FMBcapital HOLDINGS plc

2020 ANNUAL REPORT

25 YEARS 1995 – 2020

CONTENTS


MENU
OK

INTRODUCTION

ABOUT OUR INTEGRATED REPORT

This is the year-end report of FMBcapital Holdings Plc (FMBCH or the Group) to its stakeholders. It is intended to give a balanced and accurate assessment of the Group's performance in the financial year under review, namely 1 January 2020 to 31 December 2020.

SCOPE OF THE REPORT

The report covers the performance of FMBCH and all its operating companies in Botswana, Malawi, Mauritius, Mozambique, Zambia and Zimbabwe for the financial year ending 31 December 2020. Where applicable and relevant, information after this date has been included. The report encompasses all the Group's activities, which comprise retail, commercial, corporate and international banking, as well as the provision of other products and services such as digital payment platforms, money transfer services, bill payments and cash management services.

REPORTING PRINCIPLES

The content of this report has been informed by the International Integrated Reporting Framework (<IR>Framework) developed by the International Integrated Reporting Council (IIRC), a global coalition of regulators, investors, companies, standards bodies, accounting bodies and non-profit organisations. The <IR> Framework was recently adopted and recommended by the World Bank for corporate reporting. FMBCH is working towards an integrated form of reporting that will be in full compliance with the IIRC.

MATERIALITY

The report content focuses on matters that materially impact our ability to create and sustain value over the short, medium and long term. FMBCH applies integrated thinking and a pragmatic approach in defining material matters, which forms an integral part of our strategic planning activities. Our determination of materiality in integrated reporting is based on the guidelines of the IIRC and the GRI.

FORWARD-LOOKING STATEMENTS

All forward-looking statements are based on beliefs and assumptions relative to information currently available to FMBCH's management. There can be no assurance that such statements will be accurate and actual results and future events could differ materially from those anticipated in such statements.

For purposes of this report, the words 'believe', 'anticipate', 'estimate', 'expect', 'intend', and similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to certain risks, uncertainties, and assumptions. These risks include, but are not limited to, general market conditions, our ability to manage growth, performance, and changes in the regulatory environment, among others.

FMBCH undertakes no obligation to update forward-looking statements to reflect subsequently occurring events or circumstances or to reflect unanticipated events or developments.

STAKEHOLDERS

FMBCH's stakeholders include shareholders, customers, employees, governments, regulators, suppliers and the communities in which its subsidiaries operate. The Group is committed to creating long-term value for all stakeholders.

THE SIX CAPITALS

FMBCH aims to create value in all six capitals defined by the IIRC. These include financial capital, manufactured capital, intellectual capital, human capital, natural capital and social capital. This means that, in addition to creating financial value for its shareholders, the Group creates value for a range of different beneficiaries in five other categories.

ASSURANCE

An independent audit of the Group's annual financial statements was performed by Deloitte Mauritius. Information contained in the report is derived from the Group's own internal resources and from information available in the public domain.

BOARD APPROVAL

The Board and its subcommittees acknowledge their responsibility for overseeing the integrity and completeness of this report. The Board confirms that it has collectively reviewed the contents of the report and applied its collective mind to the preparation and presentation of this report.

Furthermore, it believes that it has appropriately considered the accuracy and completeness of the material matters as well as the reliability of all data and information presented herein.

The Board approved the annual report on 21 April 2021.

Terence Davidson
Chairman

Mahendra Gursahani
Interim Group Managing Director

SIX CAPITALS

Feedback on this report
We welcome your feedback on this report. Please email your comments to: communications@fmbcapitalgroup.com

The Annual Report serves to provide a balanced and holistic summary of the Group's performance.

This Annual Report and previous Annual Reports are available for download from our website at

www.fmbcapitalgroup.com

WHO WE ARE

OUR 25-YEAR JOURNEY

It all began with a belief. Our founders, the Anadkat family, and the shareholders of Prime Bank Limited believed in creating a strong bank that would resonate with its customers' needs while supporting them to achieve the extraordinary. Armed with this belief, we were granted the first private sector commercial banking licence in Malawi, and our founders opened the doors to our first branch on 26 June 1995 with only 15 employees.

1995 – 2020

Seven years later, in 2002, we acquired 100 shareholdings in the Leasing and Finance Company of Malawi Ltd. In the course of 2006, we listed on the Malawi stock exchange with the initial purchase offer attracting more than 2 300 new shareholders.

We expanded to Botswana in 2008, and five years later, in 2013, we acquired International Commercial Bank's operations in Malawi, Mozambique and Zambia.

In June 2017, we secured the ownership of Opportunity Inter–national Bank of Malawi, which operated a micro-finance and banking network in Malawi. Four months later, in October 2017, we acquired an 81% shareholding in Afcarme – the holding company of Barclays Bank of Zimbabwe – to establish a regional footprint of five adjacent African markets.

In 2018, we founded FMB Capital Holdings – our holding company registered in Mauritius – to

Pictured above seated front row right co-founders and previous Chairmen, Mr. H. Anadkat and Mr. R. Kantaria at the opening of the first branch – Blantyre, June 1995.

Below: In June 2008 we commenced operations in Botswana as Capital Bank.

Some of our 1684 employees celebrating our 25th year in business in Blantyre – June 2020.

hold shares in all the banks in the Group. Shortly thereafter, we launched First Capital Shared Services Ltd in Mauritius to support all our technology requirements and critical operations activities across the Group.

Also in 2018 we implemented a re-branding project across all our markets, adopting one common brand name (First Capital Bank) and a common visual identity.

In the following year, 2019, the Group acquired the Bank of India Botswana Ltd. This further strengthened our position as a regional player in the financial services industry.

Within the 25 years of operating, the Group has grown from a single branch in Malawi to a regionally focused banking group providing a service that makes First Capital Bank a trusted financial partner in our markets.

To date, our Group has accumulated over US$1 billion in assets, 1 684 employees, and we serve the financial needs of over 405 000 customers.

Today, we are a strong regional bank with a solid track record of financial strength and stability. Our roots are firmly in Africa, and our banking and finance operations are found in Botswana, Malawi, Mozambique, Zambia and Zimbabwe, with our IT and operations hub in Mauritius.

This success would not have been possible without the loyalty and commitment of all our customers, employees, investors and the communities we serve. For that, we thank you for your support and for believing in us for the last 25 years.

From the onset of our journey, we have never lost sight of our primary goal: to help our customers achieve the extraordinary. We look forward to the next 25 years of prioritising service excellence and offering comprehensive, innovative products and solutions to our valued customers.

INTRODUCTION
FMBCH AT A GLANCE
VALUE CREATION
STRATEGY
GOVERNANCE
ANNUAL FINANCIAL STATEMENTS

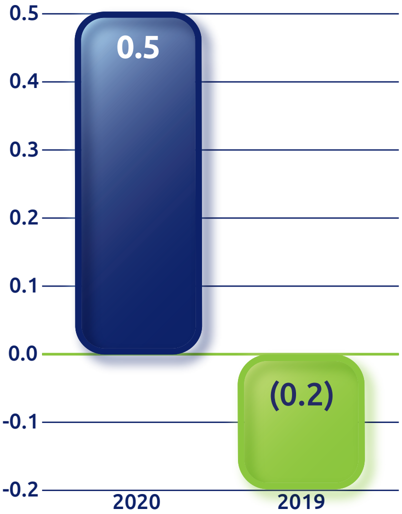
OPERATIONAL HIGHLIGHTS

- The Group implemented robust plans to deal with the impact of COVID-19 at an early stage with initiatives aimed at safeguarding our staff and customers and making banking services more easily accessible.
- The Group has witnessed a stellar performance from its Botswana subsidiary owing to increased transactional volumes, a growing customer base and a significant foreign currency income.
- Our shared technology and operations hub in Mauritius has enabled the business to improve its operational efficiency and offer new solutions for its customers.
- First Capital Bank Zimbabwe has finally completed the migration exercise from Barclays amid the launch of products aimed at meeting broad client needs.
- Launched a mobile banking application designed for corporate and individual clients.
- FMBCH's Zimbabwe business also staged a turnaround from the losses of the previous year while businesses in Malawi, Mozambique and Zambia have remained profitable.
- Launched Infini-Pay, an efficient and convenient online bulk payment platform that enables customers to initiate payments to accounts within and outside First Capital Bank.

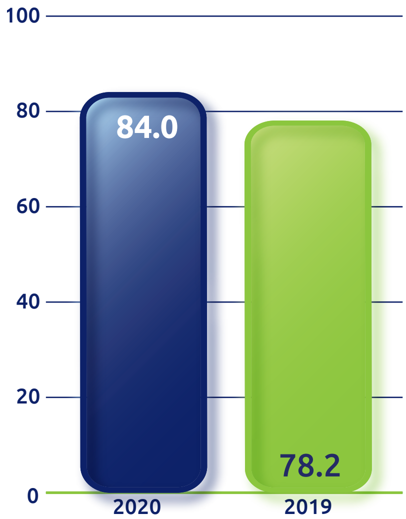
FINANCIAL HIGHLIGHTS

The capital adequacy and liquidity ratios of all Group banks comfortably meet the prescribed prudential minimum ratios in their respective territories, giving us the capacity to selectively grow our balance sheet.

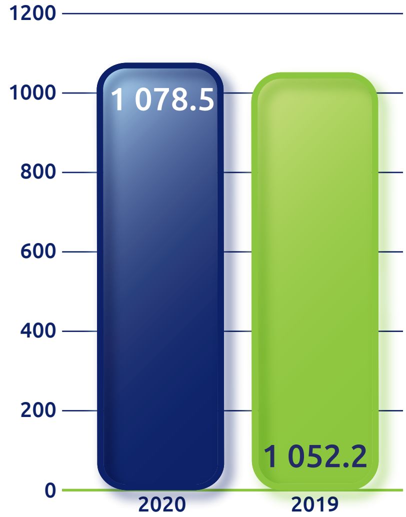
Earnings/(Loss) per Share
(US cents)



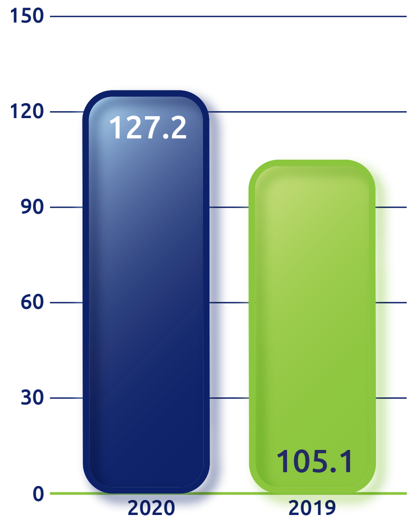
Shareholder Funds
(US$ million)



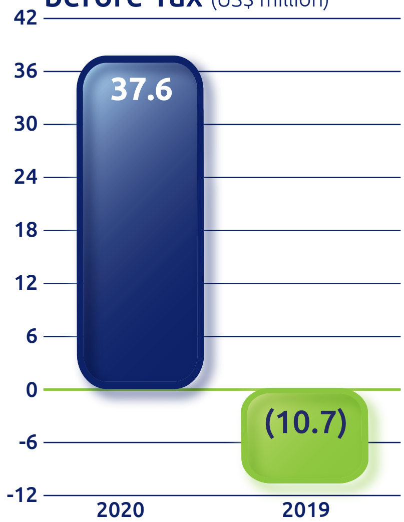
Total Assets
(US$ million)



Total Operating Income
(US$ million)



Operating Profit/(Loss) before Tax (US$ million)



Our 25th Anniversary is an occasion not only for celebration, but also to express our sincere thanks to all of our stakeholders

25 YEARS
1995 – 2020


FIRST CAPITAL
BANK

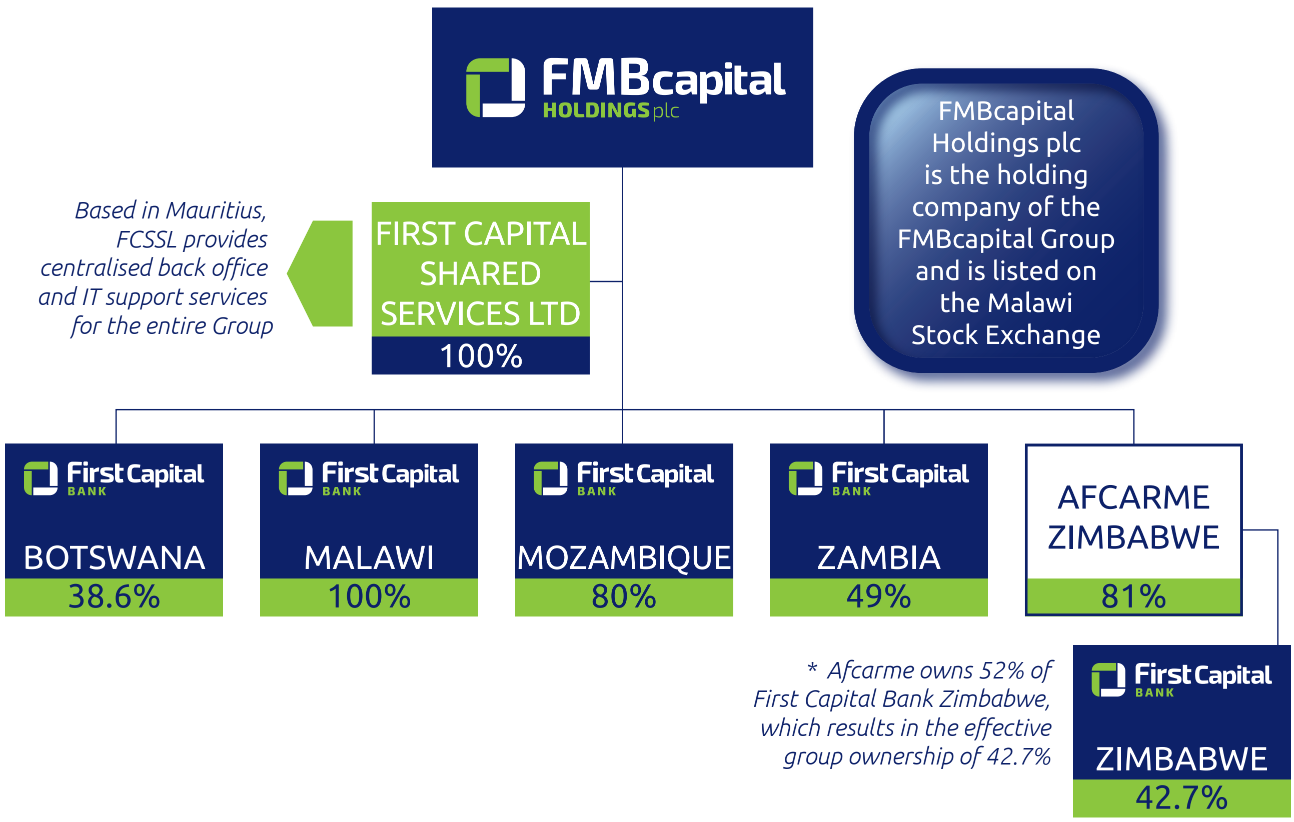
FMBCH AT A GLANCE

INTRODUCTION
FMBCH AT A GLANCE
VALUE CREATION
STRATEGY
GOVERNANCE
ANNUAL FINANCIAL STATEMENTS

FMBCH AT A GLANCE

Overview of the Group, as well as of our products and services, our business model and the needs and expectations of our stakeholders.

OUR ORGANISATIONAL STRUCTURE, PRODUCTS AND SERVICE



OUR PRODUCTS AND SERVICES

We service the needs of:

- Retail customers, being individuals ranging from first-time account holders to high-net-worth individuals
- Businesses of all kinds, including sole proprietorships, SMEs, large listed corporates, as well as institutional clients such as NGOs, embassies and government institutions.

Retail banking

Transactional Solutions	Investments	Electronic banking
• Current accounts • Savings accounts • Foreign currency accounts • Foreign Exchange services	• Fixed deposits • Call deposits • Treasury bills	• Internet banking • ATMs • POS services • USSD mobile banking • Mobile banking app • Bill payments
Debit Cards	**Loans**	**Bancassurance (in some markets)**
• Visa Debit cards • Prepaid cards	• Local currency loans • Overdrafts • Foreign currency loans	• Short term • Life
Remittances		
• In partnership with Money Transfer entities		

Business, corporate and institutional banking

Transactional accounts	Loans and overdrafts	Payments and cash management
• Current accounts • Savings accounts • Foreign currency accounts	• Overdrafts • Term loans • Foreign currency loans • Working capital finance • Leasing • Receivables	• Payroll solutions • Vendor payments • Bank on wheels • Bulk electronic payments • Cashiering services and cash management • Cash in transit services • Tax payment services • RTGS/EFT
Debit cards		
• Visa debit cards		

Treasury and foreign exchange	Financing Investments	Electronic banking
• Foreign exchange services • Trade finance • Letters of credit • Bank guarantees • Documents under Collection • Remittances	• Fixed deposits • Call deposits • Treasury bills • Promissory notes	• Internet banking • Mobile banking • ATMs • POS services

OUR REGIONAL FOOTPRINT

First Capital BANK – BOTSWANA
38.6%

Branches: **4**
Loan Centres: **6**
ATMs: **5**
Staff: **188**
Customers: **19 046**

First Capital Bank Botswana offers a comprehensive range of corporate, commercial and personal banking services and has a traditionally strong focus on servicing small to large-scale independent businesses.

In 2018, the operation expanded into the market for personal loans with the opening of loan centres in Gaborone and Francistown.

First Capital Bank Botswana is headquartered in Gaborone and has branches in Gaborone, Mogoditshane and Francistown.

First Capital BANK – MALAWI
100%

Branches: **6**
Agencies: **24**
ATMs: **51**
POS Devices: **131**
Staff: **661**
Customers: **176 993**

First Capital Bank Malawi is wholly owned by FMBCH.

It is a full-service commercial bank offering financial products and services to the corporate, retail and personal markets.

With its diverse product offering, First Capital Bank caters for the needs of all segments of the Malawi market and has one of the most extensive branch distribution networks in the country.

First Capital BANK – MOZAMBIQUE
80%

Branches: **5**
Service Centres: **1**
ATMs: **7**
POS Devices: **226**
Staff: **118**
Customers: **19 286**

First Capital Bank Mozambique, while providing a full range of banking services across the corporate and retail sectors, has established a strong and loyal customer base in the small to medium business sector.

The bank is headquartered in Maputo and has three branches in the city as well as one in Machava and one in Beira.

First Capital BANK – ZAMBIA
49%

Branches: **7**
Agencies: **1**
ATMs: **7**
Staff: **120**
Customers: **4 943**

Servicing the needs of the corporate, commercial and retail markets, First Capital Bank Zambia offers a comprehensive portfolio of lending, transactional banking and investment products.

With a strong corporate customer base, the bank currently has seven branches and one agency based in Lusaka, Ndola and Kitwe.

First Capital BANK – ZIMBABWE
42.7%

Branches: **23**
Service Centres: **2**
ATMs: **6**
POS Devices: **1 247**
Staff: **482**
Customers: **185 084**

First Capital Bank operates one of the biggest and oldest commercial banking networks in Zimbabwe, with 23 branches and service centres in major cities and towns. The bank offers a full range of financial products and services to the corporate, commercial and personal markets.

First Capital Bank Zimbabwe is listed on the Zimbabwe Stock Exchange.

OUR STAKEHOLDERS – THEIR NEEDS AND EXPECTATIONS

As a financial services provider, we are deeply connected to the environment we operate in and the societies we serve.

Our ability to deliver value is dependent on our relationships, the contributions and activities of our stakeholders. By providing for their needs and meeting their expectations, we create value for our stakeholders as well as the Group.

EMPLOYEES

Employees

1 684 staff members, across five countries in Southern Africa and Mauritius

We attract, develop and retain high-performing people and reward their contributions in a fair and commensurate manner.

STAKEHOLDER INTERESTS

- Great employee experience
- Career, learning and development opportunities
- Fair remuneration and incentives
- Strong leadership who instils trust
- Assistance in achieving goals
- Safety
- Return to work blueprint and 'new normal'
- Security of employment concerns in the COVID-19 environment

OUR RESPONSE

- Onboarding process
- Ongoing daily engagements and internal communication at work
- Formal and informal meetings as part of the normal conduct of business at all levels – providing briefings and organisational updates
- Hosting employee events
- Providing training facilities and sessions
- Employee engagement surveys

OUR ENGAGEMENT STRATEGY

- Market-related remuneration
- Internal and external training
- Pension and medical aid in all countries
- Developing our people to embrace technological changes, further their careers and improve our services and products
- COVID-19 response plan to guide employees on remote working and other health measures

OUTCOME

- A skilled, competent and stable workforce able to meet our clients' needs
- Staff alignment in terms of culture and values
- A staff retention rate of 93.4%
- Improved skill sets through ongoing training
- Ongoing safety initiatives

CUSTOMERS

Customers

405 000+ customers take advantage of our retail, business, corporate and institutional services and solutions

With increased competition in the banking sector, customers have more choice. We strive to understand our customers so that we speak to them in a way that is relevant and offer them products that are right for them.

STAKEHOLDER INTERESTS

- Efficient, effective delivery of financial products and services from which they can benefit
- Convenient and affordable banking solutions for meeting diverse financial needs
- A risk-free environment in which to transact
- Reliability, trustworthiness and integrity from a financial services provider

OUR RESPONSE

- Regular contact with our customer using various touch points
- Deploying customer call centres
- Providing a safe branch and electronic banking delivery network
- Encouraging a culture of 'service excellence' among our staff
- Deploying technology to enable efficient product and service delivery
- Servicing corporate customers through dedicated relationship managers
- Delivering information and marketing materials through online and offline communication channels

OUR ENGAGEMENT STRATEGY

- We provide a wide range of transactional banking services to business banking, SME, corporate and institutional banking customers
- We provide personalised retail banking services for different market segments
- Strong liquidity ratios, a conservatively managed balance sheet and strict adherence to the principles of good corporate governance

OUTCOME

- Excellent customer service
- Convenient access to banking, increasingly through digital channels
- Successfully servicing various customer needs in both the retail and corporate banking sectors
- Greater financial inclusion across all market sectors
- Stable and secure IT systems
- Self-fulfilment of our client's aspirations – enabling people to do extraordinary things

EMPLOYEES
CUSTOMERS
SHAREHOLDERS
BUSINESS PARTNERS
GOVERNMENT AND REGULATORS

SHAREHOLDERS

Shareholders

Over 1 700 shareholders made up of individuals, foreign and local companies, trusts, pension funds, banks and other organisations

We engage with our shareholders and funders to build their confidence in us; ensure access to equity and debt funding; foster open dialogue to understand and address their concerns.

STAKEHOLDER INTERESTS

- Consistent financial performance and dividend payments
- Consistent growth in asset value
- Long-term stability
- Sound governance
- Regular reporting and disclosure

OUR RESPONSE

- **Formal report back at the Annual General Meeting**
- **Publication of Interim and Annual Reports**
- **Publication of corporate announcements and updates**

OUR ENGAGEMENT STRATEGY

- **A conservatively managed balance sheet**
- **Sound business strategies aimed at delivering growth and value**
- **Strong liquidity ratios in all our markets**
- **Strong corporate governance structures**

OUTCOME

- Continuous and sustained growth in headline earnings and asset value
- Optimal capital allocation
- Proactive balance sheet management and capital optimisation

BUSINESS PARTNERS

Business partners

Global and regional financial institutions, as well as development financial institutions

Business partner engagements are key to the continuity of our operations and the success of our digitisation efforts.

STAKEHOLDER INTERESTS

- Clear agreement on terms and adherence to agreements
- Mutual benefit and profitability
- Robust governance processes and ethical principles
- Long-term stability

OUR RESPONSE

- **Constant interaction in the course of day-to-day business at all levels of the relationship**
- **Regular high-level operational meetings and reviews**

OUR ENGAGEMENT STRATEGY

- **Appropriate infrastructure and resources with which to do business**
- **Continuity of operations**
- **Sound corporate governance**

OUTCOME

- Partnerships with global and regional financial institutions offering international funds transfer in major global and regional currencies
- We also provide Letters of Credit confirmations and operate several Relationship Management Application (RMA) arrangements with a host of other regional banks to support cross border trade
- We work closely with development institutions to build local capacity and infrastructure and to help create a more financially inclusive community in the region

EMPLOYEES
CUSTOMERS
SHAREHOLDERS
BUSINESS PARTNERS
GOVERNMENT AND REGULATORS

GOVERNMENT AND REGULATORS

Government and Regulators

- Central banks of the countries in which we operate
- Malawi and Zimbabwe stock exchanges, where we are listed
- Tax and revenue authorities
- Financial Services Commission in Mauritius

In the highly regulated banking sector, engagement with government, local authorities, central bank/prudential authority, regulatory authorities/ bodies builds confidence, trust and enhances brand reputation and ease of doing business.

STAKEHOLDER INTERESTS

- Compliance
- Capital adequacy and liquidity
- Risk and cybercrime management

OUR RESPONSE

- Compliance with various regulatory and prudential requirements
- Good corporate citizenship, such as promptly paid taxes
- Risk mitigation

OUR ENGAGEMENT STRATEGY

- Regular business interactions
- Country CEOs are in regular contact with their regulator

OUTCOME

- Approval by regulators in all markets
- Banking licences

EMPLOYEES CUSTOMERS SHAREHOLDERS BUSINESS PARTNERS GOVERNMENT AND REGULATORS

OUR VALUE CREATING BUSINESS MODEL

FMBCH serves individual, business, corporate and institutional clients, offering a comprehensive range of financial products and services that are both relevant and of value to the different market segments it serves.

* *While FMBCH draws on ecosystem services in the same way that any company would, it does not make use of specific natural resources as inputs into its value creation process. In terms of its management of natural capital, the Group manages its use of natural resources with the same stringency that it manages its use of all other resources.*

Our business activities are conducted within a wider operating environment characterised by:

- Health and safety first
- Volatile macroeconomic context
- Disruptive technologies and accelerating digital adoption

RESOURCES	CAPITALS	Inputs
FINANCIAL CAPITAL The pool of funds supporting business operations, including equity finance and debt	FINANCIAL	• Share capital of US$117 million • Debt capital of US$53 million • Customer deposits of US$681 million
MANUFACTURED CAPITAL The facilities and general infrastructure enable FMBCH to support business operations. (tangible assets)	MANUFACTURED	• 79 branches, agencies, loan centres and service centres • 76 ATMs • 1 604 POS devices • 116 office buildings, branches and training centres (42 owned and 72 leased) • IT infrastructure
HUMAN CAPITAL The skills and experience invested in our employees enable us to implement our strategy and deliver our products and services, thereby creating value for FMBCH's stakeholders	HUMAN	• 1 684 permanent staff members • Experienced Board, Executive and general management • Staff and training to the value of US$35.1 million • Intellectual property (innovation, knowledge, expertise and experience)
SOCIAL AND RELATIONSHIP CAPITAL The key and long-term relationships FMBCH has cultivated with stakeholders and service providers	SOCIAL	• Sound relationships with both retail and corporate customers • Corporate Social Responsibility (CSR) initiatives and programmes • Partnerships with leading financial services brands such as Visa, Master Card, Hello Paisa, RIA and Moneygram
INTELLECTUAL CAPITAL The intangibles that sustain the quality of our product and service offering, which provide FMBCH's competitive advantage, such as our innovations, systems and reputation	INTELLECTUAL	• The reputation of subsidiary banking operations • Financial Service Provider licenses in each region of operation • Internal systems, processes and procedures • Information technology and cyber security

OUR VALUE CREATION PROCESS IS UNDERPINNED BY:

BUSINESS FUNCTIONS	SUPPORT FUNCTIONS	CONTROL FUNCTIONS	SERVICE DELIVERY
Corporate Retail Treasury Channels	Credit Finance Human resources Legal Marketing & Communications	Audit Compliance Risk	Operations IT Administration

SHARED SERVICES

MANAGEMENT (BANK AND GROUP)

CORPORATE GOVERNANCE (BANK AND GROUP)

VALUE CREATION ACTIVITIES

Our products and solutions

- Transactional accounts
- Debit Cards
- Investments
- Loans
- Electronic banking
- Payments and cash management
- Treasury and foreign exchange

Our access channels

- Branch network
- Loan centres
- Agencies
- Call centre
- Website
- Internet Banking
- Mobile banking (USSD and mobile application)

Our customers

- FMBCH serves individual, business, corporate and institutional clients

Value created

- Total operating income US$127 million
- Profit after tax of US$21.3 million
- Total assets of US$1 078 million

Refer to the CFO's message on page 48

- Secure and productive working environments
- Strategically located branches offering convenient customer access to products and services
- Strategically located electronic banking services
- Cutting-edge IT platforms which offer customers convenient and affordable digital banking solutions

Refer to the Manufactured Capital review on page 64

- Qualified, experienced and motivated workforce to deliver our strategy
- Providing a secure income for staff
- A well-organised performance management and labour relations framework for all employees
- Ongoing staff development and training
- Skilled, motivated employees that deliver on strategic objectives

Refer to the Human Capital review on page 66

- Successfully serviced the diverse needs of 405 000+ customers in both the retail and corporate banking sectors
- Facilitated financial inclusion across all market sectors
- Provided ongoing support for various initiatives in the areas of health, education and sport within the communities that the Group operates

Refer to the Social and Relationship Capital review on page 69

- Full legal and regulatory compliance across all of the markets in which the Group operates
- Efficient, effective delivery of products and services to customers
- Strategic marketing strategies designed to build all of the Group's brands and services

Refer to the Intellectual Capital review on page 73

VALUE CREATION

BEING POSITIONED FOR VALUE CREATION

Overview of how our purpose, vision, values, strong leadership and good governance position us for long-term value creation

Our vision, mission and values

Our Vision

FMBCH aims to be a leading regional bank that partners with our customers to help them achieve their extraordinary

Our Mission

The Group aims to achieve this vision by:

- Expanding and consolidating its regional market share
- Offering comprehensive and innovative products and services
- Deploying advanced Information and Communication Technology (ICT) delivery platforms
- Prioritising customer service levels
- Providing strong leadership and management
- Implementing strong and robust principles of corporate governance

Our Values

INNOVATIVE
We are champions of innovation
Embracing and encouraging brave ideas

SERVICE EXCELLENCE
We are happy to serve
Good customer service starts with a warm and welcoming attitude

COLLABORATIVE
We are collaborative
Teamwork is the best way to create a winning culture and make everyone feel included

INTEGRITY
We are people of integrity
Be honest, reliable and show respect for others

CITIZENSHIP
We strive to be a better citizen
Taking care of the environment and the people in our community

CHAIRMAN'S REVIEW

Welcome to our 2020 Annual Report. The arrival of the COVID-19 pandemic on African shores early in 2020 significantly changed the way our businesses operated during the year.

While the primary focus of our group was to protect the health and wellbeing of our employees and safely meet the service requirements of our customers, we recognised the importance of remaining true to our strategic objectives. We continued our transformation journey, working to unify our business operations, maximise synergies and keep our promise to deliver new products and exceptional service under the First Capital Bank or FCB brand that our clients have come to trust.

First Capital BANK

Operating environments

Apart from COVID-19, which obviously had an impact on all the countries where we operate, there were several noteworthy external developments that presented either challenges or opportunities throughout the year.

Mozambique experienced growing social unrest in its northern region, culminating in an armed insurrection in its Cabo Delgado province that prompted Total to suspend its US$20 billion liquified petroleum gas (LPG) development there. This emerging crisis not only put the country's vital gas projects on hold but has also impacted business and in particular, foreign investor confidence. The Metical depreciated during the year.

Terence Davidson
Chairman

The downgrade of Zambia’s credit rating and a default on a sovereign Dollar bond that came as a result of a period of economic underperformance, excessive domestic and foreign borrowing, often for unproductive infrastructure projects, was widely anticipated. In the latter half of the year, the country’s economic prospects appeared to be trending marginally upwards, mostly due to the buoyant copper price.

The re-run of the presidential election in Malawi went smoothly and received world acclaim. While there has been general macroeconomic stability, COVID-19 has caused a general slowdown of business. The tobacco sales volumes dropped significantly because of the shrinking demand for Malawi tobacco, which is a cause for concern in the longer term.

The Zimbabwean economy has remained weak, but the sale of foreign exchange through a Reserve Bank of Zimbabwe auction system brought some exchange rate stability and a reduction of inflation. This has resulted in a slight increase in confidence within the local business community, although it will take a long period of stability to win back the confidence of foreign investors.

Botswana’s economy was relatively hard-hit by COVID-19. The initial lockdown brought about the closure of many businesses, thereby severely hurting the cash flows of businesses across most sectors, with mining, tourism and hospitality especially hard hit. In response, the Bank of Botswana called on all financial institutions to proactively assist their customers through payment moratoriums and extended credit facilities.

Ultimately, the 2020 financial year served as another strong reminder of the importance of a well-diversified business operating across a number of countries. Weaker performance in some of our economies was offset by the stronger performance of others. This blended outcome ensured that our strategy and proven business practices continued delivering positive overall outcomes for all our stakeholders.

Supporting our customers through COVID-19

We have been fortunate that relatively few of our customers were overwhelmed by COVID-19 in 2020. We realise that the pandemic is far from over, but our conservative lending regime and extensive stress testing has revealed a resilient customer portfolio. However, we remain committed to staying close to all our customers and being prepared to support them should COVID-19 related challenges continue.

There were a few instances where customers required financial relief, which we delivered through moratoriums and debt restructuring. We are relatively confident in the ability of those customers to meet their restructured commitments during 2021. We also instituted a policy of regular COVID-19 testing for all staff and offered extensive support to assist infected employees in easing their isolation periods and recoveries. An unexpected positive outcome from this pandemic has been much-improved engagement with both our employees and our customers. We intend to build on this momentum to foster an even more inclusive, engaged and caring culture across the Group.

The establishment of the shared service centre in Mauritius in 2019, which resulted in the centralisation of many of our country operations, helped considerably to process transactions seamlessly despite the complexities of having staff working remotely from home.

Transforming our business from the top down

One of the more significant initiatives of 2020 was the launch of a transformation programme that reviewed both the structure and the operations of the Group. We also made numerous executive management appointments at both group and country-level, bringing new insights and skills into the business. We are confident that this new crop of leaders will provide new impetus to our business in 2021 and beyond.

We also took steps to strengthen our board, appointing new members that contribute diverse experience and complementary skills to the board. I was pleased to welcome Suzanne Alfs to the Board in 2020, as well as Priscilla Balgobin-Bhoyrul and Gavin Chapman in January 2021.

Board focus in 2021

In late 2020, board members met with the senior teams from all our countries and group functions to reassess the Group's strategy for the next three-year period. These strategic sessions reviewed and refined our value proposition and ensured that the entire team was aligned with the direction of the business. During the past few years the Group devoted considerable management attention to the creation of the shared service centre and the integration of Barclays Bank of Zimbabwe. The focus now is to selectively explore new revenue streams and efficiencies through digitisation. Our initial foray into retail lending in Botswana has revealed the growth potential in this sector, and we will consider expanding this offering to other countries. We will also roll out a more advanced and customer-friendly internet banking platform.

Significant investment continues to be made in the IT and digital space to enable us to compete effectively in the ever-changing competitive landscape. We will roll out a more sophisticated credit architecture to align with the expectations of our regulators.

FMBCH today finds itself in an exciting and expansive phase in our evolution. While we don't rule out highly selective acquisitions, we are determined to achieve healthy organic growth by remaining true to our conservative approach, our brand and focus on service excellence.

In gratitude

I take this opportunity to express the immense gratitude of the entire FMBCH Group to our previous Group Managing Director, Mr. Dheeraj Dikshit, for his outstanding leadership and commitment to this business during the eight years that he performed this role. Over that time, he was an exemplary leader who was instrumental in transforming our group into the successful organisation it is today. I also thank Mahendra Gursahani for stepping in as an Interim Managing Director while we search for Dheeraj's substantive successor. Francesco Ceccato stepped down from his role as a non-executive director due to his appointment as the CEO of Barclays Europe. I would also like to convey our Group's appreciation for his contributions and the enthusiasm with which he performed his duties as a non-executive director.

25 YEARS
1995 – 2020

Looking back, FMBCH was founded 25 years ago as an independent bank in Blantyre, Malawi by the Anadkat family in collaboration with Prime Bank of Kenya. Under the inspiring leadership of Mr. Hitesh Anadkat, who remains on the board as a non-executive director, the Group has steadily evolved into the FMBCH of today, spanning multiple African countries and hundreds of branches. Over 405 000 customers and 1 500 employees continue to have their lives enriched by the entrepreneurial yet prudent banking culture that FMBCH encompasses, for which I am deeply grateful.

I also want to thank all our regulators for all their cooperation and my fellow board members for their support and commitment. I especially thank all our executive team and staff members for the invaluable contributions they continued to make to FMBCH's success despite the challenging working environment.

Terence Davidson
Chairman

BOARD OF DIRECTORS

Non-executive directors

Mr. Terence Davidson – *Chairman* *Appointed April 2017*

Mr. Davidson is a veteran banker with over three decades with Citibank, including serving as regional head for East and Southern Africa. He was also Chief Executive Officer of Kenya Commercial Bank, a regional East African bank. Mr. Davidson works as an independent consultant and is on the Board of various companies, including Prime Bank Kenya Ltd and Asilia Ltd.

Mr. Hitesh Anadkat – *Non-executive Director* *Appointed June 1995*

MBA, Cornell University and a BSc Economics (Hons), the University of London

Mr. Anadkat worked in corporate finance in the USA, specialising in mergers, acquisitions and valuations before returning to Malawi to establish First Capital Bank (originally FMB Malawi). He holds directorships in five commercial banks (part of FMBcapital Holdings Group) and in other sectors of the Malawi economy. Mr. Anadkat is Vice-Chairman of Telekom Networks Ltd, a publicly listed mobile phone operating company.

Board committee memberships: Risk and compliance committee

Mr. John Michael O'Neill – *Non-executive Director*

Appointed September 1996

Fellow of the Institute of Chartered Accountants, Ireland

Mr. O' Neill's professional working experience of over 42 years includes 17 years with Deloitte, where he served for six years as a partner in its Malawi practice. He was appointed to the Board of First Merchant Bank Plc in 1996 and worked as Group Finance Director.

Board Committee memberships: Audit committee

Mr. Rajkamal Taposeea – *Non-executive Director* *Appointed April 2017*

LLM – LLB Barrister-at-Law

Mr. Taposeea has over 32 years' experience in Law, Financial Services and Regulations, Media, Airlines and Tourism. He was a member of the Bank of Mauritius Monetary Policy Committee, Chairman of Air Mauritius, General Manager (Investment Banking Group) of Al Rajhi Bank, Regional Managing Director of Standard Bank Mauritius, Managing Director of Barclays Bank Plc Mauritius, Commercial Director of Cedel Bank, AVP at JP Morgan. He currently holds Non-executive Directorships in financial services companies, global funds, and the steel/energy sectors.

Board committee memberships: Risk and compliance committee

Mr. Christo Els – *Non-executive Director* *Appointed October 2019*

BLC and LLB degrees, both with distinction, from the University of Pretoria, as well as an LLM degree, with distinction, from the University of South Africa.

Mr. Els is a Senior Partner at Webber Wentzel South Africa and specialises in mergers and acquisitions (M&A), corporate finance, equity capital markets and securities regulation law. He has advised on a number of large, transformational and cross-border transactions in Sub-Saharan Africa. Christo's Corporate/M&A and Capital Markets expertise has been recognised by various international research organisations, including Chambers Global, Legal 500, IFLR1000, Who's Who Legal and Best Lawyers and Christo was named Lawyer of the Year for Capital Markets by Best Lawyers in 2016.

Board committee memberships: Risk and Compliance committee

Ms. Susanne Alfs – *Non-executive Director* *Appointed November 2020*

MBA degree from the University of Chicago Booth School of Business.

Ms. Alfs is a seasoned banker and economist with deep roots in the banking industry. Her banking career included advisory services for emerging countries on behalf of the German Government. Starting 1998, when she joined Accenture, Susanne continuously expanded her technology expertise. Today she assists global corporates in digital transformation, restructuring and post-merger integration. Susanne is a German national. Her global advisory work included assignments in South Africa and Nigeria. Susanne has served on boards in Germany, Mauritius and the USA.

Board committee memberships: Audit committee

Mr. Francesco Ceccato – *Non-executive Director* *Appointed February 2018*

BA, Oxford University. M.Sc. with distinction, LSE

Mr. Ceccato has worked for financial institutions as a corporate finance adviser or principal his entire career, including seven years at GE Capital and eight years at Barclays, London and New York. He has in-depth experience in financial services in Africa, having led mergers and disposals in South Africa, Egypt and Zimbabwe. In addition to his role on the board of FMBCH, he serves as a director for several Barclays group companies.

Board committee memberships: Audit committee

Francesco Ceccato resigned in December 2020

Executive Directors

Mr. Mahendra Gursahani – *Executive Director, Interim Group Managing Director* *Appointed October 2019*

ACA – Institute of Chartered Accountants in England & Wales

Prior to assuming the role of Interim Group Managing Director on 1 November 2020, Mr. Gursahani was the Chief Operating Officer (COO) of Noor Bank. In this role, Mahendra was responsible for the Bank's strategic direction, operations, IT, finance, transformation and customer experience. Preceding his role at Noor Bank, Mahendra was the Chief Executive Officer at Standard Chartered Bank Malaysia, where he was responsible for the governance and management of the Bank's franchise in the country. Mahendra also held several senior positions in Standard Chartered and has worked at leading international Financial and Accounting services firms, including American Express Bank and Arthur Andersen.

Board committee memberships: Mahendra was a member of the Audit committee until his appointment as Interim CEO in October 2020.

Mr. Dheeraj Dikshit – *Group Managing Director* *Appointed June 2011*

MBA and a Bachelor of Commerce Degree

Prior to joining then First Merchant Bank Plc, Mr. Dikshit worked for HSBC in different leadership positions. He has more than 27 years' experience in corporate and commercial banking as well as retail banking and consumer assets.

Board committee memberships: Risk and Compliance committee

Dheeraj Dikshit resigned on October 30 2020.

EXECUTIVE MANAGEMENT

Group executives

Mr. Shwetank Singhvi – *Group Head of Operations and Shared Services*

Appointed June 2013

MBA and Bachelor of Engineering

Mr. Singhvi has previously worked for HDFC Bank, HSBC, Barclays, and Standard Chartered Bank. He has over 19 years' experience in retail banking, retail broking, commercial banking and banking operations.

Mr. Bryan Mandy – *Group Chief Financial Officer* *Appointed January 2021*

BCom (UCT), BCompt (Hons) (Unisa), CA(NAM), CA(SA)

Mr. Mandy is a senior finance professional with demonstrable proficiency in leading complex business change and transformational due-diligence programmes; deploying superior frameworks to drive rapid and consistent operational improvements that reduce corporate expenditure and drive significant revenue upside. Mr. Mandy is a senior finance professional with over 20 years of experience in Financial Services across different markets that include Namibia, the Middle East and North Africa and the United Kingdom. He joined FMBCH in January 2021 as the Group CFO.

Mr. Willium Masamba – *Group Head of Compliance*
Appointed September 2017

Professional Risk Manager (PRM) with Professional Risk Managers International Association in the USA; MSc in Applied Finance; Bachelor of Accountancy degree. Mr. Masamba has 18 years of banking sector regulation experience with The Reserve Bank of Malawi.

Mr. Thomas J Kadantot – *Group General Manager, Treasury and International Banking* *Appointed February 2016*

MBA in Finance and Accounting, and a post-graduate Diploma in Business Administration. He also holds a Bachelor of Science degree in Physics, Mathematics and Statistics from Bombay University and a CAIIB (1) from India Institute of Bankers. Mr. Kadantot has over 31 years' work experience in various functions in banking.

Mr. Joao Rodrigues – *Group Head of Internal Audit* *Appointed May 2018*
Degree in Business Administration

Mr. Rodrigues holds a degree in management and 20 years of experience in external and internal audit across different markets that include Portugal, Angola, South Africa, Mozambique, DRC and Ivory Coast. He joined FMBCH in May 2018 as the Group Head of Internal Audit.

Mr. Samir Khare – *Group Chief Information and Digital Officer*
Appointed September 2018
MBA in Finance; Engineering degree, Mumbai University

Mr. Khare is an experienced technology, operations and process re-engineering professional in the banking and financial services domain. His experience spans international geographies across the domains of risk solutions and consulting, non-banking finance, corporate and retail banking and microfinance. He has worked in technology and digital business leadership roles at several organisations, including CRISIL (an S&P group entity), Fullerton (a Temasek group entity) and Citibank. Prior to joining FMBCH, he was Chief Information Officer for the State Bank of Mauritius (SBM) Group.

Mr. Pawel Miszewski – *Group Head of Human Resources and Training*
Appointed September 2018
Bachelor of Social Science (UCT); MDP (Unisa); Certificate in Labour Dispute Resolution (Stellenbosch Law School)

Mr. Miszewski has over 42 years of HR experience across Africa, which was gained in the mining, retail, FMCG and banking industries. Most recently, he worked for Barclays Africa, from where he joined FMBCH Group.

Mr. Dennis Mambure – *Group Head of Marketing and Communications*

Appointed September 2019

MSc in Marketing, Masters in Public Policy and Governance, Bachelor of Commerce (Hons) in Marketing, as well as certificates in Digital Marketing and Social Media from the University of Stellenbosch in partnership with Red and Yellow SA.

Mr. Mambure has over 20 years of marketing, communications and product experience gained in the banking, manufacturing, agriculture and telecommunication sectors. Prior to his appointment, he held the position of Head of Marketing, Products and Channels for First Capital Zimbabwe.

Mr. Charles Mukuwe – *Group Chief Risk Officer* *Appointed July 2019*

CFA Charter holder, Certified Professional Risk Manager, Bachelor of Commerce Financial Management degree as well as a Master's in Business Administration.

Mr. Mukuwe previously held the position of Chief Risk Officer, First Capital Bank Zimbabwe. Charles joined the bank in 1997 and has worked in a number of critical functions coupled with secondments to other markets giving him a wide breadth of experience.

Mr. Gian Capannesi – *Group Head of Consumer Lending*

Appointed February 2020 *BA (UCT), PGM (UCT) MBA (University of Warwick)*

Mr. Capannesi joined FMBcapital Holdings in February 2020 with extensive international lending experience. Prior to joining the Group, he was Chief Operations Officer of Bayport Financial Services in Tanzania, Botswana and Colombia. In 2017 he ran the Operations and Sales for Bayport Financial Services in Latin America. After consulting with Africa focused private equity companies in the UK during 2018, Gian joined First Capital Bank to head up consumer lending in Botswana in 2019 and has been running Consumer Lending for FMB Capital Holdings since 2020. Gian has a background in strategy, finance with a focus on African Business, Technology and Financial Services.

Mr. Steven Odongo Opio – *Group Head of Credit Risk*

Appointed August 2020

Chartered Accountant (ACCA), MBA in Finance (Hautes Etudes Commerciales), Bachelor of Statistics (Honours) from Makerere University, Certified PRINCE2 Project Methodology Practitioner

Mr. Opio is a seasoned banker with over 12 years' experience in end-to-end client management, including risk management and a track record of successfully leading both front- and back-end teams in the delivery of operational and strategic objectives. He is currently a Level 3 Candidate in the Chartered Financial Analyst (CFA) Program.

Regional executives

Mrs. Reinette van der Merwe – *Chief Executive Officer, First Capital Bank, Botswana*

Mrs. Van der Merwe holds a Masters in Business Management from the University of North-West (South Africa) and is a Chartered Accountant (CA(SA)). She brings with her 26 years of financial services experience covering a number of areas, including Retail, Corporate and Investment Banking. Prior to joining First Capital Bank Botswana, Reinette was with Absa, previously a member of Barclays, where she held a number of senior roles, including Managing Director for Barclays Bank of Botswana.

Mr. Jaco Viljoen – *Chief Executive Officer, First Capital Bank, Malawi*

Mr. Viljoen holds an MBA from Oxford Brookes University in the UK as well as degrees from the Universities of Stellenbosch and the Orange Free State. Mr. Viljoen's 23 years of experience include working in various African countries for Standard Bank of South Africa and Barclays. Mr. Viljoen was previously CEO of First Capital Bank, Botswana, a position he had held since November 2013.

Mr. Tiago Contente – *Chief Executive Officer, First Capital Bank S.A., Mozambique*

Mr. Contente holds an Undergraduate degree in Economics from the ISCTE in Portugal and has attended several Executive Education courses at The Wharton School. With 21 years of experience in Financial Services, he was Chief Financial Officer and Chairman of Shareholders General Meeting at Standard Bank Angola before joining Capital Bank. He also collaborated with Deloitte for 10 years.

Mr. Edward Marks – *Chief Executive Officer, First Capital Bank, Zambia*

Mr. Marks is an experienced business leader with 33 years of financial services experience covering strategic, operational, multi-cultural and multi-jurisdictional experience within the retail, corporate and investment banking. For a third of his career, he has lived and worked in various African countries. He has held other senior roles in Barclays, Citibank, Investec and ING.

Mr. Ciaran McSharry – *Chief Executive Officer, First Capital Bank, Zimbabwe*

Mr. McSharry joined the bank in 2018 as Chief Finance Officer after holding various senior positions in the finance function in Barclays UK, Bank of America/Merrill Lynch and Lloyds Banking Group. With over 20 years of experience as a career banker, he has diligently supported the Zimbabwe business and ensured business continuity over the period.

CREATING VALUE IN A SUSTAINABLE MANNER THROUGH OUR STRATEGY

Mahendra Gursahani
Interim Group Managing Director

Overview of material matters that inform our strategy, and the steps we are taking to ensure ongoing value creation.

MANAGING DIRECTOR'S REVIEW

The economic and social impact of COVID-19, though painful, was not as severe across our countries of operation as many had feared at the outset. Despite this, the pandemic was a significant challenge for our business, our staff and our customers over the past financial year. The current year is proving to be just as challenging, if not more, as our markets experience more severe outbreaks of the virus. Our experience of the past several months will stand us in good stead as we navigate through these uncertain times.

From an operational perspective, the work that we did as a group prior to the arrival of COVID-19 helped to insulate our businesses against the effects of the pandemic. Having finalised the migration of most of our core systems to our centralised IT Hub in Mauritius effectively de-risked many of our critical processes such as payments and treasury, our response to the virus and national lockdowns was efficient and well-coordinated. We quickly found our operating rhythm within the so-called 'new normal' environment, easily rolling out our flexible working model and seamlessly switching to a new, more digital way of working and serving our customers.

Performance in 2020

The result of this strong position, and our robust foundations going into 2020, was a year of highly pleasing financial results for FMBCH. Despite the challenging operating environment, we were able to deliver an after-tax profit of US$21.3 million for the year, which represents an increase of more than 200% on the previous financial period. Our financial results are discussed in greater detail in the reflections from our Group Chief Financial Officer on page 48 of this report.

We are aware that we cannot take this positive performance for granted and that COVID-19 is likely to present lingering challenges. However, we are cautiously optimistic regarding the Group's ability to sustain this momentum going forward. The main reason for our optimism is that the pleasing numbers we achieved in 2020 were the combined result of good performances by our operations in all the countries in which we operate, rather than just the outperformance of one or two geographies in the Group.

The performance of our Zimbabwe operations represented a strong turnaround from the previous year's losses. On an inflation-adjusted basis, we recorded an encouraging post-tax profit in 2020.

We remain confident that our Zimbabwe operations hold the massive potential to steadily increase their contribution to the Group's growth and profitability. However, we acknowledge that steady growth is going to take time and that the journey will not necessarily be an easy one. We continue to prepare for a more positive socio-economic environment by focusing on our strengths, delivering exceptional service to our customers, and developing our digital banking platforms.

Our Botswana business underwent an operational transformation in 2020, which also proved highly successful. Historically, FMBCH has not involved itself extensively in retail lending, preferring to focus on our core operations as an established corporate commercial bank. In 2019, however, we expanded our focus in Botswana to include payroll backed retail lending. In the 2020 financial year, we continued to expand this offering, which has proven to be a valuable addition to our customer offering and a key contributor to our bottom line.

Our Zambia operations continued to deliver solid results. That business also underwent a change in leadership, which we expect will deliver fresh momentum. Steady growth in customer adoption of our Infini-Pay online bulk payment platform, as well as our mobile app for retail customers, helped underpin performance, while solid treasury results provided a further lift to Zambia's profitability.

Our business in Malawi remains stable and reliable. The IT-related operational challenges experienced in this region in 2019 are a thing of the past, and we had no significant challenges in 2020. As a result, we have steadily been winning back the trust of those customers who were frustrated by the operational difficulties in 2019, setting our Malawi business firmly back onto its growth trajectory.

Our Mozambique business maintained its profitable trajectory during 2020. Our ability to attract new corporate customers is encouraging for the future of our operations there. We are seeing some pleasing partnerships developing with large corporations, notably in the oil and gas sectors. The Group also launched a retail lending business, and the outlook is promising.

A proven, robust business

The pandemic was a real test of business processes and systems across all our operations, and we are pleased with how reliably our IT infrastructure performed. The rapid rollout of our remote working model resulted in no major challenges and demonstrated that we have robust IT frameworks in place to allow for more flexible working arrangements in the future. We may introduce appropriate levels of flexi-work in future, but it is unlikely that FMBCH will permanently adopt a comprehensive work from home business model. However, the performance of our systems and the adaptability of our workforce gives us comfort that we have the necessary contingencies in place should another crisis arise.

An important positive consequence of this seamless transition to working from home was that we were able to continue serving our customers efficiently and effectively in most countries, despite the physical limitations created by lockdowns, social distancing and remote work requirements.

We continue to leverage digitisation and automation to make ourselves more efficient as an organisation and effective in serving our customers. Key to this commitment is the continuous analysis of our end-to-end processes. This helps to identify barriers that can be removed and processes that can be automated for the benefit of our customers, and ultimately our business. COVID-19 accelerated the transformation of the way individuals and businesses engage and transact with their banks. In this regard, our digital banking platforms showed their mettle and allowed our customers to seamlessly continue meeting their banking needs.

We continued to expand our digital capabilities with the launch of our Infini-Pay bulk payments solution, as well as a corporate mobile app that enables our business customers to transact on mobile devices. Infini-Pay is now available in Malawi, Zambia and

Zimbabwe, while our improved mobile app has been rolled out in Botswana, Malawi and Zambia. A new internet banking product scheduled for launch in the third quarter of 2021 will help to further improve our efficiencies and delivery of superior customer experience in the countries in which we operate. We will also launch WhatsApp banking in most of our markets during 2021.

Looking forward

The fact that FMBCH emerged from a loss position in 2019 to a relatively healthy profit in 2020 – despite an immensely challenging environment – is certainly cause for optimism. However, we acknowledge that such optimism must be balanced with a healthy dose of realism. COVID-19 continues to present challenges for people, businesses and economies around the world. We should also keep in mind that the pandemic is just one of a range of global, social, political and economic headwinds that we will all face in the coming months and years.

That said, our strong performance in the 2020 financial year has given us the benefit of a solid foundation on which to build. We will achieve this by driving scale through our operations, proactively seeking out opportunities and growing our revenue streams.

With thanks

Our group could not have achieved the excellent results it did in 2020 without the dedication and commitment of our employees. This was a year unlike any other, but our staff rose to the challenge, embraced their difficult working environment and ensured that we continued providing excellent service to our customers and building our business success. On behalf of the board and executive leadership, I express our heartfelt thanks for their inspiring efforts.

My appreciation and thanks also go to the FMBCH board and Exco members for their unwavering commitment, support and guidance over this challenging period and to our suppliers and business partners for maintaining their high levels of professionalism throughout the year.

Lastly, our gratitude goes to our valued customers who continue to choose First Capital Bank as their preferred financial services provider.

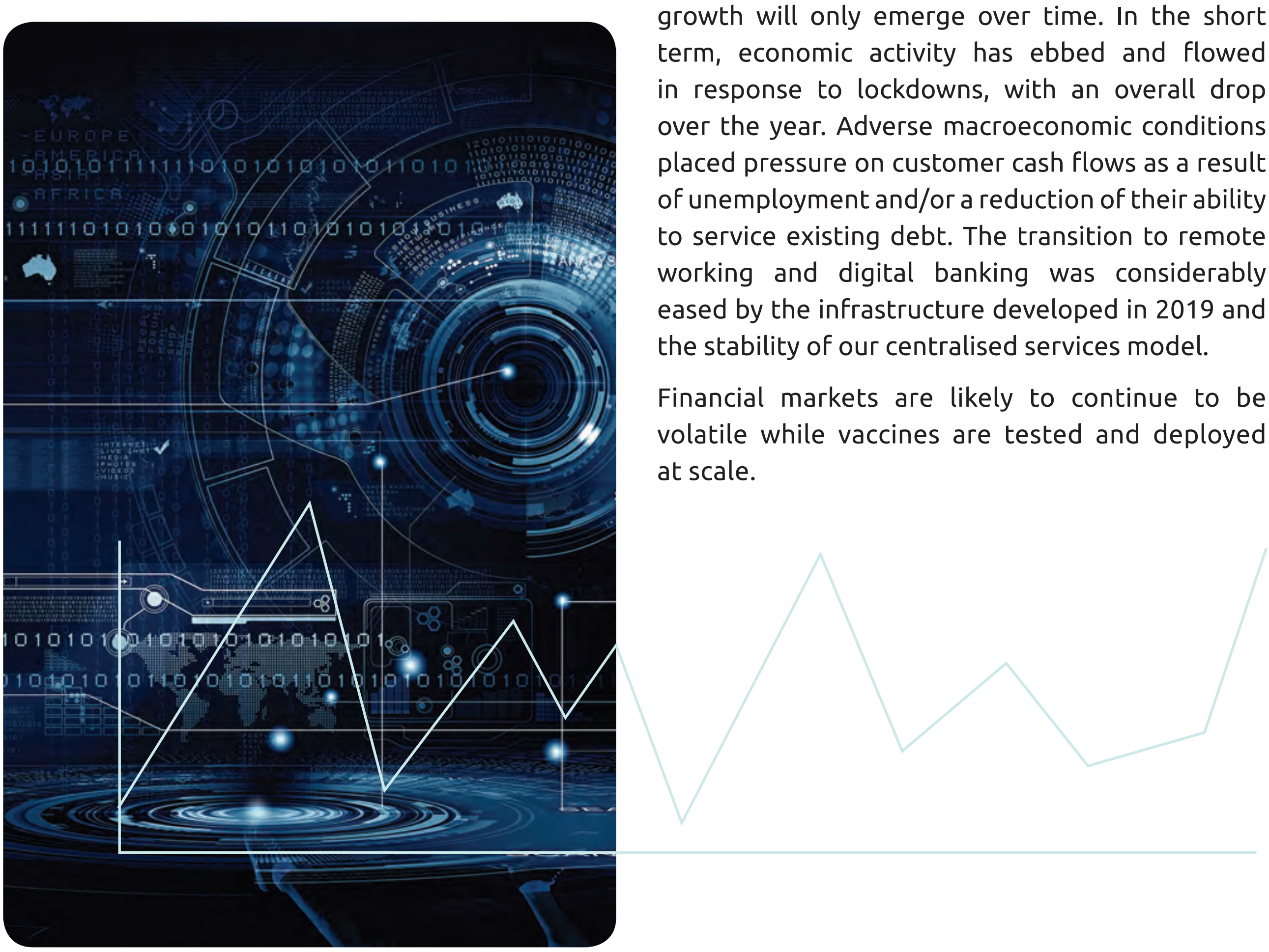
Mahendra Gursahani
Interim Group Managing Director

RISKS AND OPPORTUNITIES IN OUR OPERATING ENVIRONMENT *(MATERIAL MATTERS)*

Our material matters are reflected in our key risks and opportunities. These represent both sides of the coin for issues that have the most impact on our ability to create sustainable value for our stakeholders and influence our business model. These issues change over time as new trends and developments shape the macro environment while our stakeholders' needs evolve.

During the period under review, the executive management team considered all matters that affect the Group or may affect our ability to continue creating value. Having analysed the intricacies of the Group's operating environment and our stakeholders' expectations – within the context of our vision and mission – the executive management team has identified the material matters described below.

These prioritised matters remain top of mind in all management decision making processes.



COVID-19

The 2020 operating environment was dominated by the global COVID-19 pandemic. From March 2020, infection rates escalated around the world and caused the 'lockdowns' of individuals, businesses, societies and countries. Although the world has successfully navigated several infection peaks, or 'waves', and a global vaccination programme is underway, the COVID-19 crisis is far from resolved.

Despite various scientific forecasting models, the real long-term impact of these events on economic growth will only emerge over time. In the short term, economic activity has ebbed and flowed in response to lockdowns, with an overall drop over the year. Adverse macroeconomic conditions placed pressure on customer cash flows as a result of unemployment and/or a reduction of their ability to service existing debt. The transition to remote working and digital banking was considerably eased by the infrastructure developed in 2019 and the stability of our centralised services model.

Financial markets are likely to continue to be volatile while vaccines are tested and deployed at scale.

Our response

While the circumstances leading to this outbreak are out of our control, we managed the escalating spread in our locales by being proactive and responsible. The Group implemented precautionary and preventative actions to help ensure the health and wellbeing of all our staff, clients and other stakeholders.

In addition, through our immediate actions, we ensured the continuity of our operations to provide continuous service to our valued customers. We monitored our credit book and supported distressed clients in managing short term cashflow challenges by deferring payments for a suitable period or extending existing loan periods as necessary.

Our response to the needs of our diverse stakeholders throughout the crisis is outlined on page 15 of this report.

Associated risks	OPPORTUNITIES ARISING
• A widespread infection could negatively impact staff health, safety and continuity of operations • Remote working practices could increase exposure to information security risks and lead to data breaches • Job losses, inability to work, and business insolvencies may put financial pressure on our customers, resulting in credit risk and a decrease in sales	• **Improving the efficiency of operational processes and communication through automation and use of digital platforms** • **Further strengthening of business continuity and disaster recovery plans** • **Developing effective remote working practices** • **Continuing to ensure that customers enjoy convenient and responsible access to our products and solutions**

GEOGRAPHIC DIVERSITY

Against a muted global economic outlook, sub-Saharan Africa's strong potential for economic growth makes it an attractive long-term investment region. Strong population growth, a long-term rise in the middle-class population, urbanisation trends, increasing technology usage and abundant natural resources are key drivers for investment.

Political shifts, social unrest or regulatory changes often arise in the countries in which we operate. Although the COVID-19 pandemic has had an adverse effect on most economies, its intensity and impact vary widely from one market to another.

We accept that each economy has its own business idiosyncrasies and trade patterns. Therefore the Group's strategic intent of geographical diversification in the SADC region aims to provide counter-cyclic mitigation against individual country risk. Additionally, we will continue to manage our business prudently so that we remain well-positioned to optimise on opportunities as they emerge in our markets.

The banking industry remains highly regulated across all the Group's markets. This exposes FMBCH to an ever-shifting array of regulatory and compliance requirements. Our operating businesses must ensure compliance with corporate governance requirements in each country of operation, which are generally overseen by their central banks. Malawi and Zimbabwe's stock exchanges also set banking regulations. Compliance features greatly in the numerous covenants between our banks and their counterparts.

Our response

As planned, our strategic positioning across diverse economies provides resilience against challenging events. We have hedged the Group against potential contagion from regional economic downturns due to market fluctuations, political shifts, social unrest or regulatory changes. In addition, counter-cyclic upturns in better-performing economies provide opportunities to defend profits.

Additionally, we will continue to manage our business prudently to remain well-positioned to optimise on opportunities as they emerge in our markets of operation.

FMBCH has access to a supervisory 'college' comprising representatives from the various central banks in jurisdictions where the Group is present. Oversight by this college, with each regulator offering specific perspectives, proactively drives compliance and consistency to keep us consistently aware of multi-jurisdictional expectations.

Associated risks	OPPORTUNITIES ARISING
• The COVID-19 pandemic is likely to result in more challenging economic conditions, with an increased focus on credit risk, liquidity management and capital preservation • The ability of leadership to understand the dynamics of legislation, tax, compliance and the people in our countries of operation	• **We are well-positioned for growth as economies and markets stabilise** • **The Group has the resources to offer opportunities and growth to our clients in these times. Few competitors are in such a healthy position**

DIGITAL ADOPTION

It is imperative that we embrace new technologies to remain relevant in an increasingly digitised world. Incoming technology has the potential to change many aspects of our services, and it creates new opportunities – from the digitisation of financial services, enhanced client experiences and new products and channels to evolving internal processes, as well as new staffing and skills requirements. Digital adoption is likely to mitigate the impact of reduced mobility due to the COVID-19 pandemic.

Internet and smartphone penetration remains low across many of our markets. As expanding bandwidth drives increasing penetration, the falling price of data and smartphones will accelerate demand for digital banking products and services.

Unfortunately, cyber-risks, including the unauthorised access of customer information, has increased in tandem with digital adoption. Banks have become attractive targets for cyberattacks due to the volume of sensitive client information they hold. Vigilant cyber security practices are vital to FMBCH since the very foundation of banking lies in nurturing trust and credibility.

FMBCH has invested heavily in developing digital channels to ensure uninterrupted banking services while facilitating and encouraging our customers to use our digital channels wherever possible. Having invested in a sophisticated IT platform, we are developing internal processes to interact with clients digitally and through mobile platforms.

Associated risks	OPPORTUNITIES ARISING
• Failure to become a successfully diversified digital retail bank could negatively impact long-term sustainability • Increased cyber-crime poses threats to data access and customer information and could disrupt critical information and digital systems • Inability to embrace innovation and data-driven technologies leading to an increase in credit and financial risk	• **Continuous enhancement of our multi-channel customer experience** • **Further accelerating digital capabilities – crucial in an environment in which virtual platforms have become the preferred banking and transactional interface** • **Improving remote access to products, services and care support** • **Using data for improved decision-making**

INCREASED COMPETITION

Competitors in the financial services sector include new entrants, fintech disruptors and big-tech disruptors. These disruptors are revolutionising the banking experience for clients but may struggle to achieve the necessary scale to ensure financial sustainability.

With multiple options available to the customer, FMBCH must distinguish its brand and drive customer loyalty through excellent services and solutions. To consolidate our brand across various countries, we need to proactively build and maintain strong customer relationships while safeguarding our reputation for delivering accessible and reliable solutions.

The rebranding exercise completed in 2019 gave us the opportunity to create a common brand identity, a common set of operating values and a common vision across all our operations. Ultimately, our rebranding has strengthened recognition of the First Capital Bank brand across our regions.

The concurrent structural and operational consolidation of FMBCH bolsters our position as a multinational banking group by creating strong synergies and efficiencies in each market and across the region. The development of state of the art digital banking products and services will continue to be a critical strategic initiative for the Group over the medium term.

Our response

The Group's corporate restructuring is complete, with all banking entities now directly held by FMBcapital Holdings Plc. Although the Group is not seeking to enter into new territories, we are in an organic growth phase of evolution. The Group is clarifying its value proposition to the middle and SME market and leveraging our strengths in these segments. We believe that our customer base is loyal due to our compelling proposition: we service them better and more personally than our competitors. We intend to grow cautiously within our means and capabilities by opening new revenue streams, such as retail lending in those markets that are not currently in that space.

In 2020 we revamped our cards and payments ecosystem to address instabilities and challenges experienced by our clients during 2019. The Group's advanced mobile channels can now offer our customers easy digital access to most services previously available in our branches.

In addition, our digital payments platforms support positive customer experiences with efficient end-to-end transactions. The development of state-of-the-art digital banking products and services will continue to be a critical strategic initiative for the Group over the medium term.

Associated risks

- Multiple options available to clients, loss of market share and loss of revenue
- Reputation risk (what affects one entity could impact the whole Group)
- Lapses in business continuity could lead to decreased customer loyalty

OPPORTUNITIES ARISING

- **Ensuring top-class customer experiences remain top of mind**
- **Harnessing digital capabilities to drive clear competitive differentiation in product and service offerings**
- **Continuing to deliver the best customer service and experience**

EVOLVING WORKFORCE PROFILE

Skills shortages and competition for critical competencies are rising globally, particularly for technology – and digital-related roles. These scarcities are especially challenging across the African continent.

Routine-based and semiskilled roles are expected to become increasingly redundant due to advances in new technologies, process automation and increased digital adoption. The changing financial landscape requires knowledgeable, flexible, dynamic and engaged people; therefore, competition for the right resources is expected to increase over the short to medium-term.

Flexible work practices, health and safety and employee wellbeing, have become increasingly important as companies respond to COVID-19 through alternative work practices and implementing business continuity plans. The intensifying pace of change in the workplace, coupled with political, social and economic distress in our society, means that employees are experiencing higher levels of stress and are looking to FMBCH for more support than ever before.

FMBCH requires agile leaders that understand the dynamics of the geographies we operate in. Our continued success and long term sustainability requires a skilled and energised workforce with the right resources and putting succession plans in place.

Associated risks	OPPORTUNITIES ARISING
• Inability to attract and retain the right people with the requisite knowledge and skills, as well as the flexibility to remain dynamic and adaptive in the rapidly changing environment	• Continue building a strong and inspiring culture supported by a comprehensive set of values • Reskill and upskill employees for emerging roles • Recruit high-calibre, high-talent individuals


First Capital BANK
Welcome back
Login
Quick Pay
Branches
FAQ
Change Device
Contact Us

DELIVERING OUR STRATEGY

OUR STRATEGIC FOCUS AREAS AND ENABLERS

OUR STRATEGY AT A GLANCE

Our Vision

FMBCH aims to be a leading regional bank that partners with our customers to help them achieve their extraordinary

STRATEGIC GOALS AND OBJECTIVES

- Leverage the growing cross border commerce among SADC countries
- Realign and refine our value proposition to clients
- Strengthen our competitive advantages in our medium and small business markets
- Selectively and cautiously open revenue streams in untapped markets

STRATEGIC ENABLERS

- The quality of people we employ
- And the systems and processes that support them
- Supported by a strong foundation of ethical governance

STRATEGIC OBJECTIVES AND GOALS

The purpose of FMBCH's strategy is to secure a regional SADC footprint to leverage increased cross-border trade among its economies.

Formal and informal inter-SADC trade will grow steadily as communication and transport links between countries improve. Inter-regional economic growth will spur the integration of financial markets, particularly in banking.

In support of our strategic goals, the Group is:

- Deepening relations with clients to obtain a bigger share of wallet
- Pushing harder in the small and medium business segments where FMBCH has competitive advantages. Doing more of what we do well
- Carefully and cautiously opening new revenue streams such as in retail lending, where FMBCH is performing well in Botswana

The Group's exceptional performance in 2020 demonstrates that our strategy can deliver positive results under trying circumstances. In 2021 we are pursuing the organic growth this strategy enables rather than seeking out new acquisitions, though we will consider appropriate acquisitions that may present themselves.

Strategy in action

The Board remains confident in the Group's strategy of consolidating our regional footprint and leveraging the SADC medium and small business sector. Our regional diversity should enable us to deliver relatively steady consolidated results in the future. In any particular year, the challenges faced by an FMBCH bank in any one country could well be offset by better than expected results in our other country results.

While allowing our regional strategy to unfold, the Group will selectively and cautiously open new revenue streams. We are examining niches within retail banking where we could become a more boutique bank for our clients. Retail lending, on a secured and tightly controlled basis, is successfully underway in Botswana. We will leverage our learnings from this initiative to take a low-risk approach to extend retail lending into our other countries of operation.

DELIVERING OUR STRATEGY

Assessment of how value was created through our performance and prospects for the year ahead, according to our strategic value drivers.

REFLECTIONS FROM OUR GROUP CHIEF FINANCIAL OFFICER

Bryan Mandy
Group Chief Financial Officer

In 2020, the economic and social impact of COVID-19 was evident across all those territories in Southern Africa in which we operate. The pandemic was a significant challenge for our business, staff, and customers over the past financial year. The ongoing investment in information technology and operations of the Group has helped to insulate our companies against the impact. The successful migration of our core systems to our centralised IT Hub in Mauritius de-risked our critical processes like payments and treasury and facilitated an efficient and well-coordinated response to the challenges faced. We quickly found a new operating rhythm, easily rolling out our flexible working model and seamlessly switching to more digital ways of working and continuing to serve our customers.

The Group's financial performance in 2020 was resilient, and we made significant progress in optimising our operations. During the year under review, the Group recorded a solid set of results despite the economic challenges and posted a profit after tax of US$21.3 million (a significant improvement on the previous year's loss of US$18.6 million). In summary, the Group's portfolio of businesses produced good top-line growth and delivered earnings above the cost of capital for the year ended 31 December 2020.

Net interest income increased 18% from 2019 as strong growth towards the back end of 2020 more than offset margin compression associated with interest rate reductions across our markets. Non-interest revenue increased by 21%, driven by solid trading performance and the introduction of fee-generating digital channels. Credit impairment charges decreased to US$6.1 million due to refinements in the modelling of expected credit loss models, offset by the impact of overlays on account of conservative forward-looking assumptions. The ratio of non-performing loans to gross advances ended the year at 3.73%, down from 4.13% in 2019. However, past due but not impaired loans increased from 3% to 11% of gross advances.

Operating expenditure was well contained below 2019 levels, reflecting the working environment in 2020 with reduced travel costs and other controllable cost savings. Additionally, normal rationalisation of our staff strength on the back of greater digitisation also yielded savings.

Our cost-to-income ratio improved to 62.62% from 2019 (2019: 80.12%) despite the inflationary and other pressures of 2020. Our JAWS of 26% demonstrates that we are generating more revenues from our cost-base and improving efficiencies. In some countries, our transactional income alone is almost covering our costs, which also indicates increased efficiencies.

Summary of our performance (US$)	2020	2019	% change
Total income	127 260 758	106 433 918	19.57
Profit/(Loss) after tax	21 276 051	(18 609 308)	214.33
Profit/(Loss) attributable to Owners of the parent	13 314 320	(4 974 291)	367.66
Loans and advances to customers	409 710 461	397 426 996	3.09
Customer deposits	757 728 556	681 390 892	11.20

Key ratios	2020	2019	% change
ROE (%)	16.11	(14.19)	213.51
ROA (%)	2.00	(1.84)	208.56
Credit Loss Ratio (%)	1.51	2.52	(39.83)
Cost to Income Ratio (%)	62.62	80.12	(21.85)
Basic earnings per share (US cents)	0.54	(0.20)	367.66
Diluted earnings per share (US cents)	0.52	(0.20)	355.72

FINANCIAL

Demonstrating the value of a resilient, well-structured group

The excellent performance of our Group in the 2020 financial year was primarily due to the solid foundation achieved towards the end of 2019 and positive year-on-year operational improvements delivered in all countries.

Particularly impressive were the solid showings by our businesses in Zimbabwe and Zambia and continued growth in our Botswana operations.

This performance is summarised country-by-country in the table and discussed in more detail on page 52 to 63 of this report:

Country	Highlights	Interest Income US$	Non-Interest Income US$	Profit after tax US$	Y-o-y improvement (%)
Botswana	• Continues to enjoy steady economic growth • FMBCH business remains strong and resilient • Retail/payroll lending growing in impact • Low exposure to clients in tourism has been good for the Group	17 718 442	5 533 587	6 025 232	35
Malawi	• Tobacco sales volumes dropped significantly • A general slowdown in business due to COVID-19	27 552 532	17 074 252	10 860 560	33
Mozambique	• Reduced foreign investor confidence • Social unrest in northern regions. • Metical's depreciation	4 477 247	4 282 738	1 897 231	73
Zambia	• Downgrade of Zambia's credit rating • Default of sovereign US$bond • Shortage of US Dollars • Significant inflation • Buoyant copper prices	7 636 052	3 968 215	2 378 704	277
Zimbabwe	• Hyperinflationary environment continues • Some exchange rate stability is arising from the RBZ auction system • Reduced inflation • Improved business environment	10 413 537	31 310 001	4 657 454	(112)

The benefits of our strategy to centralise our back-end operations in our Mauritius hub are evident in our bottom line, and focus is required to manage the currency risk emanating from a strong US dollar. Despite the inevitable relatively negative consequences of recent changes to tax legislation in Mauritius, especially its more challenging transfer pricing regulations, the Mauritius IT and shared services hub contributed notably to our operational resilience in 2020 in the face of COVID-19 and other pressing socio-economic challenges. The "hub" directly impacted the speed of adapting to the operating environment present in 2020 and improving profitability. Another valuable contributor to the Group's performance over the past financial year was our deliberate shift from interest income to non-interest income. Our focus on foreign exchange transactions was welcomed by our customers as many businesses faced foreign currency challenges during 2020.

The positive results in the 2020 financial year are testament to the resilient balance sheet that we have grown in recent years, our ability to overcome environmental challenges and economic headwinds to remain a trusted partner and banking services provider to our clients.

Key challenges in 2020

Apart from the impact that COVID-19 had on people, communities, and businesses, the pandemic affected the currencies in many countries where we have a presence.

This impact was most evident in Zambia, which defaulted on its foreign currency obligations. Apart from the direct repercussions for the country and its economy, this had a knock-on effect in further depressing investor confidence in the region.

Simultaneously, COVID-19 has muted consumer and business confidence, directly impacting our businesses in terms of fewer business loan applications.

The various health and remote working protocols implemented in response to COVID-19 also added to overall operational expenses during the year, given the need to invest in personal protective equipment, sanitisers and additional digital equipment to enable staff to work from home. While these costs were not overly high on their own, the lockdowns and work from home arrangements meant many of our physical branches stood empty or were underutilised for weeks. This operational reality meant paying for inefficiently used infrastructure.

Of course, COVID-19 was not the only challenge during the year. The continuing hyperinflation in Zimbabwe presents a hurdle that our business in that country needs to work to overcome. These inflationary pressures have raised Zimbabwe's sovereign risk and the risk of further defaults, resulting in negative economic impacts. We have taken targeted actions to mitigate these risks and position ourselves to work within the prevailing economic climate. Our Zimbabwe business results in FY2020 demonstrate that these are starting to bear fruit.

Outlook

We are aware that the countries in which we operate may face ongoing and possibly increasing challenges. However, thanks to our strong performance in the 2020 financial year, FMBCH is in a solid position to weather these storms and provide support to our clients as they navigate the pandemic themselves. Accordingly, we are proposing a final dividend of US$0.08 cents per share for approval by shareholders at the AGM.

FMBCH is well-capitalised, and we have sufficient liquidity to capitalise on any opportunities that may arise in the coming years. While our focus is not on acquiring more businesses, we will continue to seek opportunities to grow our balance sheet organically.

In this regard, we see significant potential across most of the countries we operate, particularly as the proposed vaccination programmes are rolled out over 2021.

Much of Africa has enjoyed good rainfall, which augurs well for the agriculture sector. We are ready to partner with our agriculture clients to unlock the shared benefits that should emerge in the coming months.

We are hopeful that foreign direct investment into many of our countries will gradually increase as tourism increases on the back of the global vaccination roll-out. It is also possible that the change in leadership in the USA will create more positive sentiment towards Africa, which may result in an uptick in global tourism over time.

Attractive foreign exchange rates and increasing international trade will hopefully drive up demand from Europe, China, and the US for African products and resources, particularly from agriculture and minerals. Growing demand will drive investment into large-scale infrastructure projects in Africa, with the potential to create many opportunities for our clients and our own business.

Of course, there are lingering challenges that we need to overcome. Many of the governments of the countries where we operate continue to try and stimulate economic growth by adjusting interest rates. These are mostly already on the low side, so any further decreases may negatively impact our interest-income strategy. On the other hand, increasing interest rates will deliver some benefits in the short term, but these could quickly transform into business challenges if rates continue to rise. We have taken steps to mitigate this interest rate risk, and our focus in the future will remain on increasing the contribution to our revenues of non-interest income streams.

Our strong 2020 performance has generated good momentum for our Group going into 2021, and we are focused on maintaining that momentum through the next financial year. We have a significant advantage over many other multinational banks in that we are solely Southern Africa-focused. This presence means that we can take full advantage of inter-country trade. Our flat, non-hierarchical organisational structure allows us to be agile, make decisions quickly and move swiftly to benefit the Group and our clients.

We fully intend to capitalise on this lean and agile structure going forward. We believe it will allow us to build steadily on the strong foundations laid by our encouraging performance in 2020.

Bryan Mandy
Group Chief Financial Officer

INTRODUCTION
FMBCH AT A GLANCE
VALUE CREATION
STRATEGY
GOVERNANCE
ANNUAL FINANCIAL STATEMENTS

REGIONAL PERFORMANCE REVIEWS

BOTSWANA

First Capital Bank Botswana at a glance

	2020	2019	2018
Branches	4	4	4
Loan Centres	6	6	5
ATMs	5	5	4
Debit/credit cards issued	1 082	15 113	12 508
Staff	188	145	109
Customers	19 046	24 513	17 114

Reinette Van Der Merwe
Chief Executive Officer

Key indicators

(All figures in Botswana Pula)	% variation 2019 to 2020	2020	2019	2018
Net interest income	40	202 385 413	144 616 249	101 984 173
Non-interest income	16	63 206 308	54 676 784	49 909 121
Operating expenses	16	140 318 532	120 596 795	98 948 907
Profit after tax	45	69 724 470	47 973 783	32 944 477
Customer deposits	19	3 038 484 162	2 561 974 069	2 482 246 360
Total assets	8	3 916 925 737	3 633 463 050	2 870 941 292
Loans and advances	8	2 123 331 409	1 961 395 725	1 576 554 163
Shareholder funds	17	342 630 144	294 032 792	196 059 009

2020 OVERVIEW

The impact of COVID-19

Botswana implemented a national lockdown for all except essential services. It impacted cash flow for various sectors, especially the mining, tourism, and hospitality sectors. Although the long-term effects are yet to be felt, the situation is expected to continue until a vaccine becomes is widely adopted.

The Bank of Botswana (BoB) encouraged banks to help affected customers by providing payment holidays of three to six months and by keeping approved credit facilities available. To assist the banks, the central bank reduced the minimum required Capital Adequacy Ratio (CAR) from 15% to 12.5% and primary reserve requirements from 5% to 2.5%.

In response, we analysed our loan book (excluding the payroll loan book) for the potential impact of COVID-19 on our customers on a case-by-case basis. Customers who qualified were provided with a three-month payment holiday, extended by another three months where necessary.

Performance

First Capital Bank delivered an impressive performance following significantly higher interest and non-interest income. We experienced a growth of net profit after tax (NPAT) to BWP69.7 million in FY2020 (FY2019: BWP47.9 million). The Bank's total assets increased by 7.8% to BWP3.9 billion in FY2020 (FY2019: BWP3.6 billion). This balance sheet growth can be attributed to substantial growth in our loan book, repurchase agreements and shareholder funds.

Overall, our loans and advances grew by 8.3%. Our net interest income increased by 39.9%, driven largely by 29.8% growth in our payroll loans in the retail segment. We attribute this to a successful marketing campaign that promoted the six loan centres opened across the country and First Capital Bank's unsecured loan product. We also incentivised government and council employees to take out a loan with us.

Our net non-interest income also increased by 15.6%, attributed to increased volumes in the Bank's foreign exchange services.

Our success saw a 16.4% increase in total costs due to an increased high-level staff complement during the lockdown and a 79.7% increase in the commission paid to our sales agents. Despite this, our cost-cutting measures and increased interest and non-interest income saw a reduction in our cost-to-income ratio to 52.8% (FY2019: 60.5%).

Liquidity and capital adequacy ratios

First Capital Bank Botswana maintained a stable financial position in FY2020. We continue to exceed the regulatory requirements for both Liquid Asset Ratio (LAR) and CAR. The LAR was 16.8% (regulatory requirement: 10%) and the CAR was 19.69% (regulatory requirement: 12.5%). Our Tier 1 capital to total risk-weighted assets ratio amounted to 12.15% (regulatory requirement: 4.5%).

Operational highlights

Late in 2019, all the regulatory requirements for the acquisition of Bank of India Botswana were approved and concluded successfully. With this acquisition, we onboarded 1 051 customers, which is expected to grow our revenue.

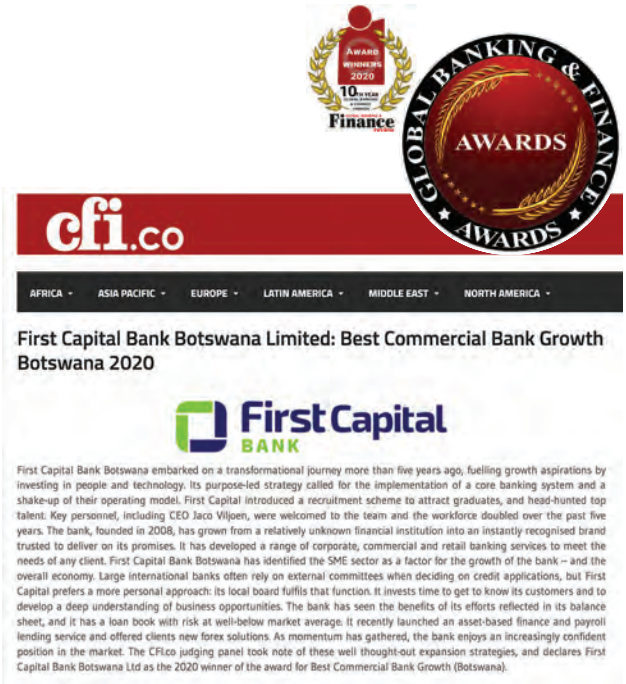
As a token of our ongoing growth in the region, we received several awards:

- Best Corporate Bank (Botswana) – Global Banking & Finance Review
- Best Commercial Bank Growth (Botswana) – Capital Finance International
- Straight-Through Processing Excellence Award for US Dollar payments – Citi

Outlook

We are positive about our 2021 growth prospects. We will continue to focus on growing our transactional corporate and commercial customer base. We anticipate continued growth of the loan book, specifically in retail lending.

The Bank is improving customer convenience by launching digital solutions, including mobile apps for retail and corporate customers. This will complement our existing internet banking service to enable seamless banking for customers wherever they are.



First Capital Bank Botswana Limited: Best Commercial Bank Growth Botswana 2020

First Capital BANK

First Capital Bank Botswana embarked on a transformational journey more than five years ago, fuelling growth aspirations by investing in people and technology. Its purpose-led strategy called for the implementation of a core banking system and a shake-up of their operating model. First Capital introduced a recruitment scheme to attract graduates, and head-hunted top talent. Key personnel, including CEO Jaco Viljoen, were welcomed to the team and the workforce doubled over the past five years. The bank, founded in 2008, has grown from a relatively unknown financial institution into an instantly recognised brand trusted to deliver on its promises. It has developed a range of corporate, commercial and retail banking services to meet the needs of any client. First Capital Bank Botswana has identified the SME sector as a factor for the growth of the bank – and the overall economy. Large international banks often rely on external committees when deciding on credit applications, but First Capital prefers a more personal approach: its local board fulfils that function. It invests time to get to know its customers and to develop a deep understanding of business opportunities. The bank has seen the benefits of its efforts reflected in its balance sheet, and it has a loan book with risk at well-below market average. It recently launched an asset-based finance and payroll lending service and offered clients new forex solutions. As momentum has gathered, the bank enjoys an increasingly confident position in the market. The CFI.co judging panel took note of these well thought-out expansion strategies, and declares First Capital Bank Botswana Ltd as the 2020 winner of the award for Best Commercial Bank Growth (Botswana).

citi

STRAIGHT-THROUGH PROCESSING EXCELLENCE AWARD FOR US DOLLAR PAYMENTS

MALAWI

2020 OVERVIEW

The impact of COVID-19

COVID-19 undoubtedly affected us in 2020, both in terms of the impact on the economy and the way the Bank conducted business to comply with new health and regulatory guidelines.

Jaco Viljoen
Chief Executive Officer

In general, we experienced a slowdown in business activities as most customers shelved their growth or investment initiatives. We also saw a reduction in donor inflows, which exacerbated the foreign exchange shortage in the country. Furthermore, with most institutions operating remotely, the restrained engagement with potential clients inevitably had an impact on new business generation.

First Capital Bank Malawi at a glance

	2020	2019	2018
Branches	**6**	6	6
Agencies	**24**	24	25
ATMs	**51**	54	65
Onsite banking solutions	**23**	23	23
POS devices	**131**	120	112
Staff	**661**	691	694
Customers	**176 993**	309 664	632 900

* *Customer numbers have progressively reduced due to an extensive clean-up exercise on dormant accounts following the acquisition of Opportunity International Bank Malawi.*

On the transactional front, the Reserve Bank of Malawi issued new directives when COVID-19 emerged, whereby Banks were instructed to reduce fees on digital channels to encourage the use of self-service channels and thereby reduce the number of people visiting physical bank branches. We experienced a surge in adoption and usage of our mobile app as well as internet banking consequently.

We were also mandated to grant moratoriums on loans to customers whose operations had been impacted by the pandemic. However, the impact was lower than originally anticipated.

Our communities and staff were anxious about the pandemic. During the year, we enhanced engagement with staff through regular CEO updates on COVID-19 related issues within the Bank, alongside educational material to prevent the spread of COVID-19. We also put business continuity plans in place and enabled the majority of our employees to operate from home. Our general approach was to encourage a sense of optimism in our staff by tackling this 'new normal' with agility and a renewed sense of purpose.

Key indicators

(All figures in Malawi Kwacha)	% variation 2019 to 2020	2020	2019	2018
Net interest income	19.8%	**20 671 967 000**	17 248 970 000	14 625 028 000
Non-interest income	21.1%	**12 750 852 000**	10 532 859 000	11 370 910 000
Operating expenses	12.8%	**21 135 134 000**	18 732 467 000	16 471 649 000
Profit after tax	32.9%	**8 025 229 000**	6 039 066 000	6 654 950 000
Customer deposits	16.9%	**157 719 862 000**	134 871 797 000	139 582 070 000
Total assets	0.4%	**295 565 596 000**	294 489 883 000	229 396 858 000
Loans and advances	10.5%	**79 077 559 000**	71 592 468 000	62 136 710 000
Shareholder funds	12.4%	**37 196 609 000**	33 093 200 000	36 225 825 000

Socio-political considerations

In June 2020, a new Malawian government was ushered in following the fresh presidential elections ordered by the courts. The impeccable governance and mature democracy displayed brought with it a renewed confidence in the future, although we are yet to see any tangible changes in policy direction.

Performance

Our operating environment was characterised by the COVID-19 pandemic, causing a significant and systemic slowdown in the economy. While our priorities during the pandemic were to sustain our operations and protect our staff, the Bank ensured that its customers continued to access banking services safely and securely. Furthermore, we accorded variations to contract terms to some customers with bank loans.

For most of the first half of 2020, the country also faced political uncertainty following the political impasse emanating from the disputed 2019 Presidential Poll, which was only settled in June 2020. Notwithstanding these challenges, profit after tax for 2020 increased by 33% to K8Bn (2019: K6Bn).

With the adoption of the reference rate system in determining interest rates, the banking industry continued to experience downward pressure on interest yields. The Bank recorded a 15% YoY growth in interest income. This was due to a combination of increased high yielding money market activities and growth in the bank's loan portfolio from K73Bn to K81Bn. The close monitoring and pro-active management of our loan book ensured that non-performing loans remain in check.

Non-interest income for the period grew by 21%, partly because of the consumer shift to digital platforms, although the growth was subdued by the revaluation of the Bank's listed equity holdings.

In the face of a 13% increase in operating expenses incurred during the year, we remained focused on controlling our cost base in the light of an uncertain future and the continued contraction of interest rate yields.

Our funding base was boosted by a 17% increase in our total deposits portfolio YoY, closing the period at K158Bn. This growth was despite our decision not to compete in wholesale term deposits, as attested by a YoY drop of our term deposits.

Liquidity and capital adequacy ratios

The Bank continued to have a healthy capital position, with Tier I and Total Capital Ratios above regulatory and internal thresholds. Liquidity was in surplus, and the outlook towards growth in advances remains conservative owing to the COVID-19 pandemic. In light of this, the Bank exercised its option to prepayment of the K7Bn subordinated debt, which was part of the bank's Tier II Capital. The Bank took its healthy capital ratios into consideration, with an overall objective to further reduce its funding costs.

Operational highlights

In line with our strategic pillar of innovation, we continued enhancing the user-friendliness of our platforms. We introduced Infini-Pay, a seamless bulk payment solution targeted at clients that process large volume payments. Customers have responded well to Infini-Pay, and we continue to onboard new customers on the platform.

We also rolled out the Corporate App, an extension of our current mobile app for retail, to cater to our corporate customers. The Corporate App brings a whole new experience to corporates, allowing them the same controls and authorisation matrices as their internet banking platform, with the improved ease and flexibility of a mobile application. The Corporate App allowed the Bank to expand its offering to the corporate base.

Outlook

The economy should remain stable, with a good harvest expected to follow a good rainy season. The prevalence of COVID-19 also appears to be in decline, but it is expected to create ongoing uncertainty and put pressure on overall growth.

The Bank will continue expanding our offering in the area of digital technology to ensure that our customers have a variety of channels to transact on.

Our approach to lending will remain conservative as we wait for markets to open and economies to stabilise from the effects of COVID-19. Even so, we plan to launch new lending products to expand our revenue base. In the interim, our strong liquidity and capital position will allow us to weather further economic shocks and help us to serve our customers with an expanded range of solutions on the back of our strong technology platform.

MOZAMBIQUE

Tiago F. Contente
Chief Executive Officer

First Capital Bank S.A. Mozambique at a glance

	2020	2019	2018
Branches	**5**	5	4
Agencies	**1**	1	1
ATMs	**7**	8	6
Debit cards	**659***	2 316	2 143
POS devices	**226**	178	72
Staff	**118**	107	72
Customers	**19 286**	18 705	16 096

** Reduction due to security concerns associated with non EMV compliant cards. Numbers are anticipated to increase as VISA cards are rolled out.*

2020 OVERVIEW

The impact of COVID-19

The COVID-19 pandemic's impact on Mozambique was relatively mild from a health risk perspective, but the country's GDP experienced a 2% decline, largely due to the disruption of extractive industries and tourism, leading to business closures and deeper unemployment.

Additionally, liquified natural gas (LNG) projects that promised investments of more than US$50 billion were also significantly impacted, with work slowing down or being postponed indefinitely.

We responded to these challenges by focusing on:

1. **Our people:** We introduced measures to protect our employees, our clients and our stakeholders. For staff, this included enabling work from home by providing laptops and internet, setting up private transport, and implementing health measures at the workplace.
2. **Our clients:** We reviewed all our credit facilities and allowed for restructures where needed.
3. **Our credit portfolio:** We reviewed our credit risk appetite.

By implementing these measures, we successfully navigated the difficult year, enabling our customer base and profits to grow despite the headwinds.

Key indicators

(All figures in thousand Metical (MZN))	% variation 2019 to 2020	2020	2019	2018
Net interest income	11,6%	**310 907**	277 051	241 263
Non-interest income	26,2%	**300 400**	251 405	131 767
Operating expenses	16,2%	**473 440**	414 120	335 542
Profit after tax	88,4%	**127 558**	67 720	7 776
Customer deposits	69,7%	**5 749 931**	3 388 647	2 294 086
Total assets	46,3%	**7 714 692**	5 273 429	3 036 628
Loans and advances	47,3%	**2 233 267**	1 515 653	728 614
Shareholder funds	24,4%	**1 592 883**	1 280 326	639 136

Socio-political considerations

Insurgents increased their reach in the northern province of Cabo Delgado, taking and controlling large swathes of territory. Besides a large number of people who were either killed or displaced, foreign investments in the oil and gas sector were delayed or suspended. Although the Bank is not directly affected by the disruption to this sector or region, we are keeping a close eye on the macro-economic effects.

Performance

First Capital Bank Mozambique posted a profit after tax of MZN127.5 million in FY2020, a growth rate of 88% (FY2019: MZN67.7 million). Public familiarity with the brand is growing as people start seeing us as a professional and safe bank to partner with.

The Bank continued to show a healthy deposit growth of approximately 70%, mainly due to origination and an increase in our corporate clients' wallet share. Our market share of the deposits in the Mozambican financial sector is currently above 1% (twice what it was in 2018).

Our lending portfolio increased by 47% to MZN2.2 million in 2020 (FY2019: MZN1.5 million), while our total assets increased 46% to MZN7.7 million (FY2019: MZN5.2 million). The Bank ended December 2020 with non-performing loans (NPLs) of approximately 5.2%, significantly lower than the market average.

Foreign Exchange (F.X.) trading volumes and commissions grew considerably in 2020. Improved commissions performance (growth of approximately 19% YoY) was mainly driven by stronger performance across trade finance, i.e., letters of credit and bank guarantees. F.X. activity intensified (28% growth YoY) due to greater foreign currency inflows into the country and a strong net open position management.

Factors contributing to performance

Our results reflect an overall improvement in the Bank's business and operations on the back of the consolidation and strategic adjustments since 2018, despite the marginal growth of Mozambique's economy and lower market interest rates in 2020.

Strategically, the Bank focussed on servicing large corporates but also adding business banking and consumer payroll lending to its range of products and services available to a wider customer segment. Geographically, we strengthened our presence in Nampula by hosting the inauguration of the branch we opened there in 2019. This branch contributed significantly to our stronger balance sheet during the 2020 financial year. We also opened a new representative office in Beira in April, which positions us to service customers located in the centre of Mozambique, as well as multinationals that use the Beira Corridor for hinterland imports and exports.

In line with the Group's digitisation agenda, we launched our new internet banking in April 2020. Incoming functionalities include bulk payments, customers autonomy to manage users, and improved security features. The number of transactions more than doubled YoY, and we will continue developing new functionalities in 2021.

We also grew our POS business during the year. The number of devices doubled, and the volume of transactions tripled compared to 2019.

While we saw our operating expenses increase by 16% in 2020 due to a bigger staff contingent, along with investments into improved facilities and new I.T. solutions, our cost-to-income ratio continues its downwards trend to 68% by the end of 2020 (FY2019: 73%). We expect this trend to continue in coming years.

Liquidity and capital adequacy ratios

Our capital adequacy ratio stood at 35.73% in 2020, well above the regulatory minimum of 12%. Our liquidity ratio also registered well above the regulatory minimum levels.

Operational highlights

We expanded our regional footprint by opening a new commercial office in Beira and opened a new cash centre with improved security standards in Maputo.

Our staff headcount grew by approximately 10%. We revised our organogram to include staff dedicated to our various customers' segments (Corporate, Business Banking, and Retail). This improved our process flow, aligned our products to specific customers, and helped to allocate relationship managers based on each one's expertise. We also have a new payroll lending team, as well as larger and more skilled back-office teams to reduce operational risk. We also strengthened our internal controls.

In the trade finance area, we implemented new I.T. solutions. Consolidating our systems in Mauritius allowed for more efficient operations and better service to the clients.

In August, the Bank launched a new product called 'Credit to the Public Employee', targeted at government employees. We expect that it will result in an increase in our loan portfolio and operations in Mozambique.

Outlook

The Mozambique GDP growth rate forecast for 2021 is 2.1%. However, the full impact of the pandemic on Mozambique is yet to be seen, while the fluctuations in main commodity prices, the implementation of oil and gas investments, and terrorist attacks in northern Mozambique all contribute to uncertainty. The pandemic's impact on coal prices may have a knock-on effect in terms of forex availability in Mozambique.

The Central Bank increased the reference interest rates in January 2021 to combat the accelerating inflation that took place at the end of 2020. Given the uncertainty of economic growth, the Central Bank might be forced to change the monetary policy frequently in response.

However, on the positive side, the European Union committed to resuming their financial support to the Mozambican government in 2021, which will help the country's public expenditure while injecting forex stock into the economy, thereby relieving some of the pressure on the local currency.

Our strategy so far focused on resilient sectors that often grow even during tough economic times. We will continue monitoring the environment to ensure we can respond quickly and protect our assets. We will continue to support our staff, clients and wider eco-system through this period of health crisis and associated challenges to our communities and economy.

ZAMBIA

First Capital Bank Zambia at a glance

	2020	2019	2018
Branches	7	8	7
Agencies	1		
ATMs	7	7	7
Staff	120	133	118
Customers	4 943	7 682	8 654

Edward A. Marks
Chief Executive Officer

Key indicators

(All figures in Zambian Kwacha)	% variation 2019 to 2020	2020	2019	2018
Net interest income	59%	1 44 324 942	90 803 163	73 628 367
Non-interest income	62%	78 235 828	48 302 750	61 547 582
Operating expenses	25%	142 308 856	(113 823 086)	82 620 714
Profit after tax	419%	42 451 588	8 186 568	28 944 868
Customer deposits	63%	1 812 633 162	1 110 306 629	849 681 450
Total assets	60%	2 431 336 903	1 517 833 725	1 207 751 380
Loans and advances	60%	1 112 925 785	693 413 359	567 202 507
Shareholder funds	26%	206 372 220	163 920 632	155 734 064

2020 OVERVIEW

The impact of COVID-19

The COVID-19 pandemic had a serious impact on Zambia, both economically and socially.

The country defaulted on its Eurobond loan, the first African country to do so after the advent of the pandemic, which resulted in a country credit rating downgrade. The currency weakened from K14.05/$ to K21.15/$, while the inflation rate deteriorated from 11.70% to 19.20%. The Ministry of Finance came through with a K10 billion COVID-19 support programme to mitigate the impact of the pandemic on small and medium enterprises and households. The Bank secured K61 million from this support programme for on-lending to the Bank's customers.

However, the financial impact on the Bank was limited during 2020. Our customer base consists mainly of the less-impacted wholesale industry that supplies essential household items, which means that our loan book did not post a high number of impairments so far. We may only feel the full impact after the subsequent waves predicted for 2021. The pressure on the exchange rate already translated into a decline in our ratio between large loan exposure and regulatory capital.

The Bank conducted a full review of all our borrowing customers and classified the risk. Our heightened focus on non-performing loans (NPLs) saw our ratio improve from 7% to 3%, driven by a combination of growth in gross loans and effective recovery processes. However, we faced lengthy court processes, resulting in ageing NPLs, due to the pandemic's impact on the judicial system.

Legislative changes

Compliance with all the laws and regulations that apply to us is non-negotiable. Some of the key regulations introduced during 2020 include:

- Banking and Financial Services Act Amendment: Act 7 of 2020
- Prohibition against unwarranted charges and fees and regulations of specific charges – Directives
- Banking and Financial Services – Classification and provisioning of loans directive
- Regulatory Guidance on complying with Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) control requirements for reporting entities in light of COVID–19 measures

The Bank remains committed to addressing emerging risks and challenges in regulatory compliance.

Performance

The headwinds we faced in 2018 and 2019 continued for the first half of 2020, but we have since seen a complete turnaround to post the highest profitability after tax in the Bank's history. In particular, we saw a significant increase in our interest income from our investments in Government Bonds.

We experienced good balance sheet growth. The Bank's loans and advances to customers are predominantly in US dollars, and the strengthening of the Dollar against the Kwacha had a positive impact on our balance sheet in local currency. However, because of the Kwacha asset growth, the percentage of total loans denominated in US dollars fell to 85%. The Kwacha asset growth was also facilitated by the COVID-19 support programme mentioned above.

Liquidity and capital adequacy ratios

The Bank continued its prudent approach and strived to maintain its key ratios above regulatory requirements. As of the end of 2020, the capital adequacy ratio was 15.27% against a regulatory requirement of 10%. The Bank also maintained the ratio of liquid assets to total assets at a healthy 39%.

Operational highlights

While optimising our processes, the Bank undertook a decentralisation project which saw the processing of both local and foreign currency transfers moved to our branches, improving our turnaround time and reducing processing errors.

We also continued investing in our footprint and delivery channels. We partnered with Kazang (a leading micro payment processing provider in sub-Saharan Africa) through the National Financial Switch project. This integration allows our clients to make deposits and withdrawals from any Kazang agent, thereby adding Kazang's over 6 000 point-of-sale terminals across Zambia into our network.

We rolled out a mobile app for both our retail and corporate clients, which allows for the processing of the local currency via real-time gross settlement (RTGS). Its other functionalities include card management, utility bill payments and, most recently, flight bookings with Emirates. We also rolled out Inifini-Pay in August to support clients needing to make bulk payments.

All-in-all, the utilisation levels of all our channels now stand at 44% on local currency transactions, compared to 14% in the previous year.

The Bank has several projects in the pipeline to improve our operational resilience, and customer experience, including the automation of electronic funds transfer windows on internet banking and the processing of foreign currency transfers. We plan to roll these out in 2021.

Our risk profile continued to improve compared to the previous financial year as we implemented an improved risk strategy. The Bank's liquidity risk was tightly controlled, resulting in an improvement of our pricing of deposits; our reduced interest expense was well controlled compared to 2019. Our operational risk improved too, resulting in a 200% reduction to our operational losses. As the risk to our cybersecurity became more pronounced with staff working from home, we invested in robust systems and controls to safeguard our assets. The Bank experienced no operational loss due to cybercrime during 2020.

Outlook

The country's economic outlook remains challenging as weak economic fundamentals raise uncertainty, but there are green shoots of recovery for 2021 with high copper prices, the balance of trade improvements and the Government talking to the International Monetary Fund. We expect this to be challenged by the COVID-19 pandemic and increased national debt obligations.

We will continue investing in our people, channels, products, and processes to enhance our customer value proposition and consistently provide a best-in-class banking experience.

ZIMBABWE

First Capital Bank Zimbabwe at a glance

	2020	2019	2018
Branches	23	25	25
Service Centres	2	2	3
Debit/credit cards issued – active debit cards	195 198	222 983	234 303
ATMs	6	0	48
POS devices	1 247	1 134	936
Staff	482	554	718
Customers	185 084	177 885	176 812

Ciaran McSharry
Chief Executive Officer

Key indicators (inflation-adjusted and historic)

(All figures in Real Time Gross Settlement dollar (RTGS)) **Inflation-adjusted**	2020	2019	% variation
Net interest income	851 688 000	734 943 000	159
Non-interest income	2 560 738 000	1 590 042 000	61
Operating expenses	(2 011 197 000)	(2 338 800 000)	14
Profit after tax, excluding revaluation	606 120 000	(1 551 748 000)	–
Property revaluation	(133 872 000)	819 269 000	–
Profit after tax, including revaluation	472 248 000	(732 479 000)	–
Customer deposits	8 815 986 000	9 181 640 000	(4)
Total assets	14 426 121 000	13 728 432 000	5
Loans and advances	2 363 923 000	3 190 411 000	(26)
Shareholder funds	3 280 760 000	2 931 062 000	11
Historic	**2020**	**2019**	**% variation**
Net interest income	561 382 000	70 637 000	695
Non-interest income	1 850 869 000	168 135 000	1001
Operating expenses	(1 213 078 000)	(226 035 000)	451
Profit after tax, excluding revaluation	785 065 000	(23 125 000)	–
Property revaluation	952 839 000	287 315 000	232
Profit after tax, including revaluation	1 737 904 000	264 190 000	546
Customer deposits	8 815 986 000	2 046 816 000	331
Total assets	13 906 748 000	2 945 605 000	372
Loans and advances	2 363 923 000	711 222 000	232
Shareholder funds	2 867 342 000	565 652 000	401

2020 OVERVIEW

The past year continued to be dominated by macro-economic events, including hyperinflation, a devaluing local currency, and the new addition of a global pandemic.

The political climate in Zimbabwe was relatively stable during the year. Inflation is largely exchange rate driven, and the local currency depreciated to 81.7 in 2020 (2019: 16.77). Inflation peaked in the first half of 2020, reaching 837% by July.

The introduction of a forex auction trading system by the Reserve Bank of Zimbabwe, and the policy change back to a multi-currency environment to enable paying for local goods with foreign currency, brought about some exchange rate stability, and inflation subsequently declined to 348.56%.

Regulations on pricing were eased, and banks managed to increase interest rates and transaction fee charges in the second half of 2020. However, the interest rates remained far below inflation rates.

At the same time, COVID-19 changed the way of work.

Considering these challenges, our 2020 results testify of a robust business model that positions the Bank for growth, supported by a strategy built around our values. Our business continuity management procedures and structures, together with a strong team, ensured seamless service delivery.

Performance

The Bank's total assets grew, driven by growth in local currency deposits and the exchange rate impact on foreign currency denominated assets and properties.

Our local currency deposits grew by 298% to ZWL4 billion, which were deployed into loans. Our RTGS loan book grew by 279% to RTGS2.4 billion, with growth largely occurring in the second half of the year after the COVID-19 lockdown and market liquidity constraints in the first half.

The Bank made an inflation-adjusted net profit of ZWL439 million, compared to a net loss of ZWL732 million in 2019. Our profits were driven by growth in both interest income and fee and commission income following growth on the loan book, an uptick in transactional volumes, and increases in price and interest rate. Treasury trading income improved significantly due to larger margins and volumes after the auction system opened up and the Reserve Bank floated the exchange rate. Additionally, structured Letter of Credit (LC) income also increased due to the exchange rate movement and the increased values of LCs completed in 2020.

Under historical accounting, the Bank registered ZWL752 million net operating profit (excluding the ZWL952 million property revaluation impact).

The Bank continues to manage a quality loan book with a loan loss ratio of 2.34% in 2020 (2019: 2.78%) and a non-performing loan (NPL) ratio of less than 1%.

Liquidity and capital adequacy ratios

The Bank maintained a strong liquidity position of 70% – as of December 2020 – against the 30% minimum regulatory requirement (2019: 55%). Our capital adequacy ratio closed the year at 29% (2019: 26%) against a 12% regulatory minimum capital requirement.

The Reserve Bank of Zimbabwe requires all commercial banks to have a minimum capital equivalent of US$30 million by December 2021. At current inflation levels, the Bank has a shortfall of US$4 million as of 31 December 2020. However, we are confident that we will meet the capital requirement by the deadline, assuming inflation rates and exchange rates remain reasonably stable. We are driving value preservation strategies to ensure that we both meet the target and preserve long term value if the local currency continues to depreciate.

Operational highlights

Our systems stabilised in the first quarter of 2020 after we transitioned them in 2019. This enabled us to increase volume throughput. We simultaneously introduced new products, including RIA money transfers, the Infini-Pay corporate customer payment platform, and ATM cash disbursements. We will continue enhancing these products in 2021.

We also adapted our customer service in light of the COVID-19 pandemic. We enhanced our online services while enabling our staff to work from home to ensure business continuity under lockdown.

In recognition of our good performance in the public sector, we were the second runner-up for the Institute of Public Relations and Communications (IPRC) Public Excellence Award for Best Campaign – Finance and Banking.

Our major customer events for the year included:

- Virtual sundowners for our non-profit, Premier, and Corporate and Investment Banking (CIB) customers to engage with senior management on pertinent issues – 60 customers attended.
- Bulawayo Affluent Customers Cocktail: 40 customers attended the event, facilitating our engagement with affluent customers.

Outlook

We forecast continued volatility in the macro-economic environment for the foreseeable future, resulting in further stress on foreign currency requirements and inflation. COVID-19 adds to this uncertainty, but we look forward to the positive impact of the vaccine roll-out on the pandemic.

Our priorities include preserving shareholder value, rolling out new products, increasing our market share, and meeting the US$30 million capital requirement. We will continue investing in digital systems and solutions that help us launch innovative new products and help customers to use them more conveniently.

CAPITAL OUTCOMES

FMBCH creates and delivers value by providing financial services to meet its customers' needs and to enhance their ability to manage and benefit from the financial products they use.

The capital inputs that the Group relies on to carry out its operations and deliver specific outputs (products and services) are transformed in a way that results in certain outcomes, either positive or negative. A top-line analysis of capital inputs and outcomes, based on Integrated Reporting Framework guidelines, is provided on the pages that follow.

The outcomes associated with the Group's use of Financial Capital are discussed in the message from our Group Chief Financial Officer on page 48 of this report.

The Group does not make use of specific natural resources as inputs into its value creation process. Outcomes for the use of Natural Capital is not considered material to this report.

MANUFACTURED

MANUFACTURED CAPITAL

The facilities, tangible assets, and general infrastructure enables FMBCH to support its business operations.

Salient facts and achievements

as of 31 December 2020		
76 ATMs	(2019: 121)	(2018: 130)
1 604 POS devices	(2019: 1 432)	(2018: 1 131)
79 branches, agencies, loan centres and service centres	(2019: 81)	(2018: 79)
Strategically located branches and electronic banking facilities offering convenient access to products and services		
Digital channels provide the means for our customers to conveniently engage with us anytime, anywhere		
Our call centre offers a seamless customer experience, integrating sales and service		
Staff work from home capability		

Management approach

The Group's manufactured capital comprises its physical infrastructure of buildings, equipment, hardware and technology it uses to deliver the products and services that add value for our clients and other stakeholders. FMBCH owns or has long-term leases for its head office and administration buildings in Botswana, Malawi, Mauritius, Mozambique, Zambia and Zimbabwe. Combined with the Group's physical branch network, these are significant contributors to our productivity, service delivery and profitability.

Prudent use of manufactured resources enables FMBCH to leverage innovation, digital capabilities, physical infrastructure and core banking systems to deliver relevant and flexible solutions that assure our sustainability and competitiveness in a dynamic banking environment.

All property and equipment are regularly subjected to impairment and obsolescence testing. We continually improve our infrastructure and evolve our technology to enhance the customer experience and keep FMBCH and its Banks at the top of mind in our markets.

FMBCH recognises that succeeding as a leading regional banking Group depends significantly on our customers trusting our management of their data. Protecting customer privacy and their data is critical. The Group has invested in a robust technology infrastructure built on a world-class security backbone to deliver customer peace of mind alongside our value-adding solutions and services.

Performance

We launched a swift and coordinated response to the COVID-19 pandemic, prioritising activities to ensure the resilience and safety of our people and the continued operations of our branch infrastructure as part of the essential services and the communities we serve.

The Group invested in Personal Protective Equipment (PPE) and items such as temperature scanners for our physical branches, which have been modified as necessary to accommodate social distancing practices. Additionally, we facilitated remote working and virtual customer support services by purchasing additional laptops or connectivity hardware for our employees.

Access to value-adding transactional banking and other financial and investment services remained a top priority throughout 2020. The Group continued to maintain its branches, loan centres and ATMs while enhancing its digital channels by further evolving its internet and mobile banking ecosystem.

The outcome of our investments into digital channels is a significantly enhanced overall IT ecosystem, access to valuable additional IT intellectual capital, and even more robust and reliable systems across the Group.

Manufactured capital outcomes

- **Freehold property US$29 million (2019: US$26.2 million) (2018: US$29.3 million)**
- **Leasehold improvements US$8.2 million (2019: US$9.8 million) (2018: US$5.7 million)**
- **Corporate jet US$1.5 million (2019: US$1.7 million) (2018: US$1.8 million)**
- **Motor vehicles US$0.9 million (2019: US$1.4) (2018: US$2.9 million)**
- **Equipment, fixtures and fittings US$6.6 million (2019: US$8.1 million) (2018: US$8.2 million)**
- **Capital work in progress US$2.3 million (2019: US$2.9 million) (2018: US$6.6 million)**

HUMAN

HUMAN CAPITAL

The skills and experience enable us to implement our strategy and deliver our products and services, thereby creating value for FMBCH's stakeholders.

Salient facts and achievements

as of 31 December 2020
1 684 staff members
A smooth transition to remote working during COVID-19
Safety interventions implemented at branches and other work spaces to ensure the health and safety of our employees.
Staff training and development offered online, including upskilling employees for digital transformation
A well-organised performance management and labour relations framework for all employees
A Group-wide employee engagement survey undertaken

Management approach

Our people are at the heart of fulfilling our promise to customers. Motivated and skilled staff, together with effective solutions, services and operations, underpin the value we offer our clients.

During 2020, our primary focus was on the health and safety of our staff, as well as on ensuring their ability to provide uninterrupted services to our clients while adjusting to remote working and social distancing.

... managing change during times of uncertainty ...

By March 2020, FMBCH had established a COVID-19 Task Team drawn from across the Group to oversee the implementation of policies and procedures, often going beyond government requirements in some of our geographies. The Task Team met twice per week during the initial phases of the pandemic to ensure that all employee and regulatory compliance needs were rapidly addressed. Specific policies were introduced to guide staff in terms of virtual meetings, working from home, cyber security, hygiene protocols and quarantine requirements. Our cross-national presence helped the Group to develop leading hygiene and work practices based on a wide range of protocols, with the Reserve Bank of Zambia commending our initiatives.

Despite the heightened focus on managing change in our workforce during times of uncertainty, our underlying management approach remains unchanged. We strive to maintain an empowered and educated workforce that operates within a values-driven, high-performance culture. As such, we regularly reinforce the Group's values through ethics campaigns and leading by example. We have a rigorous screening process in place to ensure that new employees are a good match for the values of the organisation. All new employees undergo full induction training to familiarise them with the Group and enable them to become fully functioning contributors to operational success as quickly as possible.

Our training approach is focused on providing staff members with knowledge, tools and opportunities to maximise their personal and professional development while at the same time delivering optimal contributions to the growth and profitability of the organisation as a whole. We have employee development guidelines in place to ensure that employees are motivated and equipped to perform their duties at the highest possible standards.

Training is rolled out by the Human Resources departments of each country, in line with the relevant developmental needs. Training and development are prioritised for staff at all levels, with leadership development a key focus area to ensure the Group and its companies have a deep pool of leadership and management talent to access as it grows and expands.

In 2020, we transitioned from physical Learning and Development Centres to online training modules.

Performance

Keeping our people safe during the pandemic

During March and April 2020, lockdowns were announced across our various regions. We immediately prepared to close our branches and offices in compliance with each country's legislation and provide the necessary equipment for employees who could work from home to do so. As banking is considered an essential service, several branches continued to operate during the lockdown. We trained frontline employees in COVID-19 safety procedures, and teams operated on a rotational basis to reduce the number of people in the banks. All travel was cancelled at the onset of the pandemic, with meetings rescheduled to virtual platforms.

We initiated social distancing in our places of work, with various sanitation interventions implemented across the branch network. We provided gloves to staff who handle cash regularly and procured masks for staff who interact with clients face-to-face. As an added measure of protection, perspex screens were deployed to branches to keep our staff safe. Floor markers were placed in our branches to remind customers to observe physical distancing, while security measures are in place to control the numbers of people in the branch at any given time.

We kept staff up to date through email and WhatsApp communication. We also used telecommunication facilities such as voice and video conferencing for seamless communication.

We are proud to say that no employees were retrenched as a result of COVID-19, and we continued paying all our employees their regular remuneration throughout lockdown.

Employee satisfaction survey

The Group undertook its second group-wide employee engagement survey using the Gallup Q12 instrument during 2020. This year's survey asked additional questions about the Group's response to the COVID-19 pandemic, and employee feedback was highly positive. However, the overall survey outcomes did not show much improvement over 2019 results.

All employees have been informed of the survey results and invited to participate in action planning. We developed action plans to improve employee satisfaction in the year ahead, and these are actively managed by teams in each country.

We intend to run a snap survey in May 2021 to check that we are on track.

Attracting, retaining and motivating people

As a medium-sized regional bank, FMBCH is still building our brand in the SADC region. This makes attracting highly sought-after skills challenging, especially during a pandemic when people are hesitant to change jobs. FMBCH prefers to employ local nationals in all our regions, but skills shortage in Africa makes certain roles difficult to fill locally.

Another challenge is our succession pipeline for key leadership roles. During 2020, we conducted a roundtable discussion on succession planning and agreed to develop individually tailored plans for each role. We also developed a more efficient and effective planning process to address any gaps that might arise. This process provides a better understanding of our workforce composition and facilitates identifying untapped talent.

During 2020, the Group improved its gender diversity at the executive level by appointing Susanne Alfs to the Board, as well as our first female CEO (Reinette van der Merwe in Botswana). We promote the principle of gender equality and equity through policies and processes, including recruitment, remuneration/benefits, training, promotion and development reviews.

We moved our training online and are identifying suitable training programmes to meet our technical or leadership needs. During FY20, the Group focused on relationship manager and credit skills. Once borders re-open, we will implement 'job swap' experiences where employees can experience work in other countries and learn from diverse teams. This experience is structured, with set objectives to ensure the exchange of intellectual capital across countries.

FMBCH drives a sense of leadership and responsibility in all employees. Our strapline, 'belief comes first', encourages employees to believe in themselves.

At the same time, we monitor the performance of each employee through a rigorous performance management policy and procedure that includes three formal reviews per year. At the final review, employees are assigned a rating that influences their bonus. We implemented a Group reward and recognition policy to standardise reward and recognition across countries. We also introduced a job evaluation policy to standardise the performance evaluation approach across the Group.

Adequate employee grievance and disciplinary policies are in place for each country. We are part of the Deloitte whistleblowing line so that employees can call into a centralised facility anonymously to register their complaint or issue.

Health and wellness

The Group offers employee benefits such as medical aid, insurance and maternity leave, which vary according to the legislation in each country of operation.

During the year, we ran regular COVID-19 safety training campaigns. We also raised awareness of breast cancer in a group-wide initiative.

Looking ahead

During the financial year ahead, the Group intends to:

- implement a new HR Management System that standardises and reduces paperwork as well as providing employees and managers faster access to information and providing the business with accurate and timely people MI
- ensure that succession and talent management processes are rolled out to all levels of the organisation
- standardise the curricula of training for each function in the bank

FMBCH is already preparing suitable policies and practices for the vaccination phase of the pandemic. It is likely that businesses may be asked to help carry vaccination costs, which could result in policy challenges.

SOCIAL

SOCIAL AND RELATIONSHIP CAPITAL

The partnerships FMBCH has cultivated with key stakeholders, including customers, employees, service providers, communities, regulators and shareholders.

Salient facts and achievements

as of 31 December 2020
Sound two-way relationships with all stakeholder groupings
Effective CSR initiatives and programmes
Social licence to operate
Committed to facilitating financial inclusion across all market sectors
Good reputation and growing brand trust

Management approach

FMBCH is a growing and expanding bank with an exciting future, a well-established reputation for strong values and a sincere commitment to the development and upliftment of the communities in which it operates.

The Board and leadership of the Group recognise that its success is inextricably linked to its ability to build and maintain strong relationships with its stakeholder groups and deliver tangible social and societal benefits that go beyond profitability and shareholder value generation.

In addition to shaping perceptions of the Group among its stakeholders, a depth of social and relationship capital allows the organisation to uplift the communities on which it depends, or that are affected by, its operational activities. For this reason, FMBCH is committed to contributing to the social sustainability of the citizens of the countries in which it has a presence, as well as understanding their collective concerns, needs and expectations.

FMBCH views its reputation as one of the vital pillars on which it is able to build its operational effectiveness and deliver on its promise to add value to the lives and finances of its customers.

Reputational risk is the potential that negative public perception could damage the Group's strong standing in the community and amongst its stakeholders, resulting in a decline in the strength of its brand and, ultimately, a decline in its customer base, a drop in revenue and profitability.

FMBCH takes a collaborative approach to reputational risk management and includes all its managers and employees in protecting its brand at all times. Our Group values, namely 'Innovative', 'Service Excellence', 'Integrity', 'Collaborative' and 'Citizenship', contribute to a corporate culture of honesty and integrity. This reputational protection is built into the Group's culture across all customer touch points. It ranges from ensuring that there is no potential for our products to put the brand and customers at risk, right through to encouraging staff to report any negative publicity they notice in the media and on social platforms.

Performance

Effective stakeholder outcomes

Ongoing, comprehensive engagement with all key stakeholder groups enables FMBCH to use all inputs from stakeholders to inform its strategic decisions and actions.

Stakeholder group	ENGAGEMENT APPROACH	COVID-19 RESPONSE
Shareholders	The Group has a number of significant individual and institutional shareholders. There is constant interaction with these shareholders and investors, with the main engagement forum being the Group AGM.	Our focus in this uncertain period remains on credit, liquidity and capital. We are managing emerging risks, liquidity and capital levels, as well as working with regulators to ensure a stable banking system.
Government and regulators	FMBCH receives recurrent feedback and input from regulators in all the regions in which it operates. The Group structure means that engagement is required with many different regulatory bodies, so such engagement is typically decentralised and overseen by the CEOs of the various banks.	We have complied with all government regulations in response to the COVID-19 pandemic. As of 31 December 2020, the Group has complied with all minimum regulatory requirements.
Customers	The Group is committed to listening to and understanding the needs, expectations and concerns of its customers. In addition to regular focus groups, FMBCH has an 'open door' policy and welcomes feedback from its customers who are encouraged to use face-to-face, digital and social media channels to provide such feedback.	We continued to provide services to all our clients and maintained all FMBCH's business operations at the highest level possible. Customers are encouraged to use digital channels, so they stay safe by doing their banking at home with all the security they require. The Group is supporting clients with pandemic related cashflow challenges by deferring payments for a suitable period.
Community	Stakeholder relations with the community naturally flow into customer engagement and the Group's CSR activities. FMBCH has a visible presence in the communities in which it operates and prioritises such involvement and investment across the three focus areas of health, sports and education.	We continued our CSR activities in each country of operation and have supported COVID relief efforts in Botswana, Malawi and Zimbabwe.
Employees	The Group strives to create an enticing environment for employees to work with fair remuneration while attracting, developing and retaining the required talent. We engage with our employees through performance management assessments, satisfaction surveys and regular email updates.	The health and safety of our staff remain paramount, and we have increased focus on sanitation and health practices. All staff who are able to work from home have been allowed and equipped to do so, with regular updates regarding remote working policies circulated. We continued to train and develop our employees using online platforms.

Good corporate citizenship

Being a good corporate citizen in each of our geographies is vital for the stability and sustainability of the business. In addition to being a moral obligation, social investment is seen as a business imperative.

To maximise positive impact, the Group's CSR efforts are focused on the three key areas of health, education, and sports development. This approach deliberately avoids major beneficiaries or large individual projects, seeking instead to spread the social sustainability investment and impact across as broad a range of beneficiaries as possible. Much of this social investment takes place through the Group subsidiary banks, which are mandated to deliver social support and investment directly in the countries and communities in which they operate. The CSR philosophy is to consciously support programmes identified to have the maximum potential to deliver sustainable positive social outcomes and to leverage partnerships to maximise this impact wherever possible.

Active CSR programmes are operating in Botswana, Malawi, Zimbabwe and Mozambique. It is envisaged that these formal CSR initiatives will be extended into Zambia in 2021.

Some of the highlights from the Group's CSR activities and community sponsorships over the past financial year are as follows:

First Capital BANK Botswana

The government of Botswana established a COVID-19 relief fund to support economic activity during the pandemic. First Capital Bank contributed P75 000 (US$6 830) to the fund.

We partnered with the Former President of Botswana, Festus Gontebanye Mogae, and the Minister of Nationality, Immigration and Gender Affairs, Anna Mokgethi, to conduct a national public education campaign against gender-based violence (P10 000/US$910).

We also assisted with a girl child's hygiene project Ramotswa Junior Secondary School (P9 200/US$565). The Special Education Unit at the school enrolled 25 deaf girls, the majority of whom do not have access to clean and safe sanitary products. The handover of the sanitary products took place on 10 October 2020, with the funds also invested in sexual health education for the girls.

At our annual Festive Showdown in December, we partnered with Francistown School of Chess to host a chess tournament where young chess prodigies could play against and rub shoulders with local and international chess experts. With total prize money of P34 230 young chess enthusiasts went head to head for the title of First Capital Bank Festive Showdown Champion.

First Capital BANK Malawi

First Capital Bank Malawi donated MK25 million to Beit Cure Hospital to help the hospital sustain its operations. The hospital provides free paediatric surgeries to underprivileged children, with funding from international organisations. With the advent of the pandemic, the hospital found itself without the usual funding, and the Bank stepped in to help.

To further combat the effects of COVID-19, the Bank donated MK5 million to the College of Medicine (COM) Information Dissemination Forum. The Forum distributes COVID-19 information to equip organisations with the know-how of managing and controlling the spread of the virus. Several organisations and civil societies that participated in the forum were FCB clients. The Bank also donated MK200 000 in groceries to frontline staff at COM.

First Capital Bank Malawi donated MK25 million to the Beit Cure Hospital Trust.

On the environmental front, the Bank donated MK1 million to the Shire Basin Relief Program to assist with cleaning up the Shire River. The Shire River is a source of food and water for millions of Malawians.

First Capital Bank Mozambique

Children's Day

To celebrate International Children's Day, First Capital Bank S.A. donated necessities to the value of MZN100 000, including food, educational materials, and toys, to children at Matola's Orphanage. The handover took place at the Matola Orphanage in June.

Social work in the Mapulango District and Marracuene District

In August, Associação Cultural Indiana, in partnership with First Capital Bank and others, carried out the rehabilitation of three water holes in Marracuene District. This event was attended by His Excellency the High Commissioner of India in Mozambique; Rajeev Kumar, His Excellency the Administrator of Marracuene; Shafee Ismail Sidat; and members of the community.

First Capital Bank Zimbabwe

COVID-19 Donation (July)

The Bank contributed nearly ZWL500 000 to a partnership with the Harare Institute of Technology (HIT) to increase the production of sanitiser. The learning centre has a dedicated sanitiser manufacturing plant run by students and faculty staff. Equipment constraints had previously kept the plant from keeping up with demand. The donation took the form of sanitiser manufacturing equipment, including eight 5 000 litre storage tanks and four booster pumps. It is expected to increase the daily sanitiser production capacity by at least 210%, from 9 000 litres to in excess of 30 000 litres, benefiting approximately 30 000 households. This will make a considerable difference to the sanitiser supply chain.

In Zimbabwe First Capital Bank helped the Harare Institute of Technology boost production of hand sanitizer with a donation of ZWL500 000.

Hustlepreneurs Online Financial Inclusion Workshops and Master Classes

The Hustlepreneurs platform hosted approximately ten of our online courses in partnership with ZimTrade, Telco, TelOne, Standards Association Zimbabwe, the Zimbabwe Revenue Authority (ZIMRA), Potraz and other industry experts. The purpose of the classes was to educate businesswomen on critical topics such as taxation and digital marketing as part of our contribution to financial inclusion. Over 10 000 women across the globe participated.

Colleague Virtual Fun Run

As part of our colleague volunteerism activity, at least 100 staff members took part in an internal virtual run that was aimed to increase collaboration among colleagues and encourage healthy living.

INTELLECTUAL

INTELLECTUAL CAPITAL

The intangibles that sustain the quality of our product and service offering, which provide FMBCH's competitive advantages, such as our innovations, systems and reputation.

Salient facts and achievements

as of 31 December 2020
Sound reputation of subsidiary bank brands
Financial Service Provider licences in each country of operation
Wide range of products and services
Established internal systems, processes and procedures
A group-wide unified operating platform improves customer service and reduces overall costs
Efficient, effective delivery of products and services to customers
Strategic marketing strategies designed to build all of the Group's brands and services
Full legal and regulatory compliance across all markets in which the Group operates

Management approach

Although intellectual capital cannot yet be adequately quantified in financial terms, for FMBCH, it is critical for creating value and retaining a leadership position in Africa's highly competitive banking sector. The Group has extensive experience in providing banking-related services, especially in southern African countries, and has the proven ability to provide value-adding private and public banking solutions on any scale across varied geographies and regulatory environments.

Intellectual capital dovetails with human capital through employee competence, skills, training and development, which includes knowledge of work procedures, work ethics and values, and experience.

The cumulative value of the intellectual capital that FMBCH has refined over two decades informs and drives our evolving business strategy. In tandem with the other five capitals, it enables the Group to remain sustainable and stay ahead of its competitors.

Processes and technology

The Bank's vast inventory of intellectual capital includes its established and proven processes, systems and world-class technology.

The Group is acutely aware of the fact that it could suffer losses or business disruptions should it experience any failure or vulnerability in its technology systems. To manage and mitigate this risk, the Group has extensive policies and procedures in place. It also operates a state-of-the-art data centre supported by a dedicated IT disaster recovery site and backup centre.

The IT systems and infrastructure are operated and managed by highly trained and experienced personnel, supported by detailed maintenance and service level agreements with all system and service providers.

Legal and regulatory compliance

Our Group Head of Compliance has oversight of all compliance-related aspects, including adherence to local and international regulations that impact our countries of operation and the Group.

The Risk and Audit Subcommittees for FMBCH receive updates from Group Risk and Compliance and Group Audit, together with inputs from the Chair of Risk and Audit Committees of each regional entity.

Country and Group compliance management was strengthened during the year. Formalisation of monitoring and review of compliance, provisioning and reporting at a Group level is as follows:

Chief Executive Officer – In-country	The Risk and Compliance function administratively reports to the country Chief Executive Officer as the primary owner of risks within the subsidiary.
Board Risk Committee – In-country	Functional reporting on all Risk and Compliance issues is to the board risk committee. Further to this, the risk function provides a summarised dashboard for main board packs. The function is represented by invitation at Credit Committee and Audit Committees.
Group Chief Risk Officer	The Group Chief Risk Officer is responsible for technical support, guidance and standardisation to ensure implementation of best practices across the Group for all key risk areas. The Group Risk Officer is primarily a technical reporting line on the delivery of standardised monitoring and reviews by the risk function.
Group Head Compliance	The Group Head Compliance is responsible for technical support, guidance and standardisation to ensure implementation of best practice across the Group for all Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) and compliance issues. Group Compliance is primarily a technical reporting line on the delivery of standardised monitoring and reviews.
Management Committees	The country Risk and Compliance function report directly to the Management Risk Committee (MRC) on all enterprise-wide risk issues. The committee is chaired by the CEO and meets monthly. It also has input into the following management committees: Credit Committee, Asset and Liability Committee, New Products Committee.

Performance

The 2020 financial year was a remarkable period for us. While most of our competitors experienced significant operational challenges, we were able to continue delivering in line with the expectations of all our stakeholders, especially our clients.

Much of this resilience is thanks to our dedicated shared services hub in Mauritius, which was fully commissioned in 2020. While the establishment of this hub involved significant financial investment, the value it delivered in terms of business continuity, a seamless transition to work from home protocols, and the ability to continue providing exceptional service to our clients, represented a very positive return on that investment.

The success of the IT hub, combined with our continued investment into our digital platforms, mobile channels, and human talent, delivered several highlights over the course of the 2020 financial year. These included:

- A quick and relatively inexpensive transition to working from home, with no impact on our customer service.
- Our advanced mobile channels ensured our customers enjoyed easy digital access to most services previously available in our branches.
- Our digital payment platform, Infini-Pay, including integrated APIs to enable straight-through processes and server-to-server connectivity to support positive customer experiences with efficient end-to-end transactions.
- We successfully piloted our virtual customer assistant, ALISA, a chatbot backed by a state-of-the-art AI platform.
- Our commitment to cyber-security was enhanced through the deployment of our integrated Managed Detection and Response (MDR) security framework. FMBCH was the

first to market with this advanced system in our regions of operation.

- We initiated the implementation of robotic process automation (RPA) as a key value-adding component of our client service. Two RPA processes were introduced, with more planned for 2021.
- Our cards and payments ecosystem underwent a complete overhaul to address instabilities and challenges experienced by our clients in 2019. The revamped ecosystem is now stable, with transaction approval rates higher than 95% for most of our countries.
- We achieved a number of Visa certifications, most notably with regard to contactless payments. This allowed us to migrate 100% to contactless cards.

Innovation and customer service

The following new products were launched during 2020:

PRODUCT	Countries that launched
Corporate App	Botswana, Malawi, Zambia
Infini-Pay	Malawi, Zambia, Zimbabwe
Money Transfer Service (RIA)	Zimbabwe

Challenges and opportunities

The major risks to FMBCH's IT systems are not unique to our organisation but are symptomatic of larger movements in the way people access financial services. Arguably the greatest risk is the increased exposure, of our bank and our clients, to information breaches and cybersecurity threats. This is a natural consequence of a more digital world, and we continue to invest heavily into systems and resources to ensure the protection of our operations and our client's information.

Linked to these mitigation efforts is our ongoing commitment to good governance. We recognise governance as both potential risk and an opportunity for competitive advantage. In 2020, we focused on deploying our governance policies and frameworks across all our countries, and we established an independent IT Governance, Risk and Compliance (ITGRC) team to oversee IT risk and governance compliance functions.

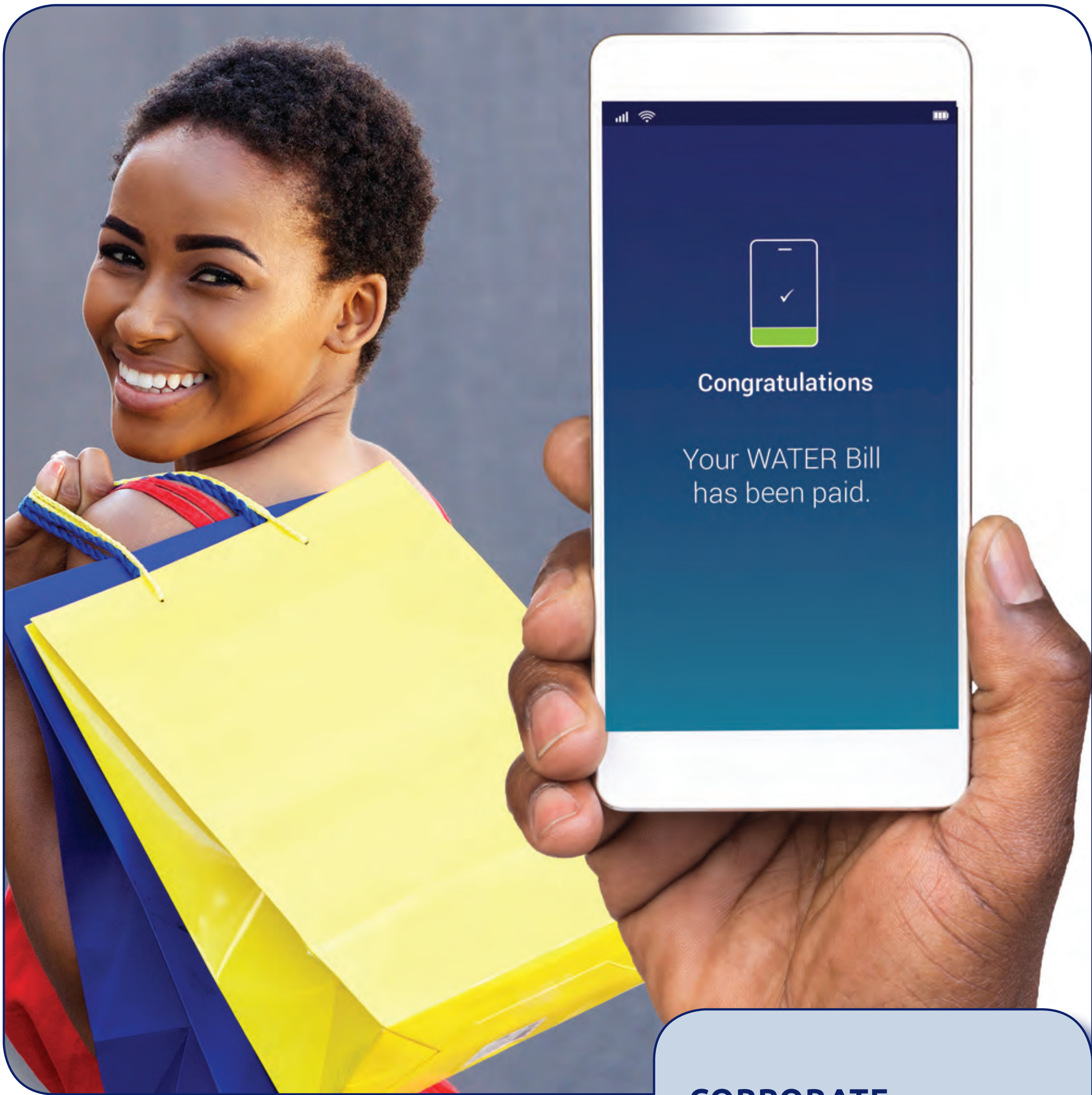
Another key risk from a technology perspective is the lack of standardisation of IT and telecommunications infrastructure in the countries in which we operate, as well as an unreliable power supply in many regions. Most of these issues are largely out of our control, but they still present a real risk of customer dissatisfaction. Our shared services hub will help mitigate this risk by providing more robust, standardised infrastructure platforms on which to deliver our products and services.

Outlook

The resilience of our systems and infrastructure has given us the confidence to build further on our IT leadership going forward. We will continue to expand our AI capabilities by investing in AI-driven services and channels and integrating these with social media platforms.

The efficiencies and reliability created by our payments processing system also present us with opportunities for further transactional optimisation and the ongoing removal of manual interventions in the payments processes, thereby minimising the potential for human error.

We will continue to prioritise the delivery of consistently excellent day-to-day transactional experiences for our clients. We strive to keep on transforming our customers' journeys with us, and we recognise that ongoing investment into technology and innovation is key.



CORPORATE GOVERNANCE REPORT

GOVERNANCE OVERVIEW

The disclosures contained in this report are intended to provide a description of FMBCH's corporate governance policies and practices. The FMBCH Board views adherence to high standards of corporate governance as being essential to its ability to ensure and uphold the long-term sustainability of the business and create value for the Group's stakeholders, including society at large. In this respect, the Board has governance processes in place, within a framework of effective controls, to support its strategic orientations and meet the reasonable expectations of its stakeholders.

The Board provides ethical and effective leadership and sets the example for this in the way it conducts itself and oversees the business and affairs of the Group. It also promotes a culture in which the principles of integrity, accountability and transparency are embraced by all employees. The Board monitors and adapts practices to reflect global developments in corporate governance principles, ensure smooth business operations and drives optimal stakeholder engagements.

The Board assumes ultimate responsibility for leading and controlling the organisation and ensuring it meets all legal and regulatory requirements. To this end, governance standards and practices include:

- strict compliance to rules and regulations
- strong commitment to ethics and values
- robust risk governance and internal controls
- continuous multi-stakeholder engagement.

FMBCH has a Constitution that conforms to the provisions of the Mauritius Companies Act 2001. A copy of the Constitution can be obtained by written request to the Company Secretary.

HOLDING OURSELVES ACCOUNTABLE

How we drive good governance outcomes, and assess and reward our leaders, to ensure we continue to create and protect sustainable value.

Compliance with the National Code of Corporate Governance for Mauritius (2016)

FMBCH embraces and abides by the main principles of modern corporate governance, in particular, those principles set out in the guidance for holders of a Category 1 Global Business Licence in the National Code of Corporate Governance for Mauritius and the Code of Best Practice for Corporate Governance in Malawi (Malawi Code II). Disclosures pertaining to the eight principles of the Code of Corporate Governance for Mauritius are provided in various sections of this 2020 Annual Report, as outlined below:

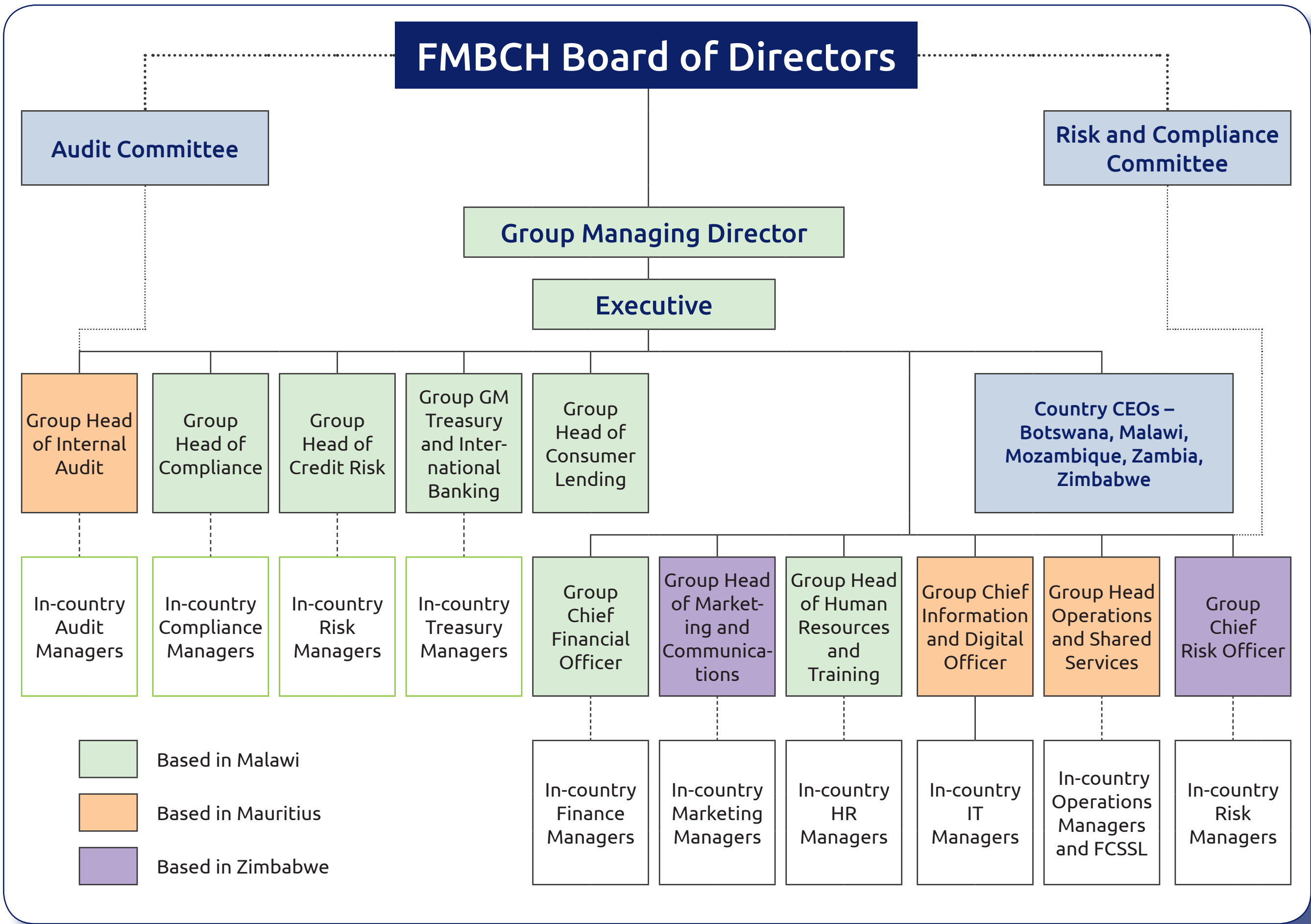
PRINCIPLES OF THE CODE		*Relevant sections of the Annual Report*
Principle **1**	**Governance Structure**	*Corporate Governance Report*
Principle **2**	**The Structure of the Board and its Committees**	*Corporate Governance Report*
Principle **3**	**Director Appointment Procedures**	*Corporate Governance Report*
Principle **4**	**Director Duties, Remuneration and Performance**	*Corporate Governance Report*
Principle **5**	**Risk Governance and Internal Control**	*Corporate Governance Report* *Financial statements*
Principle **6**	**Reporting with Integrity**	*Corporate Governance Report* *Group structure*
Principle **7**	**Audit**	*Corporate Governance Report* *Financial statements*
Principle **8**	**Relations with Shareholders and Other Key Stakeholders**	*Stakeholders*

GOVERNANCE STRUCTURE

Governance framework

FMBCH is led by a unitary Board, which has ultimate responsibility for the overall stewardship and oversight of the organisation. The Group operates within a clearly defined governance framework, which provides for delegation of authority and clear lines of responsibility without abdicating the Board's responsibility.

The Board sets out the strategic direction of the Bank and has entrusted the day-to-day running of the Group to the executive team. The performance of this team is closely monitored and assessed.



In order to carry out its duties effectively, the Board has established two committees – the Audit Committee and the Risk and Compliance Committee – which are mandated to provide specific expertise and guidance to the Board on matters affecting the Bank's business and affairs.

Key roles and responsibilities

Board of Directors

The Board of Directors is FMBCH's ultimate decision-making entity. The Board is collectively responsible and accountable for the affairs and overall performance of the Group. It ensures that proper systems and controls are in place to protect the Group's assets and uphold its good reputation. The Board also determines FMBCH's strategic direction, identifies key risk areas, monitors and evaluates the implementation of policies, and plans and approves the Group's capital expenditure.

The Board ensures that business activities comply with all legal and regulatory requirements as well as with the Group's Constitution. The detailed responsibilities of the Board are set out in its Charter, which may be reviewed on an annual basis or as required in the event of the introduction of, or amendment to, laws and regulations.

Chairman

The Chairman provides overall leadership to the Board and ensures its smooth functioning while encouraging the active participation of all members. He ensures that the Board is effective in delivering on its duties of setting and monitoring the Group's policies, objectives and strategies.

Board Committees

The Board of Directors is supported in its functions by two main committees, namely the Audit Committee and the Risk and Compliance Committee. These are led by experienced chairpersons who report on committee activities or decisions and make recommendations on matters delegated to them under their respective charters. In order to fulfil the duties and responsibilities delegated to them, the Committees are authorised to obtain independent professional advice at the Group's expense.

Group Managing Director

The Group Managing Director is responsible for the management and supervision of the Group's operations and its day-to-day administration. He provides leadership and direction to senior management and oversees the implementation of all plans and strategies of the business in line with the policies, guidelines and instructions set by the Board.

Company Secretary

FMBCH has a service agreement with JTC Fiduciary Services (Mauritius) Limited (JTC or the Company Secretary) for the provision of company secretarial services. JTC provides assistance and information on corporate governance and administration issues. The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. It also has primary responsibility for guiding the Board members regarding their duties and responsibilities.

Oversight of subsidiaries

The Board ensures that the best principles of modern corporate governance, relevant to each country of operation, are applied by the Group's subsidiary operations.

Group and Country Boards have been strengthened during the prior and current reporting periods through the appointment of experienced Independent Non-Executive Directors:

- Suzanne Alfs, a seasoned banker and economist with deep roots in the banking industry joined the Group Board.
- Antonio Sousa, an experienced IT and telecommunications business leader joined the Mozambique Board.
- Shawn Bruwer, an experienced executive in the telecommunications sector in Namibia and Botswana joined the Botswana Board.
- Mahendra Gursahani, our Interim Group Managing Director joined the Malawi Board.
- In Zimbabwe, Kirit Naik, an experienced entrepreneur and business leader joined the board as well as Aquilina Chinamo, currently the Group Finance Director of Ariston Holdings Ltd.
- James Banda and Deborah Chanda Nonde were appointed to the Zambia Board.

Full details regarding the governance practices of FMBCH's subsidiaries can be accessed as follows:

First Capital Bank Malawi	**https://firstcapitalbank.co.mw/corporate-governance/**
First Capital Bank Botswana	**https://firstcapitalbank.co.bw/about/governance/corporate-governance/**
First Capital Bank Mozambique	**https://firstcapitalbank.co.mz/en/about/governance/corporate-governance/**
First Capital Bank Zambia	**https://www.firstcapitalbank.co.zm/corporate-governance/**
First Capital Bank Zimbabwe	**https://firstcapitalbank.co.zw/corporate-governance/**

First Capital BANK

THE BOARD

The Board of Directors

The Board is composed of Directors coming from different sectors. Every Director has drawn from their professional background and expertise in positively contributing to the Board's activities.

Changes to the board

31 Dec 2019	31 Dec 2020
Terence Michael Davidson – Chairman	**Terence Michael Davidson – Chairman**
Hitesh Anadkat	**Hitesh Anadkat**
Francesco Ceccato	**Rajkamal Taposeea**
Christo Els	**John Michael O'Neill**
Mahendra Gursahani	**Christo Els**
Vedanand Singh Mohadeb	**Susanne Alfs**
John Michael O'Neill	**Francesco Ceccato****
Rajkamal Taposeea	**Mahendra Gursahani – Interim Group Managing Director**
Dheeraj Dikshit – Group Managing Director*	
* *Dheeraj Dikshit resigned 30 October 2020.*	** *Francesco Ceccato resigned 31 December 2020.*

The Board is responsible for directing the affairs of the Company in the best interests of its shareholders, in conformity with legal and regulatory frameworks, and consistent with its constitution and best governance practices. The Board of Directors is appointed to act on behalf of the shareholders as stewards of the Group's affairs. The Board's mandate requires it to define the Group's purpose, strategy and value and determines all matters relating to the direction, policies, practices, management and operations of the Group. The Board is then responsible for ensuring that the Group is managed in accordance with its directions and delegations. The Board is directly accountable to the shareholders. Each year, FMBCH holds an annual meeting at which the Directors must provide a report to shareholders on the performance of the Group and detail its future plans and strategies.

Profiles of all Board Members can be found on pages 29 to 31 of this report.

Board responsibilities

The responsibilities of the Board of Directors include:

Establish the Group's values, goals and policies

- Set the Group's pace for its current operations and future development
- Determine the values to be promoted throughout the Group
- Determine and review Group goals
- Determine Group policies

Set group strategy and structure

- Review and evaluate present and future opportunities, threats and risks in the external environment, and identify current and future strengths, weaknesses and risks relating to the Group.
- Determine strategic options, select those to be pursued, and decide the means to implement and support them.
- Determine the business strategies and plans that underpin the corporate strategy.
- Ensure that the Group's organisational structure and capability are appropriate for implementing the chosen strategies.

Delegate to management

- Delegate authority to management, and monitor and evaluate the implementation of policies, strategies and business plans.
- Determine monitoring criteria to be used by the Board.
- Ensure that internal controls are in place and effective.
- Communicate with Senior Management.

Exercise accountability to Shareholders and be responsible to relevant stakeholders

- Ensure that communications, both to and from Shareholders and relevant stakeholders, are effective.
- Understand and consider the interests of Shareholders and relevant stakeholders.
- Monitor relations with Shareholders and relevant stakeholders through the gathering and evaluation of appropriate information.
- Promote the goodwill and support of Shareholders and relevant stakeholders.

Composition and meetings

FMBCH's unitary Board of Directors comprises a non-executive chairman, seven non-executive directors and one executive director.

The Board is of the view that its present composition is adequately balanced and that the current directors have the range of skills, expertise and experience to ensure that the Board carries out its duties properly.

The Board meets four times a year. There are also adequate and efficient communication and monitoring systems in place to ensure that the directors receive all relevant and accurate information to guide them in making necessary strategic decisions, provide effective leadership, control the strategic direction of the Group's operations, and ensure that the Group fully complies with relevant legal, ethical and regulatory equirements.

BOARD FOCUS AREAS

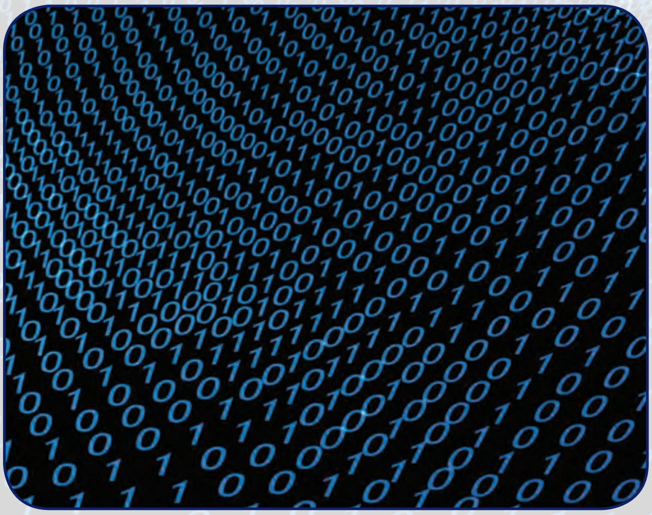
During the reporting period, the bulk of the Board's discussion centred on:

- Monitoring and responding to economic challenges in Zimbabwe
- Facilitating the seamless migration to shared services
- Rebranding the Group and its subsidiaries
- Reviewing the capital requirements across the Group to ensure sustainable business growth in all markets
- Ensuring IFRS compliance
- Enhancing the Group's risk and compliance framework

Meeting attendance in 2020

Board Member	31/03/2020	01/06/2020	17/08/2020	06/11/2020
Terence Davidson	√	√	√	√
Hitesh Anadkat	√	√	√	√
John Michael O'Neill	√	√	√	√
Francesco Ceccato *	√	√	√	√
Dheeraj Dikshit *	√	√	√	
Rajkamal Tapoosea	√	√	√	√
Shayam Mohadeb *	√			
Christo Els	√	√	√	√
Susanne Alfs				√
Mahendra Gursahani	√	√	√	√

** Resigned during FY20*



Board Committees

The Board has delegated authority to various Board committees that provide specialist guidance and make recommendations, through established reporting mechanisms, on areas and matters delegated to them. Each committee has its own charter, which is approved by the Board and reviewed as required. These charters set out, inter alia, the roles, responsibilities, composition and meetings requirements of each committee.

The structures and roles of the committees are as follows:

AUDIT COMMITTEE

Composition and meetings

The Committee consists of three directors and meets at least once every quarter in line with its approved terms of reference and good governance practice.

Committee Member	26/05/20	29/05/20	07/08/20	26/10/20
Vedanand Singh Mohadeb	√	√		
Ceccato Francesco	√	√	√	√
John Michael O'Neill	√	√	√	√
Susanne Alfs				√
Mahendra Gursahani	√	√	√	

KEY RESPONSIBILITIES

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities for:

- the integrity of the Group's financial statements
- the Group's compliance with legal and regulatory requirements
- the Group's system of internal control
- the performance of the Group's internal audit function and external auditors.

The Committee may invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. Mandatory invitees to the meetings are:

- Group Managing Director
- Group Head of Internal Audit (*)
- Group Chief Finance Officer (*)
- Group Head of Operations and Shared Services (*)
- Group Chief Information and Digital Officer (*)
- External Auditors (*)

Should a Mandatory Invitee (*), other than the Group Managing Director (GMD), not be able to attend the meeting, he or she will be required to nominate an appropriate alternate person and notify the Company Secretary who will clear this with the Chair prior to the meeting.

The invitees/attendees do not by attending become members of the Audit Committee, nor do they have voting rights.

FOCUS AREAS IN THE 2020 FINANCIAL YEAR

- FMBCH's interim and audited financial statements, with recommendations made to the Board.
- Reports from internal and external auditors and actions taken.
- Audit plans of internal and external auditors.
- Compliance work plan/reports and actions taken.
- Operational and information risk reports.
- Adequacy of allowance for credit impairment.
- Monitoring compliance within IFRS frameworks.
- Ongoing activities of selected business segments.

RISK AND COMPLIANCE COMMITTEE

Composition and meetings

The Committee consists of three directors and meets at least once every quarter in line with its approved terms of reference and good governance practice.

Committee Member	26/05/20	29/05/20	07/08/20	26/10/20
Rajkamal Taposeea	✓	✓	✓	✓
Dheeraj Dikshit *(resigned)*	✓	✓	✓	
Christo Els	✓	✓	✓	✓
Mahendra Gursahani				✓

FOCUS AREAS IN THE 2020 FINANCIAL YEAR

- FMBCH's risk governance structure across the Group and its subsidiaries.
- Reviewing and updating policies against the emerging requirements of the COVID-19 operating environment.
- Adherence to the set risk appetite and limits and any breaches thereof.
- Capital adequacy (regulatory and internal benchmarks) and capital demand.
- Liquidity and funding requirements.
- Operational risk matters involving business processes and system infrastructure.
- Compliance with regulatory requirements, specifically breaches and remediation plans.
- Stress testing results in terms of capital adequacy as part of ICAAP.
- Compliance with IFRS frameworks.

Nomination process

The Board assumes responsibility for succession planning and for the appointment and induction of new directors. It undertakes a review of its structure, size and composition on an annual basis or whenever appointments are considered.

This is done to ensure that the Board has a diverse mix of competencies, knowledge and experience, thereby enriching Board discussions through diverse perspectives and improving the quality of decision making.

The Board has a formal and transparent process in place for the nomination and appointment of new directors. Prospective candidates are assessed based on an established set of criteria that assess each candidate's knowledge, competencies, experience, time commitment, independence, ethics and values.

KEY RESPONSIBILITIES

The Risk and Compliance Committee assist the Board in:

- setting up risk mitigation strategies
- assessing and monitoring FMBCH's risk management process
- advising the Board on risk issues
- monitoring the risk of the different portfolios against the set risk appetite
- compliance with relevant regulations and advocated norms.

Board induction and training

Board induction is essential in order to ensure that new Board members are able to assume their roles and become productive Board contributors as quickly as possible. New Board members are provided with all the information and support they need to be confident and productive in their role, including:

- introduction to their fellow Board members and other key executives
- overview of the Group's strategic plan and financial position
- review of governance arrangements
- meetings with key stakeholders where relevant.

Professional development

The Board is committed to continuous improvement, and ongoing professional development and training are made available as necessary.

Performance assessment

The Board did not undertake an independent Board evaluation process during the reporting period. However, internal assessments were conducted based on each director's skills and experience against their functional areas.

Directors' duties, remuneration and performance

On joining the Board, all directors are made aware of their legal duties and are familiarised with FMBCH's operations and business environment. In this way all directors are enabled and equipped to immediately and to effectively contribute to strategic discussions and the oversight of the Group's strategy and operations.

Conflicts of interest

- Conflicts of interest are recognised as a significant reputational and operational risk and the Board makes every effort to identify and address any such conflicts. The Company Secretary maintains a directors' interests register and will present this to shareholders on written request.
- All potential conflicts of interest are immediately addressed when identified so as to ensure the good governance of all related transactions and their adherence to the Board's ethical standards.

Approach to remuneration

Remuneration philosophy and policies

- Statement of the rationale for any changes to the remuneration policy
- Affirmation that the Board or a specified committee has reviewed the adequacy of directors' and senior executives' remuneration and the form of that remuneration
- Appropriate details of directors' remuneration include an explanation of the proportions of fixed and variable remuneration, details of any long-term incentive plans, and a description of any link between executive remuneration and organisation performance
- Assurance that the non-executive directors have not received remuneration in the form of share options or bonuses associated with organisational performance.

Directors' remuneration

Competent directors are essential for the Group to achieve its strategic objectives. The Board, therefore, prioritises the appointment of appropriate directors with the right skills, values and experience to make a significant contribution to the sustainable success of the organisation.

FMBCH's remuneration philosophy is to encourage optimal performance from every employee by means of attractive compensation, fair reward and appropriate incentives where justified. Board remuneration adheres to this philosophy and executive directors are entitled to an annual performance bonus based on the Group's financial results as well as on their individual contribution to annual performance. All management and staff are similarly eligible for the payment of an annual bonus in line with overall business and individual performance.

During the financial year ended 31 December 2020, the total remuneration provided to directors was as follows:

	CONSOLIDATED		SEPARATE	
US$	2020	2019	2020	
Executive Directors	**586 099**	690 000	**586 099**	690 000
Key Management Personnel	**2 744 834**	2 720 553	**614 216**	781 281
Non-Executive Directors and Independent Directors	**929 215**	745 340	**226 208**	157 466
Total spend	**4 260 148**	4 155 893	**1 426 523**	1 628 747

Directors' interests and dealings in securities

The directors' interests in the Group's capital as of 31 December 2020 were as follows:

Name		2020 Shares	2020 %	2019 Shares	2019 %
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
MAGNI Holdings Limited	(i)	232 000 000	9.44	–	–
Hitesh N. Anadkat	(i)	61 710 170	2.51	106 666 667	4.34
NG Anadkat Limited	(i)	27 067 289	1.10	167 067 289	6.80
Livingstone Exports Limited	(i)	16 446 961	0.66	16 446 961	0.67
Livingstone Holdings Limited	(i)	13 116 970	0.53	13 116 970	0.53
Manhill Limited	(ii)	1 309 391	0.05	1 309 391	0.05
Modecai Msisha	(iii)	1 050 000	0.04	1 050 000	0.04
Nandita Dikshit		–	–	12 000 000	0.49

(i) Mr. H. 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. J.M. O'Neill has a beneficial interest in Manhill Limited.

(iii) Mr. M. Msisha is a director of FCB Malawi, a wholly owned subsidiary of the Company.

Directors' direct shareholdings in 2020 (%)

Directors	Direct shareholding	Indirect shareholding
Terence Michael Davidson	–	–
Hitesh Natwarlal Anadkat	2.52	32.99
Francesco Ceccato	–	–
Christo Els	–	–
Mahendra Gursahani	–	–
John Michael O'Neill	–	0.05
Susanne Alfs	–	–
Rajkamal Tapossea	–	–

RISK GOVERNANCE

Risk management and internal control

Risk philosophy

The FMBCH risk appetite framework is the cornerstone of the Group's risk management architecture. It helps management to better understand and manage risks by translating risk metrics and methods into strategic decisions, reporting, and day-to-day business decisions.

The Board ensures that management sets an appropriate balance between promoting short-term profitability and growth and delivering long-term sustainable performance.

Risk management

The Board places emphasis on the Bank's risk management framework and internal control systems. These are regularly reviewed against the Group's strategy, changes in the operating context, and assessed against best practice trends.

The Board, supported by the risk and compliance committee, ensures that the structures, processes and methods for the identification, evaluation and management of the principal risks (including emerging) faced by the Bank are integrated with the overall risk governance framework.

Moreover, the Board ensures that the controls put in place deliver an acceptable level of risk. The audit committee oversees the effectiveness of the Bank's internal control systems.

Based on the work performed by internal and external auditors, reviews by management and regular reporting from the chairperson of the Audit Committee, the Board is confident that the internal control systems are adequate and effective.

Significant risks

The risk assessment process has identified the following as the most significant risks that the Group faces:

- Credit risk
- Market risk
- Foreign exchange rate risk
- Interest rate risk
- Equity risk
- Liquidity risk
- Operational risk
- Compliance risk
- Reputational risk
- Strategic risk
- Technology and information communication risk
- People Risk.

More information regarding each significant risk is available elsewhere in this report.

Information governance

One of the most significant risks that the Group faces is the possibility of suffering losses or business disruptions due to technological system failure. To manage and mitigate this risk, the Group has the following in place:

- Rigorous technology policies
- A modern, secure data centre
- An IT disaster recovery site
- An off-site backup centre
- Trained personnel in hardware and software systems
- Comprehensive maintenance agreements with system providers.

During the year under review, much emphasis was placed on the development and implementation of risk management measures to mitigate the risk of cyberattacks and threats, and reinforce access control, information security and business continuity.

AUDIT

The Group's external and internal auditors have unlimited access to the Audit Committee and report to the Committee at its quarterly meeting as well as discussing any identified areas of possible audit risk exposure. Where the Committee identifies any cause for concern or scope for improvement, it makes recommendations to the Board and recommends remedial actions.

Internal audit

INTERNAL AUDIT FRAMEWORK

1	**Standardised Methodology** The standardised methodology used by the audit teams across the different markets with quality reviews conducted twice a year to monitor compliance with the methodology standards and procedures.
2	**Consolidated Risk Assessment** Risk assessment is a combined exercise between Risk and Internal Audit and captured in the audit tool as the basis for audit coverage. Risk assessment is completed in country and discussed at GIA annual off-site.
3	**GIA Team** GIA team works as a pool of resources to deliver the six countries audit plans, including cross border audits when necessary. In addition, the heads of audit conduct and oversee audits on specific areas across the Group: IT, Finance, Treasury and Operations and Enabling functions.
4	**Thematic Audits** Thematic audits have been defined for key risk areas to be delivered across the Group, with standardised audit programs to ensure consistency in the way audits are conducted: AML/CFT, Credit, Treasury, IT, IFRS 9 and Internal Financial Controls.
5	**Audit Tool** TeamMate adopted as the audit tool from January 2019. The tool is web-based and has been configured according to the audit methodology. Tracking and follow up of audit issues is also done through the tool, which can be accessed by business users to upload pieces of evidence.

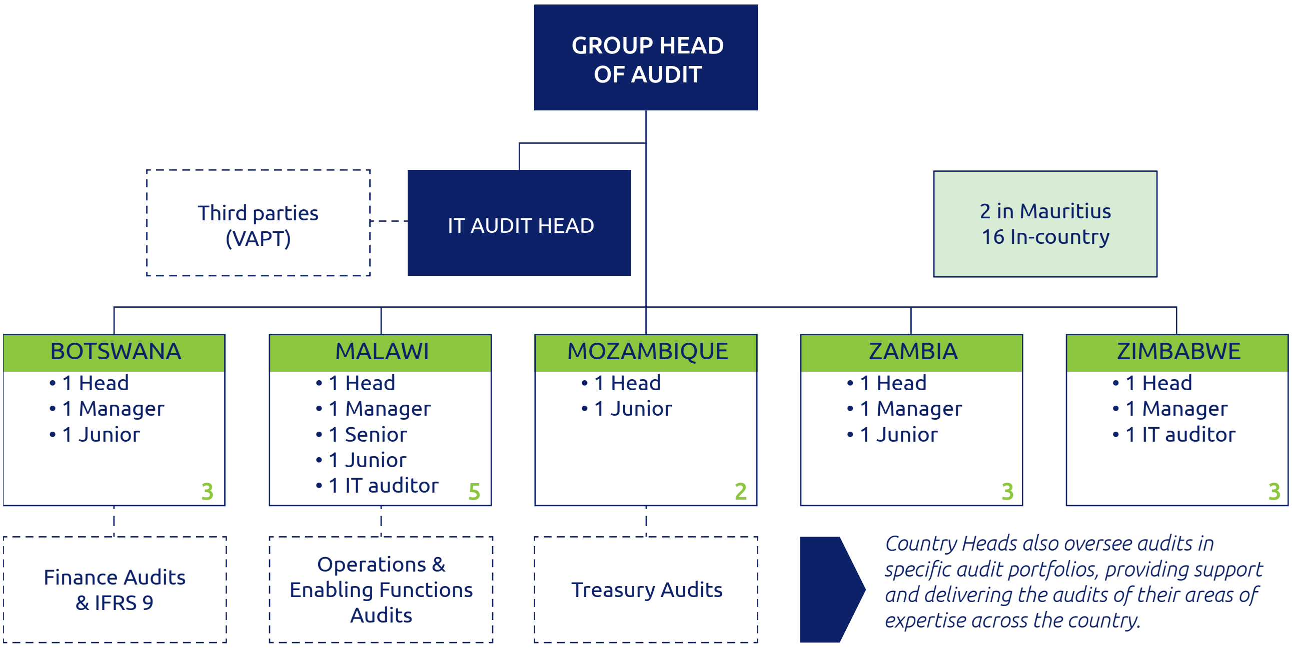
The Group has an internal audit plan in place and internal controls are reviewed at regular intervals in all operating units. Internal audit, under the leadership of the Group Head of Audit, Mr. Joao Rodrigues, provides regular reports to the Audit Committee. It also presents reliable, insightful and timely assurance to the Board and executive management on the effectiveness of governance, risk management and controls over current and evolving risks in the context of the current and expected business environment.

INTRODUCTION
FMBCH AT A GLANCE
VALUE CREATION
STRATEGY
GOVERNANCE
ANNUAL FINANCIAL STATEMENTS

The internal audit function conducts periodic audits and constitutes part of the third line of defence to support proper and compliant management of the Group.

Internal auditors inform Management and the Audit Committee of any breaches or violations and the Audit Committee ensures that there is an open line of communication between the head of internal audit, the external auditors and the Board of Directors.

Group Internal Audit staffing structure



Note: Vacancies for manager roles in Zimbabwe and IT Audit in Mauritius, for which recruitments are in progress

EXTERNAL AUDITOR

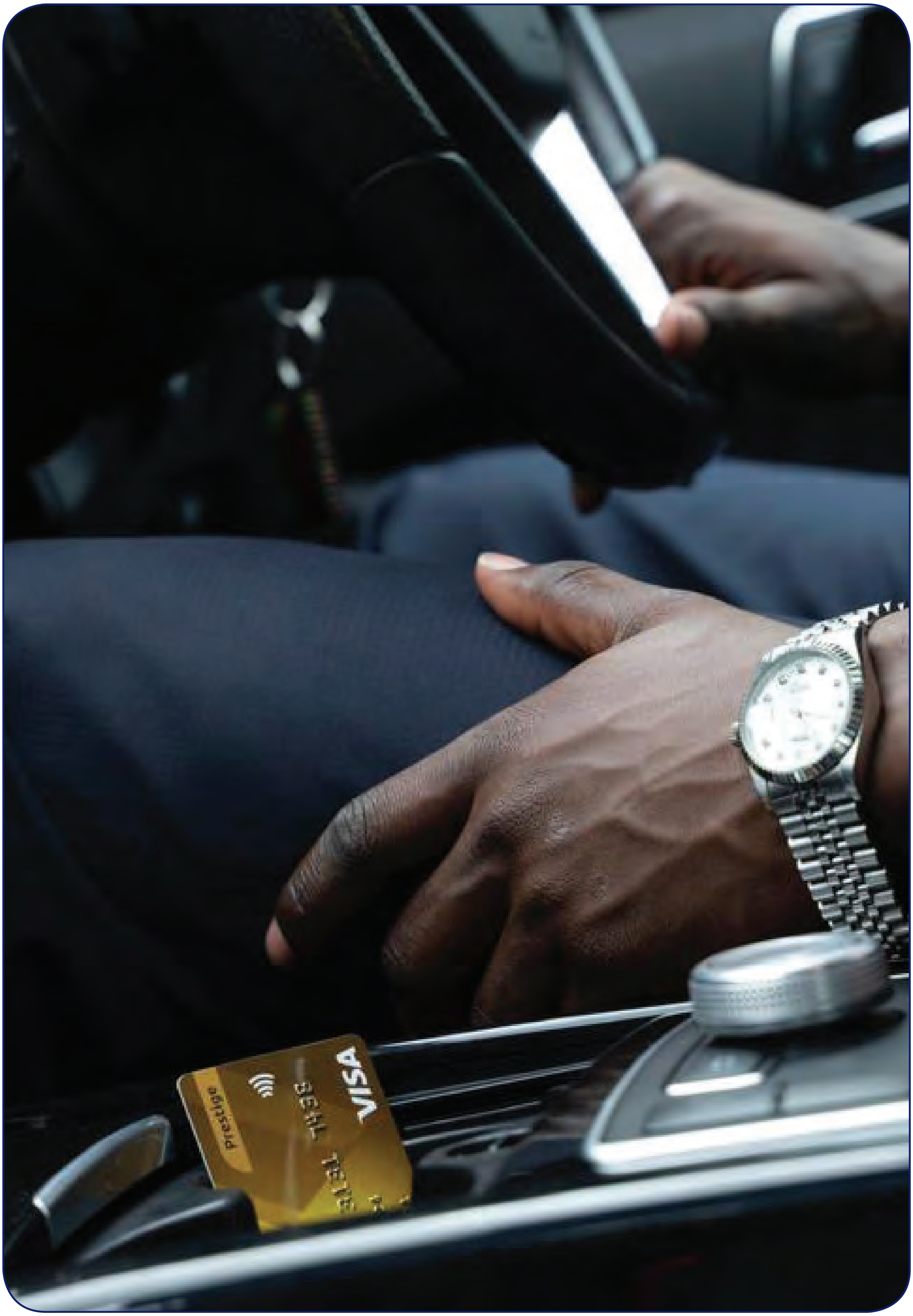
Deloitte has independently audited the 2020 annual financial statements contained in this report. Its unmodified audit opinion appears on pages 100 to 104 of the AFS.

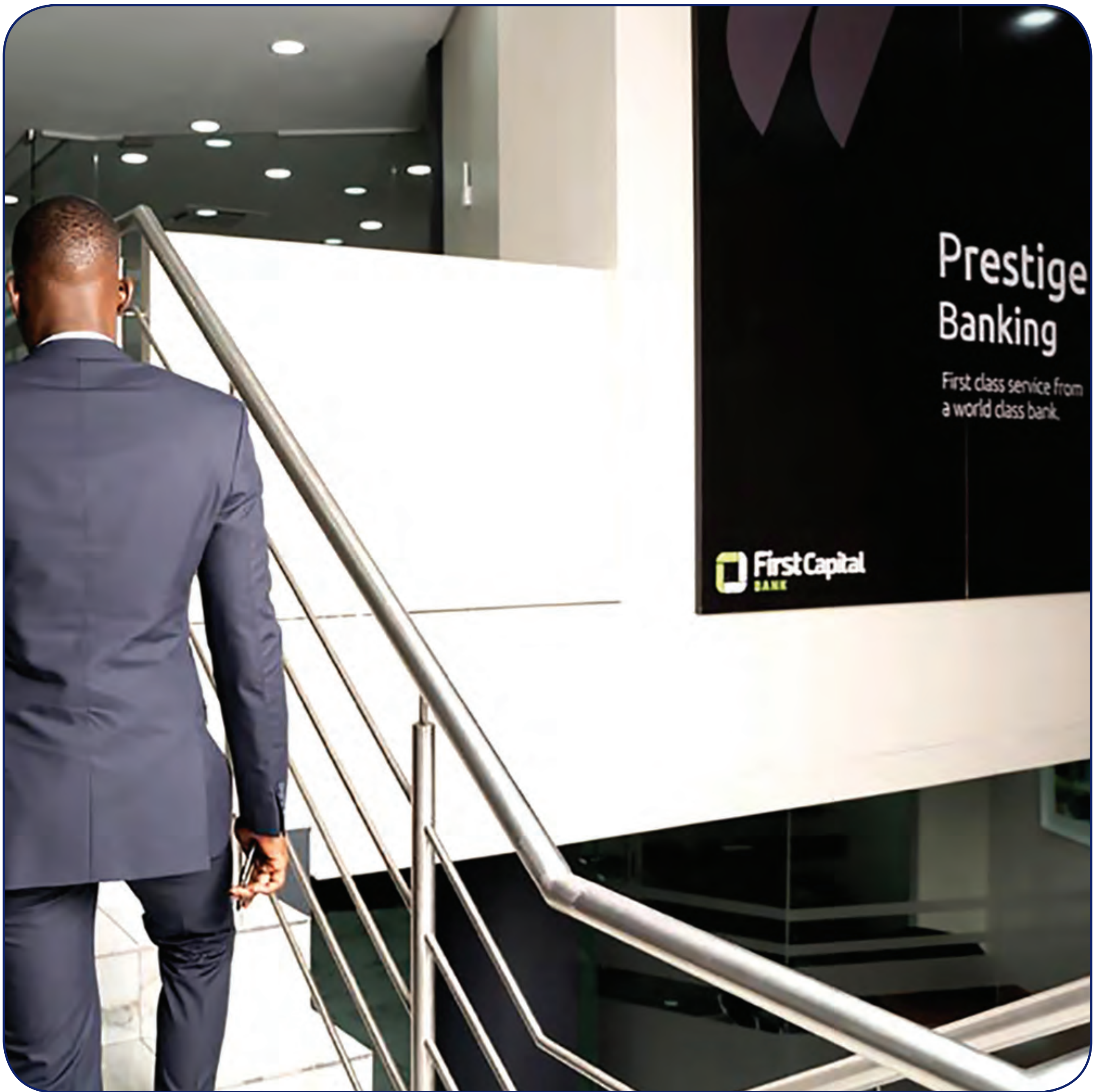
The scope of the audit is limited to information on page 100 and where Deloitte has identified key audit matters, these are addressed in its audit opinion. With a view to ensuring the overall adequacy of the Bank's internal control framework, the Audit Committee evaluates the independence and effectiveness of the external auditor on an ongoing basis before making a recommendation to the Board on its appointment and/or retention.

The appointment of the external auditor is approved by shareholders at the Annual Meeting of Shareholders.

Group policy states that auditing and consulting functions should be allocated to separate auditing firms.

Reviewing FMBCH's audit practices and use of financial consultants was a key part of the Group's restructuring. The Group selected Deloitte as its external audit partner across all six countries of operation, which is being phased in as contracts with other auditing firms complete. In 2020, the Audit Committee met regularly with the external auditor without management present.


Prestige
VISA



ANNUAL FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020

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 for the year ended 31 December 2020.

Nature of Business

FMBcapital Holdings Plc (the Company) is a public limited liability company incorporated in Mauritius, registered as a Global Business Licence Category 1 company with the Financial Services Commission in Mauritius, and listed on the Malawi Stock Exchange.

The Company owns and manages a portfolio of direct and indirect subsidiary investments which are principally involved in the provision of commercial banking services. Details of group subsidiaries, including their countries of domicile, are set out in Note 34 of the financial statements.

Directors' interests in the company

As at 31 December 2020, 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:

		2020		2019	
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
MAGNI Holdings Limited	(i)	232 000 000	9.44	–	–
Hitesh N. Anadkat	(i)	61 710 170	2.51	106 666 667	4.34
NG Anadkat Limited	(i)	27 067 289	1.10	167 067 289	6.80
Livingstone Exports Limited	(i)	16 446 961	0.66	16 446 961	0.67
Livingstone Holdings Limited	(i)	13 116 970	0.53	13 116 970	0.53
Manhill Limited	(ii)	1 309 391	0.05	1 309 391	0.05
Modecai Msisha	(iii)	1 050 000	0.04	1 050 000	0.04
Nandita Dikshit		–	–	12 000 000	0.49

(i) Mr. H. 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. J.M. O'Neill has a beneficial interest in Manhill Limited.

(iii) Mr. M. Msisha is a director of FCB Malawi, a wholly owned subsidiary of the Company.

The Board of Directors and Directors' remuneration

As at 31 December 2020, the Board comprised:

Terence Michael Davidson – Chairman
Johannes Christoffel Els
Rajkamal Taposeea
Mahendra Gursahani – Interim Group Managing Director
Hitesh Natwarlal Anadkat
John Michael O'Neill
Susanne Alfs

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

The Company adopts and conforms to the main principles of modern corporate governance and in particular, those principles set out in the guidance for holders of a Category 1 Global Business Licence in the National Code of Corporate Governance for Mauritius and the Malawi Code II (Code of Best Practice for Corporate Governance in Malawi).

Remuneration paid by the Group and its subsidiaries to Directors of the Company has been disclosed in Note 54 of the annual financial statements.

Dividend

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2020, of US$1 966 600 (0.08 cents per ordinary share) will be proposed for members' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the members of FMBcapital Holdings Plc will be accounted for in equity as an appropriation of accumulated profits in the financial year ending 31 December 2021.

COVID-19 impact and going concern

The COVID-19 pandemic has largely had an adverse impact on economies across the globe. The Company and its subsidiaries were evaluated to assess the respective capacities to continue as going concerns. The impact of COVID-19 to the Group has been incorporated in the impairment calculation on forward looking assumptions. An incremental impairment charge of US$673 011 was booked to reflect the COVID-19 induced risks within the loan portfolio with the Group continuing to monitor performance. Using this assessment, in conjunction with the Company's current profitability and financial resources, the directors have no reason to believe that the Group will not be a going concern in the reporting period ahead. These financial statements have accordingly been prepared on this basis.

Financial risk factors

The consideration of major financial risks impacting the Group's operations have 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 Auditor's Report is set out on pages 100 to 104 and the financial statements are set out on pages 108 to 196.

On behalf of the board

J. M. O'Neill
Director

H. N. Anadkat
Director

STATEMENT OF COMPLIANCE

We, the Directors of FMBcapital Holdings Plc, confirm that, to the best of our knowledge, the Group has complied with all its obligations and requirements under the National Code of Corporate Governance (2016).

M. Gursahani
Interim Group Managing Director

J. M. O'Neill
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 2020 and the statements of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year then ended, 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 in so far as applicable to companies holding a Category 1 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 Companies Act.

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

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

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 external auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with International Financial Reporting Standards and in a manner required by the Mauritius Companies Act, 2001.

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 21 April 2021 and are signed on its behalf by:

J. M. O'Neill
Director

H. N. Anadkat
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 2020.

Manogaran Thamothiram

for JTC Fiduciary Services (Mauritius) Limited
Corporate Secretary

Registered Office:

C/o JTC Fiduciary Services (Mauritius) Limited
Suite 2004, Level 2
Alexander House
35 Cybercity
Ebène
Mauritius

21 April 2021

Deloitte.

7th–8th floor, Standard and 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 the "Public Interest Entity") and its subsidiaries (the "Group") set out on pages 108 to 196, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and 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 consolidated and separate notes to the 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 Company as at 31 December 2020, 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 and the Financial Reporting Act, 2004.

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' 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 judgment, were of most significance in our audit of the 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 the matter was addressed in the audit
1. Impairment of loans and advances	
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 loan portfolios at 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 loans to customers and the significant estimates and judgement involved in determining the expected credit losses, 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 identification 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 Directors and Management on the data inputs and key assumptions 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. In conclusion, we evaluated that the impairment of loans and advances to customers is not materially misstated and related disclosures are appropriate.

Key Audit Matter	How the matter was addressed in the audit
2. Existence and valuation of the financial asset resulting from the foreign liability funding gap	
As disclosed in Note 22 of the inflation adjusted financial statements, the Bank has recognised a receivable of US$10.8 million from the Reserve Bank of Zimbabwe ("RBZ") for funding the Bank's foreign liability funding gap which arose after separation of RTGS and foreign currency balances by the Reserve Bank of Zimbabwe. The fair value of the receivable on initial recognition was determined as the present value of expected future cash flows discounted at a rate. Subsequently the receivable was recognised at amortised cost with an expected credit loss being recognised at year end. Given the materiality of the balance and the judgment applied in determining the timing of the cash flows and the discount rate applied in determining the fair value, we have determined this to be a key audit matter. The valuation assumptions are disclosed in Note 22 of the inflation adjusted financial statements.	Our procedures included the following amongst others: • We reviewed the foreign liability gap funding confirmations from the Reserve Bank of Zimbabwe ("RBZ"). • We reviewed the foreign liability gap funding confirmations from the Reserve Bank of Zimbabwe ("RBZ"). To test the fair valuation of the receivable on initial recognition, we performed the following procedures: • We tested the mathematical accuracy of the valuation models by performing recalculations. • We assessed the cash flow forecasts used in the valuation for reasonableness. This included assessing cash flows against historical performance and assessing growth rate effected in the forecast cash flows. • Comparing the inputs to the discount rate to independently obtained data. • With the assistance of our internal valuation specialists, we assessed the reasonableness and appropriateness of the key inputs.

Other information

The directors are responsible for the other information. The other information comprises the Commentary of the Directors, the corporate governance report and the Certificate from the Company's 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 Mauritius Companies Act, 2001 and the Financial Reporting Act, 2004 and they 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.

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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the 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

21 April 2021

Agrawal.

Vishal Agrawal, FCA
Licensed by FRC

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

ABBREVIATIONS AND ACRONYMS

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

ABBREVIATIONS AND ACRONYMS

<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 Interest
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
US$	United States Dollars

CONTENTS

		CONSOLIDATED		SEPARATE	
US$	Notes	**2020**	**2019**	**2020**	**2019**
ASSETS					
Cash and cash equivalents	9	**307 755 707**	247 157 290	**4 216 515**	1 222 774
Money market investments	10	**179 495 043**	208 260 305	**–**	–
Loans and advances to customers	11	**409 710 461**	397 426 996	**–**	–
Current tax asset	13	**770 082**	2 692 689	**–**	–
Repurchase agreements	12	**57 201 262**	67 071 019	**–**	–
Assets held for sale	21	**2 656 478**	3 903 980	**–**	–
Investments at fair value through profit or loss	14	**4 910 113**	6 295 311	**–**	–
Equity instruments	49	**699 299**	1 664 939	**–**	–
Investments in subsidiary companies	15	**–**	–	**137 666 463**	134 904 875
Investment in joint venture	17	**11 933 118**	14 456 648	**–**	–
Other assets	22	**29 804 099**	25 485 850	**5 773 253**	7 774 181
Deferred tax assets	27	**2 846 920**	1 185 179	**–**	–
Investment property	16	**4 699 902**	5 441 927	**–**	–
Intangible assets	18	**9 999 952**	11 954 100	**1 840 857**	1 776 281
Right-of-use assets	20	**7 699 382**	8 912 787	**112 269**	241 469
Property and equipment	19	**48 398 614**	50 343 097	**949 418**	810 683
Total assets		**1 078 580 432**	1 052 252 117	**150 558 775**	146 730 263
LIABILITIES AND EQUITY					
Liabilities					
Balances due to other banks	23	**80 792 222**	143 932 626	**–**	–
Customer deposits	24	**757 728 556**	681 390 892	**–**	–
Other payables	25	**40 614 220**	30 250 550	**2 092 125**	4 421 265
Income tax payable	13	**3 159 678**	14 058	**–**	–
Lease liabilities	20	**6 236 563**	6 920 823	**128 153**	129 835
Deferred tax liabilities	27	**6 876 757**	6 144 054	**–**	–
Provisions	46	**2 930 626**	2 253 721	**–**	–
Loans payable	47	**15 810 033**	15 950 009	**17 810 033**	15 950 009
Subordinated debt	26	**17 504 281**	26 599 027	**–**	–
Convertible preference shares	48	**10 786 747**	10 786 747	**10 786 747**	10 786 747
Total liabilities		**942 439 683**	924 242 507	**30 817 058**	31 287 856
Equity					
Share capital	28	**117 409 081**	117 409 081	**117 409 081**	117 409 081
Restructuring reserve	29	**(54 510 623)**	(54 510 623)	**–**	–
Property revaluation reserve	30	**6 341 795**	4 245 921	**–**	–
Loan loss reserve	31	**4 185 987**	4 058 845	**–**	–
Non-distributable reserves	32	**1 457 189**	1 689 652	**–**	–
Translation reserve	33	**(31 412 494)**	(22 107 529)	**–**	–
Retained earnings		**40 590 307**	27 430 869	**2 332 636**	(1 966 674)
Total equity attributable to equity holders of the company		**84 061 242**	**78 216 216**	**119 741 717**	**115 442 407**
Non-controlling Interest	34.2	**52 079 507**	49 793 394	**–**	–
Total equity		**136 140 749**	128 009 610	**119 741 717**	115 442 407
Total equity and liabilities		**1 078 580 432**	1 052 252 117	**150 558 775**	146 730 263

The consolidated and separate financial statements were approved for issue by the Company's Board of Directors on 21 April 2021 and were signed on its behalf by:

J. M. O'Neill
Director

H.N. Anadkat
Director

for the year ended 31 December2020

		CONSOLIDATED		SEPARATE	
US$	Notes	2020	2019	2020	2019
Interest income	35.1	**90 945 603**	78 913 127	**418 685**	(97 174)
Interest expense	35.2	**(25 196 864)**	(23 169 176)	**(1 976 593)**	(1 466 154)
Net interest income/(expense)		**65 748 739**	55 743 951	**(1 557 908)**	(1 563 328)
Net fees and commissions	36	**35 649 454**	29 350 083	**–**	–
(Loss)/Income from investments	38	**(571 098)**	(311 676)	**8 333 434**	186 706
Gain/(loss) on foreign exchange transactions	37	**25 991 455**	18 322 488	**(12 198)**	(451 023)
Other operating income	39	**442 208**	3 329 072	**3 102 940**	3 574 246
Total non-interest income		**61 512 019**	50 689 967	**11 424 176**	3 309 929
Total operating income		**127 260 758**	106 433 918	**9 866 268**	1 746 601
Staff and training costs	41	**(33 088 549)**	(35 100 313)	**(1 641 722)**	(2 931 448)
Premises and equipment costs	42	**(13 119 357)**	(12 568 982)	**(1 434 555)**	(992 887)
Depreciation and amortisation	43	**(9 794 279)**	(9 487 525)	**(768 302)**	(308 744)
Administration and general expenses	44	**(23 684 632)**	(28 122 488)	**(920 085)**	(1 104 075)
Total expenses		**(79 686 817)**	(85 279 308)	**(4 764 664)**	(5 337 154)
Impairment loss on financial assets	45	**(6 110 669)**	(9 547 419)	**–**	–
Operating profit/(loss)		**41 463 272**	11 607 191	**5 101 604**	(3 590 553)
Net monetary loss		**(3 579 035)**	(6 056 792)	**–**	–
Impairment loss on owner occupied property	19	**(990 553)**	(7 823 115)	**–**	–
Impairment loss on investment in joint venture	17	**(1 270 416)**	(5 978 437)	**–**	–
Fair value loss on investment property	16	**(153 619)**	(3 068 581)	**–**	–
Share of profit in joint venture	17	**29 600**	555 811	**–**	–
Gain on a bargain purchase	40	**–**	95 642	**–**	–
Profit/(loss) before income tax expense		**35 499 249**	(10 668 281)	**5 101 604**	(3 590 553)
Income tax expense	13.1	**(14 223 198)**	(7 941 027)	**(802 294)**	(13 302)
Profit/(loss) for the year		**21 276 051**	(18 609 308)	**4 299 310**	(3 603 855)
Other comprehensive income					
Items that will not be classified to profit or loss					
Revaluation surplus on property	19	**2 971 982**	–	**–**	–
Deferred tax on revalued property	27	**(630 104)**	1 240 628	**–**	–
Fair value loss on investment net of deferred tax		**(762 548)**	(760 606)	**–**	–
Fair value movement on FVOCI financial assets		**(37 344)**	1 351 479	**–**	–
		1 541 986	1 831 501	–	–
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations *		**(13 834 595)**	5 978 524	**–**	–
Total other comprehensive (loss)/income for the year		**(12 292 609)**	7 810 025	**–**	–
Total comprehensive income/(loss) for the year		**8 983 442**	(10 799 283)	**4 299 310**	(3 603 855)
Profit or loss attributable to:					
Owners of the parent		**13 314 320**	(4 974 291)	**4 299 310**	(3 603 855)
Non-controlling interest	34.2	**7 961 731**	(13 635 017)	**–**	–
Profit/(loss) for the year		**21 276 051**	(18 609 308)	**4 299 310**	(3 603 855)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**5 845 559**	(1 233 646)	**4 299 310**	(3 603 855)
Non-controlling interest		**3 137 883**	(9 565 637)	**–**	–
Total comprehensive income/(loss) for the year		**8 983 442**	(10 799 283)	**4 299 310**	(3 603 855)
Basic earnings per share (US cents)	50	**0.5416**	(0.2024)	**–**	–
Diluted earnings per share (US cents)	50	**0.5174**	(0.2024)	**–**	–

** Incorporates effects of hyperinflation*

INTRODUCTION | FMBCH AT A GLANCE | VALUE CREATION | STRATEGY | GOVERNANCE | ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED

2020 US$	Share capital	Restructuring reserve	Property revaluation reserve	Loan loss reserves
Opening Balance 1 January 2020	**117 409 081**	**(54 510 623)**	**4 245 921**	**4 058 845**
Profit for the year	**–**	**–**	**–**	**–**
Other Comprehensive income				
Property revaluation	**–**	**–**	**2 761 438**	**–**
Deferred tax on revalued assets	**–**	**–**	**(583 784)**	**–**
Depreciation on property revaluation surplus	**–**	**–**	**(81 780)**	**–**
Fair value loss on investment	**–**	**–**	**–**	**–**
Arising on consolidation of foreign subsidiaries *	**–**	**–**	**–**	**–**
Fair value movement on FVOCI financial assets	**–**	**–**	**–**	**–**
Total other comprehensive income	**–**	**–**	**2 095 874**	**–**
Total comprehensive income for the year	**–**	**–**	**2 095 874**	**–**
Transfers within reserves				
Transfer to non-distributable reserve	**–**	**–**	**–**	**–**
Transfer to loan loss reserve	**–**	**–**	**–**	**127 142**
	–	**–**	**–**	**127 142**
Other movements				
Recognition of share-based payments	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**
Transactions with owners, recorded directly in equity				
Contribution by and distribution to owners				
Issue of ordinary shares during the year	**–**	**–**	**–**	**–**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**
Total transactions with owners	**–**	**–**	**–**	**–**
Balance as at 31 December 2020	**117 409 081**	**(54 510 623)**	**6 341 795**	**4 185 987**
2019 US$				
Balance as at 1 January 2019	117 409 081	(54 510 623)	3 005 293	2 903 507
(Loss) for the year	–	–	–	–
Other Comprehensive income				
Deferred tax on revalued assets	–	–	1 240 628	–
Fair value gain on investment	–	–	–	–
Arising on consolidation of foreign subsidiaries *	–	–	–	–
Impairment of FVOCI financial assets	–	–	–	–
Total other comprehensive income	–	–	1 240 628	–
Total comprehensive income for the year	–	–	1 240 628	–
Transfers within reserves				
Transfer to non-distributable reserve	–	–	–	–
Transfer to loan loss reserve	–	–	–	1 231 959
	–	–	–	1 231 959
Other movements				
Transfer to collective impairment allowance	–	–	–	(76 621)
Recognition of share-based payments	–	–	–	–
	–	–	–	(76 621)
Transactions with owners, recorded directly in equity				
Contribution by and distribution to owners				
Issue of ordinary shares during the year	–	–	–	–
Total transactions with owners	–	–	–	–
Balance as at 31 December 2019	117 409 081	(54 510 623)	4 245 921	4 058 845

** Incorporates effects of hyperinflation*

CONSOLIDATED

Non-distributable reserves	Translation reserve	Retained earnings	Equity attributable to owners	Non-controlling interest	Total equity
1 689 652	**(22 107 529)**	**27 430 869**	**78 216 216**	**49 793 394**	**128 009 610**
–	**–**	**13 314 320**	**13 314 320**	**7 961 731**	**21 276 051**
				–	
–	**–**	**–**	**2 761 438**	**210 544**	**2 971 982**
–	**–**	**–**	**(583 784)**	**(46 320)**	**(630 104)**
–	**–**	**81 780**	**–**	**–**	**–**
(325 509)	**–**	**–**	**(325 509)**	**(437 039)**	**(762 548)**
–	**(9 304 965)**	**–**	**(9 304 965)**	**(4 529 630)**	**(13 834 595)**
(15 941)	**–**	**–**	**(15 941)**	**(21 403)**	**(37 344)**
(341 450)	**(9 304 965)**	**81 780**	**(7 468 761)**	**(4 823 848)**	**(12 292 609)**
(341 450)	**(9 304 965)**	**13 396 100**	**5 845 559**	**3 137 883**	**8 983 442**
109 520	**–**	**(109 520)**	**–**	**–**	**–**
–	**–**	**(127 142)**	**–**	**–**	**–**
109 520	**–**	**(236 662)**	**–**	**–**	**–**
(533)	**–**	**–**	**(533)**	**(715)**	**(1 248)**
(533)	**–**	**–**	**(533)**	**(715)**	**(1 248)**
–	**–**	**–**	**–**	**520 872**	**520 872**
–	**–**	**–**	**–**	**(1 371 927)**	**(1 371 927)**
–	**–**	**–**	**–**	**(851 055)**	**(851 055)**
1 457 189	**(31 412 494)**	**40 590 307**	**84 061 242**	**52 079 507**	**136 140 749**
878 738	(23 817 452)	33 656 133	79 524 677	54 712 662	134 237 339
–	–	(4 974 291)	(4 974 291)	(13 635 017)	(18 609 308)
–	–	–	1 240 628	–	1 240 628
(324 627)	–	–	(324 627)	(435 979)	(760 606)
–	1 709 923	–	1 709 923	4 268 601	5 978 524
1 114 721	–	–	1 114 721	236 758	1 351 479
790 094	1 709 923	1 114 721	3 740 645	4 069 380	7 810 025
790 094	1 709 923	(3 859 570)	(1 233 646)	(9 565 637)	(10 799 283)
19 014	–	(19 014)	–	–	–
–	–	(1 231 959)	–	–	–
19 014	–	(1 250 973)	–	–	–
–	–	–	(76 621)	(102 902)	(179 523)
1 806	–	–	1 806	2 425	4 231
1 806	–	–	(74 815)	(100 477)	(175 292)
–	–	–		4 746 846	4 746 846
–	–	–	–	4 746 846	4 746 846
1 689 652	(22 107 529)	27 430 869	78 216 216	49 793 394	128 009 610

	SEPARATE		
US$	Share capital	Retained earnings	Total equity
Balance as at 1 January 2020	**117 409 081**	**(1 966 674)**	**115 442 407**
Profit for the year	**–**	**4 299 310**	**4 299 310**
Total other comprehensive income		**4 299 310**	**4 299 310**
Balance as at 31 December 2020	**117 409 081**	**2 332 636**	**119 741 717**
Balance as at 1 January 2019	117 409 081	1 637 181	119 046 262
(Loss) for the year	–	(3 603 855)	(3 603 855)
Total other comprehensive income	–	(3 603 855)	(3 603 855)
Balance as at 31 December 2019	117 409 081	(1 966 674)	115 442 407

		CONSOLIDATED		SEPARATE	
US$	Notes	2020	2019	2020	2019
Cash flows from operating activities					
Interest and fees received		**149 670 051**	111 470 717	**3 521 625**	1 189 138
Interest paid		**(23 081 873)**	(22 499 054)	**(1 976 593)**	(856 436)
Cash paid to suppliers and employees		**(63 170 211)**	(87 389 473)	**(4 920 749)**	(1 620 423)
		63 417 967	1 582 190	**(3 375 717)**	(1 287 721)
Increase/(Decrease) in net customer balances		**64 054 199**	(67 685 230)	**–**	–
Cash generated/(used) from operations		**127 472 166**	(66 103 040)	**(3 375 717)**	(1 287 721)
Dividends received		**738 508**	471 332	**8 333 434**	92 075
Income taxes paid	13.3	**(11 149 539)**	(7 978 274)	**(802 294)**	(13 302)
Cash generated/(used) in operating activities		**117 061 135**	(73 609 982)	**4 155 423**	(1 208 948)
Cash flows from investing activities					
Maturities of money market investments	10	**33 819 911**	17 147 824	**–**	598 693
Maturities/(Purchases) of currency swaps (net)	12	**5 819 064**	(37 905 394)	**–**	–
Sale of investments at fair value through profit or loss	14	**–**	495 864	**–**	–
Purchases of investment securities	49	**–**	(58 910)	**–**	–
Payment for acquisition of business, net of cash acquired	40.2	**–**	(631 820)	**–**	–
Investments in in subsidiaries		**–**	–	**(2 071 378)**	(8 963 836)
Proceeds from sale of equipment		**227 612**	121 565	**–**	–
Acquisition of property and equipment and intangibles	18,19	**(4 312 477)**	(11 527 413)	**(845 315)**	(2 652 897)
Cash inflow/(outflow) applied to investing activities		**35 554 110**	(32 358 284)	**(2 916 693)**	(11 018 040)
Cash flows from financing activities					
Capital subscription by non-controlling interests		**520 872**	4 746 846	**–**	–
Dividends paid to non-controlling interests		**(1 371 927)**	–	**–**	–
Loan to subsidiary company		**–**	–	**–**	(2 678 243)
Payments for lease liabilities		**(1 005 317)**	(1 149 335)	**(105 013)**	(95 810)
(Repayments of)/Proceeds from short and long term borrowings	23.2	**(58 178 828)**	116 535 877	**2 000 000**	9 450 009
Cash flows from financing activities		**(60 035 200)**	120 133 388	**1 894 987**	6 675 956
Net increase/(decrease) in cash and cash equivalents		**92 580 045**	14 165 122	**3 133 717**	(5 551 032)
Cash and cash equivalents at 1 January		**247 203 772**	242 832 503	**1 222 774**	6 773 806
Effect of changes in exchange rate and hyperinflation		**(31 988 722)**	(9 793 853)	**(139 976)**	–
Cash and cash equivalents at 31 December	9	**307 795 095**	247 203 772	**4 216 515**	1 222 774

** Consolidated cash and cash equivalents at 31 December are gross amounts excluding expected credit losses of US$39 388 and US$46 482 for 2020 and 2019 respectively.*

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 Category 1 Global Business Licence issued by the Financial Services Commission under the Financial Services Act. 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

The 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 Category 1 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); and
- subsidiary reporting in the currency of a hyperinflationary economy.

2.3 COVID-19: Impact on the Group

From an accounting perspective, the specific areas of judgement did not change as a result of the coronavirus (COVID-19) pandemic. Enhanced judgement was required to take into account the impact of COVID-19. With over a year since COVID-19 was declared a pandemic, the impact on the Group has been assessed as not significant in financial terms for the year ended 31 December 2020. Given the dynamic and evolving nature of COVID-19, the economic and financial impact will continue to be monitored and 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.

2.4 IAS 29 *Financial reporting in hyperinflationary economies*

The Zimbabwe economy remained hyperinflationary in the year ended 31 December 2020 and, accordingly, as in 2019, the Group has applied 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 2020, 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.
- 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.

2 *BASIS OF PREPARATION (continued)*

2.4 *IAS 29 Financial reporting in hyperinflationary economies (continued)*

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 (the CPI) is the most appropriate indicator of changes in the purchasing power of the Zimbabwe currency. It has further elected to use the published interbank exchange rate for the US Dollar for the purposes of translation of Zimbabwe currency financial statements to the Group presentation currency.

YEAR END INDICES AND RATES	2020	2019	2018
CPI %	**2 574.50**	551.6	88.8
US$ interbank rate	**81.787**	16.773	3.62

3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standard/ Interpretation	Content	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON OR AFTER
Amendments to References to Conceptual Framework in IFRS	The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Most updates to those pronouncements were with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. New in the framework is expansion of the definition of assets and liabilities by introducing a definition to “economic resource” and describes alternatives when it is not possible to achieve requirements for derecognition. There were no updates arising from this amendment.	1 January 2020
Amendments to References to Conceptual Framework in IFRS	The amendments are intended to make the definition of material in IAS 1 easy to understand and are not intended to alter underlying concepts of materiality in IFRS. Three new aspects of the new definition regarding “obscuring of information that could reasonably be expected to influence decisions of primary users” should especially be noted.	1 January 2020
Amendments to IAS 1 and IAS 8 *Definition of Material*	The amendments are intended to make the definition of material in IAS 1 easy to understand and are not intended to alter underlying concepts of materiality in IFRS. Three new aspects of the new definition regarding “obscuring of information that could reasonably be expected to influence decisions of primary users” should especially be noted.	1 January 2020
Interest Rate Benchmark Reform (Amendments IFRS 9, IAS 39 and IFRS 7	Amendment is in response to long-term viability of Interbank offered rates (IBORs) as interest reference rates. The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications in terms of IFRS 9, IAS 39 and IFRS 7. There were no updates in the current year arising from this amendment.	1 January 2020
Amendments to IFRS 3 *Definition of a Business*	Amendment clarifies the definition of a business, to enable distinction of a business or a group of assets at acquisition. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.	1 January 2020

3 *ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)*

Standard/ Interpretation	Content	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON OR AFTER
Amendment to IFRS 16 *Leases – COVID-19-Related Rent Concessions*	The amendment changes in *Covid-19-Related Rent Concessions* (Amendment to IFRS 16) amend IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The Group did not elect to apply the exemption in terms of IFRS 16 *Covid-19-Related Concessions.*	1 June 2020
Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current*	Amendment clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at end of reporting period and clarifies impact of discretion, to refinance or roll over an obligation for at least 12 months.	1 January 2022
Amendments to IFRS 3 *Reference to the Conceptual Framework*	The amendment updates an outdated reference in IFRS 3 without significantly changing its requirements.	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment (PPE) — Proceeds before Intended Use*	Amends the standard to provide guidance in accounting for any proceeds from selling items produced while bringing an item of PPE to the location and condition necessary for it to be capable of operating in the manner intended by management.	1 January 2022
***Onerous Contracts — Cost of Fulfilling a Contract* (Amendments to IAS 37)**	The changes in *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to IAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	1 January 2022
Amendments to IAS 37 *Cost of Fulfilling a Contract*	Amendment with regards to costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.	1 January 2022
Amendments to IFRS 17 *Implementation Challenges*	The amendments to address concerns and implementation challenges that were identified after IFRS 17 *Insurance Contracts* was published in 2017. The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted.	1 January 2023

4 SEGMENT REPORTING

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-maker (CODM). The CODM has been identified as the Group 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.

4 SEGMENT REPORTING *(continued)*

2020 (US$)	Mauritius	Zambia	Malawi	Mozambique	Botswana	Zimbabwe	Adjustment	Consolidated total
Interest income	418 801	12 389 742	35 201 218	7 419 934	26 408 559	11 679 976	(2 572 627)	90 945 603
Interest expense	(2 428 426)	(4 753 690)	(7 648 686)	(2 942 687)	(8 690 117)	(1 266 439)	2 533 181	(25 196 864)
Net interest (expense)/income	**(2 009 625)**	**7 636 052**	**27 552 532**	**4 477 247**	**17 718 442**	**10 413 537**	**(39 446)**	**65 748 739**
Net fees and commissions	–	2 074 455	14 681 666	1 680 975	1 052 247	16 160 111	–	35 649 454
Income/(loss) from investments	–	–	(1 099 619)	(43 202)	–	571 723	–	(571 098)
Gain/(loss) on foreign exchange transactions	(165 886)	1 550 643	3 492 205	2 705 948	3 910 316	14 494 141	4 088	25 991 455
Other operating income	6 103 195	343 117	–	(60 983)	571 024	84 026	(6 598 171)	442 208
Total non-interest income	**5 937 309**	**3 968 215**	**17 074 252**	**4 282 738**	**5 533 587**	**31 310 001**	**(6 594 083)**	**61 512 019**
Total operating income	**3 927 684**	**11 604 267**	**44 626 784**	**8 759 985**	**23 252 029**	**41 723 538**	**(6 633 529)**	**127 260 758**
Staff and training costs	(3 714 973)	(3 413 791)	(9 584 716)	(3 848 559)	(5 532 079)	(6 994 431)	–	(33 088 549)
Premises and equipment costs	(2 011 494)	(246 123)	(4 219 906)	(794 564)	(1 313 141)	(4 534 129)	–	(13 119 357)
Depreciation and amortisation	(1 154 995)	(683 533)	(3 336 910)	(880 410)	(1 324 775)	(2 413 656)	–	(9 794 279)
Administration and general expenses	(787 058)	(3 090 129)	(10 465 853)	(1 154 549)	(4 193 621)	(10 626 951)	6 633 529	(23 684 632)
Total expenses	(7 668 520)	(7 433 576)	(27 607 385)	(6 678 082)	(12 363 616)	(24 569 167)	6 633 529	(79 686 817)
Impairment loss on financial assets	–	(826 557)	(390 819)	(706 394)	(2 913 335)	(1 273 564)	–	(6 110 669)
Operating profit/(loss)	**(3 740 836)**	**3 344 134**	**16 628 580**	**1 375 509**	**7 975 078**	**15 880 807**	**–**	**41 463 272**
Net monetary loss	–	–	–	–	–	(3 579 035)	–	(3 579 035)
Impairment loss on owner occupied property	–	–	(60 303)	–	–	(930 250)	–	(990 553)
Impairment loss on investment in joint venture	–	–	–	–	–	(1 270 416)	–	(1 270 416)
Fair value loss on investment property	–	242 414	–	–	–	(396 033)	–	(153 619)
	–	**242 414**	**(60 303)**	**–**	**–**	**(6 175 734)**	**–**	**(5 993 623)**
Share of profit in joint venture	–	–	–	–	–	29 600	–	29 600
Profit/(loss) before income tax expense	**(3 740 836)**	**3 586 548**	**16 568 277**	**1 375 509**	**7 975 078**	**9 734 673**	**–**	**35 499 249**
Income tax expense	(802 294)	(1 207 844)	(5 707 717)	521 722	(1 949 846)	(5 077 219)	–	(14 223 198)
Profit/(loss) for the year	**(4 543 130)**	**2 378 704**	**10 860 560**	**1 897 231**	**6 025 232**	**4 657 454**	**–**	**21 276 051**
Segment assets	154 618 680	115 037 441	382 503 337	103 971 595	364 667 095	176 783 380	(219 001 096)	1 078 580 432
Segment liabilities	35 466 967	105 272 967	333 880 677	82 504 166	332 768 114	136 273 675	(83 726 883)	942 439 683

4 *SEGMENT REPORTING (continued)*

2019 **(US$)**	**Mauritius**	**Zambia**	**Malawi**	**Mozambique**	**Botswana**	**Zimbabwe**	**Adjustment**	**Consolidated total**
Interest income	(97 175)	10 704 127	30 936 275	6 837 382	21 482 949	10 419 670	(1 370 100)	78 913 127
Interest expense	(1 496 231)	(3 712 321)	(7 763 961)	(2 360 923)	(8 787 178)	(652 028)	1 603 466	(23 169 176)
Net interest income	(1 593 406)	6 991 806	23 172 314	4 476 459	12 695 771	9 767 642	233 365	55 743 951
Net fees and commissions	–	1 624 412	10 835 653	1 589 270	1 500 663	13 800 085	–	29 350 083
Income/(Loss) from investments	186 706	–	–	–	–	(321 017)	(177 365)	(311 676)
Gain on foreign exchange transactions	(578 775)	1 571 229	4 159 535	2 498 781	3 241 437	7 430 281	–	18 322 488
Other operating income	5 807 012	523 651	–	220 476	1 520 951	143 599	(4 886 617)	3 329 072
Total operating income	3 821 537	10 711 098	38 167 502	8 784 986	18 958 822	30 820 590	(4 830 617)	106 433 918
Staff and training costs	4 158 956	3 798 453	9 196 184	3 358 901	5 446 051	9 141 768	–	35 100 313
Premises and equipment	1 256 976	–	3 073 235	–	397 381	7 841 390	–	12 568 982
Depreciation expense	613 587	1 105 254	3 200 739	408 739	1 122 397	3 036 809	–	9 487 525
Other expenses	1 227 850	3 860 624	7 616 450	2 921 708	4 649 294	12 677 179	(4 830 617)	28 122 488
Impairment loss on financial assets	–	743 662	2 090 225	676 985	1 436 049	4 600 498	–	9 547 419
Total expenses	7 257 369	9 507 993	25 176 833	7 366 333	13 051 172	37 297 644	(4 830 617)	94 826 727
Operating profit or loss	(3 435 832)	1 203 105	12 990 669	1 418 653	5 907 650	(6 477 054)	–	11 607 191
Net monetary loss						(13 996 206)	7 939 414	(6 056 792)
Impairment of owner occupied property						(7 823 115)	–	(7 823 115)
Impairment loss on joint venture	–	–	–	–	–	(5 978 437)	–	(5 978 437)
Impairment loss on investment property	–	–	(757 097)	–	–	(2 311 484)	–	(3 068 581)
	–	–	(757 097)	–	–	(30 109 242)	7 939 414	(22 926 925)
Share of profit in joint venture	–	–	–	–	–	555 811	–	555 811
Gain on bargain purchase	–	–	–	–	95 642	–	–	95 642
Profit/(loss) before income tax	(3 435 832)	1 203 105	12 233 572	1 418 653	6 003 292	(36 030 485)	7 939 414	(10 668 281)
Income tax expense	(13 302)	(572 743)	(4 069 426)	(324 475)	(1 526 522)	(1 434 559)	–	(7 941 027)
Profit for the year	(3 449 134)	630 362	8 164 146	1 094 178	4 476 770	(37 465 043)	7 939 414	(18 609 308)
Segment assets	150 457 787	108 416 695	399 012 376	86 215 187	344 577 969	182 456 075	(218 883 964)	1 052 252 117
Segment liabilities	35 125 806	96 708 078	353 667 890	65 226 242	316 791 842	143 091 928	(86 369 276)	924 242 507

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 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. 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.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control also considering the uncertainties from the COVID-19 pandemic. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/ estimates involved.

5.1 Expected Credit Losses (ECL) on Financial Assets including COVID-19 impact on ECL

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a Significant Increase in Credit Risk (SICR). These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns Probability of Default (PDs) to the individual grades
- The Group's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a Lifetime Expected Credit Losses (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Default (EADs) and Loss Given Default (LGDs)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- The impact of COVID-19 on borrowers ability to repay and hence the modelling of PD, LGD and other forward looking assumptions
- COVID-19 impact overlay as implemented by management

It has been the Group's policy to regularly review its models in the context of actual loss.

5 *SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)*

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 happening in, valuation of properties becomes a significant judgement area.

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 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

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 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. Whilst there has been noted to be increased use of the United States Dollar (US$), the functional currency has still been assessed as the ZWL. In addition the interbank rate between the ZWL and the US$ has been broadly accepted as the fair rate of exchange.

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 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.

6.1.2 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 Interest 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.

6.1.3 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.

6.1.4 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.

Interest 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.

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.2 *Business combination (continued)*

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 (or disposal groups) 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.

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 US$ 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 US$ at the exchange rate (middle rate) at the date on which the fair value is determined.

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.5 *Foreign currency (continued)*

6.5.1 *Foreign currency transactions (continued)*

Non-monetary items that are measured based on historical cost in a foreign currency are translated into US$ 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 US$ 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.

The adoption of IFRS 9 *Financial Instruments* has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures*.

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.

<table>
<tr><th>Financial Instrument</th><th>Business model</th><th>IFRS 9 Classification</th><th>IFRS 9 Subsequent measurement</th></tr>
<tr><td>Loans and advances to customers</td><td rowspan="4">Held to collect contractual cash flows</td><td rowspan="4">Financial assets at amortised cost</td><td rowspan="4">These assets are subsequently measured at amortised cost using the effective interest method. 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.</td></tr>
<tr><td>Placements with other banks</td></tr>
<tr><td>Money market investments</td></tr>
<tr><td>Cash and cash equivalents</td></tr>
<tr><td>Money market investments</td><td>Held to collect contractual cash flows and sell</td><td>Financial assets at fair value through Other Comprehensive Income (OCI)</td><td>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.</td></tr>
<tr><td>Investment securities (equity investments)</td><td>Held for trading FVTPL</td><td>Financial Assets FVTPL</td><td>These are measured at fair value with net gains and losses recognised in profit or loss.</td></tr>
</table>

IFRS 9 largely retains the existing requirements in IAS 39 for classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity (HTM), loans and receivables and available for sale. The adoption of IFRS 9 has had no significant effect of the Group's accounting policies related to financial liabilities and derivatives.

Under IFRS 9, on initial recognition, financial liability is measured at:

- Amortised cost
- FVOCI – debt investments
- FVOCI – equity investments; or
- FVTPL

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 in 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 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.6 *Financial assets and liabilities (continued)*

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.

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 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 (i.e. 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.

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.6 *Financial assets and liabilities (continued)*

6.6.8 *ECL measurement (continued)*

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.

6.6.9 Benchmarking ECL

Corporate

Due to lack of sufficient historical information on customer portfolio defaults from which PDs and LGDs are derived, a judgemental 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 is based on benchmarked PDs and LGDs due to lack of historical data.

INTRODUCTION
FMBCH AT A GLANCE
VALUE CREATION
STRATEGY
GOVERNANCE
ANNUAL FINANCIAL STATEMENTS

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.6 *Financial assets and liabilities (continued)*

6.6.9 *Benchmarking ECL (continued)*

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 instruments

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 contractual 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 Statements 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 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

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 loans and receivables. 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 (reverse repo or stock borrowing), the arrangement is accounted for as a loan to the other party, and 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.

6.10 Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs, for investments not at fair FVTPL. Subsequent to initial recognition, investment securities are accounted for depending on their classification as either fair value through other comprehensive income 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.

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 6.15.

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.

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.14 *Property and equipment (continued)*

6.14.1 *Recognition and measurement (continued)*

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 property, plant and equipment 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.

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 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.15 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. 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, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

6.16 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.

6.17 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 at FVTPL.

INTRODUCTION
FMBCH AT A GLANCE
VALUE CREATION
STRATEGY
GOVERNANCE
ANNUAL FINANCIAL STATEMENTS

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.18 Share capital

6.18.1 Share issue costs

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

6.19 Employee benefits

6.19.1 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.

6.19.2 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.

6.20 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.

Income from finance leasing is included in net interest income as further described in accounting policy subsection (5.2.21).

6.21 Leases

6.21.1 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.

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.21 *Leases (continued)*

6.21.1 *Finance leases – Group as Lessor (continued)*

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 (i.e. after a deduction of the loss allowance).

6.21.2 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.

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.21 *Leases (continued)*

6.21.2 *Operating lease – Group as Lessee (continued)*

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.

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.22 Fees and commission income

The Group applies IFRS 15 *Revenue from Contracts with Customers,* which replaced IAS 18 *Revenue* and IFRIC 13 *Customer Loyalty Programmes.*

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. The adoption of IFRS 15 did not impact the Group's results. 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.

6.23 Income from investments

Income from investments includes dividend income and increase in fair value of investments in listed companies.

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for held for trading securities.

Increase in fair value of investments designated at FVTPL includes all realised and unrealised fair value changes.

6.24 Income tax

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

6.24.1 Current tax

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

6.24.2 Deferred tax

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

INTRODUCTION
FMBCH AT A GLANCE
VALUE CREATION
STRATEGY
GOVERNANCE
ANNUAL FINANCIAL STATEMENTS

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.24 *Income Tax (continued)*

6.24.1 *Deferred tax (continued)*

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.

6.25 Earnings per share

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

6.26 Provision

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 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.27 Fair value measurement

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 by COVID-19 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 i.e. 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.

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.21 *Fair value measurement (continued)*

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 7 to these consolidated and separate financial statements.

6.28 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 (e.g. 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.

6.28.1 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.

6.29 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 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.30 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.

6.31 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.

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 others. 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 each 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 related 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 counter parties, 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 *RISK MANAGEMENT (continued)*

7.1 *Credit risk (continued)*

7.1.3 Credit risk grading

Retail exposures

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

These ratings are reflected on the following delinquency categories:

- Performing loans – 1 day to 30 days past due.
- Doubtful loans – 31 days to 89 days past due.
- In default loans – 90 days+ past due.

Corporate exposures

The Group uses an internal application credit risk scoring tool that reflects its assessment of the probability of default of individual counter parties. The Group companies use internal rating models tailored to the various categories of counter party. Borrower and loan specific information collected at the time of application (such as level of collateral, and 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 fed 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 Significant Increase in Credit Risk (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.

Customers are categorised into Risk Categories 0 – 3. Those in 0 and 1 display no or unusual business as usual risk and the risk of default is low. Category 2 implies there are some doubts that the borrower will meet its obligations but the risk of default is medium. Category 3 implies that there are strong doubts that the customer will meets its obligations and the risk of default is either high or has occurred. These ratings are reflected on the following scale using days past due as well as other criteria which are indicative of the extent of a SICR. These categories are in turn further sub-categorised in order to better measure any SICR.

7 *RISK MANAGEMENT (continued)*

7.1 *Credit risk (continued)*

7.1.3 *Credit risk grading (continued)*

The Group companies have mapped these sub-categories to the 22 rating categories employed by S&P with a view to using the Corporate PDs published by S&P as a representation:

Category 0 (sub categories 1 – 3c):	0 to 5 days past due
Category 1 (sub categories 4a – 5c):	6 to 29 days past due, have temporary problems and the risk of default is low
Category 2 (sub categories 6a – 7c):	30 days to 89 days past due, implies there are doubts that the customer will pay but the risk of default is medium
Category 3 (sub categories 8 – 10):	90 days+ past due (Default), there are doubts that the customer will pay and the risk of default is high

7.2 Expected Credit Loss (ECL) measurement

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a Significant Increase in Credit Risk (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:

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:

7.2.1 Corporate exposure

Stage 1	12-Month PD	Basel II Credit Risk classification Pass/Internal category 0 and 1
Stage 2	Life Time PD	Basel II Credit Risk classification Standard/Internal category 2
Stage 3	Default PD	Basel II Credit Risk classification, Substandard, Doubtful, Loss/Internal category 3

7 *RISK MANAGEMENT (continued)*

7.2 *Expected Credit Loss (ECL) measurement (continued)*

7.2.1 *Corporate exposure (continued)*

Retail exposure

Stage 1	12-Month PD	Basel II Credit Risk classification Pass/<30 days past due
Stage 2	Life Time PD	Basel II Credit Risk classification Standard/30 to 89 days past due
Stage 3	Default PD	Basel II Credit Risk classification, Substandard, Doubtful, Loss /90+ days past due

7.2.2 Treasury exposures

For debt securities in the treasury portfolio and interbank exposures, performance of the counter party 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.

Exposure at default (EAD) – is the amount the Group company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For a revolving commitment, the EAD includes the current drawn balance plus any further amount that is expected to be drawn up by the time of default, should it occur. For term loans EAD is the term limit while for short term loans and retail loans EAD is the drawn balance. Debt securities and interbank balances EAD is the current balance sheet exposure.

Loss given default (LGD) – represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counter party, 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:

7.2.3 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 with Basel II Credit Risk classification Pass/Internal category 0 and 1.
- 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.

7 *RISK MANAGEMENT (continued)*

7.2 *Expected Credit Loss (ECL) measurement (continued)*

7.2.3 *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 with Basel II Credit Risk classification Standard/Internal category 2.
- 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 in Basel II Credit Risk classification, Substandard, Doubtful, Loss/Internal category 3 and 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 SICR

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 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.

From a COVID-19 perspective, the Group has not approached the ECL impact on an overall blanket approach (where COVID-19 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 the impact of COVID-19 on the customer base has been undertaken, which is in line with the Group's existing policy documented in the Group Credit Impairment Framework.

7 *RISK MANAGEMENT (continued)*

7.3 *SICR (continued)*

7.3.1 SICR – Quantitative measures

- Corporate loans – if the loan is reclassified from internal category 0-1 to category 2.
- Retail loans – if the loan is reclassified from<30 days past due to 30 to 89 days past due.
- Treasury exposures which are past due.

7.3.2 SICR – Qualitative measures retail

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

7.3.3 SICR – Qualitative measures Corporate and Treasury

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

7.4 Benchmarking ECL

7.4.1 Corporate

Portfolio assessment is performed by way of a collective assessment semi-empirical IFRS 9 model (the ECL Model) developed in consultation with external consultants supported by 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 cashflows, predominantly collateral held.

7 *RISK MANAGEMENT (continued)*

7.4 *Benchmarking ECL (continued)*

7.4.1 *Corporate (continued)*

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.

Treasury

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

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.

7.5 Forward-looking information incorporated in the ECL models

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. The key economic variables identified were currency exchange rates, inflation, GDP growth and interest rates.

These economic variables and their associated impact on the ECL vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are sourced from Central Banks Monetary Policy, Fiscal updates, World Bank/IMF and BMI Research economic forecast and provide the best estimate view of the economy over the next five years.

Post 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 GDP 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 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, and the relative uncertainty of the social and economic consequences of COVID-19 that may manifest, these scenarios represent reasonable and supportable forward-looking views as at reporting date.

7 *RISK MANAGEMENT (continued)*

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

7.5.1 Significant increase in credit risk

The assessment of COVID-19 on ECLs has not been performed using an overall blanket approach (where COVID-19 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 on the customer base has been undertaken.

As part of this assessment on the Groups 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 Borrowers liquidity given the impact of the pandemic on the entity's customers.
- The Borrowers operating resilience, such as the ability to continue providing goods and services under the constraints of national lockdowns.
- 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.

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 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 Loans 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.

7 *RISK MANAGEMENT (continued)*

7.7 *ECL model governance (continued)*

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

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

The Group has been open to offer financial relief to borrowing clients in response to COVID-19 where it was requested. This included restructures of existing exposures with no change in the present value of the estimated future cash flows. 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.

7.8 Disclosures on credit risk

The Group's exposure to credit risk principally comprises of loans and advances to customers, finance lease receivables, repurchase agreements and money market investments. As at 31 December 2020, these were as follows:

31 December 2020 **US$**	ECL Stage	Loans and advances	Money Market investments	Repurchase Agreements
Consolidated				
Carrying amount		**409 710 461**	**179 495 043**	**57 201 262**
Standard (fully performing)	1	**357 852 836**	**148 002 012**	**57 251 400**
Past due but not impaired	2	**46 867 933**	**32 680 201**	**–**
Impaired	3	**15 694 982**	**–**	**–**
Gross exposure		**420 415 751**	**180 682 213**	**57 251 400**
31 December 2019				
Consolidated				
Carrying amount		397 426 996	208 260 305	67 071 019
Standard (fully performing)	1	377 510 796	209 277 112	52 660 144
Past due but not impaired	2	12 143 514	–	
Impaired	3	16 782 814	–	
Gross exposure		406 437 124	209 277 112	67 525 889

7 *RISK MANAGEMENT (continued)*

7.8 *Disclosures on credit risk (continued)*

Other collateral held includes moveable assets, other receivables and share certificates pledged. 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.

The Banks in the Group have an internal rating scales which is mapped into the Basel II Credit Risk grading system. The internal rating in broadly classified into Standard (Performing), Substandard (past due but not impaired) and Non-performing (impaired).

7.8.1 Performing loans

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

7.8.2 Past due but not impaired loans

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

7.8.3 Impaired loans and securities

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

7.8.4 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 2020 were as follows:

CREDIT RISK EXPOSURE BY SECTOR	CONSOLIDATED	
US$	**2020**	**2019**
Agriculture	**39 829 702**	33 242 111
Mining	**7 965 989**	15 983 943
Financial Services	**21 705 062**	21 572 298
Construction	**56 742 974**	15 497 066
Energy/Electricity/Gas/Water	**4 599 103**	11 027 434
Manufacturing	**80 516 366**	59 812 839
Wholesale and Retail	**101 691 620**	76 761 118
Individual/Households	**19 079 835**	78 979 922
Real Estate	**14 875 332**	34 051 905
Tourism & Leisure	**16 211 727**	6 371 291
Transport & Communication	**15 100 261**	17 158 897
Others	**42 097 780**	35 978 300
Total credit risk exposure	**420 415 751**	406 437 124

7 *RISK MANAGEMENT (continued)*

7.8 *Disclosures on credit risk (continued)*

7.8.5 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	
US$	Notes	2020	**2019**	2020	**2019**
Gross maximum exposure:					
Balances with central banks	9	**51 668 750**	55 893 058	**–**	–
Balances with other banks	9	**206 901 615**	159 502 311	**4 216 515**	1 222 774
Money market investments	10	**180 682 213**	209 277 112	**–**	28 046
Cheques in the course of clearing	9	**–**	1 873 082	**–**	–
Repurchase agreements	12	**57 251 400**	67 525 889	**–**	–
Loans and advances	11	**420 415 751**	406 437 124	**–**	–
Total recognised financial assets		**916 919 729**	900 508 576	**4 216 515**	1 250 820
Letters of credit	51	**44 635 040**	38 721 329	**–**	–
Financial guarantees	51	**88 699 133**	56 779 103	**–**	–
Total unrecognised financial assets		**133 334 173**	95 500 432	**–**	–
Total credit risk exposure		**1 050 253 902**	996 009 008	**4 216 515**	1 250 820

7.8.6 COVID-19 – Impact on credit risk

Governments of certain of the markets in which we operate declared national lockdowns due to the COVID-19 pandemic during 2020, resulting in extensive travel restrictions and quarantine measures being implemented. Even for those markets where national lockdowns were less stringent, adverse impacts were still felt in backward and forward supply chains. This has impacted our customers across various sectors. Against this background the Group performed a detailed assessment to ascertain the impact of COVID-19 on the credit risk of our customers.

In particular the Group reassessed the probabilities of default on a collective basis of the Top 100 exposures, considering risk characteristics such as the industry or geographical location of the borrowers. The results of the assessment is set out below.

The overall impact was assessed to be minimal.

7 *RISK MANAGEMENT (continued)*

7.8 *Disclosures on credit risk (continued)*

7.8.6 *COVID-19 – Impact on credit risk (continued)*

Risk level of exposures

2020 Risk Level (US$)	EXPOSURES Funded FCY	Funded LCY	Unfunded	Total	as a % of Total Top 100 exposures (%)
Low Risk	59 644 944	169 187 983	74 383 443	303 216 370	55
Medium Risk	36 525 596	73 127 478	57 251 970	166 905 044	30
High Risk	33 680 608	48 249 142	1 698 760	83 628 510	15
Total	**129 851 148**	**290 564 603**	**133 334 173**	**553 749 924**	**100**

Staging changes due to impact of COVID-19

2020 LCY (US$)	Funded FCY	Funded LCY	Unfunded	Total
Stage 1 to 2	14 176 764	24 528 427	12 721 112	51 426 303
Stage 1 to 3	260 000	4 910 075	276 039	5 446 114
Stage 2 to 3	3 618 092	2 730 243	67 385	6 415 720
Total balance movements	**18 054 856**	**32 168 745**	**13 064 536**	**63 288 137**

2020 (US$)	Funded FCY	Funded LCY	Unfunded	Total
Impairment charge raised on account of COVID-19 impact	**–**	**673 011**	**–**	**673 011**

7 *RISK MANAGEMENT (continued)*

7.8 *Disclosures on credit risk (continued)*

7.8.6 *COVID-19 – Impact on credit risk (continued)*

2020 (US$) Sector	Funded FCY	Funded LCY	Unfunded	Total	Distribution of Total exposures (%)	RISK LEVEL (%) Low	Medium	High
Individual	1 852 401	17 227 434	3 037 353	22 117 188	4	6	1	3
Agriculture	21 745 228	18 084 474	3 283 625	43 113 327	8	8	2	19
Communication	–	1 485 499	404 334	1 889 833	0	1	0	0
Construction	4 248 899	52 494 075	43 144 011	99 886 985	18	14	41	14
Distribution	32 592 401	69 099 219	22 367 035	124 058 655	22	20	25	28
Energy	3 497 987	1 101 116	29 983 777	34 582 880	6	9	3	0
Financial Organisations	2 000 002	19 705 060	1 944 683	23 649 745	4	8	0	1
Government	5 610 133	1 900 676	3 047 397	10 558 206	2	3	0	0
Manufacturing	29 333 641	51 182 725	10 263 103	90 779 469	16	23	17	4
Mining	4 851 997	3 113 992	7 546 901	15 512 890	3	1	2	10
Services	12 825 402	52 848 628	4 136 828	69 810 858	13	6	4	16
Transport	11 293 057	2 321 705	4 175 126	17 789 888	3	3	3	5
Total	**129 851 148**	**290 564 603**	**133 334 173**	**553 749 924**	**100**	**52**	**19**	**29**

Even as the COVID-19 pandemic persists, the Group does not expect the impact of this to be material, as we closely monitor operations and take proactive steps to manage the risks. As such, we do not expect any material issues to affect the Group as a result of COVID-19.

During 2020 the Group did not utilise Government support for its own operations or customers, apart from First Capital Bank Limited (Zambia). First Capital Bank Limited (Zambia) utilised funding of US$2.97m from the Government's initiative to cushion end-customers against the impact of COVID-19. These funds have been on-lent to customers and are repayable in the ordinary course of business at market related rates.

7 *RISK MANAGEMENT (continued)*

7.9 Interest rate risk

7.9.1 Interest rate gap analysis

The tables below summarise the exposure to interest rate risk as at 31 December 2020. 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.

2020 (US$)			FIXED RATE						
Consolidated	Non interest sensitive	Overnight	0 – 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Over 12 months	Total
Total assets	185 474 241	226 143 194	139 308 902	184 227 847	33 163 244	37 907 822	74 253 245	198 101 937	1 078 580 432
Total liabilities and equity	251 258 173	336 866 472	54 559 483	69 496 378	79 424 644	52 473 000	56 214 216	178 288 066	1 078 580 432
Interest sensitivity gap	**(65 783 932)**	**(110 723 278)**	**84 749 419**	**114 731 469**	**(46 261 400)**	**(14 565 178)**	**18 039 029**	**19 813 871**	**–**
2019									
Total assets	179 714 920	147 913 932	156 735 046	180 710 050	25 506 185	185 074 257	33 360 231	143 237 496	1 052 252 117
Total liabilities and equity	184 379 563	299 644 769	103 049 194	97 799 536	68 433 234	67 118 874	52 959 449	178 867 498	1 052 252 117
Interest sensitivity gap	(4 664 643)	(151 730 837)	53 685 852	82 910 514	(42 927 049)	117 955 383	(19 599 218)	(35 630 002)	–

7 *RISK MANAGEMENT (continued)*

7.9 *Interest rate risk (continued)*

7.9.1 *Interest rate gap analysis (continued)*

The effective interest rates for the principal financial assets and liabilities at 31 December 2020 were:

%	2020 Interest rate percentage range	2019 Interest rate percentage range
Assets		
Government securities	**1 – 22**	1 – 22
Deposits with banking institutions	**1 – 16**	1 – 16
Loans and advances to customers	**6.5 – 25**	6.5 – 27
Liabilities		
Customer deposits	**0.15 – 10**	0.15 – 10
Loans payable	**8 – 9**	8 – 9
Preference shares	**5 – 7**	5

7.10 Equity risk

The value of investments in equity instruments held by FCB Malawi and carried at FVTPL as at 31 December 2020 and 2019 were as follows:

US$	2020	2019
Fair value of investments at FVTPL	**4 910 113**	6 295 311
(Decrease) in fair value during the year	**(1 140 466)**	(783 008)
Impact on profit of		
Increase of share price by 10%	**491 011**	629 531
Decrease of share price by 10%	**(491 011)**	(629 531)

7 *RISK MANAGEMENT (continued)*

7.11 Liquidity risk

The maturity gap analysis as at 31 December is given below:

	CONSOLIDATED						
2020 (US$)	Carrying amount	Gross nominal amount	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 12 months
Assets							
Cash and cash equivalents	307 755 707	307 795 095	285 844 244	4 941 096	6 003 055	7 691 494	3 315 206
Money market investments	179 495 043	180 682 214	42 430 426	29 247 473	29 297 847	51 028 296	28 678 172
Loans and advances to customers	409 710 461	420 415 751	48 949 283	37 086 513	57 059 181	75 468 239	201 852 535
Repurchase agreements	57 201 262	57 251 400	10 907 399	–	2 844 379	43 499 622	–
Assets held for sale	2 656 478	2 656 478	–	–	–	–	2 656 478
Other asset balances	121 761 481	122 210 022	21 869 313	6 070 174	4 652 734	569 383	89 048 418
Total assets	**1 078 580 432**	**1 091 010 960**	**410 000 665**	**77 345 256**	**99 857 196**	**178 257 034**	**325 550 809**
Liabilities							
Customer deposits	757 728 556	757 728 556	58 885 024	153 403 584	180 443 872	255 852 130	109 143 946
Balances due to other banks	80 792 222	80 792 222	16 086 117	1 376 443	9 064 847	46 060 248	8 204 567
Other liability balances	103 918 904	103 918 904	15 738 758	24 959 446	3 343 837	18 817 315	41 059 548
Total liabilities	**942 439 682**	**942 439 682**	**90 709 899**	**179 739 473**	**192 852 556**	**320 729 693**	**158 408 061**
Net liquidity gap			**319 290 766**	**(102 394 217)**	**(92 995 360)**	**(142 472 659)**	**167 142 748**
Cumulative liquidity gap			**319 290 766**	**216 896 549**	**123 901 189**	**(18 571 470)**	**148 571 278**
2019							
Assets							
Cash and cash equivalents	247 157 290	247 203 772	186 566 254	12 529 117	9 893 431	33 726 694	4 488 276
Money market investments	208 260 305	209 277 112	24 026 716	25 026 501	11 584 551	89 174 497	59 464 847
Loans and advances to customers	397 426 996	406 437 124	28 643 058	57 353 364	46 686 962	94 229 103	179 524 637
Repurchase agreements	67 071 019	67 525 889	6 990 599	3 983 942	3 485 949	53 065 399	–
Assets held for sale	3 903 980	3 903 980	–	–	–	–	3 903 980
Other asset balances	128 432 527	129 056 782	14 720 556	4 797 366	4 876 099	66 483 867	38 178 894
Total assets	1 052 252 117	1 063 404 659	260 947 183	103 690 290	76 526 992	336 679 560	285 560 634
Liabilities							
Customer deposits	681 390 892	681 390 892	73 117 165	131 986 324	138 367 522	228 458 658	109 461 223
Balances due to other banks	143 932 626	143 932 626	20 342 650	3 880 908	4 181 345	18 753 699	96 774 024
Other liability balances	98 918 989	98 918 989	38 192 814	2 677 371	128 556	257 112	57 663 136
Total liabilities	924 242 507	924 242 507	131 652 629	138 544 603	142 677 423	247 469 469	263 898 383
Net liquidity gap			129 294 554	(34 854 313)	(66 150 431)	89 210 091	21 662 251
Cumulative liquidity gap			129 294 554	94 440 241	28 289 810	117 499 903	139 162 156

7 *RISK MANAGEMENT (continued)*

7.12 Foreign exchange risk

The group and company operate internationally and are exposed to foreign exchange risk and translation risk.

Foreign exchange risk arises from recognised assets and liabilities and future highly probable forecast commercial transactions denominated in a currency that is not the functional currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign monetary asset value and the forecast highly probable foreign currency income and expenditures of the relevant group entity for each respective currency. Foreign currency risk is hedged with the objective of minimising the earnings volatility associated with assets, liabilities, income and expenditure denominated in a foreign currency.

Translation risk arises on consolidation from recognised assets and liabilities denominated in a currency that is not the reporting currency of the group and company. The risk is evaluated by measuring and monitoring the net foreign nonmonetary asset value of the relevant group entity for each respective currency.

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

2020 (US$)	CONSOLIDATED			
Currency	NOP	Risk Position	Stress Factor	Risk Measure
EUR	**962 368**	**1 031 808**	**17%**	**179 191**
GBP	**515 665**	**577 065**	**21%**	**122 799**
USD	**4 058 771**	**4 058 771**	**16%**	**658 307**
ZAR	**173 031**	**826 650**	**12%**	**100 798**
Others	**521 624**	**521 831**	**12%**	**65 005**
Total	**6 231 459**	**7 016 125**		**1 126 100**
2019				
EUR	(4 730 093)	5 882 992	7.40%	435 459
GBP	(358 090)	376 066	14.24%	53 554
USD	1 999 558	1 999 558	20.18%	403 471
ZAR	89 124	1 153 375	10.23%	118 042
Others	(1 810 741)	3 085 296	12.34%	380 802
Total	(4 810 242)	12 497 287		1 391 328

7.13 Capital management

The group manages its capital levels to support business growth, maintain depositor and creditors' confidence, create value for its shareholders and ensure regulatory compliance at a regulated subsidiary level as well as a consolidated level.

The main regulatory requirements to be complied with are those specified in the Financial Services Act of Malawi, the Financial Services (Consolidated Supervision of Banks) Directive 2008 and related regulations, which are aligned with Basel II.

The group's capital management function is designed to ensure that regulatory requirements are met at all times and that the group and its principal subsidiaries are capitalised in line with the group's risk appetite and target ranges, both of which are approved by the board.

It further aims to facilitate the allocation and use of capital, such that it generates a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of the group's budget and forecasting process. The capital

7 *RISK MANAGEMENT (continued)*

7.13 *Capital management (continued)*

plan is tested under a range of stress scenarios as part of the group's annual Internal Capital Adequacy and Assessment Process (ICAAP).

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

- *Tier 1 Capital:* stated capital (net of any book values of the treasury shares) non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 Capital.
- *Tier 2 Capital:* qualifying subordinated loan capital and collective impairment allowances. Given the prevailing economic context, the Group has adopted a prudent approach to balancing an efficient capital position with the need to retain sufficient capital for unexpected fluctuations in earnings volatility. This has resulted in increasing the capital adequacy ratio and conserving capital, and taking into account a medium – to long-term horizon.

Regulatory capital adequacy is measured through two risk-based ratios: Tier 1 Capital Adequacy and Total Capital Adequacy, as set out below:

	CONSOLIDATED	
US$	**2020**	**2019**
Share capital	**117 409 081**	117 409 081
Non distributable reserves	**(27 255 312)**	(27 255 312)
Translation reserve	**(15 706 247)**	(11 053 765)
Retained earnings	**41 705 028**	28 545 590
Non controlling interest	**52 079 507**	49 793 394
Deduct:		
Deferred tax asset	**2 846 920**	1 185 179
Excess Minority Interest Tier 1 Capital	**457 822**	212 698
Total Tier 1 Capital	**164 927 316**	158 836 866
Tier 2 Capital		
Translation reserve	**(15 706 247)**	(11 053 765)
Non distributable reserves	**(26 896 903)**	(26 680 381)
Property revaluation reserve	**6 341 795**	4 245 921
Loan loss reserve	**4 170 046**	4 058 845
Eligible subordinated debt	**25 665 427**	37 385 774
Tier 2 Capital	**(6 425 882)**	7 956 395
Total qualifying capital	**158 501 434**	166 793 261
Risk Weighted Assets (RWA)		
Credit RWAs	**651 750 037**	569 266 659
Market RWAs	**7 490 893**	39 920 917
Operational RWAs	**220 945 106**	203 509 845
Total Risk Weighted Assets	**880 186 035**	812 697 421
Tier 1 risk based capital ratio (minimum 10%)	**18.7%**	19.5%
Total risk-weighted capital ratio (minimum 15%)	**18.0%**	20.5%

7 *RISK MANAGEMENT (continued)*

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

The directors have reviewed the Group's budgets and flow of funds forecasts and 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 COVID-19 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 risk weighted assets 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 pandemic;
- The Group's operating resilience, such as contact centres, mobile and online channels and Group's ability to provide continuity of service through the pandemic;
- The resilience of the Group's IT 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.

COVID-19 has caused a significant deterioration in economic conditions for many companies which raises uncertainties regarding their ability to continue as going concerns. The underlying budget assumptions have been appropriately adjusted for the new economic and business environment. As the severity of the economic impact of COVID-19 cannot be fully estimated, the Group continues to monitor all principal risk factors and also proactively implement appropriate mitigants.

8 FINANCIAL ASSETS AND LIABILITIES

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					
31 December 2020 (US$)	Note	Financial assets at FVTPL	Financial assets at amortised cost	Financial assets at FVOCI	Financial liabilities at amortised cost	Total carrying amount	Fair values
Financial assets							
Cash and cash equivalents	9	–	**307 755 707**	–	–	**307 755 707**	**307 755 707**
Money market investments	10	–	**179 495 043**	–	–	**179 495 043**	**179 495 043**
Loans and advances to customers	11	–	**409 710 461**	–	–	**409 710 461**	**409 710 461**
Repurchase Agreements	12	–	**57 201 262**	–	–	**57 201 262**	**57 201 262**
Financial asset at FVOCI	49	–	–	**699 299**	–	**699 299**	**699 299**
Other assets	22	–	**19 209 423**	–	–	**19 209 423**	**19 209 423**
Investments at FVTPL	14	**4 910 113**	–	–	–	**4 910 113**	**4 910 113**
		4 910 113	**973 371 896**	**699 299**	–	**978 981 308**	**978 981 308**
Financial liabilities							
Balances due to other banks	23	–	–	–	**80 792 222**	**80 792 222**	**80 792 222**
Customer deposits	24	–	–	–	**757 728 556**	**757 728 556**	**757 728 556**
Other payables	25	–	–	–	**40 614 220**	**40 614 220**	**40 614 220**
Lease liabilities	20				**6 236 563**	**6 236 563**	**6 236 563**
Subordinated debt	26	–	–	–	**17 504 281**	**17 504 281**	**17 504 281**
Loans payable	47	–	–	–	**15 810 033**	**15 810 033**	**15 810 033**
Convertible preference shares	48	–	–	–	**10 786 747**	**10 786 747**	**10 786 747**
		–	–	–	**929 472 622**	**929 472 622**	**929 472 622**
31 December 2019							
Financial assets							
Cash and cash equivalents	9	–	247 157 290	–	–	247 157 290	247 157 290
Money market investments	10	–	208 260 305	–	–	208 260 305	208 260 305
Loans and advances to customers	11	–	397 426 996	–	–	397 426 996	397 426 996
Repurchase Agreements	12	–	67 071 019	–	–	67 071 019	67 071 019
Financial asset at FVOCI	49	–	–	1 664 939	–	1 664 939	1 664 939
Other assets	22	–	13 000 094	–	–	13 000 094	13 000 094
Investments at FVTPL	14	6 295 311	–	–	–	6 295 311	6 295 311
		6 295 311	932 915 704	1 664 939	–	940 875 954	940 875 954
Financial liabilities							
Balances due to other banks	23	–	–	–	143 932 626	143 932 626	143 932 626
Customer deposits	24	–	–	–	681 390 892	681 390 892	681 390 892
Other payables	25	–	–	–	30 250 550	30 250 550	30 250 550
Lease liabilities	20	–	–	–	6 920 823	6 920 823	6 920 823
Subordinated debt	26	–	–	–	26 599 027	26 599 027	26 599 027
Loans payable	47	–	–	–	15 950 009	15 950 009	15 950 009
Convertible preference shares	48	–	–	–	10 786 747	10 786 747	10 786 747
		–	–	–	915 830 674	915 830 674	915 830 674

8 *FINANCIAL ASSETS AND LIABILITIES (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: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The valuation techniques for fair value measurement of financial instruments has been assessed at a business unit and Group level to determine the impact that the market volatility introduced by COVID-19 has had on the fair value measurements of instruments held.

	CONSOLIDATED					
	2020			2019		
Fair Value Hierarchy (US$)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial asset Investment at FVTPL	**4 910 113**	**–**	**–**	6 295 311	–	
Investment at FVOCI	**–**	**699 299**	**–**	–	1 664 939	–
Treasury bills measured at FVOCI	**–**	**11 846 295**	**–**	–	12 258 112	–

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

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

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

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

The valuation techniques for fair value measurement of financial instruments has been assessed by the respective valuation committees at a business unit and Group level to determine the impact that the market volatility introduced by COVID-19 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.

8 *FINANCIAL ASSETS AND LIABILITIES (continued)*

8.2 *Fair values of financial instruments (continued)*

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.

9 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
Deposits with Central Banks	**51 668 750**	55 893 058	**–**	–
Balances with other banks	**140 921 502**	127 864 949	**4 022 550**	316 514
Placements with other banks	**64 465 713**	31 637 362	**193 965**	906 260
Balances in the course of clearing with other banks	**1 514 400**	2 067 636	**–**	–
Cash balances	**49 224 730**	29 740 767	**–**	–
Total before expected credit loss	**307 795 095**	247 203 772	**4 216 515**	1 222 774
Less: Expected credit loss	**(39 388)**	(46 482)	**–**	–
Total cash and cash equivalents	**307 755 707**	247 157 290	**4 216 515**	1 222 774

Certain of the amounts deposited with Central Banks are for liquidity reserve requirements and are not available for the Group's operating activities and do not attract interest. Other cash and cash equivalents with other banks earn interest between 0%-18% (2019: 1 – 20%). Placements with other banks classified as cash and cash equivalents have a tenor of less than 3 months.

10 MONEY MARKET INVESTMENTS

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
Held at Amortised cost				
Treasury Bills	**81 680 160**	109 346 825	**–**	28 046
Placements with other banks	**39 457 239**	4 409 881	**–**	–
Government Promissory Notes	**20 932 582**	52 765 459	**–**	–
Corporate Bonds	**9 274 473**	12 494 745	**–**	–
Government Stocks	**17 491 464**	18 002 090	**–**	–
Held at fair value through other comprehensive income				
Treasury Bills	**11 846 295**	12 258 112	**–**	–
Total before expected credit losses	**180 682 213**	209 277 112	**–**	28 046
Expected credit loss	**(1 187 170)**	(1 016 807)	**–**	(28 046)
Total money market investments	**179 495 043**	208 260 305	**–**	–
Movement during the year was as follows:				
As at 1 January	**209 277 112**	226 424 936	**28 046**	626 739
Effect of changes in exchange rate and hyperinflation	**5 225 012**	–	**–**	–
Written-off	**–**	–	**(28 046)**	–
Net maturities	**(33 819 911)**	(17 147 824)	**–**	(598 693)
As at 31 December	**180 682 213**	209 277 112	**–**	28 046
Expected Credit losses				
Balance at 1 January	**(1 016 807)**	(489 087)	**(28 046)**	–
Effect of changes in exchange rate and hyperinflation	**185 005**	227 457	**–**	(28 046)
Written-off	**–**	–	**28 046**	–
Charge for the year (Note 44)	**(355 368)**	(755 177)	**–**	–
Balance at 31 December	**(1 187 170)**	(1 016 807)	**–**	(28 046)
Total money market investments	**179 495 043**	208 260 305	**–**	–

The interest rate on money market investments approximates the market interest rate and hence the carrying amount reasonably approximates the fair value.

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

11 LOANS AND ADVANCES TO CUSTOMERS

	CONSOLIDATED	
US$	**2020**	**2019**
Loans and advances to customers is made up of:		
Term loans	**270 325 506**	289 783 315
Mortgage loans	**9 856 068**	10 407 003
Overdraft	**131 557 387**	103 538 895
Finance leases	**8 676 790**	2 707 911
Gross carrying amount of loans and advances to customers	**420 415 751**	406 437 124
Loans and advances at amortised cost are receivable as follows:		
Maturing within 3 months	**141 532 862**	118 761 939
Maturing between 3 and 12 months	**80 498 987**	80 734 770
Maturing after 12 months	**198 383 902**	206 940 415
Gross carrying amount of loans and advances to customers	**420 415 751**	406 437 124
Stage 1 Allowances		
Balance at 1 January	**(2 051 208)**	(1 969 644)
On acquisition of subsidiary	**–**	(24 498)
Effect of changes in exchange rate and hyperinflation	**686 097**	2 281 004
Charge for the year (Note 44)	**(1 549 910)**	(2 338 070)
Balance at 31 December	**(2 915 021)**	(2 051 208)
Stage 2 Allowances	**–**	
Balance at 1 January	**(1 260 802)**	(2 543 870)
On acquisition of subsidiary	**–**	(230 457)
Effect of changes in exchange rate and hyperinflation	**626 063**	1 302 800
(Charge)/Recovery for the year (Note 44)	**(580 802)**	210 725
Balance at 31 December	**(1 215 541)**	(1 260 802)
Stage 3 Allowances	**–**	
Balance at 1 January	**(5 698 117)**	(5 239 942)
Charge for the year (Note 44)	**(3 477 156)**	(5 672 882)
Provision increase offset against fees and commission income	**259 451**	(128 497)
On acquisition of subsidiary	**–**	(681 387)
Effect of changes in exchange rate and hyperinflation	**354 901**	1 717 744
Write offs	**1 986 193**	4 306 846
Balance at 31 December	**(6 574 728)**	(5 698 118)
Net Loans and advances to customers	**409 710 461**	397 426 996

*** 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 5.6 and 45. Loans, lease receivables and advances by industry/sector have been disclosed in Note 7.8. Effective interest rates for loans and advances have been disclosed in Note 7.9.

12 REPURCHASE AGREEMENTS

US$	2020	2019
As at 1 January	**67 071 019**	29 969 134
Movement during the year was as follows:		
Additions	**518 139 268**	52 660 144
Maturities	**(523 958 332)**	(14 754 750)
Effect of changes in exchange rate	**(4 000 555)**	(348 639)
Gross Carrying amount as at 31 December	**57 251 400**	67 525 889
Expected credit losses	**(50 138)**	(454 870)
Net Carrying amount as at 31 December	**57 201 262**	67 071 019
Funds under currency swap: Split by Currency		
United States Dollars (USD)	**57 251 400**	35 000 000
British Pound (GBP)	**–**	12 851 369
Euro (EUR)	**–**	4 435 872
Malawian Kwacha (MWK)	**–**	15 238 648
Gross Carrying amount as at 31 December	**57 251 400**	67 525 889

The corresponding liability under the above currency swap arrangements has been disclosed in Note 22 as part of balances due to other banks.

13 CURRENT TAX ASSET

US$	CONSOLIDATED 2020	CONSOLIDATED 2019	SEPARATE 2020	SEPARATE 2019
13.1 Current tax expense				
Current year tax based on profits	**15 162 832**	8 334 172	**–**	13 302
Dividend tax	**802 294**	–	**802 294**	–
Origination and reversal of temporary differences (Note 26)	**(1 741 928)**	(393 145)	**–**	–
Income tax expense	**14 223 198**	7 941 027	**802 294**	13 302
13.2 Reconciliation of effective tax rate	**15.0%**	(15.0%)	**15.0%**	15.0%
Foreign companies tax differential	**17.6%**	(4.5%)	**–**	–
Non-deductible expenses	**10.1%**	132.6%	**10.1%**	(15.4%)
Gain on bargain purchase	**–**	–	**–**	–
Losses not tax deductible	**–**	10.6%	**–**	–
Tax exempt income	**(2.2%)**	(49.3%)	**(9.4%)**	–
	40.1%	74.4%	**15.7%**	(0.4%)
13.3 Income tax (recoverable)/ payable				
As at 1 January	**(2 678 631)**	(2 392 044)	**–**	–
Charges for the year	**15 162 832**	8 334 172	**–**	13 302
Dividend tax	**802 294**	–	**802 294**	–
Effect of changes in exchange rate and hyperinflation	**252 640**	(642 485)	**–**	–
Paid during the year	**(11 149 539)**	(7 978 274)	**(802 294)**	(13 302)
As at 31 December	**2 389 596**	(2 678 631)	**–**	–

Income tax recoverable/(payable) is presented as follows in the statements of financial position.

Presented as:

US$	CONSOLIDATED 2020	CONSOLIDATED 2019	SEPARATE 2020	SEPARATE 2019
Current tax asset	**770 082**	2 692 689	**–**	–
Income tax payable	**(3 159 678)**	(14 058)	**–**	–
	(2 389 596)	2 678 631	**–**	–

13.4 Statutory Tax Rate

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

	2020	2019
Mauritius (net of foreign tax credit)	**3%**	3%
Mauritius	**15%**	15%
Zimbabwe	**26%**	26%
Malawi	**30%**	30%
Botswana	**22%**	22%
Mozambique	**32%**	32%
Zambia	**35%**	35%

**The tax rates for the foreign operations range from 22% to 35%. In Mauritius, the Company is subject to income tax at 15%. However, a Category 1 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.*

14 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	CONSOLIDATED	
US$	**2020**	**2019**
Shares held (numbers)		
Illovo Sugar (Malawi) Plc	**12 915 541**	12 915 541
National Investment Trust Plc	**20 889 343**	20 889 343
Telekom Networks Malawi Plc	**38 338 700**	38 338 700
Share Price (cents)		
Illovo Sugar (Malawi) Plc	**0.10**	0.21
National Investment Trust Plc	**0.12**	0.11
Telekom Networks Malawi Plc	**0.03**	0.04
Market Value		
Illovo Sugar (Malawi) Plc	**1 345 812**	2 678 712
National Investment Trust Plc	**2 568 050**	2 265 358
Telekom Networks Malawi Plc	**996 251**	1 351 241
Total investments at FVTPL	**4 910 113**	6 295 311
Change in fair value		
Balance at 1 January	**6 295 311**	7 665 487
Sale of investments at FVTPL	**–**	(495 864)
Effect of changes in exchange rate	**(244 732)**	(91 304)
Movement in fair value (Note 37)	**(1 140 466)**	(783 008)
Total investments at FVTPL	**4 910 113**	6 295 311

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.

15 INVESTMENTS IN SUBSIDIARY COMPANIES

	NATURE OF BUSINESS	TYPE OF INVESTMENT	HOLDING % 2020	HOLDING % 2019	US$ 2020	US$ 2019
First Capital Bank PLC (Malawi)	Banking	Equity Shares	**100**	100	**88 034 224**	88 034 224
Afcarme Zimbabwe Holdings (Private) Limited	Banking	Equity Shares	**81**	81	**17 420 080**	17 420 080
First Capital Bank Limited (Zambia)	Banking	Equity Shares	**49**	49	**4 634 343**	4 634 343
First Capital Shared Services Limited	Shared Service	Equity Shares	**100**	100	**690 315**	105
First Capital Bank Limited (Botswana)	Banking	Equity Shares	**38.6**	38.6	**3 046 405**	3 046 405
First Capital Bank Limited (Botswana)	Banking	Preference Shares	**100**	100	**2 475 355**	2 475 355
First Capital Bank S.A. (Mozambique)	Banking	Equity Shares	**80**	80	**21 365 741**	19 294 363
Total investments in subsidiary companies					**137 666 463**	134 904 875
Movements during the year were as follows						
Opening balance					**134 904 875**	125 941 039
Subscription of shares for cash					**2 071 378**	9 781 725
Capital contribution					**690 210**	–
Settlement of subordinated debt					**–**	(817 889)
Total investments in subsidiary companies					**137 666 463**	134 904 875

FMBCH granted a three year interest free loan to its subsidiary, First Capital Shared Services Limited. The difference between the nominal loan amount and the present value of the loan discounted using the market interest rate is accounted for as an investment in subsidiary. Correspondingly, in the subsidiary's individual financial statements this is accounted for in equity as a capital contribution.

During 2020, FMBCH subscribed to its pro-rata share of a rights issue of equity shares at par value by First Capital Bank S.A. Mozambique.

16 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	
US$	2020	2019
At fair value		
Balance as at 1 January	**5 441 927**	6 545 861
Transfer from Property and equipment (Note 18)	**183 036**	422 633
Effect of changes in exchange rate and hyperinflation	**(771 442)**	1 542 014
Change in fair value	**(153 619)**	(3 068 581)
Balance as at 31 December	**4 699 902**	5 441 927

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.

17 INVESTMENT IN JOINT VENTURE

US$	CONSOLIDATED 2020	2019
Group's interest in investment		
Group's interest at beginning of year	**14 456 648**	–
Transfer from non-current assets held for sale (Note 20)	**–**	14 929 959
Effect of changes in exchange rate and hyperinflation	**(1 156 776)**	4 949 315
Share of profit in joint venture	**29 600**	555 811
Prior years share of profit adjustment	**–**	123 946
Dividends received during the year	**(125 938)**	(123 946)
Impairment loss on investment in joint venture	**(1 270 416)**	(5 978 437)
Carrying amount of investment as at 31 December	**11 933 118**	14 456 648

The joint venture owns an commercial property in Victoria Falls 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.

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

US$	2020	2019
Revenue	**96 120**	1 497 436
(Loss)/profit for the year	**(2 481 632)**	(10 845 252)
Total comprehensive income	**(2 481 632)**	(10 845 252)
Non current assets	**25 000 000**	30 087 686
Current assets	**134 765**	358 048
Non current liabilities	**(1 250 000)**	(1 414 967)
Current liabilities	**(18 529)**	(117 472)

18 INTANGIBLE ASSETS

18.1 Computer Software

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
Cost				
As at 1 January	**20 722 690**	13 626 594	**1 917 395**	–
Transfer from property and equipment (Note 18*)	**330 227**	3 427 893	**–**	–
Disposals	**(791 074)**	–	**–**	–
Effect of changes in exchange rate and hyperinflation	**(1 430 482)**	(155 302)	**–**	–
Additions	**1 068 960**	3 823 505	**452 491**	1 917 395
As at 31 December	**19 900 321**	20 722 690	**2 369 886**	1 917 395
Accumulated amortisation				
As at 1 January	**(8 768 590)**	(6 709 441)	**(141 114)**	–
Effect of changes in exchange rate and hyperinflation	**794 529**	109 544	**–**	–
Transfer from property and equipment (Note 18)	**(48 523)**	(50 801)	**–**	–
Disposals	**714 981**	–	**–**	–
Charge for the year	**(2 592 766)**	(2 117 892)	**(387 915)**	(141 114)
As at 31 December	**(9 900 369)**	(8 768 590)	**(529 029)**	(141 114)
Carrying amount as at 31 December	**9 999 952**	11 954 100	**1 840 857**	1 776 281

Intangible assets include core banking and other computer software, website development, 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.

19 PROPERTY AND EQUIPMENT

	CONSOLIDATED							
2020 (US$)	Freehold property	Leasehold improve-ments	Motor vehicles	Corporate jet	Motor vehicles – operating lease	Equipment, fixtures and fittings	Capital work in progress	Consolidated total
Cost or valuation	–	–	–	–	–	0.50	–	–
Balance at 1 January 2020	26 818 628	12 872 678	5 572 714	1 897 908	575 224	24 085 053	2 899 818	74 722 022
Additions	54 133	130 686	338 435	–	–	1 620 922	1 099 341	3 243 517
Reclassification	183 521	450 387	–	–	–	218 268	(852 176)	–
Effect of changes in exchange rate	2 310 520	(4 300 920)	(867 546)	(86 740)	(27 968)	(2 085 613)	(249 404)	(5 307 671)
Revaluation gain or (loss)	883 148	843 075	–	–	–	–	–	1 726 223
Disposals	–	–	(465 921)	–	–	(819 943)	–	(1 285 864)
Impairment loss	(930 250)	–	–	–	–	–	(60 303)	(990 553)
Transfers to investment property (Note 15)	–	–	–	–	–	–	(183 036)	(183 036)
Transfers to intangible assets (Note 17)	–	–	–	–	–	–	(330 227)	(330 227)
Balance at 31 December 2020	**29 319 700**	**9 995 906**	**4 577 682**	**1 811 168**	**547 256**	**23 018 687**	**2 324 013**	**71 594 411**
Accumulated depreciation								
Balance at 1 January 2020	609 282	3 057 044	4 114 270	228 671	419 361	15 950 297	–	24 378 925
Charge for the year	739 349	419 262	655 361	108 659	–	2 886 571	–	4 809 202
Released on disposal	–	–	(305 629)	–	–	(762 055)	–	(1 067 684)
Reclassifications	(1 427)	(20 504)	–	–	83 313	(61 382)	–	–
Transfers	–	–	–	–	(48 523)	–	–	(48 523)
Effect of changes in exchange rate and hyperinflation	144 178	(1 498 547)	(757 248)	(11 839)	25 549	(1 554 064)	–	(3 651 971)
Charge on operating lease	–	–	–	–	21 607	–	–	21 607
Impairment	–	–	–	–	–	–	–	–
Eliminated on revaluation	(1 123 338)	(122 421)	–	–	–	–	–	(1 245 759)
Balance at 31 December 2020	**368 044**	**1 834 834**	**3 706 754**	**325 491**	**501 307**	**16 459 367**	**–**	**23 195 797**
Carrying amount							–	–
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**
At 31 December 2019	**26 209 345**	**9 815 634**	**1 458 442**	**1 669 236**	**155 863**	**8 134 757**	**2 899 818**	**50 343 097**

** 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.*

19 PROPERTY AND EQUIPMENT (continued)

2019 (US$)	Freehold property	Leasehold improve-ments	Motor vehicles	Corporate jet	Motor vehicles – operating lease	Equipment, fixtures and fittings	Capital work in progress	Consolidated total
	CONSOLIDATED							
Cost or valuation								
Balance at 1 January 2019	32 635 403	7 846 652	6 325 639	1 918 552	579 970	23 748 233	6 619 199	79 673 648
Additions	–	1 387 509	452 540	–	–	3 242 889	2 620 970	7 703 908
On acquisition of subsidiary	–	–	–	–	–	59 525	–	59 525
Reclassification	933 209	(933 209)	(96 752)	–	14 420	96 752	(14 420)	–
Effect of changes in exchange rate and hyperinflation	188 699	2 081 382	(998 881)	(20 644)	12 622	(3 125 453)	1 203 365	(658 910)
Impairment	(7 823 115)	–	–	–	–	–	–	(7 823 115)
Disposals	–	–	(109 832)	–	(31 788)	(240 887)	–	(382 507)
Transfers	884 432	2 490 344	–	–	–	303 993	(7 529 296)	(3 850 527)
Balance at 31 December 2019	26 818 628	12 872 678	5 572 714	1 897 908	575 224	24 085 053	2 899 818	74 722 022
Accumulated depreciation								
Balance at 1 January 2019	3 268 929	2 108 199	3 373 978	114 587	347 166	15 511 854	–	24 724 713
Charge for the year	7 605	1 199 734	868 768	113 442	–	3 049 657	–	5 239 206
Released on disposal	–	–	(45 525)	–	(23 773)	(233 801)	–	(303 099)
Effect of changes in exchange rate and hyperinflation	(2 667 251)	(250 890)	(82 950)	642	(27 267)	(2 377 414)	–	(5 405 130)
Charge on operating lease	–	–	–	–	123 235	–	–	123 235
Balance at 31 December 2019	609 283	3 057 043	4 114 272	228 671	419 361	15 950 296	–	24 378 925
Carrying amount								
At 31 December 2019	26 209 345	9 815 634	1 458 442	1 669 236	155 863	8 134 757	2 899 818	50 343 097
At 31 December 2018	29 366 474	5 738 453	2 951 661	1 803 965	232 804	8 236 379	6 619 199	54 948 935

19 *PROPERTY AND EQUIPMENT (continued)*

	SEPARATE		
US$	Motor vehicles	Equipment, fixtures and fittings	Total
Cost			
Balance at 1 January 2020	**124 299**	**818 777**	**943 076**
Additions	**17 746**	**375 078**	**392 824**
Balance at 31 December 2020	**142 045**	**1 193 855**	**1 335 900**
Accumulated depreciation			
Balance at 1 January 2020	**18 730**	**113 663**	**132 393**
Charge for the year	**31 092**	**222 997**	**254 089**
Balance at 31 December 2020	**49 822**	**336 660**	**386 482**
Carrying amount at 31 December 2020	**92 223**	**857 195**	**949 418**
Cost			
Balance at 1 January 2019	–	207 574	207 574
Additions	124 299	611 203	735 502
Balance at 31 December 2019	124 299	818 777	943 076
Accumulated depreciation			
Balance at 1 January 2019	–	17 076	17 076
Charge for the year	18 730	96 587	115 317
Balance at 31 December 2019	18 730	113 663	132 393
Carrying amount at 31 December 2019	105 569	705 114	810 683

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 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 2020.

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 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 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 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.

20 LEASES

US$	CONSOLIDATED 2020	CONSOLIDATED 2019	SEPARATE 2020	SEPARATE 2019
Right-of-use asset				
Balance at the beginning of the year	**8 912 787**	–	**241 469**	–
Additions	**3 139 189**	11 011 487	**(2 902)**	293 782
Depreciation charge	**(2 392 311)**	(2 130 427)	**(126 298)**	(52 313)
Effect of changes in exchange rate and hyperinflation	**(1 960 283)**	31 727	**–**	–
Carrying amount at 31 December	**7 699 382**	8 912 787	**112 269**	241 469
Lease liabilities				
Maturity analysis – contractual undiscounted cash flows				
Less than one year	**1 102 305**	1 158 034	**45 263**	–
One to five years	**5 796 551**	6 534 823	**89 434**	149 932
More than five years	**676 195**	1 059 579	**–**	–
Total undiscounted contractual cash flows as at 31 December	**7 575 051**	8 752 436	**134 697**	149 932
Lease liabilities included in statement of financial position				
Current	**1 076 154**	852 658	**37 766**	–
Non-current	**5 160 409**	6 068 165	**90 387**	129 835
Carrying amount at 31 December	**6 236 563**	6 920 823	**128 153**	129 835
Amounts recognised in Profit and Loss				
Interest on lease liability	**592 695**	625 309	**14 630**	21 956
Expenses-short term low value leases	**351 923**	323 112	**–**	–
Depreciation charge	**2 392 311**	2 130 427	**126 298**	52 313
	3 336 929	3 078 848	**140 928**	74 269

2020 (US$)	CONSOLIDATED Leased property	Leasehold improve-ments	Motor vehicles	Total
Balance as at 1 January	**8 671 318**	**120 602**	**120 867**	**8 912 787**
Additions	**3 142 091**	**(2 902)**	**–**	**3 139 189**
Depreciation	**(2 266 012)**	**(99 938)**	**(26 361)**	**(2 392 311)**
Effects of changes in exchange rate	**(1 960 283)**	**–**	**–**	**(1 960 283)**
Carrying amount as at 31 December 2020	**7 587 114**	**17 762**	**94 506**	**7 699 382**
2019				
Balance as at 1 January	–	–	–	–
Additions	10 717 705	144 468	149 314	11 011 487
Depreciation	(2 078 114)	(23 866)	(28 447)	(2 130 427)
Effects of changes in exchange rate	31 727			31 727
Carrying amount as at 31 December 2019	8 671 318	120 602	120 867	8 912 787

21 ASSETS HELD FOR SALE

US$	CONSOLIDATED 2020	CONSOLIDATED 2019
As at 1 January	**3 903 980**	17 531 259
Property repossessed during the year	**33 693**	1 748 079
Transfer to property and equipment	**–**	(7 559)
Transfer (to)/from investment in joint venture (Note 16)	**–**	(14 929 959)
Impairment loss (Note 37)	**(43 202)**	–
Disposal of assets held	**(80 730)**	–
Effect of changes in exchange rates	**(1 157 263)**	(437 840)
Carrying amount as at 31 December	**2 656 478**	3 903 980

Assets held for sale include:

- FCB Zambia and FCB Mozambique hold properties valued at US$2 383 916 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) are currently earmarked for disposal.

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.

22 OTHER ASSETS

The Reserve Bank of Zimbabwe (RBZ) receivable relates to the foreign currency commitment by the central bank to provide cash flows to cover US$15.7 million net open position which arose after separation of RTGS and foreign currency balances. The receivable is estimated to be fully recovered over a period of 4.5 years (2019: 5.5 years).

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.

	CONSOLIDATED		SEPARATE	
US$	2020	2019	2020	2019
Prepayments	**2 931 733**	5 633 074	**429 185**	362 205
Dividend receivable	**–**	94 631	**–**	94 631
Stock of stationery, computer spares and other items	**824 284**	549 586	**–**	–
Card security deposit and settlement balances	**2 314 364**	1 234 553	**–**	–
Customer funds receivable from foreign currency auction	**3 375 932**	–	**–**	–
Retentions for letters of credit	**3 178 088**	–	**–**	–
RBZ receivable for NOP support	**10 750 193**	12 389 796	**–**	–
Loan receivable from subsidiary	**–**	–	**3 218 445**	–
Other receivables	**6 838 659**	6 208 465	**2 125 623**	7 317 345
Gross Balance	**30 213 253**	26 110 105	**5 773 253**	7 774 181
Less: Expected credit loss	**(409 154)**	(624 255)	**–**	–
Total other assets	**29 804 099**	25 485 850	**5 773 253**	7 774 181
Current	**14 182 517**	16 322 618	**5 773 253**	7 774 181
Non-current	**15 621 582**	9 163 232	**–**	–
Total other assets	**29 804 099**	25 485 850	**5 773 253**	7 774 181

23 BALANCES DUE TO OTHER BANKS

23.1 Balances due to other banks

US$	2020	2019
European Investment Bank	**1 611 539**	3 269 579
Currency swap liabilities	**57 251 400**	67 525 889
Borrowings from other banks	**3 416 061**	63 137 158
FMO Line of Credit	**18 513 222**	10 000 000
Total balances due to other banks	**80 792 222**	143 932 626
Payable as follows:		
Due within one year	**72 587 655**	47 158 602
Due between two and five years	**8 204 567**	96 774 024
Total balances due to other banks	**80 792 222**	143 932 626

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 ending on 16 June 2022.

Currency Swap liabilities represent borrowings by the Group where FCB Malawi entered into an agreement with the Reserve Bank of Malawi (RBM) in which FCB Malawi received Malawi Kwacha from the RBM and advanced US Dollars. The liability outstanding as at end of the reporting period is US$57m (2019: US$67m). The corresponding asset under the arrangement has 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 US$10m from lender Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO). This loan facility is for on-lending to each banks customers. The interest on the loan is LIBOR plus a margin of 3.5% and is repayable in equal quarterly instalments commencing on 10 March 2021 and ending on 10 December 2023.

23 *BALANCES DUE TO OTHER BANKS (continued)*

23.2 Movement in term borrowings

2020 (US$)	CONSOLIDATED Balance due to other banks (Note 22)	Subordinated debt (Note 25)	Loans payable (Note 46)	Total
As at 1 January	**143 932 626**	**26 599 027**	**15 950 009**	**186 481 662**
Net increase or (decrease) in term borrowings	**(49 763 307)**	**(8 415 521)**	**–**	**(58 178 828)**
Additions	**565 992 069**	**638 543**	**–**	**566 630 612**
Repayment	**(615 755 376)**	**(9 063 205)**	**–**	**(624 818 581)**
Unamortised issue cost	**–**	**9 141**	**–**	**9 141**
Effects of changes in exchange rate and hyperinflation	**(13 377 097)**	**(679 225)**	**(139 976)**	**(14 196 298)**
Carrying amount as at 31 December	**80 792 222**	**17 504 281**	**15 810 033**	**114 106 536**

2020 (US$)	SEPARATE Loans payable (Note 46)	Total
As at 1 January	**15 950 009**	15 950 009
Net increase or (decrease) in term borrowings	**2 000 000**	2 000 000
Additions	**2 000 000**	2 000 000
Effects of changes in exchange rates	**(139 976)**	(139 976)
Carrying amount as at 31 December	**17 810 033**	17 810 033

2019 (US$)	CONSOLIDATED Balance due to other banks (Note 22)	Subordinated debt (Note 25)	Loans payable (Note 46)	Total
As at 1 January	47 735 602	16 859 518	6 500 000	71 095 120
Net increase or (decrease) in term borrowings	98 240 426	8 845 442	9 450 009	116 535 877
Additions	98 240 426	9 828 010	9 450 009	117 518 445
Repayment	–	(893 585)	–	(893 585)
Unamortised issue cost	–	(88 983)	–	(88 983)
Effects of changes in exchange rate and hyperinflation	(2 043 402)	894 067	–	(1 149 335)
Carrying amount as at 31 December	143 932 626	26 599 027	15 950 009	186 481 662

2019 (US$)	SEPARATE Loans payable (Note 46)	Total
As at 1 January	6 500 000	6 500 000
Net increase or (decrease) in term borrowings	9 450 009	9 450 009
Additions	9 450 009	9 450 009
Carrying amount as at 31 December	15 950 009	15 950 009

24 CUSTOMER DEPOSITS

US$	2020	2019
Current accounts	**286 406 719**	270 738 595
Savings accounts	**70 419 808**	53 615 831
Foreign currency denominated accounts	**148 104 107**	140 247 372
Term deposit accounts	**239 627 113**	205 804 922
Interest payable on deposits	**4 414 662**	3 562 439
Other deposits – cash security	**8 756 147**	7 421 733
Total customer deposits	**757 728 556**	681 390 892
Payable as follows:		
Maturing within three months	**513 129 782**	536 528 985
Maturing after three months	**244 598 774**	144 861 907
Total customer deposits	**757 728 556**	681 390 892

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 US$8.7 million are deposits held as collateral for loans advanced and letters of credit.

25 OTHER PAYABLES

	CONSOLIDATED		SEPARATE	
US$	2020	2019	2020	2019
Accrued expenses	**10 357 007**	6 488 672	**1 374 745**	1 220 347
Bankers cheques issued and uncleared	**776 673**	1 561 812	**–**	–
Bills payable	**15 840 988**	9 377 738	**–**	–
Interest payable	**964 375**	2 180 935	**360 240**	705 326
Margins on letters of credit and other instruments	**1 290 740**	1 851 673	**–**	–
Trade payables	**11 384 437**	8 789 720	**357 140**	1 223 084
Other payables	**–**	–	**–**	1 272 508
Total other payables	**40 614 220**	30 250 550	**2 092 125**	4 421 265

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

26 SUBORDINATED DEBT

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
Carrying amount	**17 504 281**	26 599 027	**–**	–
Movement during the year:				
As at 1 January	**26 599 027**	16 859 518	**–**	–
Additions	**638 543**	9 828 010	**–**	–
Repayment	**(9 063 205)**	(893 585)	**–**	–
Unamortised issue cost	**9 141**	(88 983)	**–**	–
Effect of changes in exchange rate	**(679 225)**	894 067	**–**	–
Carrying amount as at 31 December	**17 504 281**	26 599 027	**–**	–

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
Notes issued by FCB Malawi	**–**	9 488 993	**–**	–
Notes issued by FCB Botswana	**17 504 281**	17 110 034	**–**	–
Carrying amount as at 31 December	**17 504 281**	26 599 027	**–**	–

a) In 2020, First Capital Bank Botswana (FCB Botswana) issued BWP 6.9m (US$ 638 543) floating rate notes maturing on 17 January 2030 and earning interest at 325 basis points above the Botswana bank rate per annum. The Bank has an early optional redemption date of 16 January 2025 subject to prior written consent from the Bank of Botswana.

b) In 2019, FCB Botswana received additional capital in the form of subordinated debt of BWP 104m (US$ 9.8m) at an average rate of 7.1% (2018: 6.8%) which qualified as Tier 2 capital maturing on 31 May 2029. The bank has an early optional redemption date of 30 April 2024 subject to prior consent from the Bank of Botswana.

c) On 1 July 2018, FCB Botswana issued BWP 33m (US$ 3 085 496) floating rate notes maturing on 25 January 2028 and earning interest at 290 basis points above the bank rate. The bank has an early optional redemption date of 25 January 2023 subject to prior written consent from the Bank of Botswana.

d) In 2017, FCB Botswana issued BWP 15m (US$ 1 519 479) floating rate notes maturing on 1 July 2027 and earning interest at 270 basis points above the bank rate. FCB Botswana has an early optional redemption date of 18 January 2022 subject to prior written consent from the Bank of Botswana.

e) In 2017, FCB Botswana issued BWP 30m (US$ 3 038 958), floating rates notes maturing on 18 January 2022 which earn interest at 70 basis points below the bank rate for the first five years, and thereafter at 20 basis points below the bank rate.

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.

27 DEFERRED TAX

	CONSOLIDATED					
2020 (US$)	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassification *	Effect of changes in exchange rate	Closing balance
Property and equipment	**7 943 102**	**(564 444)**	**–**	**(2 217 936)**	**(454 275)**	**4 706 447**
Accrued income	**1 716 329**	**75 244**	**–**	**–**	**(303 166)**	**1 488 407**
Revaluation of property	**205 046**	**(272 053)**	**630 104**	**–**	**(25 676)**	**537 421**
Tax losses	**(873 111)**	**(1 152 274)**	**–**	**–**	**151 507**	**(1 873 878)**
Gratuity and severance pay liabilities	**(851 936)**	**(16 760)**	**–**	**–**	**650 391**	**(218 305)**
Expected credit loss provisions	**(1 380 288)**	**66 105**	**–**	**–**	**412 413**	**(901 770)**
Other temporary differences	**(1 800 267)**	**122 254**	**(35 003)**	**2 217 936**	**(213 405)**	**291 515**
	4 958 875	**(1 741 928)**	**595 101**	**–**	**217 789**	**4 029 837**
2019						
Property and equipment	5 528 772	(496 604)	–	–	2 910 934	7 943 102
Accrued income	1 682 304	34 024	–	–	–	1 716 328
Revaluation of property	1 445 674	–	(1 240 628)	–	–	205 046
Tax losses	–	(317 810)	–	–	(555 301)	(873 111)
Gratuity and severance pay liabilities	(854 041)	2 105	–	–	–	(851 936)
Expected credit loss provisions	(2 316 781)	185 872	–	–	750 622	(1 380 287)
Other temporary differences	(2 741 842)	199 268	(362 372)	–	1 104 679	(1 800 267)
	2 744 086	(393 145)	(1 603 000)	–	4 210 934	4 958 875

** Deferred tax components of property and equipment have been reclassified to other temporary differences*

	CONSOLIDATED	
	2020	2019
Disclosed as:		
Deferred tax assets	**(2 846 920)**	(1 185 179)
Deferred tax liabilities	**6 876 757**	6 144 054
Balance as at 31 December	**4 029 837**	4 958 875

The company has an accumulated tax loss of US$ 2.9m. A deferred tax asset has not been raised for this loss as there is unlikely to be sufficient taxable income into the future against which the asset can be utilised.

28 SHARE CAPITAL

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
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 Ordinary shares of no par value	**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.

29 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 US$ 3 467 428 and property revaluation reserve of US$ 4 766 722 which shall be reclassified to the statement of profit or loss upon disposal of the related asset.

29.1 Restructuring reserve movements comprise:

	CONSOLIDATED	
US$	**2020**	**2019**
Historical cost of 2 336 250 000 shares	**161 497**	161 497
Share premium	**2 164 142**	2 164 142
Fair value of 2 336 250 000 shares at the completion of share exchange	**(105 707 965)**	(105 707 965)
Net increase	**(103 382 326)**	(103 382 326)
Adjustment for reserves prior to restructuring		
Property revaluation reserve	**4 766 722**	4 766 722
Translation reserve	**3 467 428**	3 467 428
Retained earnings	**40 637 553**	40 637 553
Balance as at 31 December	**(54 510 623)**	(54 510 623)

30 PROPERTY REVALUATION RESERVE

	CONSOLIDATED	
US$	**2020**	**2019**
Balance as at 1 January	**4 245 921**	3 005 294
Property revaluation	**2 761 438**	–
Deferred tax on revalued assets	**(583 784)**	1 240 627
Depreciation on property revaluation surplus	**(81 780)**	–
Balance as at 31 December	**6 341 795**	4 245 921

2019 Deferred tax on revalued assets arose from the reassessment of the tax values on previously revalued assets in FCB Malawi.

31 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.*

32 NON DISTRIBUTABLE RESERVES

Non distributable reserves include the following:

32.1 Investment revaluation reserve

The Group's investments in corporate bonds and debentures held as available for sale financial assets under IFRS 9 have been classified as financial assets at Fair Value through Other Comprehensive Income (FVTOCI) because they are held with an objective both to collect contractual cash flows and to sell the bonds. The change in the fair value on these redeemable notes continues to accumulate in the investment revaluation reserve until they are derecognised or reclassified.

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 FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the investment revaluation reserve.

32.2 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.

33 TRANSLATION RESERVE

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

34 GROUP SUBSIDIARIES

34.1 As at 31 December 2020, the Company had the following subsidiaries:

(%)		SHARES HELD BY FMBCH				SHARES HELD BY SUBSIDIARY	
Subsidiary	**Domicile**	**2020**	**2019**	**Sub Subsidiary**	**Domicile**	**2020**	**2019**
First Capital Bank Plc	Malawi	**100.00**	100.00	FMB Forex Bureau Limited (dormant)	Malawi	**100.00**	100.00
				FMB Pensions Limited (dormant)	Malawi	**100.00**	100.00
				FMB Capital Markets Limited (dormant)	Malawi	**100.00**	100.00
First Capital Bank Limited	Botswana	**38.60**	38.60	International Commercial Bank Limited (dormant)	Malawi	**100.00**	100.00
				Diron Ridge (Pty) Limited	Botswana	**100.00**	100.00
				Jetwing Enterprises (Pty) Limited	Botswana	**100.00**	100.00
Afcarme Zimbabwe Holdings (Private) Limited	Zimbabwe	**81.00**	81.00	First Capital Bank Limited	Zimbabwe	**52.68**	52.68
First Capital Bank Limited	Zambia	**49.00**	49.00				
First Capital Bank S.A.	Mozambique	**80.00**	80.00				
First Capital Shared Services Limited	Mauritius	**100.00**	100.00				

34.2 Non-controlling interest (NCI) in subsidiaries:

2020 (US$)	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme	Total
NCI percentage and voting rights	**61.40%**	**20.00%**	**51.00%**	**57.32%**	
Assets					
Cash and cash equivalents	103 141 339	53 040 749	23 534 642	77 742 977	257 459 707
Money market investments	27 679 883	14 034 705	32 031 344	–	73 745 932
Loans and advances to customers	197 682 864	30 097 939	52 657 951	28 903 544	309 342 298
Repurchase agreements	26 581 679	–	–	–	26 581 679
Deferred tax asset	–	1 873 878	973 042	–	2 846 920
Current tax asset	341 413	372 154	–	–	713 567
Investments in subsidiary companies	19	–	–	–	19
Investment in joint venture	–	–	–	11 933 118	11 933 118
Investment property	–	–	1 184 902	3 515 000	4 699 902
Intangible assets	709 166	284 166	517 132	2 466 172	3 976 636
Property and equipment	6 357 927	2 024 853	400 167	11 826 340	20 609 287
Right-of-use assets	411 287	1 544 102	1 204 546	3 526 034	6 685 969
Assets held for sale	–	306 649	2 078 090	–	2 384 739
Financial assets at FVOCI	–	85 277	–	12 460 323	12 545 600
Other assets	1 761 518	307 123	455 625	24 409 872	26 934 138
Total assets	**364 667 095**	**103 971 595**	**115 037 441**	**176 783 380**	**760 459 511**
Liabilities					
Balances due to other banks	25 787 399	497 220	15 212 686	1 280 640	42 777 945
Customer deposits	282 883 891	77 492 327	85 764 521	107 792 544	553 933 283
Other payables	2 214 515	2 684 252	1 873 655	20 718 504	27 490 926
Lease liabilities	490 827	1 702 771	1 709 046	1 170 804	5 073 448
Subordinated debt	17 504 281	–	–	–	17 504 281
Deferred tax liabilities	499 014	–	–	4 226 301	4 725 315
Income tax payable	–	–	357 643	368 767	726 410
Provisions	955 289	127 596	355 416	716 115	2 154 416
Convertible preference shares	2 432 898	–	–	–	2 432 898
Total liabilities	**332 768 114**	**82 504 166**	**105 272 967**	**136 273 675**	**656 818 922**
Net assets	**31 898 981**	**21 467 429**	**9 764 474**	**40 509 705**	**103 640 589**
Net assets attributable to NCI	19 585 974	4 293 486	4 979 882	23 220 165	52 079 507
Carrying amount of NCI	19 585 974	4 293 486	4 979 882	23 220 165	52 079 507
Dividend paid to NCI	(1 371 927)	–	–	–	(1 371 927)

34 *GROUP SUBSIDIARIES (continued)*

34.2 *Non-controlling interest (NCI) in subsidiaries (continued)*

2020 (US$)	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme	Total
NCI percentage and voting rights	**61.40%**	**20.00%**	**51.00%**	**57.32%**	
Interest income	26 408 559	7 419 934	12 389 742	11 679 976	57 898 211
Interest expense on deposits and other accounts	(8 690 117)	(2 942 687)	(4 753 690)	(1 266 439)	(17 652 933)
Net interest income/(expense)	**17 718 442**	**4 477 247**	**7 636 052**	**10 413 537**	**40 245 278**
Fees and commissions	1 052 247	1 680 975	2 074 455	16 160 111	20 967 788
Income from investments	–	(43 202)	–	571 723	528 521
Gain on foreign exchange transactions	3 910 316	2 705 948	1 550 643	14 494 141	22 661 048
Other operating income	571 024	(60 983)	343 118	84 026	937 185
Total non-interest income	**5 533 587**	**4 282 738**	**3 968 216**	**31 310 001**	**45 094 542**
Total operating income	**23 252 029**	**8 759 985**	**11 604 268**	**41 723 538**	**85 339 820**
Staff and training costs	5 532 079	3 848 559	3 413 791	6 994 431	19 788 860
Premises and equipment costs	1 313 141	794 565	246 123	4 534 129	6 887 958
Depreciation and amortisation	1 324 775	880 410	683 533	2 413 656	5 302 374
Other expenses	4 193 621	1 154 548	3 090 129	10 626 951	19 065 249
Impairment loss on financial assets	2 913 335	706 394	826 556	1 273 564	5 719 849
Total expenses	**15 276 951**	**7 384 476**	**8 260 132**	**25 842 731**	**56 764 290**
Operating profit/(loss)	**7 975 078**	**1 375 509**	**3 344 136**	**15 880 807**	**28 575 530**
Net Monetary Loss	–	–	–	(3 579 035)	(3 579 035)
Impairment loss on owner occupied property	–	–	–	(930 250)	(930 250)
Impairment loss on investment in joint venture	–	–	–	(1 270 416)	(1 270 416)
Impairment loss on investment property	–	–	242 414	(396 033)	(153 619)
Share of profit of joint venture	–	–	–	29 600	29 600
Profit before income tax expense	**7 975 078**	**1 375 509**	**3 586 550**	**9 734 673**	**22 671 810**
Income tax expense	(1 949 846)	521 722	(1 207 846)	(5 077 219)	(7 713 189)
Profit/(Loss) for the year	**6 025 232**	**1 897 231**	**2 378 704**	**4 657 454**	**14 958 621**
Profit/(Loss) allocated to NCI	3 699 492	379 446	1 213 140	2 669 653	7 961 731

34 *GROUP SUBSIDIARIES (continued)*

34.2 *Non-controlling interest (INC) in subsidiaries (continued)*

2019 (US$)	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme	Total
NCI percentage and voting rights	61.40%	20.00%	51.00%	57.32%	
Assets					
Cash and cash equivalents	88 522 671	38 962 566	28 279 826	67 499 721	223 264 784
Money market investments	41 572 660	15 720 435	20 754 838	12 258 262	90 306 195
Loans and advances to customers	185 242 608	26 585 288	48 602 793	42 401 773	302 832 462
Derivative assets	15 015 905	–	–	–	15 015 905
Deferred tax asset	–	877 753	307 426	–	1 185 179
Current tax asset	440 709	452 686	1 049 939	335 973	2 279 307
Investment in subsidiary companies	19	–	–	–	19
Investment in joint venture	–	–	–	14 456 649	14 456 649
Investment property	–	–	1 190 732	4 251 195	5 441 927
Intangible assets	1 034 043	255 042	542 903	3 204 037	5 036 026
Property and equipment	6 787 210	803 346	1 197 309	14 991 337	23 779 202
Right-of-use assets	502 406	1 738 509	1 817 606	3 238 601	7 297 122
Assets held for sale	–	479 402	3 137 173	–	3 616 575
Financial assets at fair value through other comprehensive income	–	103 730	–	1 561 210	1 664 940
Other assets	5 459 738	236 430	1 536 149	18 257 316	25 489 633
Total assets	344 577 970	86 215 187	108 416 695	182 456 075	721 665 925
Liabilities					
Balances due to other banks	49 366 325	3 035 291	12 936 477	2 347 679	67 685 772
Customer deposits	242 106 792	55 551 598	79 307 616	122 027 500	498 993 506
Other payables	4 167 861	4 586 200	2 295 171	13 091 024	24 140 256
Lease liabilities	507 282	1 972 983	1 863 460	961 885	5 305 610
Subordinated debt	17 110 034	–	–	–	17 110 034
Deferred tax liabilities	203 024	–	–	4 240 411	4 443 435
Provisions	861 047	80 170	305 354	423 429	1 670 001
Convertible preference shares	2 469 476	–	–	–	2 469 476
Total liabilities	316 791 840	65 226 242	96 708 078	143 091 928	621 818 088
Net assets	27 786 130	20 988 945	11 708 617	39 364 147	99 847 836
Net assets attributable to NCI	17 060 682	4 197 789	5 971 394	22 563 529	49 793 394
Carrying amount of NCI	17 060 682	4 197 789	5 971 394	22 563 529	49 793 394
Dividend paid to NCI	–	–	–	–	–

34 *GROUP SUBSIDIARIES (continued)*

34.2 *Non-controlling interest (NCI) in subsidiaries (continued)*

2019 (US$)	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	Afcarme	Total
NCI percentage and voting rights	61.40%	20.00%	51.00%	57.32%	
Interest income	21 482 949	6 837 382	10 704 127	10 419 670	49 444 128
Interest expense on deposits and other accounts	(8 787 178)	(2 360 923)	(3 712 321)	(652 028)	(15 512 450)
Net interest income/(expense)	12 695 771	4 476 459	6 991 806	9 767 642	33 931 678
Fees and commissions	1 500 663	1 589 270	1 624 412	13 800 085	18 514 430
Income from investments	–	–	–	(880 358)	(880 358)
Gain on foreign exchange transactions	3 241 437	2 498 781	1 571 229	7 430 281	14 741 728
Other operating income	1 520 951	220 476	523 651	143 599	2 408 677
Total non-interest income	6 263 051	4 308 527	3 719 292	20 493 607	34 784 477
Total operating income	18 958 822	8 784 986	10 711 099	30 261 249	68 716 155
Staff and training costs	5 446 051	3 358 901	3 798 453	9 141 768	21 745 173
Premises and equipment costs	397 381	–	–	7 841 390	8 238 771
Depreciation and amortisation	1 122 397	408 739	1 105 254	3 036 809	5 673 199
Other expenses	4 649 294	2 921 708	3 860 624	12 677 179	24 108 805
Impairment loss on financial assets	1 436 049	676 985	743 662	4 600 498	7 457 194
Total expenses	13 051 172	7 366 334	9 507 994	37 297 645	67 223 142
Operating profit/(loss)	5 907 650	1 418 652	1 203 105	(7 036 396)	1 493 013
Net monetary loss	–	–	–	(6 056 792)	(6 056 792)
Impairment loss on owner occupied property	–	–	–	(7 823 115)	(7 823 115)
Impairment loss on investment in joint venture	–	–	–	(5 978 437)	(5 978 437)
Impairment loss in investment property	–	–	–	(1 752 143)	(1 752 143)
Effects of hyperinflation Zimbabwe	–	–	–	(21 610 487)	(21 610 487)
Gain on a bargain purchase	95 642	–	–	–	95 642
Share of profit go joint venture	–	–	–	555 811	555 811
Profit before income tax expense	6 003 292	1 418 652	1 203 105	(28 091 072)	(19 466 021)
Income tax expense	(1 526 522)	(324 475)	(572 743)	(1 434 559)	(3 858 299)
Profit/(loss) for the year	4 476 770	1 094 177	630 362	(29 525 631)	(23 324 320)
Profit/(loss) allocated to NCI	2 748 737	218 836	321 485	(16 924 075)	(13 635 017)

35 INTEREST INCOME

35.1 Interest income

	CONSOLIDATED		SEPARATE	
US$	2020	2019	2020	2019
Interest income				
Loans and advances	**58 435 843**	49 207 089	**–**	–
Lease finance	**662 403**	890 865	**–**	–
Government notes and stocks	**25 204 087**	25 783 716	**–**	–
Placements with other banks	**2 956 258**	2 720 628	**25**	2 703
Corporate bonds	**367 413**	252 156	**–**	(99 877)
Other interest earning assets	**3 319 599**	58 673	**418 660**	–
Total interest income	**90 945 603**	78 913 127	**418 685**	(97 174)

35.2 Interest expense

	CONSOLIDATED		SEPARATE	
US$	2020	2019	2020	2019
Customer deposits	**16 790 683**	15 829 817	**–**	–
Subordinated debt	**2 260 019**	2 340 278	**–**	–
Preference shares	**588 261**	537 861	**588 261**	537 861
Borrowings from banks	**3 832 790**	3 577 847	**–**	–
Loans payable	**1 132 416**	258 064	**1 373 702**	906 337
Lease liability	**592 695**	625 309	**14 630**	21 956
Total interest expense	**25 196 864**	23 169 176	**1 976 593**	1 466 154

36 NET FEES AND COMMISSIONS

	CONSOLIDATED		SEPARATE	
US$	2020	2019	2020	2019
Account activity fees	**19 360 470**	7 325 477	**–**	–
Card-based transaction fees	**3 826 790**	656 323	**–**	–
Guarantee fees	**2 082 885**	1 293 713	**–**	–
Facility processing fees	**3 351 469**	4 756 954	**–**	–
Insurance commission	**126 693**	84 695	**–**	–
Other fees and commissions	**6 901 147**	15 232 921	**–**	–
Total net fees and commissions	**35 649 454**	29 350 083	**–**	–

37 GAIN/(LOSS) ON FOREIGN EXCHANGE TRANSACTIONS

	CONSOLIDATED		SEPARATE	
US$	2020	2019	2020	2019
Net foreign exchange revaluation gain /(loss)	**3 425 330**	(241 792)	**(12 198)**	(451 023)
Net foreign exchange trading income	**22 293 665**	18 299 938	**–**	–
Other trading income	**272 460**	264 342	**–**	–
Total gains/(loss) on foreign exchange transactions	**25 991 455**	18 322 488	**(12 198)**	(451 023)

38 (LOSS)/INCOME FROM INVESTMENTS

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
Dividend income	**612 570**	471 332	**8 333 434**	186 706
Movement in fair value of investments at FVTPL (Note 13)	**(1 140 466)**	(783 008)	**–**	–
Impairment loss on assets held for sale (Note 20)	**(43 202)**	–	**–**	–
Total (Loss)/Income from investments	**(571 098)**	(311 676)	**8 333 434**	186 706

39 OTHER OPERATING INCOME

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
(Loss)/Gain on disposal of assets	**(66 661)**	10 727	**–**	–
Rental income	**98 301**	36 041	**–**	–
Cash transaction charges	**408 570**	338 381	**–**	–
Sundry income	**1 998**	2 943 923	**3 102 940**	3 574 246
Total other operating income	**442 208**	3 329 072	**3 102 940**	3 574 246

40 GAINS ON BARGAIN PURCHASE

40.1 Fair value of net assets acquired

The acquisition of Bank of India (Botswana) by subsidiary FCB Botswana resulted in a gain on bargain purchase as the fair value of net assets acquired exceeded the fair value of the consideration for the acquisition. A gain on bargain purchase has been recognised in the income statement in accordance with IFRS 3 *Business Combinations*.

	CONSOLIDATED	
US$	**2020**	**2019**
Fair value of net assets acquired	**–**	2 436 573
Consideration transferred	**–**	(2 340 931)
Gain on bargain purchase	**–**	95 642

40.2 Cash flow for acquisition of business, net of cash acquired

US$	**2020**	**2019**
Total cash consideration	**–**	2 227 251
Less: Cash and cash equivalents acquired	**–**	(1 595 431)
Net cash outflow	**–**	(631 820)

41 STAFF AND TRAINING COSTS

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
Salaries and other short-term benefits	**26 005 214**	26 707 578	**1 200 315**	2 496 712
Training and other staff costs	**5 477 166**	6 732 697	**441 407**	434 736
Contributions to defined contribution plans	**1 606 169**	1 660 038	**–**	–
Total staff and training costs	**33 088 549**	35 100 313	**1 641 722**	2 931 448

42 PREMISES AND EQUIPMENT COSTS

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
Repairs and maintenance	**474 333**	698 387	**–**	–
Equipment hire	**117 480**	167 580	**–**	–
IT related costs	**10 221 240**	9 244 674	**1 434 555**	992 887
Rent, rates and utilities	**1 010 306**	1 486 767	**–**	–
Security costs	**1 295 998**	971 574	**–**	–
Total premises and equipment costs	**13 119 357**	12 568 982	**1 434 555**	992 887

43 DEPRECIATION AND AMORTISATION

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
Property and Equipment (Note 18)	**4 809 202**	5 239 206	**254 089**	115 317
Lease – right-of-use asset depreciation (Note 19)	**2 392 311**	2 130 427	**126 298**	52 313
Intangible assets amortisation (Note 17)	**2 592 766**	2 117 892	**387 915**	141 114
Total depreciation and amortisation	**9 794 279**	9 487 525	**768 302**	308 744

44 ADMINISTRATION AND GENERAL EXPENSES

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019***	**2020**	**2019***
Auditor's remuneration	**947 079**	808 270	**75 000**	75 056
Bank charges	**1 691 302**	1 084 586	**3 405**	11 833
Non-Executive Director's fees and expenses	**929 215**	745 340	**226 208**	157 466
Insurance	**877 918**	870 419	**–**	–
Legal consultancy fees, fines and penalties	**4 132 749**	2 236 649	**470 785**	431 959
Marketing costs	**961 367**	1 217 988	**295**	25 266
Motor vehicle running costs	**462 005**	395 484	**3 205**	8 183
Operational losses	**602 488**	1 227 821	**–**	–
Other administration costs	**8 055 703**	12 621 449	**132 156**	134 817
Cash in transit expenses	**1 010 714**	1 414 999	**–**	–
Postage	**130 294**	152 065	**79**	632
Printing and stationery	**1 008 055**	1 128 766	**–**	2 409
Professional subscriptions	**124 214**	265 633	**–**	324
Repairs and maintenance other	**482 981**	407 886	**–**	2 265
Communication and connectivity costs	**1 368 046**	1 096 441	**–**	9 119
Travel expenses	**900 502**	2 448 692	**8 952**	244 746
Total administration and general expenses	**23 684 632**	28 122 488	**920 085**	1 104 075

** Certain expenses in the comparative period have been reclassified between expense lines.*

45 IMPAIRMENT LOSS ON FINANCIAL ASSETS

US$	CONSOLIDATED 2020	2019
Impairment charge on loans , finance leases and advance to customers		
Impairment charge	**7 468 698**	9 830 265
Recoveries	**(1 860 830)**	(2 030 038)
	5 607 868	7 800 227
Impairment charge on other financial assets		
Impairment charge:		
– Money market	**355 368**	755 177
– Repurchase agreements	**(404 732)**	330 681
– Other assets	**561 556**	681 647
Recoveries	**(9 391)**	(20 313)
	502 801	1 747 192
Total impairment loss on financial assets	**6 110 669**	9 547 419
Comprising:		
Impairment charge on loans , finance leases and advance to customers		
Stage 1	**1 549 910**	2 338 070
Stage 2	**580 802**	(210 725)
Stage 3	**3 477 156**	5 672 882
	5 607 868	7 800 227
Impairment charge on other financial assets		
Stage 1	**(313 634)**	1 703 101
Stage 2	**827 847**	–
Stage 3	**(11 412)**	44 091
	502 801	1 747 192
Total impairment loss on financial assets	**6 110 669**	9 547 419

Included in the impairment is the provisions on account of the impact of COVID-19 on the level of provisioning amounting to US$ 673 011. See Note 7.2.9.

ECL for the company have been evaluated and considered to be insignificant.

46 PROVISIONS

US$	CONSOLIDATED Staff retention incentive	Outstanding employee leave	Others	Total
Balance as at 1 January 2020	**1 449 217**	**219 339**	**585 165**	**2 253 721**
Net movement during the period	**248 815**	**58 448**	**369 642**	**676 905**
Balance as at 31 December 2020	**1 698 032**	**277 787**	**954 807**	**2 930 626**
Balance as at 1 January 2019	2 110 112	483 035	(894 557)	1 698 590
Net movement during the period	(660 895)	(263 696)	1 479 722	555 131
Balance at 31 December 2019	1 449 217	219 339	585 165	2 253 721

The staff retention incentive represents a provision for performance based staff incentive and is included in staff costs. Employee entitlements to annual leave are recognised when they accrue to employees. Others includes the estimate for provisions of legal cases and provisions for guarantees and documentary credits.

47 LOANS PAYABLE

	CONSOLIDATED		SEPARATE	
US$	**2020**	**2019**	**2020**	**2019**
Related parties	**6 500 000**	6 500 000	**6 500 000**	6 500 000
Other lenders	**9 310 033**	9 450 009	**9 310 033**	9 450 009
Loan from subsidiary	**–**	–	**2 000 000**	–
Total loans payable	**15 810 033**	15 950 009	**17 810 033**	15 950 009

During the year 2017, FMBCH, obtained loan facilities of US$ 6.5m from related parties for the purpose of discharging the purchase consideration for acquisition of shares in Afcarme Zimbabwe Holdings (Private) Limited. These loans are unsecured and bear an interest of 9% pa, with the first interest payment due one year after drawdown and thereafter every quarter. The principal amount including any interest outstanding is repayable in 2023.

In 2019 an unsecured loan of BWP 100m (2020: US$ 9 310 033; 2019: US$ 9 450 009) was obtained from a 3rd party investor. This is payable over four years with an interest rate of 8%, the interest is payable on a yearly basis with the principal due at the maturity of the loan.

The company received funding support from FCB Botswana for US$ 2m at 6% with a tenor of less than one year and is repayable in 2021.

48 CONVERTIBLE PREFERENCE SHARES

In 2017, FMBCH concluded an agreement with Barclays Bank Plc (BBPLC), for the acquisition of the issued share capital in Afcarme Zimbabwe Holdings (Private) Limited (holding company of First Capital Bank Limited (Zimbabwe) – (ex-Barclays Bank of Zimbabwe Limited). Payment for the acquisition was made partly through cash consideration of US$ 6.6m and partly by issue to BBPLC of 10 786 747 convertible redeemable preference shares of US$ 1.00 each in the capital of the Company.

Convertible preference shares

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

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

- from issue to 09 October 2021 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

Accordingly, the preference shares were not payable on demand as at 31 December 2020.

49 EQUITY INSTRUMENTS

	CONSOLIDATED	
US$	2020	**2019**
Equity instruments	**699 299**	1 664 939
As at January	**1 664 939**	1 793 644
Acquisition of Investment	**–**	58 910
Effect of changes in exchange rate and hyperinflation	**(168 089)**	617 692
Fair value loss	**(797 551)**	(805 307)
Equity instruments	**699 299**	1 664 939
Represented by		
Investment in Zimswitch Technologies Private Limited	**614 022**	1 561 209
Investment in Sociedade Interbancária de Moçambique (SIMO)	**85 277**	103 730
Total equity instruments	**699 299**	1 664 939

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 Technologies Private Limited and 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 Technologies Private 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 investment has been measured at original cost (in Meticals) and there are no indications that the investment has been impaired.

The Group has no intention to dispose of the investments. Furthermore, all relevant information available at the reporting date indicates that there is no objective evidence that could indicate that these financial assets would be impaired and, as such, no impairment was raised.

50 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2020 was based on profit attributable to ordinary shareholders of US$ 13 314 321 (2019: US$ 4 974 291) and a weighted average number of ordinary shares outstanding of 2 458 250 000 (2019: 2 458 250 000) calculated as follows:

	CONSOLIDATED	
	2020	**2019**
Basic earnings per share (EPS)		
Profit/(loss) attributable to ordinary shareholders (US$)	**13 314 320**	(4 974 291)
Weighted average number of ordinary shares in issue	**2 458 250 000**	2 458 250 000
Basic earnings per share (US cents)	**0.542**	(0.202)

The calculation of diluted earnings per share at 31 December 2020 was based on adjusted profit/ loss attributable to ordinary shareholders of US$ 13 902 582 (2019: US$ 4 436 430) and a weighted average number of ordinary shares adjusted for the dilutive effect of convertible preference shares calculated as follows:

	CONSOLIDATED	
US$	**2020**	**2019**
Diluted earnings per share		
Adjusted profit/(loss) attributable to ordinary shareholders (US$)	**13 902 581**	(4 974 291)
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)	**0.517**	(0.202)

The 10 786 747 convertible preference shares (see Note 47) are convertible into ordinary shares and are dilutive in 2020. For 2019 the preference shares are considered anti-dilutive and the basic EPS is reported.

51 CONTINGENT LIABILITIES

In common with other banks, the Group companies business 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	
US$	**2020**	**2019**	**2020**	**2019**
Acceptances and letters of credit	**44 635 040**	38 721 329	**–**	–
Financial guarantees	**88 699 133**	56 779 103	**–**	–
	133 334 173	95 500 432	**–**	–
Other contingent liabilities	**–**	990 828	**18 513 222**	10 000 000

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 45.

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 US$ 10m loan facilities to its subsidiaries FCB Malawi and FCB Botswana separately from lender FMO. This loan facility is for on-lending to each banks customers.

52 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	
US$	**2020**	**2019**	**2020**	**2019**
Authorised and contracted for	**1 373 626**	7 919 175	**279 413**	1 362 706
Authorised but not yet contracted for	**11 987 992**	19 462 007	**–**	–
Total Capital commitment	**13 361 618**	27 381 182	**279 413**	1 362 706

53 RELATED PARTY TRANSACTIONS

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

NAME OF RELATED PARTIES	RELATIONSHIP	NATURE OF TRANSACTIONS	US$ 2020	US$ 2019
JTC Fiduciary Services (Mauritius) Limited	Administrator and secretary	Administrative and secretary fees	(50 960)	–
First Capital Bank Limited (Botswana)	Subsidiary	Dividend income on preference shares	177 613	186 706
First Capital Bank Limited (Zimbabwe)	Subsidiary	Group shared services	765 225	1 715 941
First Capital Bank Limited (Botswana)	Subsidiary	Group shared services	774 729	455 119
First Capital Bank S.A. (Mozambique)	Subsidiary	Group shared services	130 394	115 790
First Capital Bank Plc (Malawi)	Subsidiary	Group shared services	891 418	1 331 835
First Capital Bank Limited (Zambia)	Subsidiary	Group shared services	478 163	461 386
			3 039 929	4 080 071
First Capital Bank Limited (Botswana)	Subsidiary	Interest on Loan receivable	17 000	–
First Capital Bank Plc (Malawi)	Subsidiary	Interest on Loan receivable	1 944	–
			18 944	–
First Capital Bank Limited (Zimbabwe)	Subsidiary	Interest on loan payable	–	(56 000)
First Capital Bank Limited (Botswana)	Subsidiary	Interest on loan payable	(48 764)	–
Mrs Meeta Anadkat	Immediate family member of a shareholder	Interest on loan payable	(91 500)	(92 568)
Premier Capital (Mauritius) Limited	Shareholder	Interest on loan payable	(114 375)	(115 392)
Prime Bank Limited	Shareholder	Interest on loan payable	(297 375)	(300 836)
			(552 014)	(564 796)
First Capital Bank S.A. (Mozambique)	Subsidiary	Interest on subordinated debt	–	(142 470)
First Capital Bank Limited (Botswana)	Subsidiary	Preference share dividends	–	480 355

53 *RELATED PARTY TRANSACTIONS (continued)*

Outstanding balances with related parties as at 31 December 2019 are as follows:

NAME OF RELATED PARTIES	RELATIONSHIP	NATURE OF TRANSACTIONS	US$ 2020	US$ 2019
JTC Fiduciary Services (Mauritius) Limited	Administrator and secretary	Administrative and secretary fees	(4 750)	(4 500)
First Capital Bank Limited (Botswana)	Subsidiary	Dividend income on preference shares	–	94 631
First Capital Bank Limited (Zimbabwe)	Subsidiary	Group shared services	670 417	3 542 515
First Capital Bank Limited (Botswana)	Subsidiary	Group shared services	–	145 262
First Capital Shared Services Limited	Subsidiary	Group shared services	414 282	1 331 835
First Capital Bank Limited (Zambia)	Subsidiary	Group shared services	269 496	226 745
			1 354 195	5 246 357
First Capital Bank Limited (Botswana)	Subsidiary	Interest on loan payable	(17 000)	–
Mrs Meeta Anadkat	Immediate family member of a shareholder	Interest on loan payable	(15 250)	(23 000)
Premier Capital (Mauritius) Limited	Shareholder	Interest on loan payable	(19 062)	(28 750)
Prime Bank Limited	Shareholder	Interest on loan payable	(49 562)	(74 750)
			(100 874)	(126 500)
First Capital Bank Limited (Zambia)	Subsidiary	Loan receivable	–	1 824 176
First Capital Shared Services Limited	Subsidiary	Loan receivable	3 218 445	–
First Capital Shared Services Limited	Subsidiary	Loan receivable	–	(282 187)
			3 218 445	1 541 989
First Capital Bank Limited (Botswana)	Subsidiary	Loan payable	(2 000 000)	–
Mrs Meeta Anadkat	Immediate family member of a shareholder	Loan payable	(1 000 000)	(1 000 000)
Pipal Limited	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)
			(8 500 000)	(6 500 000)
First Capital Bank Limited (Zimbabwe)	Subsidiary	Other payables	–	1 715 941
First Capital Bank Plc (Malawi)	Subsidiary	Other payables	–	(2 438 701)
			–	(722 760)
First Capital Bank Limited (Zimbabwe)	Subsidiary	Other receivables	–	(228 436)
First Capital Bank Limited (Botswana)	Subsidiary	Other receivables	39 902	43 248
First Capital Bank Plc (Malawi)	Subsidiary	Other receivables	4 333	116 545
First Capital Bank S.A. (Mozambique)	Subsidiary	Other receivables	–	165 697
First Capital Bank S.A. (Mozambique)	Subsidiary	Other receivables	280 908	28 769
First Capital Bank Limited (Zambia)	Subsidiary	Other receivables	–	40 110
First Capital Shared Services Limited	Subsidiary	Other receivables	–	3 209 752
			325 143	3 375 685
First Capital Bank Limited (Botswana)	Subsidiary	Preference shares	–	2 475 355
First Capital Bank S.A. (Mozambique)	Subsidiary	Subordinated debt	–	(817 889)

54 DIRECTORS' FEES AND EXPENSES

US$	CONSOLIDATED 2020	CONSOLIDATED 2019	SEPARATE 2020	SEPARATE 2019
Executive Directors	**586 099**	690 000	**586 099**	690 000
Key Management Personnel	**2 744 834**	2 720 553	**614 216**	781 281
Non-Executive Directors	**929 215**	745 340	**226 208**	157 466
	4 260 148	4 155 893	**1 426 523**	1 628 747

The definition of key management personnel has been aligned in 2020. This now comprises the Heads of Group functions and managing directors of the subsidiary companies.

Non-executive directors fees for the Group include directors fees paid to all non-executive directors at both FMBCH and subsidiary level.

55 EVENTS AFTER THE REPORTING DATE

55.1 Acquisition of additional interest in Afcarme

As required by the 2017 Share Purchase Agreement, FMBCH acquired the residual 19% interest in Afcarme Zimbabwe Holdings (Private) Limited from Barclays Plc group on 6 April 2021.

55.2 Final Dividend for year ended 31 December 2020

The directors have recommended a final dividend in respect of the financial year ended 31 December 2020, of US$ 1 966 600 (0.08 cents per ordinary share) subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders of FMBcapital Holdings Plc will be accounted for in equity as an appropriation of accumulated profits in the financial year ending 31 December 2021.

56 EXCHANGE RATES USED FOR TRANSLATION

	2020		2019	
ENTITY	Closing Rate	Average Rate	Closing Rate	Average Rate
Afcarme Zimbabwe Holdings (Private) Limited	**81.787**	**81.787**	16.773	16.773
First Capital Bank Limited (Botswana)	**10.741**	**11.422**	10.582	10.716
First Capital Bank Plc (Malawi)	**772.354**	**746.788**	737.697	739.789
First Capital Bank S.A. (Mozambique)	**74.200**	**69.442**	61.000	61.891
First Capital Bank Limited (Zambia)	**21.135**	**18.581**	14.000	12.987
First Capital Shared Services Limited	**39.265**	**39.269**	36.350	35.662

WHERE TO FIND US

Botswana

First Capital Bank
Capital House, Plot 17954 Old Lobatse
P O Box 5548
Gaborone
Tel: +(267) 3907801
Email: feedback@firstcapitalbank.co.bw
Web: www.firstcapitalbank.co.bw/

Malawi

First Capital Bank
Livingstone Towers
Glyn Jones Road
Private Bag 122
Blantyre,
Malawi
Phone: (+265) 1 821955 / 821943
Fax: (+265) 1 821 978
Email: info@firstcapitalbank.co.mw
Web: www.firstcapitalbank.co.mw

Mauritius

FMBcapital Holdings plc
2nd floor,
GFin building, Cybercity
Ebène 72201
Mauritius
Tel: +230 659 2000
Email: communications@fmbcapitalgroup.com
Web: www.fmbcapitalgroup.com

First Capital Shared Services Ltd
2nd Floor, GFin Tower, 42, Hotel Street
Ebène, Mauritius
Tel: +230 659 2000
Email: communications@fmbcapitalgroup.com

Mozambique

First Capital Bank
Av.25 de Setembro,
Aterro do Maxaquene,
Edifício Maryah, 7º Andar,
Maputo
Mozambique
Phone: + 258 21 320 760 / +258 82 317 2 760
Email: suporte.cliente@firstcapitalbank.co.mz
Web: www.firstcapitalbank.co.mz

Zambia

First Capital Bank
Kwacha Pension House,
Ground Floor,
Plot No. 4604, Tito Road,
Lusaka
Zambia.
Phone: +260 211 368750-770
Email: info@firstcapitalbank.co.zm
Web: www.firstcapitalbank.co.zm

Zimbabwe

First Capital Bank Ltd.
Barclay House
PO Box 1279
Corner First St & Jason Moyo Ave
Harare
Zimbabwe
Tel: +(263) (242) 758280-9
Email: customer-service@firstcapitalbank.co.zw
Web: www.firstcapitalbank.co.zw

KEY CORPORATE INFORMATION

AUDITOR

Deloitte
7th Floor, Standard Chartered Tower
19–21 Bank Street, Cybercity
Ebène,72201
Mauritius

BANKER

The Mauritius Commercial Bank Ltd
P.O. Box 52
Sir William Newton St.
Port Louis, Mauritius
SBM Bank (Mauritius) Ltd
Corporate Office, SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius

REGISTERED OFFICE

C/O JTC Fiduciary Services (Mauritius) Limited
Suite 2004, Level 2
Alexander House
35 Cybercity
Ebène, Mauritius

SECRETARY/ADMINISTRATOR

JTC Fiduciary Services (Mauritius) Limited
Suite 2004, Level 2
Alexander House
35 Cybercity
Ebène
Mauritius

FMBcapital HOLDINGS plc