436 486 907	197 986 089	221 166 229	222 442 247	1 078 081 472
LIABILITIES					
Balances due to other banks	18 862 531	334 245	16 917 565	1 165 122	37 279 463
Customer deposits	352 432 163	150 762 639	177 036 170	141 026 347	821 257 319
Other payables	5 655 087	3 222 265	2 675 775	17 798 011	29 351 138
Current tax liabilities	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	394 618 533	160 522 161	199 002 455	170 932 626	925 075 775
Net assets	41 868 374	37 463 928	22 163 774	51 509 621	153 005 697
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 2022

38 Group subsidiaries (continued)

38.2 Non-controlling interests (NCI) in subsidiaries (continued)

2022 (USD)	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme Zimbabwe	Total
NCI percentage and voting rights	61.40%	20%	51%	47.49%	
Interest and similar income	42 757 496	17 382 447	27 380 624	19 350 176	106 870 743
Interest expense and similar charges	(14 490 149)	(4 509 304)	(8 656 725)	(956 906)	(28 613 084)
Net interest income	28 267 347	12 873 143	18 723 899	18 393 270	78 257 659
Net fees and commissions	2 178 428	4 055 250	3 611 110	17 738 113	27 582 901
Income/(loss) from investments	–	(6 287)	–	423 037	416 750
Gain on foreign exchange transactions	3 755 254	10 486 129	3 803 575	13 761 377	31 806 335
Other operating income	431 789	(21 665)	631 796	673 761	1 715 681
Total non-interest income	6 365 471	14 513 427	8 046 481	32 596 288	61 521 667
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 owner occupied property	–	–	–	–	–
Impairment loss on investment in joint venture	–	–	–	(718 662)	(718 662)
Fair value loss on investment property	–	–	–	–	–
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	5 401 226	21 106 230

Notes to the financial statements (continued)

for the year ended 31 December 2022

38 Group subsidiaries (continued)

38.2 Non-controlling interests (NCI) in subsidiaries (continued)

2021 (USD)	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme Zimbabwe	Total
NCI percentage and voting rights	61.40%	20.00%	51.00%	47.49%	
Cash and balances with central banks	104 150 246	37 445 898	37 344 110	84 052 269	262 992 523
Money market investments	21 446 035	12 307 719	64 211 717	16 734 001	114 699 472
Loans and advances to customers	245 481 391	62 410 705	60 189 243	65 718 585	433 799 924
Current tax asset	370 617	432 616	–	–	803 233
Repurchase agreements	58 706 687	–	–	16 484	58 723 171
Assets held for sale	–	77 577	–	–	77 577
Investments at fair value through other comprehensive income	–	99 131	–	5 202 854	5 301 985
Investment in joint venture	–	–	–	11 875 000	11 875 000
Other assets	4 151 320	508 106	1 763 797	25 296 754	31 719 977
Investment property	–	–	–	4 700 000	4 700 000
Intangible assets	461 481	491 729	449 455	2 400 930	3 803 595
Right-of-use assets	128 624	1 429 694	1 889 437	1 582 203	5 029 958
Property and equipment	5 666 071	2 478 011	2 050 786	20 906 605	31 101 473
Deferred tax assets	–	2 695 177	1 204 050	–	3 899 227
Total assets	440 562 472	120 376 363	169 102 595	238 485 685	968 527 115
Liabilities					
Balances due to other banks	65 504 890	5 525 499	15 011 334	5 048 600	91 090 323
Customer deposits	315 807 714	84 919 266	131 210 850	150 890 924	682 828 754
Other payables	3 820 506	1 563 894	2 326 456	15 301 411	23 012 267
Current tax liabilities	63 079	–	145 973	116 484	325 536
Lease liabilities	211 036	1 404 444	2 193 026	1 573 867	5 382 373
Deferred tax liabilities	671 852	–	–	2 672 521	3 344 373
Provisions	1 062 586	529 722	975 486	1 852 224	4 420 018
Subordinated debt	16 012 218	–	–	–	16 012 218
Preference shares	2 224 000	–	–	–	2 224 000
Total liabilities	405 377 881	93 942 825	151 863 125	177 456 031	828 639 862
Net assets	35 184 591	26 433 538	17 239 470	61 029 654	139 887 253
Net assets attributable to NCI	21 603 339	5 286 708	8 792 130	28 982 983	64 665 160
Carrying amount of NCI	21 603 339	5 286 708	8 792 130	28 982 983	64 665 160
Dividend paid to NCI	(1 821 737)	–	(388 125)	(561 805)	(2 771 667)

Notes to the financial statements (continued)

for the year ended 31 December 2022

38 Group subsidiaries (continued)

38.2 Non-controlling interests (NCI) in subsidiaries (continued)

2021 (USD)	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme Zimbabwe	Total
NCI percentage and voting rights	61.40%	20.00%	51.00%	47.49%	
Interest and similar income	32 722 785	12 184 115	18 905 190	25 193 652	89 005 742
Interest expense and similar charges	(9 968 527)	(5 015 690)	(5 328 836)	(488 491)	(20 801 544)
Net interest income	22 754 258	7 168 425	13 576 354	24 705 161	68 204 198
Net fees and commissions	2 071 920	2 885 154	2 289 743	26 097 315	33 344 132
Income/(loss) from investments	–	(18 904)	(1 193 726)	2 124 078	911 448
Gain on foreign exchange transactions	3 656 685	2 803 219	2 879 384	8 412 058	17 751 346
Other operating income	57 151	(16 696)	27 115	817 422	884 992
Total non-interest income	5 785 756	5 652 773	4 002 516	37 450 873	52 891 918
Total operating income	28 540 014	12 821 198	17 578 870	62 156 034	121 096 116
Staff and training costs	(6 731 401)	(4 396 165)	(4 040 566)	(15 080 582)	(30 248 714)
Premises and equipment costs	(1 125 619)	(1 142 654)	(931 632)	(5 738 781)	(8 938 686)
Depreciation and amortisation	(965 328)	(1 175 213)	(738 703)	(1 227 243)	(4 106 487)
Administration and general expenses	(4 648 910)	(2 700 251)	(3 410 548)	(14 217 112)	(24 976 821)
Impairment loss on financial assets	(2 556 923)	(1 418 071)	(675 711)	(688 507)	(5 339 212)
Total expenses	(16 028 181)	(10 832 354)	(9 797 160)	(36 952 225)	(73 609 920)
Operating profit	12 511 833	1 988 844	7 781 710	25 203 809	47 486 196
Net monetary loss	–	–	–	(5 128 967)	(5 128 967)
Impairment loss on owner occupied property	–	–	–	(3 364 777)	(3 364 777)
Impairment loss on investment in joint venture	–	–	–	(16 505 648)	(16 505 648)
Fair value loss on investment property	–	–	–	447 795	447 795
Share of profit in joint venture	–	–	–	14 222 205	14 222 205
Profit before income tax expense	12 511 833	1 988 844	7 781 710	14 874 417	37 156 804
Income tax expense	(3 017 795)	(524 086)	(2 973 318)	(5 071 156)	(11 586 355)
Profit for the year	9 494 038	1 464 758	4 808 392	9 803 261	25 570 449
Profit allocated to NCI	5 829 339	292 952	2 452 280	4 655 569	13 239 638

Notes to the financial statements (continued)

for the year ended 31 December 2022

39 Interest

39.1 Interest and similar income

USD	Consolidated 2022	Consolidated 2021	Separate 2022	Separate 2021
Interest and similar income at effective interest rate				
Loans and advances	**99 282 037**	83 953 696	**–**	–
Lease finance	**840 292**	1 336 001	**–**	–
Government notes and stocks	**36 911 204**	34 041 666	**–**	–
Placements with other banks	**6 598 962**	4 133 471	**–**	–
Corporate bonds	**2 371 031**	1 887 486	**–**	–
Other interest earning assets	**2 244 331**	661 695	**291 225**	250 788
Interest and similar income	**148 247 857**	126 014 015	**291 225**	250 788

39.2 Interest expense and similar charges

USD	Consolidated 2022	Consolidated 2021	Separate 2022	Separate 2021
Customer deposits	**28 677 168**	20 801 593	**–**	–
Subordinated debt	**961 637**	1 072 996	**–**	–
Preference shares	**890 753**	783 672	**887 469**	779 601
Borrowings from banks	**5 347 022**	4 010 067	**–**	–
Loans payable	**2 562 496**	1 594 467	**1 489 617**	1 594 716
Lease liability	**343 417**	623 177	**4 029**	9 714
Total interest expense and similar charges	**38 782 493**	28 885 972	**2 381 115**	2 384 031

40 Net fee and commission income

USD	Consolidated 2022	Consolidated 2021	Separate 2022	Separate 2021
Account activity fees	**18 691 321**	20 096 105	**–**	–
Card-based transaction fees	**3 001 112**	7 419 647	**–**	–
Guarantee fees	**1 785 981**	2 105 902	**–**	–
Facility processing fees	**3 286 023**	2 851 955	**–**	–
Insurance commission	**163 408**	316 775	**–**	–
Other fees and commissions	**9 581 896**	12 071 734	**–**	–
Total net fees and commissions income	**36 509 741**	44 862 118	**–**	–

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 FVTPL, and trust and other fiduciary duties that result in the holding or investing of assets on behalf of the Group's customers.

Notes to the financial statements (continued)

for the year ended 31 December 2022

41 Income from investments

	Consolidated		Separate	
USD	**2022**	2021	**2022**	2021
Dividend income	**657 691**	2 406 625	**16 366 222**	8 152 372
Movement in fair value of investments at FVTPL (Note 15)	**3 679 303**	2 679 234	**–**	–
Impairment loss on assets held for sale (Note 14)	**–**	(1 193 727)	**–**	–
Total Income from investments	**4 336 994**	3 892 132	**16 366 222**	8 152 372

42 Gain on foreign exchange transactions

	Consolidated		Separate	
USD	**2022**	2021	**2022**	2021
Net foreign exchange revaluation gain	**25 239 068**	2 007 541	**–**	685 365
Net foreign exchange trading income	**13 213 935**	23 620 208	**–**	–
Other trading income	**590 406**	265 297	**292 126**	–
Total gains on foreign exchange transactions	**39 043 409**	25 893 046	**292 126**	685 365

43 Other operating income

	Consolidated		Separate	
USD	**2022**	2021	**2022**	2021
Gain on disposal of assets	**75 503**	591 824	**–**	–
Rental income	**307 647**	340 614	**–**	–
Cash transaction charges	**–**	389 111	**–**	–
Bad debts recovered	**218 162**	–	**–**	–
Cost recoveries	**–**	–	**7 735 511**	2 759 678
Sundry income	**1 595 661**	286 586	**1 819**	–
Total other operating income	**2 196 973**	1 608 135	**7 737 330**	2 759 678

44 Staff and training costs

	Consolidated		Separate	
USD	**2022**	2021	**2022**	2021
Salaries and other short-term benefits	**42 577 371**	39 848 184	**4 007 360**	1 455 897
Training and other staff costs	**3 278 911**	2 854 261	**389 643**	87 315
Contributions to defined contribution plans	**1 894 148**	1 725 375	**1 645**	–
Total staff and training costs	**47 750 430**	44 427 820	**4 398 648**	1 543 212

45 Premises and equipment costs

	Consolidated		Separate	
USD	**2022**	2021	**2022**	2021
Repairs and maintenance	**1 051 727**	1 116 730	**–**	–
Equipment hires	**251 310**	240 376	**–**	–
IT related costs	**10 007 992**	10 253 281	**1 808 889**	1 345 284
Rent, rates and utilities	**1 510 822**	1 803 209	**76 358**	–
Security costs	**1 471 232**	1 290 720	**19 041**	–
Total premises and equipment costs	**14 293 083**	14 704 316	**1 904 288**	1 345 284

Notes to the financial statements (continued)

for the year ended 31 December 2022

46 Depreciation and amortisation

	Consolidated		Separate	
USD	2022	2021	2022	2021
Property and equipment (Note 23)	5 700 890	4 333 623	210 692	274 261
Lease – right-of-use asset depreciation (Note 22)	453 332	1 712 652	76 041	24 896
Intangible assets amortisation (Note 21)	2 513 639	2 196 008	659 636	420 547
Total depreciation and amortisation	8 667 861	8 242 283	946 369	719 704

47 Administration and general expenses

	Consolidated		Separate	
USD	2022	2021	2022	2021
Auditor's remuneration	1 364 409	1 160 767	98 250	75 175
Bank charges	2 081 163	1 783 952	1 826	3 979
Non-Executive Director's fees and expenses	1 092 775	947 559	212 461	186 489
Insurance	1 067 947	1 387 430	–	1 017
Legal consultancy fees, fines and penalties	1 839 311	3 009 224	494 518	425 788
Marketing costs	2 254 368	1 861 706	31 885	17 883
Motor vehicle running costs	176 082	140 507	12 667	–
Operational losses	1 497 230	749 466	–	–
Other administration costs	7 321 879	10 936 799	196 952	109 322
Cash in transit expenses	973 770	1 530 608	–	–
Postage	170 776	225 067	3 222	–
Printing and stationery	1 082 603	1 125 563	45 586	21 582
Professional subscriptions	493 129	641 928	19 559	6 032
Repairs and maintenance other	1 045 958	1 172 865	46 260	–
Communication and connectivity costs	1 136 797	1 586 896	2 090	–
Travel expenses	1 984 911	1 263 266	240 894	2 957
Total administration and general expenses	25 583 108	29 523 603	1 406 170	850 224

48 Impairment loss on financial assets

	Consolidated	
USD	2022	2021
Impairment charge on loans, finance leases and advance to customers		
Impairment charge	8 065 596	8 476 768
Recoveries	(3 332 803)	(2 711 024)
	4 732 793	5 765 744
Impairment charge on other financial assets		
Impairment charge/(credit):		
– Money market investments	(570 348)	1 131 158
– Cash and balances with central banks	(26 249)	1 591
– Repurchase agreements	(45 278)	(2 580)
– Other assets	(622 844)	213 876
– Guarantees and letters of credit	943 620	104 659
Recoveries	(209 731)	(156 516)
	(530 830)	1 292 188
Total impairment loss on financial assets	4 201 963	7 057 932

Notes to the financial statements (continued)

for the year ended 31 December 2022

49 Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2022 was based on profit attributable to ordinary Shareholders of USD 40 105 763 (2021: USD 27 206 368) and a weighted average number of ordinary shares outstanding of 2 458 250 000 (2021: 2 458 250 000) calculated as follows:

	Consolidated	
USD	**2022**	2021
BASIC EARNINGS PER SHARE (EPS)		
Profit attributable to ordinary Shareholders (USD)	**40 088 574**	27 206 368
Weighted average number of ordinary shares in issue	**2 458 250 000**	2 458 250 000
Basic earnings per share (US cents)	**1.631**	1.107

The calculation of diluted earnings per share at 31 December 2022 was based on adjusted profit attributable to ordinary Shareholders of USD 40 996 516 (2021: USD 27 990 040) and a weighted average number of ordinary shares adjusted for the dilutive effect of convertible preference shares calculated as follows:

	Consolidated	
USD	**2022**	2021
DILUTED EARNINGS PER SHARE		
Adjusted profit attributable to ordinary Shareholders (USD)	**40 979 327**	27 990 040
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)	**1.525**	1.042

The 10 786 747 convertible preference shares (see Note 31) are convertible into ordinary shares and are dilutive in 2022 and 2021.

Notes to the financial statements (continued)

for the year ended 31 December 2022

50 Contingent liabilities

The business of the Group's entities also 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	2022	2021	2022	2021
Acceptances and letters of credit	68 547 144	40 415 220	–	–
Financial guarantees	103 318 775	94 315 697	6 168 340	12 366 122
	171 865 919	134 730 917	6 168 340	12 366 122
Other contingent liabilities	17 884 613	30 638	–	–

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 28.

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 customer.

51 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	2022	2021	2022	2021
Authorised and contracted for	21 289 564	23 994 488	–	3 433 326
Authorised but not yet contracted for	7 340 241	12 705 190	–	–
Total capital commitment	28 629 805	36 699 678	–	3 433 326

Notes to the financial statements (continued)

for the year ended 31 December 2022

52 Related party transactions

The following transactions were carried out by with related parties during the year:

Name of related parties	Relationship	Nature of transactions	USD 2022	USD 2021
Administration and secretarial services				
JTC Fiduciary Services (Mauritius) Limited	Administrator and secretary	Administrative and secretary fees	**(21 472)**	(50 836)
Dividend income on preference shares				
First Capital Bank Limited (Botswana)	Subsidiary	Dividend income on preference shares	**155 800**	155 371
Dividend income on ordinary shares				
First Capital Bank Limited (Zimbabwe)	Subsidiary	Dividend income on ordinary shares	**3 578 017**	646 931
First Capital Bank Limited (Botswana)	Subsidiary	Dividend income on ordinary shares	**1 657 882**	1 260 913
First Capital Bank Plc (Malawi)	Subsidiary	Dividend income on ordinary shares	**9 382 023**	5 721 657
First Capital Bank Limited (Zambia)	Subsidiary	Dividend income on ordinary shares	**1 592 500**	367 500
Group shared services for subsidiaries				
First Capital Bank Limited (Zimbabwe)	Subsidiary	Group shared services	**2 462 304**	601 909
First Capital Bank Limited (Botswana)	Subsidiary	Group shared services	**1 303 244**	942 783
First Capital Bank S.A. (Mozambique)	Subsidiary	Group shared services	**544 185**	23 492
First Capital Bank Plc (Malawi)	Subsidiary	Group shared services	**2 615 835**	582 543
First Capital Bank Limited (Zambia)	Subsidiary	Group shared services	**809 943**	624 173
Interest income				
First Capital Shared Services Limited	Subsidiary	Interest on loan receivable	**–**	250 788
First Capital Bank S.A. (Mozambique)	Subsidiary	Interest on subordinated debt	**291 225**	–
Interest paid on convertible preference shares				
Magni Holdings Limited	Shareholder	Interest on convertible preference shares	**(443 734)**	(202 584)
Prime Bank Limited	Shareholder	Interest on convertible preference shares	**(443 734)**	(202 584)
Interest paid on loans				
First Capital Bank Limited (Zambia)	Subsidiary	Interest on loan payable	**(50 694)**	(18 403)
First Capital Bank Limited (Botswana)	Subsidiary	Interest on loan payable	**(24 583)**	(147 416)
Mrs Meeta Anadkat	Immediate family member of a shareholder	Interest on loan payable	**(91 250)**	(90 000)
Premier Capital (Mauritius) Limited	Shareholder	Interest on loan payable	**(114 063)**	(112 500)
Prime Bank Limited	Shareholder	Interest on loan payable	**(296 563)**	(292 500)
Loan repayment				
First Capital Bank Limited (Zambia)	Subsidiary	Repayment of short-term borrowing	**(2 500 000)**	–
First Capital Bank Limited (Botswana)	Subsidiary	Repayment of short-term borrowing	**(2 500 000)**	–

Notes to the financial statements (continued)

for the year ended 31 December 2022

52 Related party transactions (continued)

Name of related parties	Relationship	Nature of transactions	USD 2022	2021
Dividend paid				
Premier Capital (Mauritius) Limited	Shareholder	Dividend paid on ordinary shares	**(1 915 665)**	(1 226 026)
Prime Bank Limited	Shareholder	Dividend paid on ordinary shares	**(656 250)**	(420 000)
Prime Capital Holdings Limited	Shareholder	Dividend paid on ordinary shares	**(656 250)**	(420 000)
Magni Holdings Limited	Shareholder	Dividend paid on ordinary shares	**(580 000)**	(371 200)
Hitesh N. Anadkat	Shareholder	Dividend paid on ordinary shares	**(156 995)**	(100 477)
NG Anadkat Limited	Shareholder	Dividend paid on ordinary shares	**(67 668)**	(43 308)
Livingstone Exports Limited	Shareholder	Dividend paid on ordinary shares	**(41 117)**	(26 315)
Livingstone Holdings Limited	Shareholder	Dividend paid on ordinary shares	**(32 792)**	(20 987)
Thomas Kadantot	Shareholder	Dividend paid on ordinary shares	**(3 969)**	(2 540)
Omega O'Neill	Shareholder and immediate family member of a director	Dividend paid on ordinary shares	**(3 273)**	(2 095)
Shaun Anadkat	Shareholder and immediate family member of a director	Dividend paid on ordinary shares	**(1 750)**	(1 120)
Sheena Anadkat	Shareholder and immediate family member of a shareholder	Dividend paid on ordinary shares	**(1 250)**	(800)
Dillon Anadkat	Shareholder and immediate family member of a shareholder	Dividend paid on ordinary shares	**(1 000)**	(640)

There were no provisions raised against the outstanding items. Total provisions for doubtful debts related to outstanding balances (statement of financial position). No interest was charged on balances outstanding from related parties.

FMBcapital HOLDINGS plc

Notes to the financial statements (continued)

for the year ended 31 December 2022

52 Related party transactions (continued)

Outstanding balances with related parties as at 31 December are as follows:

Name of related parties	Relationship	Nature of transactions	USD 2022	USD 2021
Balances outstanding – Group shared services				
First Capital Bank Limited (Zimbabwe)	Subsidiary	Group shared services	**59 736**	676 838
First Capital Bank Limited (Botswana)	Subsidiary	Group shared services	**121 358**	38 027
First Capital Shared Services Limited	Subsidiary	Group shared services	**1 271 956**	234 829
First Capital Bank Plc (Malawi)	Subsidiary	Group shared services	**(390 115)**	(180 670)
First Capital Bank S.A. (Mozambique)	Subsidiary	Group shared services	**134 934**	153 015
First Capital Bank Limited (Zambia)	Subsidiary	Group shared services	**150 607**	43 122
Loan receivable				
First Capital Bank S.A. (Mozambique)	Subsidiary	Subordinated debt	**3 300 000**	–
Loans payable				
First Capital Bank Limited (Botswana)	Subsidiary	Loan payable	**–**	(2 500 000)
First Capital Bank Limited (Zambia)	Subsidiary	Loan payable	**–**	(2 500 000)
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	**504 702**	8 426 479
First Capital Bank Plc (Malawi)	Subsidiary	Cash and cash equivalents	**13 352**	25 370
First Capital Bank S.A. (Mozambique)	Subsidiary	Cash and cash equivalents	**41 250**	41 851
Preference shares investment				
First Capital Bank S.A. (Mozambique)	Subsidiary	Cash and cash equivalents	**2 475 355**	2 314 789

Notes to the financial statements (continued)

for the year ended 31 December 2022

53 Directors' fees and expenses

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	**2022**	2021	**2022**	2021
Executive Directors	**1 326 946**	460 000	**–**	460 000
Key Management Personnel	**6 718 729**	3 622 578	**2 899 616**	1 116 701
Non-Executive Directors	**1 085 759**	947 559	**186 000**	153 000
	9 131 434	5 030 137	**3 085 616**	1 729 701

54 Events after the reporting date

The Board, at their meeting held on 23 March 2023, approved a second interim dividend of USD 8 312 625 (US cents 0.34 cents per ordinary share) in respect of the financial year ended 31 December 2022. The dividend will be accounted for in equity as an appropriation of accumulated profits in 31 December 2023

55 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.

	2022		2021	
Entity	**Closing rate**	**Average rate**	Closing rate	Average rate
Afcarme Zimbabwe Holdings (Private) Limited	**687.28**	**687.28**	108.67	108.67
First Capital Bank Limited (Botswana)	**12.76**	**12.32**	11.75	11.07
First Capital Bank Plc (Malawi)	**1 026.09**	**937.46**	814.24	802.81
First Capital Bank S.A. (Mozambique)	**63.87**	**63.84**	63.83	65.89
First Capital Bank Limited (Zambia)	**18.11**	**16.89**	16.66	19.99
First Capital Shared Services Limited	**43.65**	**43.91**	43.74	41.64

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
FVTPL	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
RPA	Robotic Process Automation
RTGS	Real-Time Gross Settlement
SICR	Significant Increase in Credit Risk
USD	United States Dollars

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