FMBcapital HOLDINGS plc

ANNUAL **REPORT** 2021

Belief comes first.

CONTENTS

"The Group has grown from a single branch in Malawi to a regionally focused banking group and trusted financial partner."

1 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 2021 to 31 December 2021.

Scope of the report

The report covers the performance of FMBCH and all its operating companies in Botswana, Malawi, Mozambique, Zambia and Zimbabwe that are supported by group services in Mauritius for the financial year ending 31 December 2021. Where applicable and relevant, information after this date and up to the date of Board approval 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 Value Reporting Foundation (formerly the International Integrated Reporting Council), 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 <IR> Framework.

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 <IR> Framework and the Global Reporting Initiative (GRI).

The six capitals

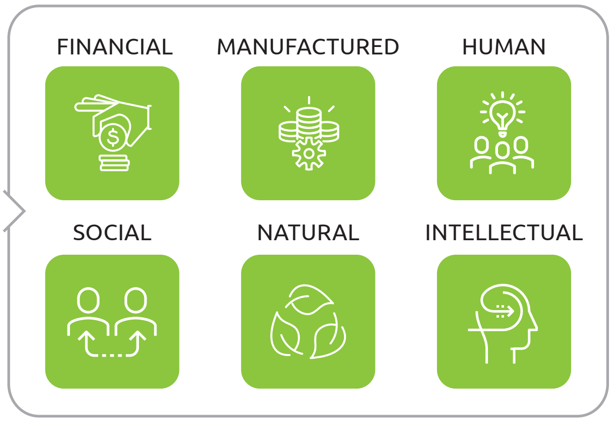
First Capital Bank aims to create value in all six capitals defined by the <IR> Framework. These include financial capital, manufactured capital, intellectual capital, human capital, natural capital and social capital. This means that, in addition to creating financial value for its shareholders, the Bank creates value for a range of different beneficiaries in five other categories. Read more about the value we create in our business model from page 14.

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.

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 30 May 2022.

Terence Davidson
Chairman

Mahendra Gursahani
Director

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

FEEDBACK ON THIS REPORT

We welcome your feedback on this report. Please email your comments to:

communications@fmbcapitalgroup.com

WHO WE ARE

We are a growing business

Our 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. Over the years we have grown from strength to strength and all our performance indicators are a testament to the drive and ambition we have for Southern Africa. We are a strong regional bank with a track record for performance. 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.

Overview

Our focus has always been on all our stakeholders. It is our belief that all our people achieve their extraordinary – whatever their legitimate ambition is. The successes that we achieved in 2021 could not have been possible without the support of our customers and the belief that they have in our business. We look forward to the future with renewed optimism as we prioritise delivering excellent service while offering competitive financial solutions to all our customers.

To date, our Group has accumulated over US$1.3 billion in assets, over 1 770 employees, and we serve the financial needs of over 440 000 customers.

OPERATIONAL HIGHLIGHTS

1 The Group continued to provide excellent banking services while ensuring the safety of our customers and colleagues in the face of COVID-19 pandemic.

2 The stability of our systems ensured that we managed to improve our operational efficiency and serve our customers better.

3 In line with our digital transformation agenda aimed at bringing convenience and choice to our customers, we launched WhatsApp banking in Zimbabwe and Malawi.

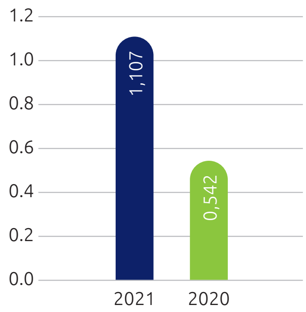
4 The Group has witnessed a stellar performance from its Botswana subsidiary owing to increased consumer lending, a growing customer base and a significant foreign currency income.

5 We partnered with RIA Money Transfer to offer remittance services in Zimbabwe.

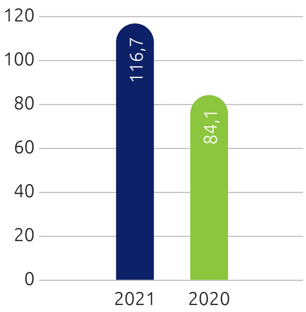
FINANCIAL HIGHLIGHTS

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

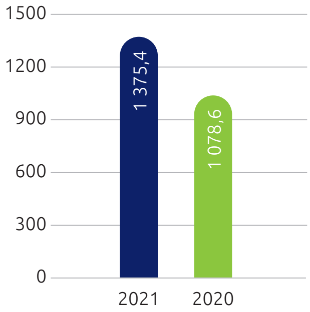
EARNINGS PER SHARE (US CENTS)



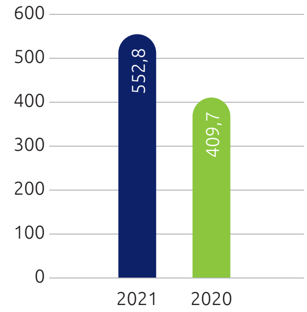
SHAREHOLDER FUNDS (US$ MILLIONS)



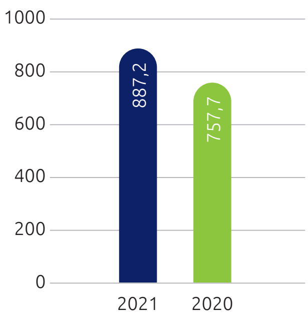
TOTAL ASSETS (US$ MILLIONS)



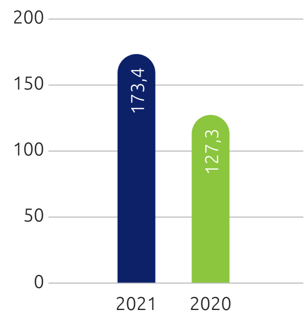
LOANS AND ADVANCES TO CUSTOMERS (US$ MILLIONS)



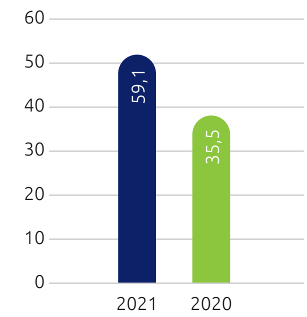
CUSTOMER DEPOSITS (US$ MILLIONS)



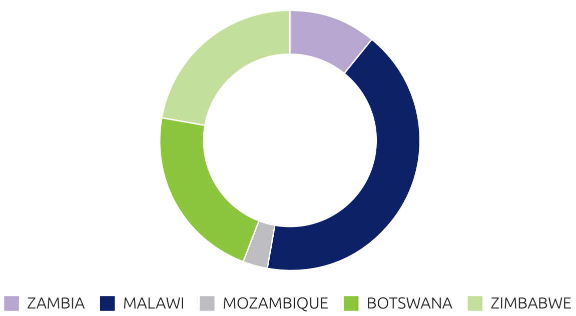
TOTAL OPERATING INCOME (US$ MILLIONS)



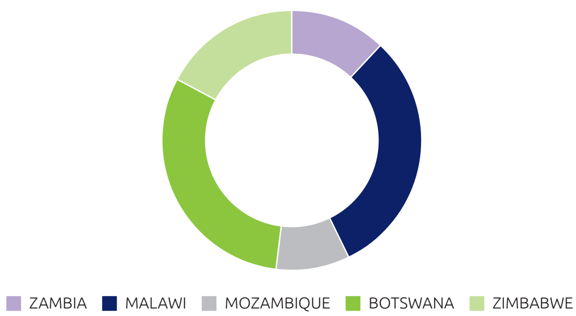
OPERATING PROFIT BEFORE TAX (US$ MILLIONS)



CONTRIBUTION TO PAT (%)



CONTRIBUTION TO TOTAL ASSETS (%)



2 ABOUT FMBCH

OUR ORGANISATIONAL STRUCTURE

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

FMBcapital HOLDINGS plc

FMBcapital Holdings plc is the holding company of the FMBcapital Group and is listed on the Malawi Stock Exchange

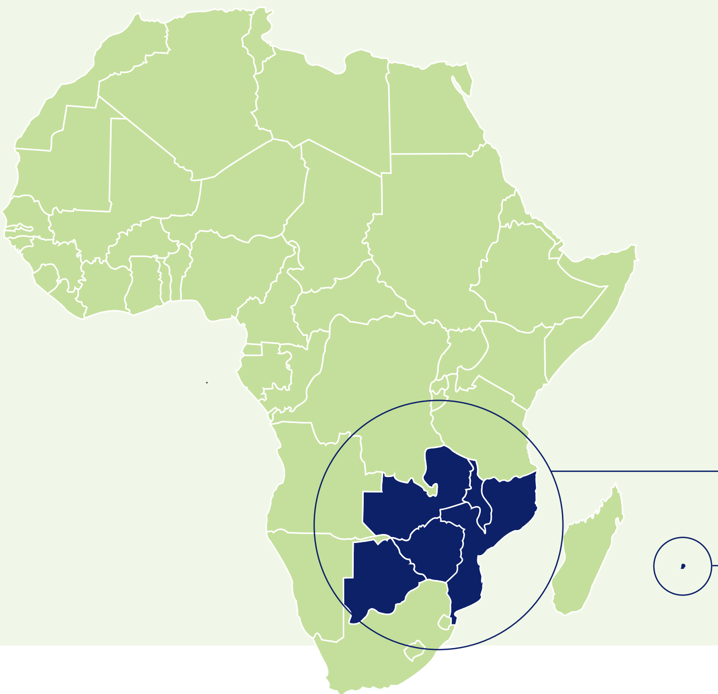
FIRST CAPITAL SHARED SERVICES LTD – 100%

Based in Mauritius, FCSSL provides centralised back office and IT support services for the entire Group

First Capital Bank	BOTSWANA	38.6%
First Capital Bank	MALAWI	100%
First Capital Bank	MOZAMBIQUE	80%
First Capital Bank	ZAMBIA	49%
AFCARME ZIMBABWE		100%

AFCARME ZIMBABWE:

First Capital Bank	ZIMBABWE	52.5%



OUR PRODUCTS AND SERVICES

We service the needs of

Consumer or retail customers these being individuals in different segments ranging from students to high net worth individuals.

Entities or businesses of different sizes and ownership structures including sole proprietorships, SMEs, large listed corporates, developmental organisations and non-governmental organisations, embassies and public sector

Retail banking

Transactional accounts	Investments	Electronic banking
▪ Current accounts ▪ Savings accounts ▪ Foreign currency accounts	▪ Fixed deposits ▪ Call deposits ▪ Treasury bills	▪ ATMs ▪ Bill payments ▪ Internet banking ▪ Mobile banking app ▪ POS services ▪ USSD mobile banking ▪ Whatsapp banking
Cards	**Loans**	**Bancassurance (in some markets)**
▪ Visa Debit cards	▪ Foreign currency loans ▪ Local currency loans ▪ Overdrafts	▪ Life ▪ Short term
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 **Debit cards** ▪ Visa debit cards	▪ Overdrafts ▪ Term loans ▪ Foreign currency loans ▪ Working capital finance ▪ Leasing	▪ Bulk electronic payments ▪ Cash in transit services ▪ Cashiering services and cash management ▪ Payroll solutions ▪ Vendor payments ▪ Tax payment services ▪ RTGS/EFT
Treasury and foreign exchange	**Financing Investments**	**Electronic banking**
▪ Bank guarantees ▪ Documents under collection ▪ Foreign exchange services ▪ Letters of credit ▪ Remittances ▪ Trade finance	▪ Call deposits ▪ Financing investments ▪ Fixed deposits ▪ Promissory notes ▪ Treasury bills	▪ ATMs ▪ Electronic banking ▪ Internet banking ▪ Mobile banking ▪ POS services

SMEs – small to medium-sized enterprises
ATM – automatic teller machines
POS – point-of-sale
USSD — unstructured supplementary service data
RTGS – real-time gross settlement
EFT – electronic fund transfers

OUR REGIONAL FOOTPRINT

First Capital BANK

BOTSWANA

38.6%

Branches	4
Loan centres	6
ATMs	5
Staff	205
Customers	17 800

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, Palapye, Kanye, Mochudi 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	23
ATMs	50
POS devices	142
Staff	666
Customers	224 872

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
Agencies	1
ATMs	7
POS devices	271
Staff	131
Customers	17 005

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 SME business sector.

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

First Capital BANK

ZAMBIA

49%

Branches	7
Agencies	1
ATMs	7
Staff	140
Customers	4 941

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

52.5%

Branches	25
ATMs	15
POS devices	2 732
Staff	509
Customers	182 549

First Capital Bank operates one of the biggest and oldest commercial banking networks in Zimbabwe, with 25 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.

"The Group offers a comprehensive range of financial products and services that are both relevant and of value."

ENGAGING WITH OUR STAKEHOLDERS

Their needs and expectations

We have key stakeholders that we engage with and relate to in order to create and deliver value. It is important that we understand all our stakeholders' needs and meet their expectations.

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 | CUSTOMERS | SHAREHOLDERS | BUSINESS PARTNERS | GOVERNMENT AND REGULATIONS | COMMUNITY

EMPLOYEES

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

1 773 staff members across five countries in Southern Africa and Mauritius

Stakeholder interest

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

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

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

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

COMMUNITY

Our success as a business is influenced and supported by the communities around us and we have a visible presence in the communities in which we operate.

Read more about how we support our communities on **page 44.**

CUSTOMERS

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.

Over 440 000 customers take advantage of our retail, business, corporate and institutional services and solutions

Stakeholder interest

- 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 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

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 digital and physical communication channels

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 clients’ aspirations – enabling people to do extraordinary things

SHAREHOLDERS

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.

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

Stakeholder interest

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

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

Our response

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

Outcome

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

BUSINESS PARTNERS

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

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

Stakeholder interest

- 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

GOVERNMENT AND REGULATORS

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.

- **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

Stakeholder interest

- 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 licenses

3 VALUE CREATION AND STRATEGY

OUR PURPOSE

The strategy of FMBCH was reviewed to ensure renewed focus on growth by leveraging on the work been done over the past five years since the forming of FMBCH.

OUR VISION

With our business we generate Growth

OUR MISSION

Growth is our business

We continuously refine our values to provide uniformity in meaning and interpretation among all our employees

OUR VALUES

INNOVATIVE

We are champions of innovation

We encourage thoughtful, creative, and inspirational ideas that will enhance our solutions.

SERVICE EXCELLENCE

We are happy to serve

We are committed to superior customer experience, every time we interact with our stakeholders.

COLLABORATION

We work in teams

We work together for a common purpose to achieve our objectives.

INTEGRITY

We are people of integrity

We build trust through strong moral principles, responsible actions, and honest relationships.

CITIZENSHIP

We strive to be a better citizen

We are mindful of the community we serve and how we can play a role to improve it.

Our critical success factors that will ensure growth

CRITICAL SUCCESS FACTORS

We are a trusted and respected brand	Our strategic alliances accelerate our innovation	Our processes enable service excellence	We maximize the long-term value for our stakeholders	Our people drive the business

STRETCHED GOALS TO ACHIEVE THE CRITICAL SUCCESS FACTORS

We are a trusted and respected brand	Our strategic alliances accelerate our innovation	Our processes enable service excellence	We maximize the long-term value for our stakeholders	Our people drive the business
We are a recognized as a leading financial services provider in the region We are the primary bank for our customers We are an employer of choice We are market leading in regulatory compliance Our communities appreciate our contributions	We build solution for our clients that help them grow We understand global, regional, and local trends We have the right strategic alliances	Our processes are aligned to delights Our processes build trust We make technology work for you Our processes reduce our cost We maximize the benefits of shared services	We grow market share faster than the competition Our ROE is in the top 3 in each market We will double our profit every three years Everyone shares in the growth	Our people are committed to growth We grow the best people Our people love to come to work As a team we care for each other We recognize and celebrate successes

Strategic objectives and goals

The purpose of FMBCH's strategy is to secure a regional SADC footprint that will result in growth for the Bank's staff, customers, shareholders, communities, and other stakeholders whilst fully compliant and following good governance.

The Group's exceptional performance in 2021 demonstrates that our strategy can deliver positive results under trying circumstances. In 2021 we pursued organic growth 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 First Capital 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 expanding into niches within retail banking where we could become a more universal bank for our clients. Retail lending, on an unsecured, but tightly controlled basis, is successfully underway in Botswana, Malawi, Mozambique, and Zimbabwe.

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. Read more about the risks and opportunities in our operating environment on page 16.

CAPITALS AND RESOURCES	INPUTS	VALUE CREATED
FINANCIAL CAPITAL The pool of funds supporting business operations, including equity finance and debt	▪ Share capital of US$117 million ▪ Debt capital of US$44 million ▪ Customer deposits of US$887 million	▪ Total operating income US$173.4 million ▪ Profit after tax of US$40.5 million ▪ Total assets of US$1 375.4 million Refer to the CFO's message on page 26
MANUFACTURED CAPITAL The facilities and general infrastructure enable FMBCH to support business operations (tangible assets)	▪ 78 branches, agencies, loan centres and service centres ▪ 84 ATMs ▪ 3 145 POS devices ▪ 116 office buildings, branches and training centres (42 owned and 72 leased) ▪ IT infrastructure	▪ 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 Read more in the manufactured capital review on page 40
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	▪ 1 773 employees ▪ Experienced Board, Executive and general management ▪ Investing US$44.4 million in staff and training ▪ Intellectual property (innovation, knowledge, expertise and experience)	▪ 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 Read more in the human capital review on page 42

CAPITALS AND RESOURCES	INPUTS	VALUE CREATED
SOCIAL CAPITAL The key and long-term relationships FMBCH has cultivated with stakeholders and service providers	▪ Sound relationships with both retail and corporate customers ▪ Corporate social responsibility (CSR) initiatives and programmes ▪ Partnerships with leading financial services brands such as Visa, Mastercard, Hello Paisa, RIA and Moneygram	▪ Successfully serviced the diverse needs of over 440 000 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 43
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	▪ 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	▪ 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 47

Our value creation process is underpinned by:

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

SHARED SERVICES

MANAGEMENT (BANK AND GROUP)

CORPORATE GOVERNANCE (BANK AND GROUP)

RISKS AND OPPORTUNITIES IN OUR OPERATING ENVIRONMENT

Our material matters are reflected in our key risks and opportunities. These represent both the challenges and potential prospects presented by the 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 operating environment for the past two years has been 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 well-being 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 cash flow 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 9 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 countercyclical 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, countercyclical 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 cyber attacks 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

- Failure to become a successfully diversified digital retail bank could negatively impact long-term sustainability
- Increased cybercrime 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

OPPORTUNITIES ARISING

- 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 new territories, we are in an organic growth phase of our business 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.

The Group's advanced mobile channels offer our customers easy digital access to most services previously available in our branches and we con. In addition, our digital payments platforms support positive customer experiences with efficient end-to-end transactions. The ongoing 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	OPPORTUNITIES ARISING
▪ 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	▪ 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 well-being, 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 need 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

4 PERFORMANCE AND OUTLOOK

CHAIRMAN'S MESSAGE

TERENCE DAVIDSON
CHAIRMAN

> **"I am pleased to report on a strong overall set of results for 2021. The economic and social impact of COVID-19 continued to be evident across all the territories in which we operate in Southern Africa throughout 2021 although they experienced a rebound towards the end of the year. During this time, we actively supported our customers, and this is evident in the growth of the Group's banking assets and profitability compared to 2020."**

The COVID-19 pandemic

While our primary focus remained protecting the lives and livelihoods of both our employees and customers, we remained focused on our strategic objectives. With the pandemic infections peaking in mid-2021 and a steady uptake of vaccinations, we managed the business based on our learnings in 2020. The shared service centre in Mauritius helped considerably to process transactions seamlessly, especially while most staff were working remotely during the first half of the year. Loan losses were kept low, which is testimony to our strong credit process and concentration on small and medium business lending.

We continued to successfully implement the various projects in our transformation programme, which we had kicked off in March 2020.

The general economic climate

All the countries where we operate continue to focus on their post-COVID-19 recovery, together with their unique challenges and opportunities.

Botswana has a strong track record of political and macroeconomic stability. The economy relies heavily on diamond exports, public services, retail industries and tourism. Although diamond export growth has been subdued over the past year, the country will benefit from the general elevated commodity prices due to the Ukraine situation and together with a rebound in tourism and the implementation of the Economic Recovery and Transformation Plan growth should increase over the medium term.

Malawi faces significant macro-and socio-economic challenges. The country is still heavily dependent on its agricultural sector which plays a dominant role in its growth and development. A lacklustre vaccination programme delayed the economic recovery last year, followed by Cyclone Ana that made landfall early in 2022 and has caused serious power shortages. The forecast is dependent on above-average 2022 tobacco export performance but the country faces serious challenges with low foreign currency reserves and high inflation.

In **Mozambique**, an Islamist insurgency has caused severe delays to the development of major liquefied natural gas (LNG) projects in the north of the country, with investment inflows and export revenues being curtailed. However growth prospects are looking more positive supported by the renewed interest in the LNG projects due to the prevailing high price of global oil and gas and relative calm in the north together with more activity in agricultural activity.

Zambia, economic growth rebounded from a serious contraction in 2020 buoyed by high copper prices and better economic management which saw the currency appreciate. Economic growth is expected to continue to be positive underpinned by recovery in the mining, tourism and manufacturing sectors. The market-friendly election outcome in August 2021 could repair the fragile relationship with the mining sector and pave the way for improved fiscal policy, supported by IMF Executive Board approval of a $1.4 billion support package.

Zimbabwe's inflation risks remain ever-present while the local currency struggles to gain traction and nearly the entire population is out of formal employment. Zimbabweans are increasingly resorting to US dollar hoarding. The vaccination drive has fared well and the country finds itself among the leaders in the race to herd immunity in Africa. Frequent power outages present a risk to mining-led economic growth amid the current commodity price windfall and robust demand for mineral exports. Protests over shortages of essential goods, high levels of food insecurity and endemic corruption could intensify ahead of the 2023 elections.

We will continue to adapt our strategy to each of the geographies to achieve the best outcome for our stakeholders.

Highlights for 2021

Our financial results have set new levels, with a more even distribution from all regions rather than the major contribution from Malawi in prior years. This has allowed us to pay our first dividend as a group. Botswana continued its growth trajectory and continues to see robust growth in the consumer lending business and strong pipeline of customers in the corporate business. The Zambia business continued to deliver pleasing results and registered profitable growth through investment in interest generating assets. Operations in Malawi remain profitable and dependable despite a challenging operating environment characterized by inflation and forex shortages. Results were bolstered by improved valuations of investments and one-off transactions that are unlikely to recur in 2022. The Mozambique business was impacted by non-recurring costs but has still managed to record a profit that is sustainable into the future. We are confident that the leadership changes will improve the competitiveness and resilience of the operations. Zimbabwe posted an inflation adjusted profit for 2021 and the country continues to face the challenge of hyperinflation. The net monetary loss arises from the purchasing power the company lost on holding excess monetary assets. Our significant exposure to inflation hedged assets has proven beneficial for 2021

I am pleased to say that our senior management team has been stable during the year during the year which has been very encouraging and has been one of the main factors underpinning our strong growth. Above all, we have successfully transitioned to our new Group Chief Executive Officer as we welcomed Jaco Viljoen on 1 January 2022. Jaco is an accomplished banker with more than 27 years of senior management experience working in various African countries.

Our marketing efforts have also paid dividends through improved brand awareness across all our businesses.

Internet banking and point of sale were all upgraded and we also successfully implemented a new human resources system and credit provisioning model as part of our transformation initiatives.

Our focus areas

We made significant progress on our focus areas during the year:

- The senior **management team** was strengthened with only a few gaps still remaining
- We continued to manage the **COVID-19** pandemic through its multiple waves
- We have shown **growth** in all areas of the business
- Our **risk management** processes are maturing
- Development of local talent and performance management continue to be key focus areas
- Our expected credit losses (**ECL**) are well-monitored and within acceptable limits
- We are **cash-generative** in our operations
- The business is adequately **capitalised**, with the Mozambican operation having been recapitalised.

Key risks and opportunities going forward

In addition to readying the business for future COVID-19 waves, we will keep a close watch on global events and the unfolding macroeconomic scenario in Zimbabwe, particularly in respect of hyperinflation and currency fluctuations. Malawi also poses foreign exchange risks, exacerbated by the hurricane and loadshedding. However our deep knowledge of the countries in which we operate together with a strong and stable management team should enable us to prudently manage the challenges going forwards.

Outlook

We have successfully transitioned to our new Group Chief Executive Officer and a lot of work has gone into refining our strategy and aligning the team around it. Our back office operations and systems, especially the shared service centre in Mauritius have performed strongly with extremely high uptimes despite the various lockdowns that we experienced throughout the year. Cyber security continues to be an important focus area in line with increasingly sophisticated cyber attacks worldwide. An important strategic challenge facing the group is around digital transformation and ensuring that we create an agile structure to respond quickly to customer needs and market changes. We therefore look forward to launching the new internet banking platform soon.

A lot of work has been done around improved communications, performance management and succession planning with a special focus on developing senior high potential local staff through the Stellenbosch University's MBA course and other training courses.

Gratitude

I want to thank my board colleagues for their contribution over the past year. Despite the challenges of travel we held two successful in-person meetings during the year in Malawi and Mauritius. I would like to extend a special thank you to Mahendra Gursahani for taking on the role as Interim Managing Director after the departure of the former Group Managing Director in October 2020. His decisive leadership and strong inter-personal skills enabled him to successfully direct the team despite the constraints of travel restrictions. He will now resume his valuable role as a non-executive Director.

I also want to thank all our staff and senior management or keeping their focus of delivering on FMBCH's commitment to its loyal customers despite the challenging working environment.

I look forward to steady growth of the business as the various initiatives that we have embarked on over the past few years continue to produce strong results. The contributions of all team members have built a strong base for the future of the Group.

Terence Davidson
Chairman

GROUP INTERIM MANAGING DIRECTOR'S REVIEW

MAHENDRA GURSAHANI
INTERIM GMD

> The Group's businesses have successfully sustained banking operations, ensuring that customers can access banking services safely while also protecting our staff and partners."

Performance in 2021

The Group posted a strong performance for 2021, with profit after tax of US$40.4 million compared to US$21.3 million for the year ended 31 December 2020. Operating profit increased by 67% reflecting the underlying robustness of our Banking operations. Loans and advances grew by 35% with all countries contributing. This has resulted in net interest income growing by 48% year on year. Fees and commissions have grown 26% due to increased volume with despite limited price increases.

We also benefited from improved valuations mainly from enhanced market value of listed investments in Malawi and, property and unlisted investments valuations in Zimbabwe recovering to pre pandemic levels. Credit losses have increased in 2021 reflecting the growth in financial assets and improvements made to the internal risk models. Nevertheless, the quality of the loan book remains robust with a credit loss ratio of 1.28% compared to 1.51% in 2020.

Earnings per share for 2021 increased by 104% to US$1.107 cents per share compared to US$0.542 cents per share for the year ended December 2020.

All our businesses have performed strongly despite a challenging environment for our customers, prolonged and volatile and difficult economic conditions and unprecedented demands on staff as they embraced new ways of working.

The Botswana business has continued its growth trajectory and continues to see robust growth in the consumer lending business and strong pipeline of customers in the corporate business. Botswana has continued it dividend distributions in line with prior years.

Operations in Malawi remain profitable and dependable despite a challenging operating environment characterised by inflation and forex shortages. Results were bolstered by improved valuations of investments and one-off transactions that are unlikely to recur in 2022. We have invested in our people and digital platforms to support our loyal customer base. Malawi continues to distribute consistent dividends to the Group.

Our Mozambique business was impacted by non-recurring costs but has still managed to record a profit that is sustainable into the future. We are confident that the leadership changes that were affected mid-way through 2021 will improve the competitiveness and resilience of our operations.

The Zambia operations continued to deliver pleasing results and registered profitable growth through investment in interest generating assets. Zambia paid a maiden interim dividend in 2021 and has announced a final dividend for 2021 payable in April 2022.

Our operations in Zimbabwe posted a healthy inflation adjusted profit for 2021 and the country continues to face the challenges of hyperinflation. Zimbabwe paid a first ever interim dividend in 2021 and has announced a final dividend for 2021 payable in April 2022. 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.

A resilient business

Our centralised IT and operations in Mauritius continue to operate efficiently maintaining our cost base and improving our operational control environment.

Amid the relentless disruptions to operations, the Group's businesses have successfully sustained banking operations ensuring that customers can access banking services safely whilst also protecting our staff and partners. We have made considerable progress in developing an enhanced internet banking platform to be launched across our businesses in 2022.

The capital adequacy and liquidity ratios of all Group banks comfortably meet the prescribed prudential minimum ratios in their respective territories giving us capacity to selectively grow our balance sheet. We will, however, continue to exercise prudence in our balance sheet management across the territories where we operate.

Looking forward

We are hopeful that the growth in our balance sheet during 2021 and the momentum all our banks are experiencing, will allow us to deliver a good performance in 2022. We have strong and stable leadership teams in place across all businesses and we are confident of our ability to continue to transform the Bank with a strong emphasis on digitisation, a journey we started over a year ago.

With thanks

Our Group could not have achieved the excellent results it did in 2021 without the dedication and commitment of our employees. On behalf of the executive leadership, I express our heartfelt thanks for their inspiring efforts.

My appreciation and thanks also go to the FMBCH Board for their unwavering commitment, support and guidance during 2021 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

REPORT FROM OUR GROUP CHIEF FINANCIAL OFFICER

BRYAN MANDY
GROUP CHIEF FINANCIAL OFFICER

> **The Group's financial performance in 2021 was strong and followed the significant progress in optimising our operations in 2020. "**

During the year under review, the Group recorded an exceptional set of results despite the economic challenges and posted a profit after tax of US$40.4 million (a significant improvement US$21.3 million in 2020). In summary, the Group's portfolio of businesses produced good top-line growth and delivered earnings well above the cost of capital for the year ended 31 December 2021.

Net interest income increased 47% from 2020 arising from mainly from increased interest earning assets and rate increases in Mozambique, Zambia and Zimbabwe. Non-interest revenue increased by 24%, volume growth in fees and commissions and substantial growth in income from investments.

Credit impairment charges increased to US$7.1 million due growth in interest earning assets. The ratio of non-performing loans to gross advances ended the year at 1.31%, down from 3.73% in 2020 and past due but not impaired loans decreased from 11% to 9% of gross advances.

Operating expenditure increased by 21.6%, mainly arising from headcount increases across the group as well as inflationary increases particularly in Zimbabwe.

Our cost-to-income ratio improved to 55.89% from 62.62% due to significant income growth. Our JAWS of 14.64% 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$)	2021	2020	% change
Total income	**173 383 474**	127 260 758	36%
Profit/(Loss) after tax	**40 446 006**	21 276 051	90%
Profit/(Loss) attributable to Owners of the parent	**27 206 368**	13 314 320	104%
Loans and advances to customers	**552 811 469**	409 710 461	35%
Customer deposits	**887 233 383**	757 728 556	17%

Key ratios

Summary of our performance (US$)	2021	2020	% change
ROE (%)	**27.1**	16.41	65%
ROA (%)	**2.94**	1.97	49%
Credit loss ratio (%)	**1.28**	1.51	(15%)
Cost-to-income ratio (%)	**55.89**	62.62	(11%)
Basic earnings per share (US cents)	**1.107**	0.542	104%
Diluted earnings per share (US cents)	**1.042**	0.517	102%

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. Malawi continues to be the largest contributor to Group profitability.

This performance is summarised country-by-country in the table and discussed in more detail on pages 28 to 39 of this report:

Country	Highlights	Interest income US$	Non-interest income US	Profit after tax US$	Y-o-y Change (%)
Botswana	▪ Continues to enjoy economic stability ▪ Consumer lending growth ▪ Corporate lending maintained despite run-off	22 754 258	5 785 756	9 494 038	**57.57**
Malawi	▪ Tobacco sales volumes dropped significantly ▪ Shortage of foreign exchange	31 173 888	22 849 285	18 330 012	**68.78**
Mozambique	▪ Reduced foreign investor confidence ▪ Social unrest in northern regions. ▪ Metical's stability	7 168 425	5 652 773	1 464 758	**(22.79)**
Zambia	▪ Positive outlook on Zambia's credit rating ▪ Buoyant copper prices ▪ Improved exchange rate	13 576 354	4 002 516	4 808 392	**102.14**
Zimbabwe	▪ Hyperinflationary environment continues ▪ Some exchange rate stability is arising from the RBZ auction system ▪ Reduced inflation to 61% ▪ Improved business environment	24 705 161	37 450 873	9 823 261	**110.91**

The positive results in the 2021 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.

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 2021 financial year, FMBCH is in a solid position to weather these storms and drive growth across all jurisdictions. Accordingly, we are proposing a final dividend of 0.1 US cents per share for approval by shareholders at the AGM.

FMBCH is well capitalised, and we have sufficient liquidity to support any growth 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.

Our excellent 2021 performance has generated good momentum for our Group going into 2022, 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. In addition, we will be mindful of global events and the unfolding macroeconomic scenario in Zimbabwe, particularly in respect of hyperinflation and currency fluctuations. Malawi also poses foreign exchange risks, exacerbated by the hurricane and loadshedding. However, our deep knowledge of the countries in which we operate together with a strong and stable management team should enable us to prudently manage the challenges going forwards. Our flat, non-hierarchical organisational structure allows us to be agile, make decisions quickly and move swiftly to benefit the Group and our clients.

Bryan Mandy
Group Chief Financial Officer

REGIONAL PERFORMANCE REVIEWS

BOTSWANA

Reinette van der Merwe
Chief Executive Officer

2021 Overview

The impact of COVID-19

While COVID-19 impacts were experienced in 2021, no significant changes compared to 2020 on the Government or Regulatory front were seen. The Bank has continued to evaluate our client's financial positions closely and assisted with restructuring facilities on a case-by-case basis, where needed. No significant impact has been identified on the Corporate business impairments as yet, while there are indications on client financial statements of COVID impact leading to reduced turnovers and subsequently lower profitability. On both Corporate and Consumer lending, the Bank experienced several COVID related clients deaths. The financial impact to the Bank was minimal due to businesses being taken over by family members or co-shareholders and on the Consumer lending side most loans were covered by insurance payouts.

First Capital Bank Botswana at a glance

	2021	2020	2019	2018	2017
Branches	**4**	4	4	4	4
Loan centres	**6**	6	6	5	5
ATMs	**5**	5	5	5	5
Staff	**205**	188	145	109	131
Customers	**17 800**	19 046	24 513	17 114	18 500

Key indicators (all figures in Botswana Pula)

	2021	2020	2019	2018	2017
Net interest income	**252 240 598**	202 385413	144 616 249	98 282 910	81 303 427
Non-interest income	**59 926 313**	63 206 308	56 676 784	53 610 384	40 706 651
Operating expenses	**147 874 270**	140 318 532	120 596 795	98 948 907	75 130 759
Profit after tax	**102 994 875**	69 724 470	47 973 783	32 944 477	26 678 494
Customer deposits	**3 713 004 433**	3 038 484 162	2 561 974 069	2 482 246 360	1 693 096 736
Total assets	**5 175 170 574**	3 916 925 737	3 633 463 050	2 880 502 881	1 932 790 152
Loans and advances	**2 884 406 349**	2 123 331 409	1 961 395 725	1 579 852 694	1 194 813 035
Shareholder funds	**410 762 785**	342 630 144	294 032 792	196 059 009	175 844 951

Performance

First Capital Bank Botswana delivered an impressive performance following significantly higher interest income. We experienced a growth of net profit after tax (NPAT) to BWP102.99 million in FY2021 (FY2020: BWP69.7 million). The Bank's total assets increased by 32.1% to BWP5.18 billion in FY2021 (FY2020: BWP3.92 billion). This balance sheet growth can be attributed to substantial growth in our loan book, repurchase agreements and shareholder funds. Overall, loans and advances grew by 35.8%. Net interest income increased by 24.6%, driven largely by 54.4% growth in our loans in the consumer lending segment. We attribute this to an aggressive sales strategy, opening of additional pay points and successful marketing campaigns. Consumer lending ensured that the collection and recovery rate were at acceptable levels with non-performing loans (NPL) below 1% of the balance sheet. Non-interest income, excluding forex income grew by 4.8%, while forex income decreased by 9.2%, mainly due to decreased volumes in the Bank's foreign exchange services and compressed margins. Overall, the net non-interest income decreased by 5.2%. The good performance for the financial year ended 2021 can be attributable to good growth in interest income and the slight increase in total costs of 5.4%. The increase in operating cost is due to an increased staff complement. Our cost-cutting measures and increased interest income saw a reduction in our cost-to-income ratio to 47.4% (FY2020: 52.8%).

Corporate citizenship

As a responsible corporate citizen of Botswana, we believe that we must support the communities within which we operate. We support various projects in the health, education, and sports sectors and have invested in a range of environmental projects. Our people are encouraged to launch practical initiatives and participate in community projects where this is possible by volunteering their services. In 2021, we allocated BWP1 million to our corporate social investment spending.

Liquidity and capital adequacy ratios

Liquidity and capital adequacy ratios for First Capital Bank Botswana were maintained at a stable financial position in FY2021. We continue to exceed the regulatory requirements for both Liquid Asset Ratio (LAR) and Capital Adequacy Ratio (CAR). The LAR was 16.9% (regulatory requirement: 10%) and the CAR 15.88%, (regulatory requirement: 12.5%). Our ratio of Tier 1 capital to total risk-weighted assets amounted to 10% (regulatory requirement: 4.5%).

Operational highlights

Testament to our ongoing focus on customer service, we received several awards:

- The Best Bank in Botswana by Global Finance;
- Best Forex Rates Botswana 2021 award from Finance Derivative;
- Best Foreign Exchange Bank in Botswana 2021 by World Business Outlook;
- Best Forex Bank Botswana 2021 by Global Banking and Finance awards;
- Best Corporate Bank Botswana 2021 by Global Banking and Finance awards.

Outlook

We are positive about our 2022 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 improved digital solutions, including new internet banking services to enable seamless banking for customers wherever they are. The Bank will continue to explore ways of improving and enhancing our client and customer experience.

MALAWI

Jaco Viljoen
Chief Executive Officer

2021 overview

Streamlined operations

The Bank has benefited from the streamlined operations through the centralisation of processes in a period when the COVID-19 pandemic continued to impact every facet of operations for the Bank and our customer base.

In 2021, our strategic objective was to ensure that the Bank is set on the right footing for a sustainable growth path by getting the operational basics right; following three years of streamlining of processes. We have achieved this by setting up resilient operating systems and relevant processes with enhanced security features to enable us to deliver world-class products and excellent customer service. The 2021 financial results are a testament to our efforts to build a better brand; an excellent product portfolio; and to become the Bank of choice in Malawi for many years to come.

First Capital Bank Malawi at a glance

	2021	2020	2019	2018	2017
Branches	**6**	6	6	6	6
Agencies	**23**	24	24	25	30
ATMs	**50**	51	54	65	65
Onsite banking solutions	**17**	23	23	23	25
POS devices	**142**	131	120	112	70
Staff	**666**	661	695	694	837
Customers	**224 872**	176 993	309 664	632 900	636 100

Economy

The country's economic indicators are all pointing to a worsening economic scenario with inflation inching towards the double-digit mark. The Malawi Kwacha exchange rate is depreciating against the major trading currencies, including the US dollar. The depletion of the country's foreign currency reserves has increased government borrowing through domestic and foreign debt.

There has been mounting pressure on the Malawi Kwacha, exacerbated by the scarcity of foreign currency on the market. The Malawi Kwacha has depreciated by 6% against the US dollar in 2021. The scarcity of foreign currency has impacted the Bank for most of 2021 and we have not been able to fully satisfy the customer demands for foreign exchange payments during the period.

Financial performance

The volatile operating environment has contributed to increased inflation, depreciation of the Malawi Kwacha and scarcity of foreign currencies on the market. These factors have had an impact on our cost base and affected our ability to offer customised trade services to our customers.

Overall, the profitability for the Bank has improved to K14.8 billion in 2021 from K8.0 billion in 2020, supported by exceptional gains recorded on our mark to market investments listed on the Malawi Stock Exchange, streamlining of the cost base, deliberate strategies to retire or reduce foreign-denominated and expensive funding on our balance sheet as well as an increased uptake of our digital products.

The Bank is now benefiting from our investment in technology and shared services at the Group level. This has been accentuated especially during the pandemic, when our operations were not disturbed by tapping into centralised resources for continuity. The marginal increase in the Bank's operating cost is a reflection of both inflation and the impact of the depreciation of Malawi Kwacha.

Despite an increase in lending risk, due to the COVID-19 pandemic, the Bank continued to grow its loan book through selective lending. Our book grew by 28% from K79 billion to close the year at K101 billion. It is our strategic stance to expand our lending book further by offering relevant and sustainable loan products to our customers going forward.

The balance sheet growth in 2021, has been somewhat steady, with customer deposits at K173 billion, growing year on year by 9%. This is mainly driven by growth in our corporate and retail segments for current and savings accounts. This growth aligns with our overall strategy in these challenging times and is mainly driven by trends in money supply growth. It is envisaged that deposit growth will continue the positive trend above the market's average growth rate through our enhanced technological interventions, competitive customer solutions and pricing. Reliance on wholesale deposits will continue to be managed through a deliberate strategy to contain interest expense.

Key indicators (all figures in Malawi Kwacha 000's)

	2021	2020	2019	2018	2017
Net interest income	**25 108 701**	20 575 909	17 248 970	14 625 027	14 353 917
Non-interest income	**18 416 407**	12 750 851	10 532 859	11 370 909	10 855 304
Operating expenses	**23 139 105**	20 747 215	18 732 467	16 471 649	15 100 011
Profit after tax	**14 766 105**	8 025 229	6 039 066	6 654 948	7 637 998
Customer deposits	**173 219 131**	157 719 862	134 871 797	139 582 070	129 712 918
Total assets	**357 381 572**	295 565 597	294 489 883	229 396 858	232 789 737
Loans and advances	**101 043 385**	79 077 559	72 103 929	63 761 804	46 977 093
Shareholder funds	**47 362 714**	37 196 610	33 093 200	36 225 822	36 584 344

Operational highlights

Operational and process improvement programmes remain embedded in our strategy to offer unmatched service excellence to our customers. We continue to enhance security features on all our digital product offerings and educate our customers on these security measures.

In our quest to migrate the majority of our customers from our brick-and-mortar branch network to alternate banking channels, we are issuing free debit cards to customers and also reviewed our pricing for digital channels like Internet Banking, Mobile App, USSD and WhatsApp Banking. This will ensure that our branches become less congested while at the same time providing our customers efficient banking platforms.

Liquidity and capital adequacy

Maintaining healthy liquidity and capital adequacy ratios, above what is required by the Banking regulations, remains our core pillar to ensure the going concern of the Bank. Apart from the meeting the minimum ratio thresholds required by the Reserve Bank of Malawi, the Bank has set its own internal buffers beyond what is required by the Banking laws.

With cash and near-liquid assets exceeding 50% of the Bank's total assets, the Bank maintains healthy liquidity ratios which provide the flexibility to easily deploy excess funds into good quality lending opportunities when they arise while servicing customer liquidity requirements. During the year, we continued to pay shareholders' dividends according to our dividend policy without breaching both internal and regulatory limits which guide liquidity and capital adequacy ratios.

Corporate social responsibility

Under our CSR governance policy, we are focused on making impactful contributions to communities and the country at large. With our three main pillars being education, health, and sports, we are poised to continue drive sustainability projects which are life changing and transgenerational. Key contributions during the year was large donations towards COVID-19 relief as well as sponsoring the Football Association of Malawi's Under-20 league.

We ensure to give back to the communities within our objective and remain in line with the national agenda of the day.

Outlook

We are cognisant of the challenging operating environment due to the negative economic indicators and the continued impact of the COVID-19 pandemic. We remain focused on caring for our customers and the communities in which we operate. We are pleased that we have a workforce who were responsible enough to get vaccinated. Currently 93% of our staff have been vaccinated against the Coronavirus. This will enable us to continue to provide quality and seamless services to our customers going forward.

The Bank is poised to maintain its growth trajectory by relying on our revamped technological and infrastructure which will support our digital platforms, thereby ensuring that we continue to deliver sustainable results. Plans are currently in place to introduce convenient and exciting new products to our customers which will ensure that we continue to be innovative while assisting our customers focus on what is important to improve their lives.

MOZAMBIQUE

Joao Rodrigues
Chief Executive Officer

2021 overview

The impact of COVID-19

The COVID-19 pandemic's impact on Mozambique continued to be relatively mild from a health risk perspective, but the country's GDP according to IMF is expected to be 2.2%, impacted by some disruption in industry and in tourism, leading also to a deeper unemployment. Uncertainties in the economic environment, part of it from the situation in the North, lead to lower trust and investments including from foreign investors. Locally, with our staff, customers and other stakeholders the Bank continued to respond to these challenges by focusing on:

1. People - maintenance of the measures to protect our employees, our clients and our stakeholders. For staff, this includes enabling work from home by providing laptops and internet, implementing health measures at the workplace as well as support the vaccination programme (for staff and family);
2. Our clients - more online solutions and continuous review of our credit facilities namely for the more exposed sectors.

First Capital Bank S.A. Mozambique at a glance

	2021	2020	2019	2018	2017
Branches	**5**	5	5	4	4
Agencies	**1**	1	1	1	1
ATMs	**7**	7	8	6	5
Onsite banking solutions	**1**	1	1	1	
POS devices	**271**	226	178	72	41
Staff	**131**	118	107	72	63
Customers	**17 005**	16 286	15 705	15 096	14 694

Key indicators (all figures in thousand Metical (MZN))

	2021	2020	2019	2018	2017
Net interest income	**465 416**	310 907	277 051	241 263	165 850
Non-interest income	**303 085**	296 704	251 405	131 767	60 039
Operating expenses	**547 591**	460 896	414 120	335 542	276 621
Profit after tax	**94 369**	127 558	67 720	7 776	(135 603)
Customer deposits	**5 420 397**	5 749 931	3 388 647	2 294 086	1 586 467
Total assets	**7 683 623**	7 714 692	5 273 429	3 036 628	2 312 805
Loans and advances	**3 983 675**	2 233 267	1 515 653	728 614	715 329
Shareholder funds	**1 687 253**	1 592 883	1 280 326	639 136	631 360

Socio-political considerations

The instability in the northern province of Cabo Delgado which led to a suspension of the liquid natural gas (LNG) projects and left the population in refugee situation seems to be under control as the Mozambican and SADC soldiers are gaining ground. Although the Bank is not directly affected by the disruption to this sector or region, we are monitoring the situation this closely due to the macroeconomic effects.

Performance

First Capital Bank Mozambique posted a profit after tax of MZN94.4 million in FY2021, a decrease rate of 26% (FY2020: MZN127.5 million). Nevertheless, profit before tax was MZN126 million increasing 38% from previous year (FY2020: MZN91.3 million), mostly due to significant growth on net interest income 50% as well as on the non-interest income 2%. Although the Bank released MZN2.7 billion in expensive deposits, the Bank manage to sustain the market share of deposits in the Mozambican financial sector which is currently 1.15% (FY2020: 1.01%). Our lending portfolio increased by 77% to MZN4.0 million (FY2020: MZN2.3 million), while our total assets remained at the same level (MZN7.6 million and FY2020: MZN7.7 million). The Bank ended December 2021 with NPLs of approximately 2.2% (FY2020: 5.2%), significantly lower than the market average. Non-interest income growth of 13% (FY2020: 19%) slightly decrease on the growth due to the consecutive year of restrictions and a non-recurrent effect which impacted negatively the NOP.

Factors contributing to performance

Our profit before tax 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. Strategically, the Bank focused on 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 kept our presence in Maputo, Nampula and Beira (just staff with a branch to open in 2022). With our presence in Beira we can 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 new internet banking functionalities, particularly services regarding tax payments. The number of transactions more than doubled year on year, and we will continue developing new functionalities in 2022. We also grew our POS business during the year as well as cards, due to launch of our new Visa cards.

Liquidity and capital adequacy

Our capital adequacy ratio stood at 27.61% in 2021 excluding current result, well above the regulatory minimum of 12%. Our liquidity ratio is also well above the regulatory minimum levels.

Operational highlights

We have concluded the 24 de Julho branch renovation which open at the beginning of 2022. Our staff headcount grew by approximately 15%, mostly on the front-office but also in back-office areas like IT, Finance, Risk and others. 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. In 2021, we continued to grow our payroll lending team, as well as investing in 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 IT solutions, consolidated our processes in Mauritius allowing us for more efficient operations and better service to the clients. In June, the Bank launched the new Visa cards, providing additional payment solutions to our customers.

Outlook

The Mozambique GDP growth rate forecast for 2022 is 4.2% (EIU) with expectation of the beginning of the LNG production from Coral South at Area 4 with capacity of 3.4 million tonnes of LNG a year. The security situation, which has been thwarted by a growing Islamist insurgency since October 2017, has improved since a military intervention from the SADC Mission in Mozambique (SAMIM) thus resulting in a restart of negotiations from TotalEnergies to resume work (Coral North Area 1 with capacity of 12.9 million tonnes of LNG a year). ExxonMobil is yet to take the final investment decision on its project with capacity 15.2 million tonnes of LNG a year. It is expected that coal, aluminium, and heavy sands exports continue to improve the trade balance as global demand continues to rise. Risks to the outlook include vulnerability to the natural disasters, situation at the North of country, fiscal pressure, the increase of the oil prices and food in the international market.

IMF will start discussions on an extended credit facility with Mozambique, its first potential programme with the country since suspending support in 2016 after the discovery of a US$2 billion hidden debt scandal. The programme would aim to help ease financing pressures as Mozambique recovers from the pandemic, support poverty reduction and equitable growth, as well as catalyse additional development financing.

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 ecosystem through this period of health crisis and associated challenges to our communities and economy.

ZAMBIA

Edward A. Marks
Chief Executive Officer

2021 overview

In 2021, GDP growth recovered to 3.6% year on year (y/y) from a contraction of 2.7% y/y in 2020. This was predominantly driven by unwinding base effects. By sector, the economic recovery was led by information and communication (19.7% y/y), construction (10.9% y/y), manufacturing (4.2% y/y) and wholesale and retail trade (2.3% y/y). Notwithstanding higher copper prices in 2021, relative to 2020, the mining sector contracted 6.3% y/y in 2021, largely due to the impact of the non-deductibility of Mineral Royalty Taxes (MRT) on local copper production.

Due to the dollarisation of mining taxes in conjunction to limited FX intervention from the Bank of Zambia (BOZ) the USD/ZMW pair traded to a high of 22.67 in July 2021 from 21.18 at year-end 2020. However, increased foreign portfolio inflows due to positive sentiment pertaining to an IMF programme as well as the August 2021 elections provided support for the kwacha, with the USD/ZMW pair reaching 16.64 at year-end 2021.

Notably, notwithstanding elevated inflation, which averaged 21.5% y/y in 2021, the BOZ only increased the policy rate by 50 basis points (bps) to 9.00%, due to concerns over feeble growth as well as financial market stability.

The impact of COVID-19

With the outbreak of the Corona virus, our operations have not been spared however our customer portfolio protected us as we predominantly bank customers whose products the general populace kept buying. We managed to stay open even during the worst times when our infection rate was more than 20%. Major aspects of our lives have been irreversibly changed, and the Bank had to rethink how to continue to carry out its activities.

Some of our highlights include improving the cheque book ordering process, optimising the trade document workflow and enhancing the security features of our Visa cards.

The Bank continued with the additions of merchants on the MobileApp, and this year saw the onboarding of Fly Emirates as our merchant, this allows our customer to pay and make flight bookings using their mobile application. Furthermore, the Bank undertook a project to increase the staff capacity by redesigning the Head Office this created 12 new sitting spaces and an introduction of 10-seater conference room First Capital Bank has a proud tradition of supporting the communities in which it operates. This is done through initiatives that engage the community, strengthen relationships and ultimately provide an opportunity for its stakeholders to achieve their extraordinary.

Read more about our contribution to our communities on page 46.

First Capital Bank Zambia at a glance

	2021	2020	2019	2018	2017
Branches	**7**	7	7	7	6
Agencies	**1**	1	1	0	0
ATMs	**7**	7	7	7	6
Staff	**140**	120	133	113	99
Customers	**4 941**	5 378	7 682	8 654	7 900

Key indicators (all figures in Zambian Kwacha)

	2021	2020	2019	2018	2017
Net interest income	**282 033 317**	141 882 118	90 803 163	73 628 367	50 767 876
Non-interest income	**86 056 368**	78 235 829	48 302 750	61 547 582	45 090 179
Operating expenses	**202 452 082**	139 866 051	113 823 086	82 620 714	58 794 050
Profit after tax	**93 516 110**	42 451 569	8 186 568	28 944 868	21 988 981
Customer deposits	**2 186 223 591**	1 812 057 125	1 110 306 629	849 681 450	552 413 160
Total assets	**2 822 305 943**	2 456 479 614	1 517 833 725	1 207 751 380	849 257 508
Loans and advances	**1 001 357 882**	1 109 576 184	693 413 359	567 202 507	425 180 507
Shareholder funds	**287 209 581**	206 372 220	163 920 632	155 734 064	126 157 187

Performance

First Capital Bank Zambia reported a profit after tax of K93.5 million in 2021 (2020: K42.5 million) representing 120% growth; supported largely by the Bank's prudent investment in government securities, growth in foreign exchange income, and transactional income.

Investment in government securities grew 29% y/y driven by the Bank's strategic move to invest in higher yielding government paper. The Bank made additional investments of ZMW33 million and ZMW221 million in Treasury bills and Government bonds, respectively.

Customer loans and advances declined y/y by 10% to K1 billion in 2021 from K1.1 billion in 2020 primarily at the back of the decline in nominal terms on FCY loans and overdrafts attributable to a 21% appreciation of the local currency against the US dollar during the year. Local currency loans increased by 12% y/y on due to additional loan disbursements amounting to K102.6million whereas foreign currency loans remained relatively flat at US$41.5 million (2020: US$41.7 million). NPL ratio improved from 3% to 1% supported by a quality risk asset book.

Customer deposits increased by 21% y/y to K2.2 billion in 2021 from K1.8 billion. CASA balances K1.3 billion in 2021 (2020: K1 billion) representing 28% growth y/y. Loan to deposit ratio (LDR) declined to 47% from 63%. There was a marginal growth on non-interest income by 4% y/y. Foreign exchange income increased significantly by 48% in 2021 compared to 2020 at the back of high transaction volumes and significant margins on foreign exchange deals. Fees commissions, and fees income from account services, trade finance and fees on loans and overdrafts also grew by 15%. Conversely, the Bank incurred a loss K21.3 million on disposal of assets held for sale.

Operating costs grew by 28% y/y necessitated by an adjustment in staff remuneration meant to drive and align a performance culture coupled with the expansion in the workforce. Foreign exchange volatility experienced during the first quarter of the year, business demands on IT solutions and transaction dependent costs drove costs north of 20%. Cost-to-income ratio trended downwards to 49% from 64% riven by improved revenues generated in the course of the year.

Liquidity and capital adequacy

The Bank achieved significant improvement in its key ratios due its prudent approach to managing liquidity and capital. As of the end of 2021, the capital adequacy ratio was 18.50% against a regulatory requirement of 10%. The Bank also maintained the ratio of liquid assets to total assets at 62.94% against a regulatory limit of 6%.

2022 outlook

In 2022, while we still see expansion, we remain wary that elevated inflation, particularly from a weakening kwacha and removal of energy and agricultural subsidies, could impede a meaningful recovery in consumer demand, and potentially limit the private sector recovery. As a result, for now, we see 2022 GDP growth at 2.5% y/y.

Aside from the pandemic, additional challenges to economic growth in 2022 include the effect on local supply chains from foreign exchange liquidity constraints in Q1:22, a potential global fallout from a tightening cycle from the Federal Reserve, as well as an escalation of geopolitical tensions emanating from Russia's incursion into Ukraine. The tightening of financial market conditions as well as elevated oil prices will potentially underpin elevated supply-side costs.

Notably, due to these rising global risks, in January 2022 the IMF, downgraded their forecast for 2022 global growth to 3.1% y/y, from their October 2021 forecast of 4.9% y/y. That said, we now see a better trajectory for the USD/ZMW pair due to the increased likelihood that an IMF deal as well as successful external debt restructuring will be concluded by Q3:22.

A stronger kwacha will cut into upside inflationary risks and reduce pressure on the BOZ to increase the policy rate aggressively. We now only expect the policy rate to increase by 100bps to 10.00% in 2022, from our previous anticipation of a 300bps hike earlier in the year.

ZIMBABWE

Ciaran McSharry
Chief Executive Officer

2021 Overview

Macroeconomic context

Macroeconomic fragility persisted during the period under review with the local currency devaluing by 33% on the official currency auction market on the back of widening margins between the official exchange rate and those traded on the parallel market. Inflation remained high, closing the year at 60.7% on a y/y basis, driven by monetary expansion in the wake of much needed infrastructure and social spending by the Government. Aggressive measures were implemented by the Reserve Bank of Zimbabwe to contain excess liquidity from the market, including the issuance of zero-coupon non-negotiable certificates of deposit against daily liquidity excesses held by banks. This slowed down the rate of asset creation for the financial sector.

The uncertainty related to the COVID-19 health and social pandemic and intermittent business lockdowns implemented to curb its spread added negative pressure to an economy already facing structural challenges.

Notwithstanding the presence of substantial headwinds, the Zimbabwean economy is reported to have recorded a 7.8% growth in GDP underpinned by positive performance in the agriculture and mining sectors.

Zimbabwe fared reasonably in the administration of COVID-19 vaccinations with over 7.2 million doses having been administered by 31 December 2021. In similar vein, the Bank rolled out a successful internal vaccination campaign to reach herd immunity by the close of the year. Risks related to COVID-19 remain elevated while the Bank's business continuity framework is regularly reviewed to provide an adequate working environment under the circumstances.

First Capital Bank Zimbabwe at a glance

	2021	2020	2019	2018	2017
Branches	**25**	25	25	31	31
ATMs	**15**	48	48	48	48
POS devices	**2 732**	1 247	1 132		
Staff	**509**	482	579	743	689
Customers	**182 549**	161 754	157 941	113 363	109 851

Key indicators (inflation-adjusted and historic) (all figures in Zimbabwean Dollars (ZW$ 000's))

Inflation-adjusted	2021	2020	2019	2018	2017
Net interest income	**2 684 710**	1 371 218	1 183 258	1 966 593	1 149 453
Non-interest income	**4 856 646**	4 070 640	2 792 952	2 045 056	2 672 578
Operating expenses	**4 573 953**	3 238 027	3 765 468	2 655 999	2 480 958
Profit after tax	**3 354 135**	760 319	(1 179 291)	595 452	1 057 785
Customer deposits	**16 397 317**	14 193 737	14 782 440	24 856 305	23 720 417
Total assets	**30 251 395**	23 226 055	22 102 776	31 479 582	29 697 571
Loans and advances	**7 141 639**	3 805 916	5 136 562	8 741 374	5 988 486
Shareholder funds	**10 430 375**	5 282 024	4 719 010	5 334 719	4 720 480

Historical cost	2021	2020	2019	2018	2017
Net interest income	**2 147 143**	561 382	70 637	40 047	21 505
Non-interest income	**4 250 926**	2 067 042	227 208	41 645	50 001
Operating expenses	**2 936 095**	1 213 078	226 035	54 086	46 416
Profit after tax	**4 921 927**	1 737 904	264 190	24 322	19 790
Customer deposits	**16 397 317**	8 815 986	2 046 816	553 564	443 783
Total assets	**29 893 209**	13 906 747	2 945 605	698 744	555 609
Loans and advances	**7 141 639**	2 363 923	711 222	194 675	112 038
Shareholder funds	**10 172 119**	2 867 342	565 652	116 503	88 315

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. Local currency deposits grew by 104% to ZW$8.2 billion. A corresponding 139% growth in ZW$ denominated loans was posted to close at ZW$5.5 billion, with a significant rally being recorded during the second half of the year, corresponding with increased demand in the aftermath of the COVID-19 lockdown and a better liquidity outturn in comparison with the first half of the year.

The Bank posted an inflation-adjusted net profit of ZW$3.4 billion, compared to a profit of ZW$0.8 billion in 2020 with revenue expansion being recorded both net interest income and transaction fees and commissions following growth on the loan book, an uptick in transactional volumes, and increases in prices and earning rates. Trading income from the Bank's treasury operations improved on the back of increased margins on trades and transaction volumes. Additionally, structured Letter of Credit (LC) income also increased due to the exchange rate movements and the increased values of LCs transacted in 2021.

Under historical accounting, the Bank registered a profit after taxation of ZW$4.9 billion, which reduces to a net operating profit of ZW$2.4 billon when fair value credits on investment properties and unlisted securities amounting to ZW$3.1 billion are excluded. The Bank continues to manage a quality loan book with a NPL ratio of less than 1%.

Liquidity and capital adequacy ratios

The Bank maintained a strong liquidity position closing at 57% as of December 2021 (70% on 31 December 2020) against a 30% minimum regulatory requirement. The CAR closed the year at 37% (2020: 29%) against a 12% regulatory minimum requirement.

On the back of a strong performance for the year under review and high-quality assets on the balance sheet the Bank comfortably met the minimum core capital requirement of US$30 million, reckoned at the equivalent ZW$ at the official exchange rate, which came into effect from 31 December 2021. Capital preservation will remain a strategic imperative to manage negative consequences of a volatile operating environment.

The Bank paid an interim dividend at half year and expects to pay a final dividend after the AGM.

Operational highlights

The systems rationalisation programme and launch of digital solutions has started to bring benefit to the Bank with increased system availability and improved customer experience being recorded. The launch of WhatsApp Banking, enhanced through the provision of a Reverse Billing facility for easy access to the service; the rollout of Bureau De Change Services across the network and the increased ATM network during the year provided extra convenience to customers suited to the operating conditions in which contact between customers and staff was minimised due to COVID-19. Implementation of the Visa Secure protocol on the Visa platform enhanced the level of security and provided customers with increased assurance as to the safety of their transactions.

The Bank has continued to introduce solutions in order to meet the needs and expectations of its customers.

During the time that COVID-19 protocols were in effect, the Bank invoked its business continuity management plan and this allowed operations to continue with minimum disruption.

A hybrid customer engagement programme across all segments was adopted during the year in order to keep the Bank connected to its key partners. This included Virtual sundowners, customer cocktails, golf tournaments, "It's All About You" Customer Service Campaign, Banks and Banking Survey profiling, Youth Mentorship, and consistent two-way communication with clients.

Outlook

Continued volatility is expected in the macroeconomic environment in the medium term. This is expected to result in performance risk factors remaining elevated with a high inflation outturn, continued devaluation of the local currency, a sustained high margin between the official exchange rate and rates on the parallel market, being some of the factors expected to exert negative pressure on businesses in general. However, the government projects further growth in 2022 on the back of anticipated growth in mining, agriculture and infrastructure sectors. Short-term dislocations are expected as the election mode is felt ahead of the 2023 plebiscite.

The Bank will approach the market with cautious optimism and capitalise on viable opportunities in the economy, having regard to the attendant risks. Growth in liabilities will be pursued leveraging new and long-standing relations and through products that promote stickiness of customer deposits. The regional presence of the Group will also be utilised to support the development and deployment of innovative customer solutions.

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 the <IR> 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 26 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 therefore not considered material to this report.

MANUFACTURED CAPITAL

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

Salient facts and achievements

as of 31 December 2021
84 ATMs (2020: 76) (2019: 121)
3 145 POS devices (2020: 1 604) (2019: 1 432)
78 branches, agencies, loan centres and service centres (2020: 79) (2019: 81)
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 invest to 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$37 million (2020: US$29 million) (2019: US$26.2 million)
- Leasehold improvements US$8.7 million (2020: US$8.2 million) (2019: US$9.8 million)
- Corporate jet US$1.1 million (2020: US$1.5 million) (2019: US$1.7 million)
- Motor vehicles US$1.5 million (2020: US$0.9 million) (2019: US$1.4 million)
- Equipment, fixtures and fittings US$7.4 million (2020: US$6/6 million) (2019: US$8.1 million)
- Capital work in progress US$1.0 million (2020: US$7.4 million) (2019: US$2.9 million).

HUMAN CAPITAL

Our people are critical to the execution of our strategy. The skills, expertise and commitment of all our colleagues enable us to deliver excellent service thereby creating value to FMBCH stakeholders.

Salient facts and achievements

as of 31 December 2021
1 773 staff members
A staff retention rate of 93.4%
Ensuring uninterrupted customer service whilst maintaining remote and rotational work arrangements during the further waves of the COVID-19 pandemic.
Safety interventions maintained across all business premises to ensure the health and safety of our employees and customers.
Accelerated online staff training and development, which included upskilling employees for digital transformation
A robust performance management policy and process which promotes and supports high performance.
Group-wide employee engagement pulse survey as well as full survey undertaken
A Group-wide succession and talent management process implemented.

Management approach

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

During 2021, we continued with the focus 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 and rotational working and social distancing.

The monitoring of the pandemic across the Group was a standard agenda item on the monthly Group CEO senior leadership meeting. Specific policies were enhanced and sustained 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.

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, engaged and equipped to perform their duties at the highest possible standards.

SOCIAL CAPITAL

The Group continues to build strong partnerships with key stakeholder groups including service providers, communities, regulators and shareholders

Salient facts and achievements

as of 31 December 2021
Effective symbiotic relations with our stakeholders
Effective CSR initiatives and programmes
Social licence to operate
Committed to facilitating financial inclusion across all market sectors
Building strong reputation and growing brand equity
A Group wide succession and talent management process implemented.

Management approach

FMBCH is increasingly becoming a household name in the markets that we operate. We are aware of what our various stakeholders expect of us across all the markets that we operate in. The success of the organisation depends on the strong partnerships that we have with all our stakeholders. We are keen to ensure that as we grow and become successful all our stakeholders benefit from such achievements.

The communities in which we do our business are essential to our continued success and as such always endeavour to build mutually beneficial relationships. As we interact with the communities and invest in them, we aim to uplift those whom we come into contact with, in a meaningful manner. All our markets actively identify areas that we can make the greatest impact. This is guided by our values. Protection of our reputation is important and we put particular attention in tracking, monitoring and managing any activities, communications and/or publications that may have a negative impact on our reputation. We also proactively engage all our key stakeholders to maintain good rapport which enhances our reputation.

Performance

Effective stakeholder outcomes

Deliberate and continuous engagement with our key stakeholder groups creates avenues through which we can get the much needed feedback from them. Our stakeholders provide us with key insights and input which help us shape our strategy and actions

While COVID-19 remained a cause of concern our response to the pandemic remained guided by the strategy that we built in the previous year. Some of our CSR initiatives in 2021 were affected by the pandemic as we still needed to maintain social distancing. Most of our markets remained in hard lock down particularly in the first half of the year.

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 and the relevant reports that we share with them.	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 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. The Group Chief Executive Officer/Group Managing Director and Group functional heads also provide support to the country in ensuring compliance.	We continued complying with the government and regulatory requirements across our businesses.
Customers	The Group has platforms through which customers share their feedback, insights and expectations. Focus groups, customer satisfactions surveys, contact centres, emails and social media platforms are some of the ways through which customers communicate with us. We aim to act upon customer feedback.	Service delivery continued uninterrupted. Our digital platforms provided the much-needed convenience to our clients during the lockdown periods. Our IT and Operations hub in Mauritius ensured uninterrupted service across our various clients.
Community	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.	A number of programmes and initiatives were implemented across our markets. We also provided COVID-19 relief in some of the markets.
Employees	The Groups aims to make FMBCH a great place to work. Training and development opportunities are given to the colleagues so that their skills remain relevant Communication between management and employees is a continuous process. We engage with employees regularly through performance management assessments, satisfaction surveys, townhalls, emails as well as other less formal gatherings.	In response to the COVID-19 pandemic we allowed employees to work from home, wherever that was possible. Training opportunities were availed to our employees across the various levels of the organisation. Graduate trainees remain critical in ensuring that we continue infusing new talent to the organisation.
Business Partners	The Group engages with business partners to enhance our service offering and products, accelerate our digitisation efforts and ultimately support the achievement of our strategic objectives.	We partner with global and regional financial institutions and work closely with development institutions. During the year, we partnered with RIA Money Transfer to offer remittance services in Zimbabwe.

Good corporate citizenship

Our success as a business is greatly influenced and supported by the communities around us. We understand that long term sustainability and stability of the communities is important for the growth our business. As a result, we constantly look at the ways in which we can positively impact on the lives of people across our geographies. Our CSR activities focus on areas that have the greatest impact on groups of people and/or communities as opposed to individuals. Most of our CSR initiatives are implemented by the individual Group subsidiary Banks working with their communities and partners.

Except for Mozambique, our subsidiary Banks participated in the Global Money Week commemorations, an initiative which seeks to promote financial literacy among the youth. Key highlights from the Group's CSR and community sponsorship initiatives over the past financial year are as follows:

Botswana

Our colleagues from Mogoditshane branch identified four families that required support with basic stuff. The team contributed a total of BWP2 600 and the Bank topped up with BWP2 400 to make a total of BWP5 000. With this, food hampers and toiletries were purchased for the families.

Colleagues from First Capital House and Mogoditshane branch supported the "Mosadi – My Sisters keeper" CSR initiative and positioned the Bank as one that cares for the community that we operate in. Collectively, the contribution from the Bank and colleagues amounted to 103 packs of sanitary pads and 55 baby blankets.

Partnership with Ramotswa School of the Deaf

The "Living our Values" CSR month came to an end with a handover event on 12 June 2021 at Ramotswa School of the Deaf.

The Bank purchased a television set (worth over BWP10 000) to enable the school to broaden their syllabus scope by providing sign language educational programmes and entertainment. Colleagues from Capital House (Old Lobatse Road) and Main Mall Loan Centre also donated toiletries amounting to BWP4 249.

Breast Cancer Awareness Month initiative

October marks Breast Cancer Awareness Month, an annual campaign to increase awareness of the disease. The Bank took a stance against a disease that affects too many men and women worldwide.

First Capital Bank teamed up with Journey of Hope Botswana (JOHB) for the month of October to support their mission to prevent and detect breast cancer as well as unite those fighting it. JOHB is a not for profit organisation of volunteers whose aim is to promote breast cancer awareness throughout Botswana.

Donation to Cheshire Foundation

The Risk and Compliance Department spearheaded a Christmas Hamper donation to Cheshire Foundation. The Bank donated bedding, disposable nappies and wipes (valued at BWP5 000) as well as a cheque of BWP5 000.

First Capital Bank Festive Showdown

The third Annual First Capital Bank Festive Showdown (in partnership with the Francistown School of Chess) took place between 10th and 13th December 2021. While the COVID-19 fourth wave and travel bans limited the number of international participants that could attend, the tournament was a success.

Malawi

2021 marked the 16th year that the Bank has been sponsoring the under 20 grassroot football league in Malawi. Through our partnership with National Youth Football Association the games resumed following the suspension of football because of the COVID-19 pandemic. A total of 172 teams were registered from the 14 participating districts in Malawi giving an opportunity to several young people to pursue their footballing passion. Working in partnership with the Football Association of Malawi, the Bank also donated MWK5 million in support of the national team's participation at the 2021 AFCON tournament.

Vehicle donation

First Capital Bank donated a vehicle to Chifundo, Chilungamo, Chitukuko Trust (CCC). The organisation has been operating since 2004 and works with prison inmates while serving their sentences and also after release. The programmes run through CCC focus on education and health, encourage prisoners to study, carry our peace work and rehabilitate them back into society.

CCC have been struggling with mobility over the past years to cover projects they are running in the 16 prisons that they are currently reaching out to. We believe the donation of the vehicle will go a long way in assisting with the daily running of their logistics.

Mozambique

Celebration of the International Day of the African Child

On the celebration of the International Day of the African Child, First Capital Bank donated food products and clothing items offered by our employees to about 150 children in need sheltered by Casa do Gaiato, an institution located in Maputo Province, District of Boane. The Bank also donated food stuffs to Infantário 1º de Maio, in Maputo, an orphanage that shelters approximately 50 children aged between 0 and 12 years. The total approximate cost for the two donations was USD3 000.

Zambia

The Bank continues to support the fight against the COVID-19 pandemic as well as cancer. We donated to the Cancer Diseases Hospital (CDH) items which are meant to help the Hospital in its COVID-19 prevention efforts as well as Breast and Cervical Cancer Screening outreach activities. The donated items included a tent, washing stations and hand thermometers.

We are also mindful of our collective responsibility to be good stewards of the environment. First Capital Bank Zambia partnered with the Rotary club of Lusaka East in the Shangamutengo tree planting project targeted at strategic locations such as schools, hospitals, and stadiums. The project kicked off on 9 October 2021 at Levy Mwanawasa Hospital, where the Bank planted 80 different types of indigenous trees worth ZMW20 700.

In our quest to support the youths, we donated 10 reconditioned computers to the Community Based TB/HIV/AIDS Organisation (CBTO). The computers were meant to support the educational well-being and social welfare of 200 children, 96 boys and 104 girls as well as 60 youths between the ages of 16 and 30 years in the community. The centre provides holistic care and support to TB/HIV patients and their families at community level.

Zimbabwe

Mentorship Programme Junior Achievement Zimbabwe

First Capital Bank Zimbabwe partnered with Junior Achievement Zimbabwe to roll out a mentorship programme. The programme is an intervention for out-of-school youths that seeks to create an alternative income generating avenue in the existing macroeconomic climate. Under this programme, banking professionals from Investment, Treasury, Retail, Marketing and Finance departments gave mentorship tutorials to assist the youth to unlock their potential through transferring professional life skills that would help them to realise their full potential. With an investment of ZWL157 950, the programme benefited forty out of school youths.

Virtual Financial Literacy Mentorship Prog-JAZ

The Bank ran an online programme to upskill youths in high school with basic financial literacy skills. The initiative was focused on empowering youths to make prudent financial decisions.

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 2021
Sound reputation of subsidiary bank brands
Financial Service Provider licenses 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 Committees 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 CEO 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 2021 financial year was a year of exceptional performance for us building on the strong results in 2020.

The investment that we have made over the years on our IT and digital infrastructure continues pay dividend as we were able to offer top of the range services to our customers. Key highlights of our performance include the following:

We grew our customer base to over 440 000.

- We successfully rolled out Whatsapp banking in two of our markets
- We improved the security of clients as they transact online through implementation of the Visa secure
- We increased our focus on cyber security through training of staff, implementation of Visa secure as well as investment in other technologies.

Innovation and service improvement

The following new products were launched during 2021:

Product	COUNTRIES THAT LAUNCHED
Visa Secure	Botswana, Malawi, Zambia Zimbabwe
WhatsApp Banking	Malawi, Zimbabwe
Money Transfer Service (Hello Paisa)	Zimbabwe
Kazang integration, Online Purchase using debit cards	Zambia
MobileApp enhancements resulting in additional billers: to such as ZESCO, Fly Emirates, AIRTEL, MTN & ZAMTEL	Zambia
Launch of Visa debit cards	Mozambique
Enhancement of the Internet banking platform – Social Security (INSS) and JUE (single window) payments	Mozambique
▪ Bureau De Change ▪ Reverse Billing ▪ Payroll lending	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 cyber security 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 technology risk 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 artificial intelligence (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 to retaining their loyalty and growing our business.

5 CORPORATE GOVERNANCE

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.

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.

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

robust risk governance and internal controls

strong commitment to ethics and values

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.

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 2021 Annual Report, as outlined below:

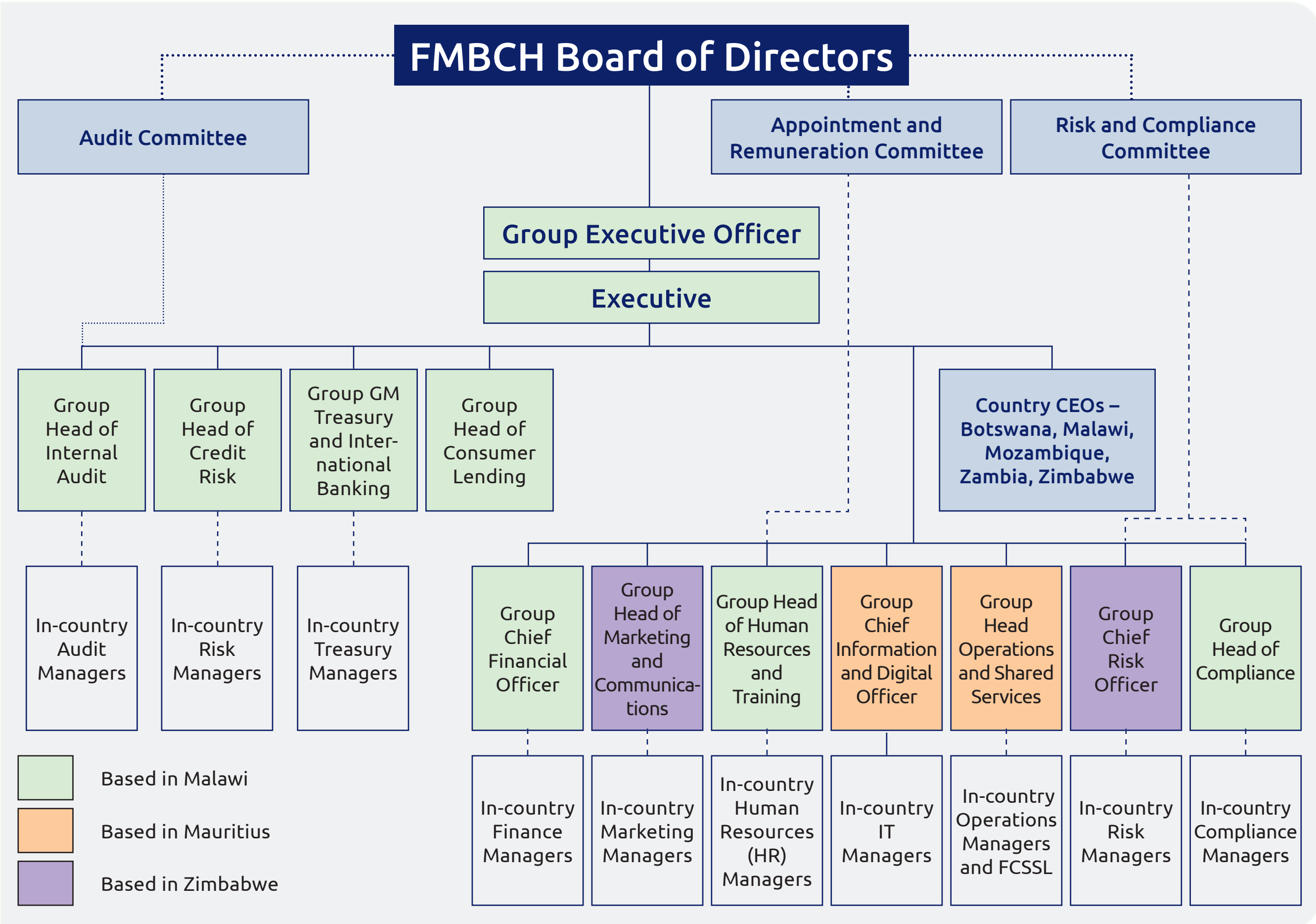
PRINCIPLES OF THE CODE		*Relevant sections of the Annual Report*
Principle 1	**Governance structure**	*Corporate Governance Report*
Principle 2	**The structure of the Board and its committees**	*Corporate Governance Report*
Principle 3	**Director appointment procedures**	*Corporate Governance Report*
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 three committees – the Audit Committee, the Risk and Compliance Committee and the Appointments and Remuneration 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 Chief Executive Officer

The Group Chief Executive Officer 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 on their respective websites 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/**

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.

Board committee memberships: Appointment and remuneration committee

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 and Appointment and remuneration 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

Priscilla Balgobin-Bhoyrul/Non-executive Director *Appointed 2021*

Mrs Balgobin-Bhoyrul is a Barrister at Law and has been called to both the Bar of England and Wales (1998) and to the Mauritian Bar (1999). She is a Senior Partner in the Dentons Mauritius office and focuses on private equity funds, corporate and employment law matters. She regularly advises and acts on behalf of commercial and investment banks, private equity and venture capital firms. Over the years, she has also been involved in several Mergers and Acquisitions, and IPOs. She is a graduate of the London School of Economics and Political Science (UK) and has followed the Authentic Leadership Development Programme at Harvard Business School.

Board committee memberships: Audit committee

Mr Gavin Chapman/Non-executive Director *Appointed 2021*

Mr Chapman is a senior finance professional with over 28 continuous years of direct financial services experience across multiple disciplines in large, world class, complex organisations, and a track record of building and running successful businesses, managing complex change and implementing strategic growth or turnaround plans to the benefit of multiple stakeholders. He is currently the Managing Director, Co-Head of Barclays Principal Investments and has held several senior roles within the Barclays Group. He is a member of the Institute of Chartered Accountants of England and Wales (ACA), and a member of the Institute of Corporate Treasurers (AMCT).

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: Risk and compliance committee, and Appointment and remuneration committee

Mr Jaco Viljoen was appointed as Group Chief Executive Officer, effective 1 January 2022, at which point Mr Mahendra Gursahani resumed his position as a Non-executive Director of 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 2020	31 Dec 2021
Francesco Ceccato – resigned December 2020.	Terence Michael Davidson – Chairman
Gavin John Chapman – appointed January 2021	Hitesh Anadkat
Priscilla Balgobin-Bhoyrul – appointed January 2021	Rajkamal Taposeea
	John Michael O'Neill
	Christo Els
	Susanne Alfs
	Gavin John Chapman
	Mahendra Gursahani – Interim Group Managing Director
	Priscilla Balgobin-Bhoyrul

The role of the Board is 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 55 to 57 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 requirements.

Meeting attendance in 2021

Board member	29/01/21	21/06/21	21/09/21	19/11/21
Terence Michael Davidson (Chairperson)	√	√	√	√
Hitesh Natwarlal Anadkat	√	√	√	√
Susanne Alfs	√	√	√	√
Priscilla Balgobin-Bhoyrul	√	√	√	√
Gavin John Chapman	√	√	√	√
Mahendra Gursahani	√	√	√	√
Michael John O'Neill	√	√	√	√
Taposeea Rajkamal	√	√	√	√
Johannes Christoffel Els	X	√	√	√

√ *Attended*
X *Apology provided*

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 International Financial Reporting Standards (IFRS) compliance
- Enhancing the Group's risk and compliance framework.

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

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 auditor.

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 members	22/03/21	07/06/21	10/09/21	19/11/21
Susanne Alfs	√	√	√	√
Priscilla Balgobin-Bhoyrul	√	√	√	√
Michael John O'Neill (Chairperson)	√	√	√	√

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

- Group Chief Executive Officer/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 auditor (*).

Should a Mandatory Invitee (*), other than the Group Chief Executive Officer/Group Managing Director, 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 2021 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

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.

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 members	23/03/21	02/06/21	16/09/21	09/11/21
Rajkamal Taposeea (Chairperson)	√	√	√	√
Christo Els	√	√	√	√
Mahendra Gursahani	√	√	√	√

Focus areas in the 2021 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 Internal Capital Adequacy and Assessment Process (ICAAP)
- Compliance with IFRS frameworks.

Appointment and remuneration committee

Composition and meetings

The Committee consists of three Directors and meets at least three times in the year in line with its approved terms of reference and good governance practice.

Committee Member	23/03/21	10/09/21	10/11/21
Terence Davidson	√	√	√
Hitesh Anadkat	√	√	√
Mahendra Gursahani	√	√	√

The Committee invites the Group Head of HR* to attend and provide an update on the People agenda.

Other invitees are invited on an as is required basis to provide pertinent information and updates as is necessary.

Key responsibilities

The Committee assists the Board in;

- Overseeing the establishment and review of the remuneration policy
- Determining the remuneration structure of executive directors and senior executive officers upon the evaluation of their performance
- Review and oversee People policies aimed at attracting, retaining and developing its employee resources.
- Ensuring that there is a senior executive succession plan in place that meets regulatory requirements.
- Engages in the recruitment of board members and senior executives
- Promoting the organisational culture which is supported by the values.

Focus areas in the 2021 financial year

- Search and appointment of Group Chief Executive Officer
- Search and appointment of CEO Malawi and Mozambique
- Keeping track of the impact of the COVID-19 pandemic on the productivity of the workforce
- Staying abreast on the progress of the HR transformation to a single HR system and Self Service
- Senior Executive succession plans
- Board reward structure
- Compliance with Labour legislation and regulations
- Approval and adherence of Group HR policies and practices.

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.

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 2021, the total remuneration provided to key management and directors was as follows:

	CONSOLIDATED		SEPARATE	
US$	2021	2020	2021	2020
Executive Directors	**460 000**	586 099	**460 000**	586 099
Key management personnel	**3 622 578**	2 744 834	**1 083 212**	614 216
Non-executive Directors including expenses	**947 559**	929 215	**186 489**	226 208
Total spend	**5 030 137**	4 260 148	**1 729 701**	1 426 523

Directors' interests and dealings in securities is not included.

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 William 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 Edgar Kalanga / **Group Head of Internal Audit**

Appointed November 2021

FCCA, Bachelor of Accountancy Degree, MBA, CA (MW)

Mr Kalanga joined the Group in January 2019 as the Head of Internal Audit for First Capital Bank Malawi. Previously he worked for ten years with Deloitte in Malawi, the Middle East and the United Kingdom in various capacities from Audit Trainee to Engagement manager in Audit and Assurance. He has experience in Banking, Micro-finance, Insurance, Private Equity and Investments and funds management.

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) Programme.

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 Viljoen was appointed Group Chief Executive Officer, effective 1 January 2022, and Ms Agness Jazza was appointed as Acting CEO of Malawi.

Mr. Joao Rodrigues / Chief Executive Officer, First Capital Bank, Mozambique

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. 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.

RISK GOVERNANCE

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
- 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 cyber attacks 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 meetings 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 reports and makes recommendations for remedial actions to the Board.

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, Retail/Payroll Lending, Operations and Enabling functions.

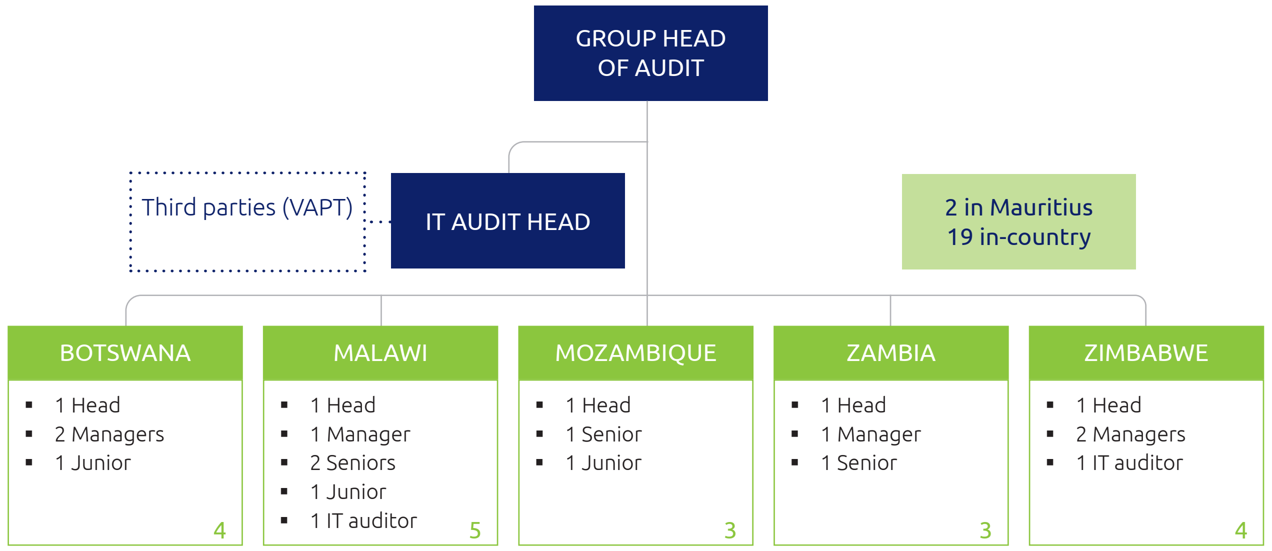
4 **Thematic Audits**
Thematic audits have been defined for key risk areas to be delivered across the Group, with standardised audit programmes to ensure consistency in the way audits are conducted: AML/CFT, Credit, Treasury, IT, IFRS 9 and Internal Financial Controls.

5 **Audit Tool**
TeamMate was adopted as the audit tool from January 2019. The tool is web-based and has been configured according to the audit methodology. The tool has functionality that allows tracking and follow up of audit issues, and can be accessed by business users to upload pieces of evidence.

The Group has an annual 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. Edgar Kalanga, 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.

The internal auditor informs 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 auditor and the Board of Directors.

Group Internal Audit staffing structure



External auditor

Deloitte has independently audited the 2021 annual financial statements contained in this report. Its unmodified audit opinion appears on pages 76 to 78 of the annual financial statements.

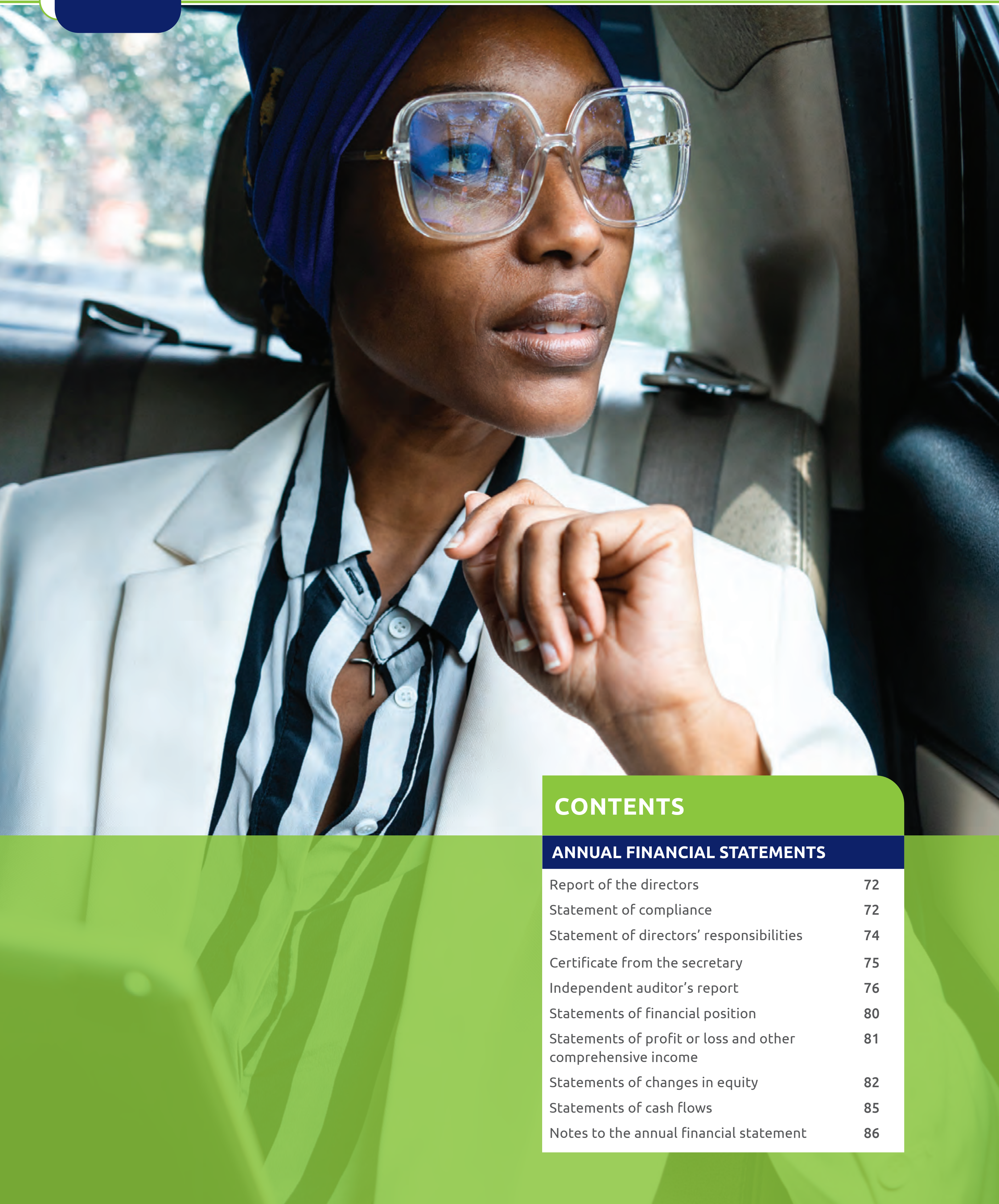
The scope of the audit is limited to information as described in their audit report and where Deloitte has identified key audit matters, these are addressed in its audit opinion. With a view to ensuring the overall adequacy of the Bank's internal control framework, the Audit Committee evaluates the independence 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. In 2021, the Audit Committee met regularly with the external auditor.

6 ANNUAL FINANCIAL STATEMENTS



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ANNUAL FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

Nature of Business

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

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

Directors' interests in the company

As at 31 December 2021, 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:

		2021		2020	
Name		Shares	%	Shares	%
Premier Capital (Mauritius) Limited	(i)	**766 266 044**	**31.17**	766 266 044	31.17
Prime Bank Limited		**262 500 000**	**10.68**	262 500 000	10.68
Prime Capital Holdings Limited		**262 500 000**	**10.68**	262 500 000	10.68
MAGNI Holdings Limited	(i)	**232 000 000**	**9.44**	232 000 000	9.44
Hitesh N. Anadkat	(i)	**61 710 170**	**2.51**	61 710 170	2.51
NG Anadkat Limited	(i)	**27 067 289**	**1.10**	27 067 289	1.10
Livingstone Exports Limited	(i)	**16 446 961**	**0.66**	16 446 961	0.66
Livingstone Holdings Limited	(i)	**13 116 970**	**0.53**	13 116 970	0.53
Thomas Kadantot	(ii)	**1 587 600**	**0.06**	1 587 600	0.06
John Michael O'Neill		**1 309 391**	**0.05**	1 309 391	0.05
Modecai Msisha	(iii)	**–**	**–**	1 050 000	0.04

(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. T Kadantot is a director of FCB Malawi, a wholly owned subsidiary of the Company.

(iii) Mr. M. Msisha resigned on 16 April 2021 as a director of FCB Malawi.

The Board of Directors and Directors' remuneration

As at 31 December 2021, the Board comprised
Terence Michael Davidson – Chairman
Johannes Christoffel Els
Rajkamal Taposeea
Gavin Chapman
Mahendra Gursahani – Interim Group Managing Director
Hitesh Natwarlal Anadkat
John Michael O'Neill
Susanne Alfs
Priscilla Balgobin-Bhoyrul

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, 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 53 of the annual financial statements.

Dividend

During 2021 a final dividend in respect of the financial year ended 31 December 2020, of US$1,966,600 (0.08 cents per ordinary share) was approved by shareholders at the Annual General Meeting in June 2021 and paid in July 2021.

An interim dividend in respect of the financial year ended 31 December 2021, of US$1,966,600 (0.08 cents per ordinary share) was approved by the Directors in September 2021 and paid in October 2021.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2021, of US$2 458 250 (0.1 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 2022.

Going concern

The Directors have no reason to believe that the Group will not be a going concern in the period ahead. Going concern assessment was performed by review of the economic conditions under which the Group is expected to perform over the next 12 months, its ability to adapt its strategy, business and operating models to the projected macro environment, financial forecasts and business underwriting capacity. The Group has sufficient capital, human and physical resources as well as sources of sustainable deposits which are well diversified and is therefore able to address short-terms stress factors within reasonable parameters.

The impact of COVID-19 on the operations of the Group has been considered in the impairment calculation on the Group's financial assets. Whilst risks related to the pandemic remain elevated due to the considerably high level of uncertainty around its control, its impact on the Group going forward has been assessed as not material based on the infection and mortality statistics as at the reporting date as well as coping mechanisms that have been implemented internationally, including widespread vaccinations.

The Group's financial statements as at 31 December 2021 have therefore been prepared on the going-concern assumption.

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 76 to 78 and the financial statements are set out on pages 80 to 183.

On behalf of the board

Mr T. M. Davidson
Director

Mr M. Gursahani
Director

19 May 2022

STATEMENT OF COMPLIANCE/DIRECTORS' RESPONSIBILITIES

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 2021 and the statements of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year ended 31 December 2021, 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 Global Business Licence. In addition, the Directors are responsible for preparing the Director's 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; and
- 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 19 May 2022 and are signed on its behalf by:

Mr T. M. Davidson
Director

Mr M. Gursahani
Director

19 May 2022

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 2021.

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
19 May 2022

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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

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

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **FMBcapital Holdings Plc** (the "Company") and its subsidiaries (the "Group") set out on pages 10 to 113, which comprise the statements of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2021, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Global Business Licence companies.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
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.

Deloitte.

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

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

Other information

The directors are responsible for the other information. The other information comprises the report of the directors, statement of directors' responsibilities and the certificate from the secretary but does not include the consolidated and separate financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the documents making up the following sections, which are expected to be made available to us after that date:

- Introduction;
- About FMBCH;
- Value creation;
- Delivering our strategy; and
- Corporate governance.

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.

When we read the documents made available to us after the date of this auditor's report, as listed above, and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of directors for the consolidated and separate financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless laws or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

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

Use of this report

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

Deloitte.

Deloitte

Chartered Accountants

19 May 2022

Agrawal.

Vishal Agrawal, FCA

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CONTENTS

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

		CONSOLIDATED		SEPARATE	
US$	Notes	2021	2020	2021	2020
ASSETS					
Cash and cash equivalents	9	**308 714 131**	307 755 707	**9 099 531**	4 216 515
Money market investments	10	**280 271 742**	179 495 043	**–**	–
Loans and advances to customers	11	**552 811 469**	409 710 461	**–**	–
Current tax asset	13	**856 840**	770 082	**–**	–
Repurchase agreements	12	**94 159 251**	57 201 262	**–**	–
Assets held for sale	21	**342 971**	2 656 478	**–**	–
Investments at fair value through profit or loss	14	**6 615 485**	4 910 113	**–**	–
Equity instruments	48	**5 301 985**	699 299	**–**	–
Investments in subsidiary companies	15	**–**	–	**141 385 697**	137 666 463
Investment in joint venture	17	**11 875 000**	11 933 118	**–**	–
Other assets	22	**34 370 411**	29 804 099	**1 435 991**	5 773 253
Deferred tax assets	27	**3 899 227**	2 846 920	**–**	–
Investment property	16	**4 700 000**	4 699 902	**–**	–
Intangible assets	18	**9 817 443**	9 999 952	**2 314 789**	1 840 857
Right-of-use assets	20	**5 823 944**	7 699 382	**117 941**	112 269
Property and equipment	19	**55 797 976**	48 398 614	**617 236**	949 418
Total assets		**1 375 357 875**	1 078 580 432	**154 971 185**	150 558 775
LIABILITIES AND EQUITY					
Liabilities					
Balances due to other banks	23	**209 385 951**	80 792 222	**–**	–
Customer deposits	24	**887 233 383**	757 728 556	**–**	–
Other payables	25	**32 779 088**	40 614 220	**1 726 075**	2 092 125
Income tax payable	13	**2 563 666**	3 159 678	**–**	–
Lease liabilities	20	**6 341 210**	6 236 563	**138 325**	128 153
Deferred tax liabilities	27	**5 225 686**	6 876 757	**–**	–
Provisions	45	**6 502 737**	2 930 626	**–**	–
Loans payable	46	**17 164 924**	15 810 033	**22 312 077**	17 810 033
Subordinated debt	26	**16 012 218**	17 504 281	**–**	–
Convertible preference shares	47	**10 786 747**	10 786 747	**10 786 747**	10 786 747
Total liabilities		**1 193 995 610**	942 439 683	**34 963 224**	30 817 058
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**	6 341 795	**–**	–
Loan loss reserve	31	**2 280 094**	4 185 987	**–**	–
Non-distributable reserves	32	**4 009 717**	1 457 189	**–**	–
Translation reserve	33	**(24 170 309)**	(31 412 494)	**–**	–
Retained earnings		**65 337 350**	40 590 307	**2 598 880**	2 332 636
Total equity attributable to equity holders of the company		**116 697 105**	**84 061 242**	**120 007 961**	**119 741 717**
Non-controlling Interest	34.2	**64 665 160**	52 079 507	**–**	–
Total equity		**181 362 265**	**136 140 749**	**120 007 961**	**119 741 717**
Total equity and liabilities		**1 375 357 875**	**1 078 580 432**	**154 971 185**	**150 558 775**

The consolidated and separate financial statements were approved for issue by the Company's Board of Directors on 19 May 2022 and were signed on its behalf by:

Mr T. M. Davidson
Director

Mr M. Gursahani
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

		CONSOLIDATED		SEPARATE	
US$	Notes	2021	2020	2021	2020
Interest income	35.1	**126 014 015**	90 945 603	**250 788**	418 685
Interest expense	35.2	**(28 885 972)**	(25 196 864)	**(2 384 031)**	(1 976 593)
Net interest income/(expense)		**97 128 043**	65 748 739	**(2 133 243)**	(1 557 908)
Net fees and commissions	36	**44 862 118**	35 649 454	**–**	–
Income/(Loss) from investments	38	**3 892 132**	(571 098)	**8 152 372**	8 333 434
Gain/(loss) on foreign exchange transactions	37	**25 893 046**	25 991 455	**685 365**	(12 198)
Other operating income	39	**1 608 135**	442 208	**2 759 678**	3 102 940
Total non-interest income		**76 255 431**	61 512 019	**11 597 415**	11 424 176
Total operating income		**173 383 474**	127 260 758	**9 464 172**	9 866 268
Staff and training costs	40	**(44 427 820)**	(33 088 549)	**(1 543 212)**	(1 641 722)
Premises and equipment costs	41	**(14 704 316)**	(13 119 357)	**(1 345 284)**	(1 434 555)
Depreciation and amortisation	42	**(8 242 283)**	(9 794 279)	**(719 704)**	(768 302)
Administration and general expenses	43	**(29 523 603)**	(23 684 632)	**(850 224)**	(920 085)
Total expenses		**(96 898 022)**	(79 686 817)	**(4 458 424)**	(4 764 664)
Impairment loss on financial assets	44	**(7 057 932)**	(6 110 669)	**–**	–
Operating profit		**69 427 520**	41 463 272	**5 005 748**	5 101 604
Net monetary loss		**(5 128 967)**	(3 579 035)	**–**	–
Impairment loss on owner occupied property	19	**(3 364 777)**	(990 553)	**–**	–
Impairment loss on investment in joint venture	17	**(16 505 648)**	(1 270 416)	**–**	–
Fair value gain/(loss) on investment property	16	**447 795**	(153 619)	**–**	–
Share of profit in joint venture	17	**14 222 205**	29 600	**–**	–
Profit before income tax expense		**59 098 128**	35 499 249	**5 005 748**	5 101 604
Income tax expense	13.1	**(18 652 122)**	(14 223 198)	**(806 304)**	(802 294)
Profit for the year		**40 446 006**	21 276 051	**4 199 444**	4 299 310
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)	**–**	–
Fair value gain/(loss) on equity instruments net of deferred tax		**4 041 383**	(762 548)	**–**	–
Fair value movement on FVOCI financial assets		**–**	(37 344)	**–**	–
		4 041 383	1 541 986	–	–
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations *		**7 678 880**	(13 834 595)	**–**	–
Total other comprehensive income/(loss) for the year		**11 720 263**	(12 292 609)	**–**	–
Total comprehensive income for the year		**52 166 269**	8 983 442	**4 199 444**	4 299 310
Profit or loss attributable to:					
Owners of the parent		**27 206 368**	13 314 320	**4 199 444**	4 299 310
Non-controlling interest	34.2	**13 239 638**	7 961 731	**–**	–
Profit for the year		**40 446 006**	21 276 051	**4 199 444**	4 299 310
Total comprehensive income attributable to:					
Owners of the parent		**32 831 648**	5 845 559	**4 199 444**	4 299 310
Non-controlling interest		**19 334 621**	3 137 883	**–**	–
Total comprehensive income for the year		**52 166 269**	8 983 442	**4 199 444**	4 299 310
Basic earnings per share (US cents)	49	**1.107**	0.542	**–**	–
Diluted earnings per share (US cents)	49	**1.042**	0.517	**–**	–

** Incorporates effects of hyperinflation*

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	CONSOLIDATED					CONSOLIDATED				
2021 US$	Share capital	Restructuring reserve	Property revaluation reserve	Loan loss reserves	Non-distributable reserves	Translation reserve	Retained earnings	Equity attributable to owners	Non-controlling interest	Total equity
Opening Balance 1 January 2021	117 409 081	(54 510 623)	6 341 795	4 185 987	1 457 189	(31 412 494)	40 590 307	84 061 242	52 079 507	136 140 749
Profit for the year	–	–	–	–	–	–	27 206 368	27 206 368	13 239 638	40 446 006
Other Comprehensive income										
Fair value gain on investment net of deferred tax	–	–	–	–	2 122 130	–	–	2 122 130	1 919 253	4 041 383
Arising on consolidation of foreign subsidiaries *	–	–	–	–	–	3 503 150	–	3 503 150	4 175 730	7 678 880
Total other comprehensive income	–	–	–	–	2 122 130	3 503 150	–	5 625 280	6 094 983	11 720 263
Total comprehensive income for the year	–	–	–	–	2 122 130	3 503 150	27 206 368	32 831 648	19 334 621	52 166 269
Transfers within reserves										
Transfer to non-distributable reserve	–	–	–	–	2 378 395	–	(2 378 395)	–	–	–
Net Transfer from loan loss reserve	–	–	–	(1 905 893)	–	–	1 905 893	–	–	–
	–	–	–	(1 905 893)	2 378 395	–	(472 502)	–	–	–
Other movements										
Recognition of share-based payments	–	–	–	–	5 311	–	–	5 311	4 803	10 114
	–	–	–	–	5 311	–	–	5 311	4 803	10 114
Transactions with owners, recorded directly in equity										
Contribution by and distribution to owners										
Arising on increase of control in subsidiary	–	–	–	–	168 822	3 739 035	(175 753)	3 732 104	(3 988 280)	(250 000)
Dividends paid to owners of the parent	–	–	–	–	–	–	(3 933 200)	(3 933 200)	–	(3 933 200)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(2 771 667)	(2 771 667)
Total transactions with owners	–	–	–	–	168 822	3 739 035	(4 108 953)	(201 096)	(6 759 957)	(6 954 867)
Balance as at 31 December 2021	117 409 081	(54 510 623)	6 341 795	2 280 094	4 009 717	(24 170 309)	65 337 350	116 697 105	64 665 160	181 362 265
2020 US$										
Opening Balance 1 January 2020	117 409 081	(54 510 623)	4 245 921	4 058 845	1 689 652	(22 107 529)	27 430 869	78 216 216	49 793 394	128 009 610
Profit for the year	–	–	–	–	–	–	13 314 320	13 314 320	7 961 731	21 276 051
Other Comprehensive income									–	
Property revaluation	–	–	2 761 438	–	–	–	–	2 761 438	210 544	2 971 982
Deferred tax on revalued assets	–	–	(583 784)	–	–	–	–	(583 784)	(46 320)	(630 104)
Depreciation on property revaluation surplus	–	–	(81 780)	–	–	–	81 780	–	–	–
Fair value loss on investment net of deferred tax	–	–	–	–	(325 509)	–	–	(325 509)	(437 039)	(762 548)
Arising on consolidation of foreign subsidiaries *	–	–	–	–	–	(9 304 965)	–	(9 304 965)	(4 529 630)	(13 834 595)
Fair value movement on FVOCI financial assets	–	–	–	–	(15 941)	–	–	(15 941)	(21 403)	(37 344)
Total other comprehensive income	–	–	2 095 874	–	(341 450)	(9 304 965)	81 780	(7 468 761)	(4 823 848)	(12 292 609)
Total comprehensive income for the year	–	–	2 095 874	–	(341 450)	(9 304 965)	13 396 100	5 845 559	3 137 883	8 983 442
Transfers within reserves										
Transfer to non-distributable reserve	–	–	–	–	109 520	–	(109 520)	–	–	–
Transfer to loan loss reserve	–	–	–	127 142	–	–	(127 142)	–	–	–
	–	–	–	127 142	109 520	–	(236 662)	–	–	–
Other movements										
Recognition of share-based payments	–	–	–	–	(533)	–	–	(533)	(715)	(1 248)
	–	–	–	–	(533)	–	–	(533)	(715)	(1 248)
Transactions with owners, recorded directly in equity										
Contribution by and distribution to owners										
Issue of ordinary shares during the year	–	–	–	–	–	–	–	–	520 872	520 872
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(1 371 927)	(1 371 927)
Total transactions with owners	–	–	–	–	–	–	–	–	(851 055)	(851 055)
Balance as at 31 December 2020	117 409 081	(54 510 623)	6 341 795	4 185 987	1 457 189	(31 412 494)	40 590 307	84 061 242	52 079 507	136 140 749

* *Incorporates effects of hyperinflation*

STATEMENTS OF CHANGES IN EQUITY

Statements of changes in equity continued

	SEPARATE		
US$	Share capital	Retained earnings	Total equity
Balance as at 1 January 2021	**117 409 081**	**2 332 636**	**119 741 717**
Profit for the year	**–**	**4 199 444**	**4 199 444**
Total other comprehensive income	**–**	**4 199 444**	**4 199 444**
Transactions with owners, recorded directly in equity			
Contribution by and distribution to owners			
Dividends paid to owners	**–**	**(3 933 200)**	**(3 933 200)**
Total transactions with owners	**–**	**(3 933 200)**	**(3 933 200)**
Balance as at 31 December 2021	**117 409 081**	**2 598 880**	**120 007 961**
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

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2021

		CONSOLIDATED		SEPARATE	
US$	Note	2021	2020	2021	2020
Cash flows from operating activities					
Interest and fees received		**196 499 298**	149 670 051	**4 135 116**	3 521 625
Interest paid		**(28 830 096)**	(23 081 873)	**(3 008 852)**	(1 976 593)
Cash paid to suppliers and employees		**(92 711 688)**	(63 170 211)	**(3 384 079)**	(4 920 749)
		74 957 514	63 417 967	**(2 257 815)**	(3 375 717)
(Decrease) / increase in net customer balances		**(2 574 791)**	64 054 199	**–**	–
Cash generated from/(used in) operations		**72 382 723**	127 472 166	**(2 257 815)**	(3 375 717)
Dividends received		**2 406 624**	738 508	**7 997 000**	8 333 434
Income taxes paid	13.3	**(22 693 973)**	(11 149 539)	**(806 304)**	(802 294)
Cash generated from operating activities		**52 095 374**	117 061 135	**4 932 881**	4 155 423
Cash flows from investing activities					
(Purchases)/Maturities of money market investments (net)	10	**(97 621 039)**	33 819 911	**–**	–
Maturities/(Purchases) of currency swaps (net)	12	**(36 993 509)**	5 819 064	**–**	–
Sale of investments at fair value through profit or loss	14	**721 253**	–	**–**	–
Investments in subsidiaries	15	**–**	–	**(250 000)**	(2 071 378)
Proceeds from sale of assets held for sale		**884 910**	80 730	**–**	–
Proceeds from sale of equipment		**1 293 788**	146 882	**44 238**	–
Acquisition of property and equipment and intangibles	18,19	**(12 199 259)**	(4 312 477)	**(894 479)**	(845 315)
Cash (outflow)/inflow applied to investing activities		**(143 904 856)**	35 554 110	**(1 100 241)**	(2 916 693)
Cash flows from financing activities					
Capital subscription by non-controlling interests		**–**	520 872	**–**	–
Dividends paid to non-controlling interests		**(2 771 667)**	(1 371 927)	**–**	–
Equity transaction with non-controlling interests		**(250 000)**	–	**–**	–
Dividends paid		**(3 933 200)**	–	**(3 933 200)**	–
Payments for lease liabilities		**(1 944 240)**	(1 005 317)	**(16 424)**	(105 013)
Proceeds from / (Repayment of) short and long term borrowings	23.2	**131 370 600**	(58 178 828)	**5 000 000**	2 000 000
Cash flows from financing activities		**122 471 493**	(60 035 200)	**1 050 376**	1 894 987
Net increase in cash and cash equivalents		**30 662 011**	92 580 045	**4 883 016**	3 133 717
Cash and cash equivalents at 1 January		**307 795 095**	247 203 772	**4 216 515**	1 222 774
Effect of changes in exchange rate and hyperinflation		**(29 701 995)**	(31 988 722)	**–**	(139 976)
Cash and cash equivalents at 31 December	9	**308 755 111**	307 795 095	**9 099 531**	4 216 515

** Consolidated cash and cash equivalents at 31 December are gross amounts excluding expected credit losses of US$40 979 and US$39 388 for 2021 and 2020 respectively.*

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

1 Reporting entity

FMBcapital Holdings Plc (the Company or FMBCH) was incorporated in the Republic of Mauritius under the name of FMB Capital Holdings Limited as a public company limited by shares under the Mauritius Companies Act, 2001 and holds a Global Business Licence issued by the Financial Services Commission under the Financial Services Act. 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 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;
- debt and equity instruments at fair value through other comprehensive income (FVOCI);
- investment property measured at fair value;
- investment in joint venture, the underlying investment property is measured at 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 2021. 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 *BASIS OF PREPARATION (continued)*

2.4 IAS 29 *Financial reporting in hyperinflationary economies*

The Zimbabwe economy remained hyperinflationary in the year ended 31 December 2021 and, accordingly, 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 2021, in accordance with the principles laid down in IAS 29 which are summarised below:

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

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

The Group has determined that the Zimbabwe All Items Consumer Price Index (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	2021	2020
CPI %	**3 977.46**	2 474.50
US$ interbank rate	**108.67**	81.787

3 Adoption of new and revised international financial reporting standards

Standard/ Interpretation	Content	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON OR AFTER
COVID-19-related Rent Concessions *– Amendments to IFRS 16*	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, The IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. ** The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.*	1 June 2020/ 1 April 2021 *
Interest Rate Benchmark Reform Phase 2 *– Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*	In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: • When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. • The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.	1 January 2021

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

Standard/ Interpretation	Content	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON OR AFTER
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.	1 January 2023 (deferred from 1 January 2021)
Property, Plant and Equipment: Proceeds before intended use – *Amendments to IAS 16*	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework – *Amendments to IFRS 3*	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous Contracts *– Cost of Fulfilling a Contract Amendments to IAS 37*	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022

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

Standard/ Interpretation	Content	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON OR AFTER
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022
Classification of Liabilities as Current or Non-current – *Amendments to IAS 1*	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Error."	1 January 2022
Disclosure of Accounting Policies *– Amendments to IAS 1 and IFRS Practice Statement 2*	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023
Definition of Accounting Estimates – *Amendments to IAS 8*	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023

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

Standard/ Interpretation	Content	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON OR AFTER
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – *Amendments to IAS 12*	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023
Sale or contribution of assets between an investor and its associate or joint venture – *Amendments to IFRS 10 and IAS 28*	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. *** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.*	Not Applicable**

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

Effect of IBOR reform

The reform and replacement of various inter-bank offered rates ('IBORs') is now a priority for many regulators. Numerous IBOR rates are no longer being published from 31 December 2021, while certain US$ LIBOR (London Inter Bank rates) Rates no longer be published after 30 June 2023.

The above introduces a number of risks to the Group including, but not limited to:

Market risk – risk of not aligning to market regulations such as the ISDA, not meeting the market transition timelines and liquidity risk associated with the alternative risk-free rates ("ARRs").

Model risk – risk of the valuation models used within the Group not being able to cater for the changes in the intended manner.

Legal risk – risk of being non-compliant to the agreements previously agreed with clients.

Operational risk – risk of the Group's systems not being able to accommodate for the changes to the interest rates as agreed with the clients.

Financial risk – risk of not appropriately pricing the deals which will result in a transfer of value between the Group and clients.

Compliance/regulatory risk – risk that the Group is exposed to regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.

Reputational risk – the risk to the Group's reputation from failing to adequately prepare for the transition.

Conduct risk – risk that arises when transitioning existing contracts linked to IBORs as value-transfer may occur, or clients may be transitioned to inferior rates or on unfair contractual terms, or in circumstances where they do not fully appreciate the impact of the transition or the alternatives available to them.

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

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

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

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

The table below discloses amounts of non-derivative financial assets and liabilities at 31 December 2021 those are linked with LIBOR. The table below discloses the exposures which are maturing before 30 June 2023 and after 30 June 2023. Exposures of the Group are linked with the three-month LIBOR or six-month LIBOR which will cease to be published on 30 June 2023.

2021 (US$)	Loans and advances to customers	Balances due to banks
Maturities before 30 June 2023		
US$ three month LIBOR	–	**7 837 176**
Total	–	**7 837 176**
Maturities after 30 June 2023		
US$ three month LIBOR	**3 600 543**	–
Total	**3 600 543**	–

4. Segment reporting

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

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

4 *SEGMENT REPORTING (continued)*

2021 (US$)	Mauritius	Zambia	Malawi	Mozambique	Botswana	Zimbabwe	Adjustment	Consolidated total
Interest and similar income	250 788	18 905 190	39 039 259	12 184 115	32 722 785	25 193 652	(2 281 774)	126 014 015
Interest expense and similar charges	(2 654 882)	(5 328 836)	(7 865 371)	(5 015 690)	(9 968 527)	(488 491)	2 435 825	(28 885 972)
Net interest (expense)/income	**(2 404 094**	**13 576 354**	**31 173 888**	**7 168 425**	**22 754 258**	**24 705 161**	**154 051**	**97 128 043**
Net fees and commissions	–	2 289 743	11 517 986	2 885 154	2 071 920	26 097 315	–	44 862 118
Income/(loss) from investments	8 152 372	(1 193 726)	2 980 684	(18 904)	–	2 124 078	(8 152 372)	3 892 132
Gain/(loss) on foreign exchange transactions	528 122	2 879 384	7 612 258	2 803 219	3 656 685	8 412 058	1 320	25 893 046
Other operating income	5 698 164	27 115	738 357	(16 696)	57 151	817 422	(5 713 378)	1 608 135
Total non-interest income	**14 378 658**	**4 002 516**	**22 849 285**	**5 652 773**	**5 785 756**	**37 450 873**	**(13 864 430)**	**76 255 431**
Total operating income	**11 974 564**	**17 578 870**	**54 023 173**	**12 821 198**	**28 540 014**	**62 156 034**	**(13 710 379)**	**173 383 474**
Staff and training costs	(3 408 863)	(4 040 566)	(10 793 779)	(4 396 165)	(6 731 401)	(15 080 582)	23 536	(44 427 820)
Premises and equipment costs	(1 978 935)	(931 632)	(3 786 695)	(1 142 654)	(1 125 619)	(5 738 781)	–	(14 704 316)
Depreciation and amortisation	(1 100 651)	(738 703)	(3 035 145)	(1 175 213)	(965 328)	(1 227 243)	–	(8 242 283)
Administration and general expenses	(882 484	(3 410 548)	(9 354 140)	(2 700 251)	(4 648 910)	(14 217 112)	5 689 842	(29 523 603)
Total expenses	(7 370 933)	(9 121 449)	(26 969 759)	(9 414 283)	(13 471 258)	(36 263 718)	5 713 378	(96 898 022)
Impairment loss on financial assets	–	(675 711)	(1 738 720)	(1 418 071)	(2 556 923)	(668 507)	–	(7 057 932)
Operating profit/(loss)	**4 603 631**	**7 781 710**	**25 314 694**	**1 988 844**	**12 511 833**	**25 223 809**	**(7 997 001)**	**69 427 520**
Net monetary loss	–	–	–	–	–	(5 128 967)	–	(5 128 967)
Impairment loss on owner occupied property	–	–	–	–	–	(3 364 777)	–	(3 364 777)
Impairment loss on investment in joint venture	–	–	–	–	–	(2 653 364)	–	(2 653 364)
Fair value loss on investment property	–	–	–	–	–	447 795	–	447 795
Share of profit in joint venture	–	–	–	–	–	369 921	–	369 921
Profit/(loss) before income tax expense	**4 603 631**	**7 781 710**	**25 314 694**	**1 988 844**	**12 511 833**	**14 894 417**	**(7 997 001)**	**59 098 128**
Income tax expense	(806 304)	(2 973 318)	(6 984 682)	(524 086)	(3 017 795)	(5 071 156)	725 219	(18 652 122)
Profit/(loss) for the year	**3 797 327**	**4 808 392**	**18 330 012**	**1 464 758**	**9 494 038**	**9 823 261**	**(7 271 782)**	**40 446 006**
Segment assets	158 408 281	169 102 595	439 043 947	120 376 363	440 562 472	238 485 685	(190 621 468)	1 375 357 875
Segment liabilities	35 910 523	151 863 125	380 437 155	93 942 825	405 377 881	177 456 031	(50 991 930)	1 193 995 610

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

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

3 *Eliminations include inter-segmental transactions and balances.*

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

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
(Loss)/income from investments	8 333 434	–	(1 099 619)	(43 202)	–	571 723	(8 333 434)	(571 098)
(Loss)/gain 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	14 270 743	3 968 215	17 074 252	4 282 738	5 533 587	31 310 001	(14 927 517)	61 512 019
Total operating income	12 261 118	11 604 267	44 626 784	8 759 985	23 252 029	41 723 538	(14 966 963)	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 (loss)/profit	(4 592 598)	3 344 134	16 628 580	1 375 509	7 975 078	15 880 807	(8 333 434)	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)
Share of profit in joint venture	–	–	–	–	–	29 600	–	29 600
(Loss)/profit before income tax expense	(4 592 598)	3 586 548	16 568 277	1 375 509	7 975 078	9 734 673	(8 333 434)	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)
(Loss)/profit for the year	(3 790 304)	2 378 704	10 860 560	1 897 231	6 025 232	4 657 454	(8 333 434)	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

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

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

3 *Eliminations include inter-segmental transactions and balances.*

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

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. Actual results may differ from these estimates. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2020.

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

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

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

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

5.2 Fair value measurement of financial instruments

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

5.3 Owner occupied property

The fair value of property is based on the nature, location and condition of the asset. The fair value is calculated by reference to the price that would be received to sell the property in an orderly transaction at measurement date, or value determined by capitalisation of market rentals. Given the property pricing distortions in the market, sellers withholding properties for sale in local currency, unavailability of sales information and which currency sales are happening in, valuation of properties becomes a significant judgement area.

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

5.4 Useful lives and residual values

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

5.5 Fair Value Through Other Comprehensive Income (FVOCI) – equity instruments

The fair value of these unquoted equity investments was determined using the Earnings multiples approach and the Discounted cash flow method. The following key inputs had significant judgements in their determination:

- Discount rate;
- Terminal growth rate;
- Comparable discount factor
- Earnings multiple.

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.

5.8 Determination of lease term under IFRS 16

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

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

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

5.9 Provisions

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

Provisions for legal claims

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

5.10 Control over subsidiaries with less than 50% majority

Note 34 lists certain entities of the Group that are consolidated even though the Group has less than 50 per cent ownership interest and voting rights.

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

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

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

6 Significant accounting policies

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

6.1 Basis of consolidation

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

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

6.1.1 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States Dollars (US$), which is the Group's presentation and functional currency.

6.1.2 Subsidiaries

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

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.1 *Basis of consolidation (continued)*

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 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 6.1.6 below), after initially being recognised at cost.

6.1.5 Joint arrangements

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

6.1.6 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment.

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.1 *Basis of consolidation (continued)*

6.1.7 Changes in ownership interests

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

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

6.1.8 Interest in equity – accounted investee

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

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.2 Business combination

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

At the acquisition date, the identifiable assets acquired and the liabilities, assumed are recognised at their fair value, except that:

- deferred tax or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 *Employee Benefits* respectively;
- assets (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 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

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. 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.

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>

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.

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. These assets comprise:

- 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. These assets comprise:

- 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.

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.6 *Financial assets and liabilities (continued)*

6.6.8 *ECL measurement (continued)*

Lifetime ECLs (Stage 3 – default)

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

These assets comprise:

- 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 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.

6.6.10 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 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

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.

6.9 Loans and advances to customers

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

The Group classifies its loans and advances to customers as financial assets measured at amortised cost. When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (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 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 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.14 Property and equipment

6.14.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses except for freehold property and leasehold improvements which are measured at revalued amount less accumulated depreciation and impairment losses as described in Note 6.16.

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

Where an item of property and equipment comprises 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 Investment properties

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

6.16 Impairment of non-financial assets

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

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

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

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

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

6.17 Customer deposits and balances due to other banks

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

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

6.18 Other liabilities and subordinated debt

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

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.19 Share capital

6.19.1 Share issue costs

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

6.20 Employee benefits

6.20.1 Short-term employee benefits

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

6.20.2 Defined contribution plan

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

6.21 Net interest income

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

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

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.22 Leases

6.22.1 Finance leases – Group as Lessor

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

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

All other leases are classified as operating leases.

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

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

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

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

6.22.2 Operating lease – Group as Lessee

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

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

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

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

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

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

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.22 *Leases (continued)*

6.22.2 *Operating leases – Group as Lessee (continued)*

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)*

6.23 Fees and commission income

The Group applies IFRS 15 *Revenue from Contracts with Customers*.

IFRS 15 contains a single model that establishes a five-step approach to revenue recognition:

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

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

6.24 Income from investments

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

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

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

6.25 Income tax

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

6.25.1 Current tax

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

6.25.2 Deferred tax

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

Deferred tax is not recognised for:

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

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

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

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.25 *Income tax (continued)*

6.25.2 *Deferred tax (continued)*

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.

6.26 Earnings per share

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

6.27 Provisions

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

6.28 Fair value measurement

COVID-19 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.

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.28 *Fair value measurement (continued)*

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

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

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

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

The analysis of fair value hierarchy for financial assets and liabilities is disclosed in Note 8 to these consolidated and separate financial statements.

6.29 Derivative financial instruments

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

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

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate. Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (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.

6.30 Offsetting

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

6.31 Financial guarantees, acceptances and letters of credit

Financial guarantees, acceptances and letters of credit are accounted for as off-statement of financial position transactions and disclosed as contingent liabilities. These instruments are in the scope of the ECL requirements as set out in Note 5.1.

6.32 Amounts due from related parties

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

6 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

6.33 Assets held for sale

Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

7.1 Credit risk

7.1.1 Credit risk management

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

Credit risk management objectives are:

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

7 *RISK MANAGEMENT (continued)*

7.1 *Credit risk (continued)*

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.

7.1.3 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.

7 *RISK MANAGEMENT (continued)*

7.1 *Credit risk (continued)*

7.1.3 *Credit risk grading (continued)*

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.

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

7.2.2 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 *RISK MANAGEMENT (continued)*

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

7.2.3 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:

7.2.4 Default

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

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

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

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

ECLs measured at an amount equal to the portion of Lifetime ECLs that result from default events possible within the next 12 months. The 12-month ECL is calculated for the following exposures:

- Corporate exposures 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.

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 *RISK MANAGEMENT (continued)*

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.

7.3.1 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 *RISK MANAGEMENT (continued)*

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 information from an external rating provider.

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.

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.

EAD is determined as below:

- For customer loans and advances: Outstanding exposures adjusted for further exposure based on anticipated utilisation of undrawn limits..
- For other financial assets/low risk financial instruments: Outstanding exposures.

7.4.2 Treasury

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

7.4.3 Retail

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

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.

After five years, in order to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, meaning that economic variables tend to a long run average growth rate such as 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 t o 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.

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.

7 RISK MANAGEMENT *(continued)*

7.7 ECL model governance *(continued)*

7.7.1 *Maximum exposure to credit risk by credit quality grade before credit enhancements*

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.

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

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).

7.7.2 Performing loans

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

7.7.3 Past due but not impaired loans

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

7.7.4 Impaired loans and securities

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

7.7.5 Distribution of credit risk exposure by sector

The Group monitors concentration of credit risk by sector. Economic sector risk concentrations within the customer loan and finance lease portfolio at 31 December 2021 were as follows:

CREDIT RISK EXPOSURE BY SECTOR	CONSOLIDATED	
US$	**2021**	**2020**
Agriculture	**42 992 000**	39 829 702
Mining	**9 602 238**	7 965 989
Financial Services	**12 983 806**	21 705 062
Construction	**27 181 527**	56 742 974
Energy/Electricity/Gas/Water	**8 379 768**	4 599 103
Manufacturing	**74 350 052**	80 516 366
Wholesale and Retail	**96 874 271**	101 691 620
Individual/Households	**146 229 231**	19 079 835
Real Estate	**45 380 195**	14 875 332
Tourism and Leisure	**5 491 700**	16 211 727
Transport and Communication	**26 692 275**	15 100 261
Others	**69 117 885**	42 097 780
Total credit risk exposure	**565 274 948**	420 415 751

7 *RISK MANAGEMENT (continued)*

7.7 *ECL model governance (continued)*

7.7.6 Credit quality per class of financial assets

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

US$	Notes	CONSOLIDATED 2021	CONSOLIDATED 2020	SEPARATE 2021	SEPARATE 2020
Gross maximum exposure:					
Balances with central banks	9	**100 554 768**	51 668 750	**–**	–
Balances with other banks	9	**115 660 862**	140 921 502	**9 099 531**	4 022 550
Placement with other banks	9	**45 816 070**	64 465 713	**–**	193 965
Money market investments	10	**282 590 070**	180 682 213	**–**	–
Cheques in the course of clearing	9	**358 859**	1 514 400	**–**	–
Repurchase agreements	12	**94 206 809**	57 251 400	**–**	–
Loans and advances	11	**565 274 948**	420 415 751	**–**	–
Other Assets		**18 883 818**	17 588 852	**–**	–
Total recognised financial assets		**1 223 346 204**	934 508 581	**9 099 531**	4 216 515
Letters of credit	51	**40 415 220**	44 635 040	**–**	–
Financial guarantees	51	**96 477 986**	88 699 133	**12 366 122**	18 513 222
Total unrecognised financial assets		**136 893 206**	133 334 173	**12 366 122**	18 513 222
Total credit risk exposure		**1 360 239 410**	1 067 842 754	**21 465 653**	22 729 737

7.7.7 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 2021, 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.

Risk level of exposures

	EXPOSURES				
2021 Risk Level (US$)	Funded FCY	Funded LCY	Unfunded	Total	as a % of Total Top 100 exposures (%)
Low Risk	**69 709 328**	**287 522 742**	**86 877 132**	**444 109 202**	**75**
Medium Risk	**39 808 816**	**62 295 964**	**28 749 430**	**130 854 210**	**22**
High Risk	**4 793 340**	**14 233 796**	**838 832**	**19 865 968**	**3**
Total	**114 311 484**	**364 052 502**	**116 465 394**	**594 829 380**	**100**
2020 Risk Level (US$)					
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

7 *RISK MANAGEMENT (continued)*

7.7 *ECL model governance (continued)*

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

Staging changes due to impact of COVID-19

2021 LCY (US$)	Funded FCY	Funded LCY	Unfunded	Total
Stage 1 to 2	–	–	–	–
Stage 1 to 3	–	**347 229**	–	**347 229**
Stage 2 to 3	–	–	–	–
Total balance movements	–	**347 229**	–	**347 229**
2020 LCY (US$)				
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

2021 (US$)	Funded FCY	Funded LCY	Unfunded	Total
Impairment charge raised on account of COVID-19 impact	–	**356 893**	–	**356 893**
2020 (US$)				
Impairment charge raised on account of COVID-19 impact	–	673 011	–	673 011

7 *RISK MANAGEMENT (continued)*

7.7 *ECL model governance (continued)*

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

						RISK LEVEL (%)		
2021 (US$) **Sector**	Funded FCY	Funded LCY	Unfunded	Total	Distribution of Total exposures (%)	Low	Medium	High
Individual	**825 241**	**115 809 865**	**–**	**116 635 106**	**20**	**99**	**–**	**1**
Agriculture	**14 139 190**	**14 209 724**	**–**	**28 348 914**	**5**	**63**	**32**	**5**
Communication	**–**	**916 404**	**13 386**	**929 790**	**–**	**100**	**–**	**–**
Construction	**816 406**	**28 388 788**	**32 864 334**	**62 069 528**	**10**	**68**	**30**	**2**
Distribution	**26 401 188**	**44 202 560**	**35 350 454**	**105 954 202**	**18**	**67**	**33**	**–**
Energy	**3 331 840**	**4 832 155**	**921 104**	**9 085 099**	**2**	**100**	**–**	**–**
Financial Organisations	**8 737 318**	**6 195 141**	**–**	**14 932 459**	**3**	**69**	**31**	**–**
Government	**–**	**3 683 563**	**–**	**3 683 563**	**1**	**100**	**–**	**–**
Manufacturing	**22 611 455**	**35 130 255**	**12 204 093**	**69 945 803**	**12**	**75**	**23**	**2**
Mining	**9 611 383**	**82 937**	**9 153 587**	**18 847 907**	**3**	**28**	**60**	**12**
Services	**8 232 413**	**20 960 387**	**3 939 813**	**33 132 613**	**6**	**59**	**31**	**10**
Transport	**6 065 474**	**4 204 976**	**2 005 174**	**12 275 624**	**2**	**67**	**33**	**–**
Other	**13 539 576**	**85 435 747**	**20 013 449**	**118 988 772**	**20**	**100**	**–**	**–**
Total	**114 311 484**	**364 052 502**	**116 465 394**	**594 829 380**	**100**	**81**	**19**	**2**
2020 (US$) **Sector**								
Individual	1 852 401	17 227 434	3 037 353	22 117 188	4	74	4	22
Agriculture	21 745 228	18 084 474	3 283 625	43 113 327	8	41	4	56
Communication	–	1 485 499	404 334	1 889 833	1	100	–	–
Construction	4 248 899	52 494 075	43 144 011	99 886 985	18	33	45	22
Distribution	32 592 401	69 099 219	22 367 035	124 058 655	22	43	21	36
Energy	3 497 987	1 101 116	29 983 777	34 582 880	6	88	12	–
Financial Organisations	2 000 002	19 705 060	1 944 683	23 649 745	4	94	–	6
Government	5 610 133	1 900 676	3 047 397	10 558 206	2	100	–	–
Manufacturing	29 333 641	51 182 725	10 263 103	90 779 469	16	72	21	8
Mining	4 851 997	3 113 992	7 546 901	15 512 890	3	15	9	76
Services	12 825 402	52 848 628	4 136 828	69 810 858	13	36	9	55
Transport	11 293 057	2 321 705	4 175 126	17 789 888	3	44	16	41
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 2021 and 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)*

7.7 *ECL model governance (continued)*

7.7.8 Exposure to credit risk

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

Maximum credit risk exposure	MAXIMUM CREDIT RISK EXPOSURE		MAXIMUM CREDIT RISK EXPOSURE		ECL RECONCILIATION			
2021	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers								
Term loans	294 312 334	44 684 294	8 721 339	347 717 967	3 349 857	1 714 930	3 020 178	8 084 965
Mortgage loans	11 456 075	739 705	679 516	12 875 296	185 323	7 360	291 619	484 302
Overdraft	164 535 694	21 302 908	6 238 342	192 076 944	483 389	123 424	2 613 056	3 219 869
Finance leases	11 579 050	78 251	947 440	12 604 741	83 899	2 088	588 356	674 343
Total	481 883 153	66 805 158	16 586 637	565 274 948	4 102 468	1 847 802	6 513 209	12 463 479
Cash and cash equivalents								
Deposits with Central Banks	100 554 768	–	–	100 554 768	2 401	–	–	2 401
Balances with other banks	115 660 862	–	–	115 660 862	30 835	–	–	30 835
Placements with other banks	45 816 070	–	–	45 816 070	3 263	–	–	3 263
Balances in the course of clearing with other banks	358 859	–	–	358 859	4 480	–	–	4 480
Cash balances	46 364 552	–	–	46 364 552	–	–	–	–
Total	308 755 111	–	–	308 755 111	40 979	–	–	40 979
Money market investments								
Held at Amortised cost								
Treasury Bills	48 517 934	–	–	48 517 934	156 911	–	–	156 911
Placements with other banks	17 253 059	–	–	17 253 059	–	–	–	–
Government Stocks	155 468 173	44 616 903	–	200 085 076	37 500	2 039 002	–	2 076 502
Treasury Bills	16 734 001	–	–	16 734 001	84 915	–	–	84 915
Total	237 973 167	44 616 903	–	282 590 070	279 326	2 039 002	–	2 318 328
Repurchase agreements								
Repurchase agreements	94 206 809	–	–	94 206 809	47 558	–	–	47 558
Total	94 206 809	–	–	94 206 809	47 558	–	–	47 558
Other assets								
RBZ receivable for NOP support	8 253 833	–	–	8 253 833	335 317	–	–	335 317
Other receivables	10 629 985	–	–	10 629 985	287 713	–	–	287 713
Total	18 883 818	–	–	18 883 818	623 030	–	–	623 030
Total on balance sheet	1 141 702 058	111 422 061	16 586 637	1 269 710 756	5 093 361	3 886 804	6 513 209	15 493 374
Guarantees and letters of credit								
Guarantees	94 315 697	2 136 756	25 532	96 477 986	103 868	48 350	25 532	177 750
Letters of credit	40 415 220	–	–	40 415 220	149 901	–	–	149 901
Total	134 730 917	2 136 757	25 532	136 893 206	253 769	48 350	25 532	327 651

7 *RISK MANAGEMENT (continued)*

7.7 *ECL model governance (continued)*

7.7.8 *Exposure to credit risk (continued)*

Maximum credit risk exposure	MAXIMUM CREDIT RISK EXPOSURE		MAXIMUM CREDIT RISK EXPOSURE		ECL RECONCILIATION			
2020	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers								
Term loans	256 867 363	9 025 736	4 432 407	270 325 506	1 253 877	226 092	5 179 612	6 659 581
Mortgage loans	6 009 854	2 955 488	890 727	9 856 068	57 511	171 377	1 936 040	2 164 928
Overdraft	116 724 354	10 200 275	4 632 758	131 557 387	288 060	126 078	1 446 933	1 861 071
Finance leases	8 644 159	2 633	29 998	8 676 790	6 745	39	12 926	19 710
Total	388 245 730	22 184 132	9 985 890	420 415 751	1 606 193	523 586	8 575 511	10 705 290
Cash and cash equivalents								
Deposits with Central Banks	51 668 750	–	–	51 668 750	3 320	–	–	3 320
Balances with other banks	140 921 502	–	–	140 921 502	35 259	–	–	35 259
Placements with other banks	64 465 713	–	–	64 465 713	909	–	–	909
Balances in the course of clearing with other banks	1 514 400	–	–	1 514 400	–	–	–	–
Cash balances	49 224 730	–	–	49 224 730	–	–	–	–
Total	307 795 095	–	–	307 795 095	39 388	–	–	39 388
Money market investments								
Held at Amortised cost								
Treasury Bills	81 680 160	–	–	81 680 160	247 220	–	–	247 220
Placements with other banks	39 457 239	–	–	39 457 239	655 778	–	–	655 778
Government Promissory Notes	20 932 582	–	–	20 932 582	–	–	–	–
Corporate Bonds	9 274 473	–	–	9 274 473	–	–	–	–
Government Stocks	17 491 464	–	–	17 491 464	275 216	–	–	275 216
Held at fair value through other comprehensive income	–							
Treasury Bills	11 846 295	–	–	11 846 295	8 956	–	–	8 956
Total	180 682 213	–	–	180 682 213	1 187 170	–	–	1 187 170
Repurchase agreements								
Repurchase agreements	57 251 400	–	–	57 251 400	50 138	–	–	50 138
Total	57 251 400	–	–	57 251 400	50 138	–	–	50 138
Other assets								
RBZ receivable for NOP support	10 750 193	–	–	10 750 193	409 154	–	–	409 154
Other receivables	6 838 659	–	–	6 838 659	–	–	–	–
Total	17 588 852	–	–	17 588 852	409 154	–	–	409 154
Total on balance sheet	951 563 290	22 184 132	9 985 890	983 733 311	3 292 043	523 586	8 575 511	12 391 140
Guarantees and letters of credit								
Guarantees	88 699 133	–	–	88 699 133	99 698	–	–	99 698
Letters of credit	44 635 040	–	–	44 635 040	123 294	–	–	123 294
Total	133 334 173	–	–	133 334 173	222 992	–	–	222 992

7 *RISK MANAGEMENT (continued)*

7.7 *ECL model governance (continued)*

7.7.9 Exposure to credit risk

The Group's expected credit losses are analysed and reconciled as follows:

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

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

	OTHER ASSETS				GUARANTEES AND LETTERS OF CREDIT			
2021	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening impairment as at 1 January 2021	409 154	–	–	409 154	222 992	–	–	222 992
Effects of changes in exchange rate and hyperinflation	156 546	–	–	156 546	–	–	–	–
Transfer between stages:								
Transfer (to)/from stage 1	–	–	–	–	(18 140)	–	18 140	–
Transfer (to)/from stage 2	–	–	–	–	–	–	–	–
Transfer (to)/from stage 3	–	–	–	–	–	–	–	–
Net impairments (raised)/released								
Net impairment movement during the year	213 876	–	–	213 876	48 917	48 350	7 392	104 659
Recoveries	(156 516)	–	–	(156 516)	–	–	–	–
Balance as at 31 December 2021	623 030	–	–	623 030	253 679	48 350	25 532	327 651

7 *RISK MANAGEMENT (continued)*

7.8 Market risk

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

Management of Market Risk

The Group uses sensitivity-based measures to monitor the market risk positions within each risk type, for example, for interest rate risk in the banking book, the net Interest sensitivity and for foreign currency risk, the Net Open Position to capital. Sensitivity limits are set for portfolios, products and risk types, with the depth of the market being one of the principal factors in determining the level of limits set. Sensitivity limits are to ensure that there is sufficient diversification of risk both across and within asset classes. During 2021, the Group only had FX in its trading book. Overall authority for market risk is vested in each entity's Asset and Liability Committee (ALCO). Group Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

7.9 Interest rate risk

7.9.1 Interest rate gap analysis

The tables below summarise the exposure to interest rate risk as at 31 December 2021. 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.

			FIXED RATE						
2021 (US$) **Consolidated**	Non-interest sensitive	Overnight	0 – 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	Over 12 months	Total
Financial assets	**18 883 818**	**386 798 163**	**352 914 445**	**111 230 471**	**83 152 312**	**32 410 658**	**64 305 865**	**274 292 487**	**1 323 988 219**
Financial liabilities	**141 562 837**	**397 407 452**	**131 167 482**	**159 603 348**	**70 043 228**	**62 888 165**	**44 082 500**	**182 669 579**	**1 189 424 591**
Interest sensitivity gap	**(122 679 019)**	**(10 609 289)**	**221 746 963**	**(48 372 877)**	**13 109 084**	**(30 477 507)**	**20 223 365**	**91 622 908**	**134 563 628**
2020									
Financial assets	17 588 852	226 143 194	139 308 902	184 227 847	33 163 244	37 907 822	74 253 245	198 101 937	910 695 043
Financial liabilities	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	(233 669 321)	(110 723 278)	84 749 419	114 731 469	(46 261 400)	(14 565 178)	18 039 029	19 813 871	(167 885 389)

7 *RISK MANAGEMENT (continued)*

7.9 *Interest rate risk (continued)*

7.9.1 *Interest rate gap analyses (continued)*

The effective interest rates for the principal financial assets and liabilities at 31 December 2021 and 2020 were:

%	2021 Interest rate percentage range	2020 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 – 40**	6.5 – 25
Liabilities		
Customer deposits	**0.15 – 10**	0.15 – 10
Loans payable	**8 – 9**	8 – 9
Preference shares	**7 – 8**	5 – 7

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

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

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

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

The NII Stress impact was then aggregated for the Group as the countries' balance sheets are being managed separately. The table below sets out the NII change arising from adverse interest rate changes.

	2021		2020	
US$	Change in NII	% contribution	Change in NII	% contribution
Botswana	**456 648**	9	**340 711**	11
Malawi	**414 103**	8	**238 667**	8
Mozambique	**390 258**	8	**365 775**	12
Zambia	**308 097**	6	**1 212 515**	38
Zimbabwe	**3 465 250**	69	**994 697**	32
Total	**5 034 357**	100	**3 152 364**	100

7 *RISK MANAGEMENT (continued)*

7.10 Equity risk

The value of investments in equity instruments held by FCB Malawi and carried at FVTPL as at 31 December 2021 and 2020 were as follows:

US$	2021	2020
Fair value of investments at FVTPL	6 615 485	4 910 113
Increase/(Decrease) in fair value during the year	2 679 234	(1 140 466)
Impact on profit of		
Increase of share price by 10%	661 549	491 011
Decrease of share price by 10%	(661 549)	(491 011)

7.11 Liquidity risk

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

Liquidity Risk Management

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

Contingency Funding Plan

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

Liquidity Risk Measurement

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

- Liquidity gap analysis with balance sheet behaviouralisation
- Liquidity Ratio analysis (Key Risk Indicators)
- Stress Testing

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

7 *RISK MANAGEMENT (continued)*

7.11 *Liquidity risk (continued)*

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

	CONSOLIDATED		CONSOLIDATED				
2021 (US$)	Carrying amount	Gross nominal amount	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 12 months
Assets							
Cash and cash equivalents	**308 714 131**	**310 411 928**	**277 043 509**	**7 276 950**	**7 103 197**	**10 833 580**	**8 154 692**
Money market investments	**280 271 742**	**294 866 095**	**38 907 718**	**51 548 030**	**27 448 985**	**86 626 234**	**90 335 128**
Loans and advances to customers	**552 811 469**	**588 466 395**	**21 658 798**	**67 249 628**	**77 869 926**	**139 602 942**	**282 085 101**
Repurchase agreements	**94 159 251**	**96 143 219**	**49 363 938**	**20 101 156**	**–**	**26 678 125**	**–**
Assets held for sale	**342 971**	**373 838**	**–**	**–**	**–**	**–**	**373 838**
Other asset balances	**18 883 818**	**18 883 818**	**18 883 818**	**–**	**–**	**–**	**–**
Total assets	**1 255 183 382**	**1 309 145 293**	**405 857 781**	**146 175 764**	**112 422 108**	**263 740 881**	**380 948 759**
Liabilities							
Customer deposits	**887 233 383**	**928 743 247**	**105 903 638**	**162 370 318**	**191 275 158**	**303 836 447**	**165 357 686**
Balances due to other banks	**209 385 951**	**212 114 971**	**122 746 392**	**66 144 508**	**797 341**	**6 529 730**	**15 897 000**
Other liability balances	**39 518 352**	**39 518 352**	**39 518 352**	**–**	**–**	**–**	**–**
Total liabilities	**1 136 137 686**	**1 180 376 570**	**268 168 382**	**228 514 826**	**192 072 499**	**310 366 177**	**181 254 686**
Undrawn approved facilities			**72 780 300**	**–**	**–**	**–**	**–**
Net liquidity gap			**210 469 699**	**(82 339 062)**	**(79 650 391)**	**(46 625 296)**	**199 694 073**
Cumulative liquidity gap			**210 469 699**	**128 130 637**	**48 480 246**	**1 854 950**	**201 549 023**
2020 (US$)							
Assets							
Cash and cash equivalents	307 755 707	308 849 971	285 804 856	5 015 212	6 205 658	8 210 670	3 613 575
Money market investments	179 495 043	186 948 002	41 243 255	29 686 185	30 286 649	54 472 706	31 259 207
Loans and advances to customers	409 710 461	434 489 864	48 949 283	37 642 811	58 984 928	80 562 345	208 350 497
Repurchase agreements	57 201 262	60 233 484	10 857 261	–	2 940 377	46 435 846	–
Assets held for sale	2 656 478	2 895 561	–	–	–	–	2 895 561
Other asset balances	17 588 852	17 588 852	17 588 852	–	–	–	–
Total assets	974 407 803	1 011 005 734	404 443 507	72 344 208	98 417 612	189 681 567	246 118 840
Liabilities							
Customer deposits	757 728 556	793 212 565	58 885 024	155 704 638	186 533 853	273 122 149	118 966 901
Balances due to other banks	80 792 222	84 966 286	16 086 117	1 397 090	9 370 786	49 169 315	8 942 978
Other liability balances	39 550 877	39 550 877	39 550 877	–	–	–	–
Total liabilities	878 071 655	917 729 728	114 522 018	157 101 728	195 904 639	322 291 464	127 909 879
Undrawn approved facilities			35 698 692				
Net liquidity gap			325 620 181	(84 757 520)	(97 487 027)	(132 609 897)	118 208 961
Cumulative liquidity gap			325 620 181	240 862 661	143 375 634	10 765 737	128 974 698

7 *RISK MANAGEMENT (continued)*

7.12 Foreign exchange risk

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

Foreign Exchange Risk Management

During 2021, the Group only had foreign exchange risk in its trading book. The Group manages this risk by adhering to internally set limits and those set by the Regulators in respective jurisdictions. The business generally uses sensitivity-based measures to monitor Market risk positions with Net Open Position to capital sensitivity for foreign exchange risk. In respect of monetary assets and liabilities in foreign currency, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

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

2021 (US$)	CONSOLIDATED			
Currency	NOP	Risk Position	Stress Factor[1]	Risk Measure[2]
EUR	**1 636 276**	**1 636 276**	**29%**	**473 662**
GBP	**3 262 429**	**3 262 429**	**15%**	**475 449**
USD	**21 323 201**	**21 323 201**	**13%**	**2 668 973**
ZAR	**1 347 195**	**1 347 195**	**13%**	**181 323**
Others	**306 012**	**306 012**	**26%**	**79 732**
Total	**27 875 113**	**27 875 113**		**3 879 139**
2020				
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

1. *Currency volatility was calculated as daily standard deviation of currency rates for a year, over seven years. The worst standard deviation was considered as the daily stress measure i.e. worst daily volatility.*

   The Stress Factor was then defined to be a stress event whereby positions are held for a period of 40 days.
2. *Risk measure represents the potential foreign currency gain/loss if the NOP position was held for 40 days.*

7.13 Capital management

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

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

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

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

- *Tier 1 capital:*

This is the 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.

7 *RISK MANAGEMENT (continued)*

7.13 *Capital management (continued)*

- *Tier 2 capital:*

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

	CONSOLIDATED	
US$	**2021**	**2020**
Share capital	**117 409 081**	117 409 081
Non distributable reserves	**(27 255 312)**	(27 255 312)
Translation reserve	**(12 085 155)**	(15 706 247)
Retained earnings	**65 337 350**	40 590 307
Non controlling interest	**64 665 160**	52 079 507
Deduct:		
Deferred tax asset	**3 899 227**	2 846 920
Excess Minority Interest Tier 1 Capital	**–**	457 822
Total Tier 1 Capital	**204 171 897**	163 812 594
Tier 2 Capital		
Translation reserve	**(12 085 155)**	(15 706 247)
Non distributable reserves	**(23 245 595)**	(25 798 123)
Property revaluation reserve	**6 341 795**	6 341 795
Loan loss reserve	**2 280 094**	4 185 987
Eligible subordinated debt	**13 969 664**	15 680 906
Tier 2 Capital	**(12 739 196)**	(15 295 906)
Total qualifying capital	**191 432 701**	148 516 912
Risk Weighted Assets (RWA)		
Credit RWAs	**863 733 923**	651 750 037
Market RWAs	**16 298 983**	7 490 893
Operational RWAs	**187 664 199**	220 945 106
Total Risk Weighted Assets	**1 067 697 105**	880 186 035
Tier 1 risk based capital ratio (minimum 10%)	**19.1%**	18.6%
Total risk-weighted capital ratio (minimum 15%)	**17.9%**	16.9%

All banks within the Group have complied with the minimum capital adequacy ratio requirements in accordance with in-country regulations as at 31 December 2021.

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 2021 (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	–	308 714 131	–	–	308 714 131	308 714 131
Money market investments	10	–	280 271 742	–	–	280 271 742	280 271 742
Loans and advances to customers	11	–	552 811 469	–	–	552 811 469	552 811 469
Repurchase Agreements	12	–	94 159 251	–	–	94 159 251	94 159 251
Financial asset at FVOCI	48	–	–	5 301 985	–	5 301 985	5 301 985
Other assets	22	–	18 883 818	–	–	18 883 818	18 883 818
Investments at FVTPL	14	6 615 485	–	–	–	6 615 485	6 615 485
		6 615 485	**1 254 840 411**	**5 301 985**	**–**	**1 266 757 881**	**1 266 757 881**
Financial liabilities							
Balances due to other banks	23	–	–	–	209 385 951	209 385 951	209 385 951
Customer deposits	24	–	–	–	887 233 383	887 233 383	887 233 383
Other payables	25	–	–	–	32 779 088	32 779 088	32 779 088
Lease liabilities	20	–	–	–	6 341 210	6 341 210	6 341 210
Subordinated debt	26	–	–	–	16 012 218	16 012 218	16 012 218
Loans payable	46	–	–	–	17 164 924	17 164 924	17 164 924
Convertible preference shares	47	–	–	–	10 786 747	10 786 747	10 786 747
		–	**–**	**–**	**1 179 703 521**	**1 179 703 521**	**1 179 703 521**
31 December 2020							
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	48	–	–	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	46	–	–	–	15 810 033	15 810 033	15 810 033
Convertible preference shares	47	–	–	–	10 786 747	10 786 747	10 786 747
		–	–	–	929 472 622	929 472 622	929 472 622

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. 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					
	2021			2020		
Fair Value Hierarchy (US$)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial asset Investment at FVTPL	**6 615 485**	**–**	**–**	4 910 113	–	–
Investment at FVOCI	**–**	**–**	**5 301 985**	–	–	699 299
Treasury bills measured at FVOCI	**–**	**16 734 001**	**–**	–	11 846 295	–

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.

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.

8 *FINANCIAL ASSETS AND LIABILITIES (continued)*

8.2 *Fair values of financial instruments (continued)*

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$	**2021**	**2020**	**2021**	**2020**
Deposits with Central Banks	**100 554 768**	51 668 750	**–**	–
Balances with other banks	**115 660 862**	140 921 502	**9 099 531**	4 022 550
Placements with other banks	**45 816 070**	64 465 713	**–**	193 965
Balances in the course of clearing with other banks	**358 859**	1 514 400	**–**	–
Cash balances	**46 364 552**	49 224 730	**–**	–
Total before expected credit loss	**308 755 111**	307 795 095	**9 099 531**	4 216 515
Less: Expected credit loss	**(40 979)**	(39 388)	**–**	–
Total cash and cash equivalents	**308 714 131**	307 755 707	**9 099 531**	4 216 515

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% (2020: 0% – 18%). Placements with other banks classified as cash and cash equivalents have an original tenor of less than 3 months.

10 Money market investments

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Held at Amortised cost				
Treasury Bills	**48 517 934**	81 680 160	**–**	–
Placements with other banks	**17 253 059**	39 457 239	**–**	–
Government Promissory Notes	**–**	20 932 582	**–**	–
Corporate Bonds	**–**	9 274 473	**–**	–
Government Stocks	**200 085 076**	17 491 464	**–**	–
Held at fair value through other comprehensive income				
Treasury Bills	**16 734 001**	11 846 295	**–**	–
Total before expected credit losses	**282 590 070**	180 682 213	**–**	–
Expected credit loss	**(2 318 328)**	(1 187 170)	**–**	–
Total money market investments	**280 271 742**	179 495 043	**–**	–
Movement during the year was as follows:				
As at 1 January	**180 682 213**	209 277 112	**–**	28 046
Effect of changes in exchange rate and hyperinflation	**5 425 877**	5 225 012	**–**	–
Written-off	**–**	–	**–**	(28 046)
Net (Maturities)/Purchases	**97 621 039**	(33 819 911)	**–**	–
As at 31 December	**282 590 070**	180 682 213	**–**	–
Expected Credit losses				
Balance at 1 January	**(1 187 170)**	(1 016 807)	**–**	(28 046)
Effect of changes in exchange rate and hyperinflation	**–**	185 005	**–**	–
Written-off	**–**	–	**–**	28 046
Charge for the year (Note 44)	**(1 131 158)**	(355 368)	**–**	–
Balance at 31 December	**(2 318 328)**	(1 187 170)	**–**	–
Total money market investments	**280 271 742**	179 495 043	**–**	–

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 an original tenor of more than three months have been classified as money market investments.

11 Loans and advances to customers

US$	CONSOLIDATED 2021	2020
Loans and advances to customers is made up of:		
Term loans	**347 717 967**	270 325 506
Mortgage loans	**12 875 296**	9 856 068
Overdraft	**192 076 944**	131 557 387
Finance leases	**12 604 741**	8 676 790
Gross carrying amount of loans and advances to customers	**565 274 948**	420 415 751
Loans and advances at amortised cost are receivable as follows:		
Maturing within 3 months	**190 178 146**	141 532 862
Maturing between 3 and 12 months	**108 166 739**	80 498 987
Maturing after 12 months	**266 930 063**	198 383 902
Gross carrying amount of loans and advances to customers	**565 274 948**	420 415 751
Stage 1 Allowances		
Balance at 1 January	**(2 915 021)**	(2 051 208)
Effect of changes in exchange rate and hyperinflation	**729 130**	686 097
Charge for the year (Note 44)	**(1 916 577)**	(1 549 910)
Balance at 31 December	**(4 102 468)**	(2 915 021)
Stage 2 Allowances		
Balance at 1 January	**(1 215 541)**	(1 260 802)
Effect of changes in exchange rate and hyperinflation	**771 763**	626 063
(Charge)/Recovery for the year (Note 44)	**(1 404 024)**	(580 802)
Balance at 31 December	**(1 847 802)**	(1 215 541)
Stage 3 Allowances		
Balance at 1 January	**(6 574 728)**	(5 698 117)
Charge for the year (Note 44)	**(2 445 143)**	(3 477 156)
Provision increase offset against fees and commission income	**389 111**	259 451
Effect of changes in exchange rate and hyperinflation	**1 937 108**	354 901
Write offs	**180 443**	1 986 193
Balance at 31 December	**(6 513 209)**	(6 574 728)
Net Loans and advances to customers	**552 811 469**	409 710 461

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

The Directors consider that the carrying amounts of loans, lease receivables and advances are a reasonable approximation of their fair value. Internal reporting and performance measurement of these loans, lease receivables and advances are at amortised cost. Impairment of loans and advances has been calculated as disclosed in Notes 7.2. Loans, lease receivables and advances by industry/sector have been disclosed in Note 7.7. Effective interest rates for loans and advances have been disclosed in Note 7.9.

12 Repurchase agreements

US$	2021	2020
As at 1 January	**57 251 400**	67 071 019
Movement during the year was as follows:		
Additions	**912 928 104**	518 139 268
Maturities	**(875 934 595)**	(523 958 332)
Effect of changes in exchange rate	**(38 100)**	(4 000 555)
Gross Carrying amount as at 31 December	**94 206 809**	57 251 400
Expected credit losses	**(47 558)**	(50 138)
Net Carrying amount as at 31 December	**94 159 251**	57 201 262
Funds under currency swap: Split by Currency		
United States Dollars (US$)	**73 838 015**	57 251 400
Euro (EUR)	**20 368 794**	–
Gross Carrying amount as at 31 December	**94 206 809**	57 251 400

The corresponding liability under the above currency swap arrangements has been disclosed in Note 23 as part of balances due to other banks. All amounts are expected to be received within 12 months.

13 Income tax

US$	CONSOLIDATED 2021	CONSOLIDATED 2020	SEPARATE 2021	SEPARATE 2020
13.1 Current tax expense				
Current year tax based on profits	21 969 464	15 162 832	–	–
Changes in income tax estimates related to prior year	(1 632 112)	–	–	–
Withholding tax on dividends	806 304	802 294	806 304	802 294
Origination and reversal of temporary differences (Note 27)	(2 491 534)	(1 741 928)	–	–
Income tax expense	**18 652 122**	14 223 198	**806 304**	802 294
13.2 Reconciliation of effective tax rate	15.00%	15.0%	15%	15.0%
Foreign companies tax differential	16.70%	17.6%	0.00%	–
Non-deductible expenses	10.1%	10.1%	10.10%	10.1%
Losses not tax deductible	–	–	–	–
Tax exempt income	(10.21%)	(2.2%)	(9.0%)	(9.4%)
	31.6%	40.1%	16.1%	15.7%
13.3 Income tax payable/(recoverable)				
As at 1 January	2 389 596	(2 678 631)	–	–
Charge for the year	21 969 464	15 162 832	–	–
Withholding tax on dividend	806 304	802 294	806 304	802 294
Effect of changes in exchange rate and hyperinflation	867 547	252 640	–	–
Changes in income tax estimates related to prior year	(1 632 112)	–	–	–
Paid during the year	(22 693 973)	(11 149 539)	(806 304)	(802 294)
As at 31 December	**1 706 826**	2 389 596	–	–

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

Presented as:

US$	CONSOLIDATED 2021	CONSOLIDATED 2020	SEPARATE 2021	SEPARATE 2020
Current tax asset	856 840	770 082	–	–
Income tax payable	(2 563 666)	(3 159 678)	–	–
	(1 706 826)	(2 389 596)	–	–

13.4 Statutory Tax Rate

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

	2021	2020
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%.*

13 *INCOME TAX (continued)*

13.4 *Statutory Tax Rate (continued)*

Until June 30, 2021, the Company, being resident in Mauritius, was liable to income tax in Mauritius on its chargeable income at the rate of 15%. The Company's foreign sourced income was eligible for a foreign tax credit which was computed as the higher of the Mauritian tax and the foreign tax on the respective foreign sourced income.

With effect from July 1, 2021, the Company operates under the new tax regime whereby it can claim an 80% partial exemption on specific types of income (including foreign dividends and interest), subject to meeting pre-defined substance conditions. Other types of income are taxed at 15%. As an alternative to the partial exemption, the Company can claim a tax credit against its Mauritius tax liability based on the foreign tax charged on the income in the foreign jurisdiction.

14 Investments at fair value through profit and loss

	CONSOLIDATED	
US$	**2021**	**2020**
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	**4 304 286**	38 338 700
Share Price (cents)		
Illovo Sugar (Malawi) Plc	**0.33**	0.10
National Investment Trust Plc	**0.11**	0.12
Telekom Networks Malawi Plc	**0.02**	0.03
Market Value		
Illovo Sugar (Malawi) Plc	**4 203 451**	1 345 812
National Investment Trust Plc	**2 308 952**	2 568 050
Telekom Networks Malawi Plc	**103 082**	996 251
Total investments at FVTPL	**6 615 485**	4 910 113
Change in fair value		
Balance at 1 January	**4 910 113**	6 295 311
Sale of investments at FVTPL	**(721 253)**	–
Effect of changes in exchange rate	**(252 609)**	(244 732)
Movement in fair value (Note 38)	**2 679 234**	(1 140 466)
Total investments at FVTPL	**6 615 485**	4 910 113

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 % 2021	HOLDING % 2020	US$ 2021	US$ 2020
First Capital Bank PLC (Malawi)	Banking	Equity Shares	**100**	100	**88 034 223**	88 034 224
Afcarme Zimbabwe Holdings (Private) Limited	Banking	Equity Shares	**100**	81	**17 670 080**	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 and Capital contribution	**100**	100	**4 159 549***	690 315*
First Capital Bank Limited (Botswana)	Banking	Equity Shares	**38.60**	38.60	**3 046 405**	3 046 405
First Capital Bank Limited (Botswana)	Banking	Preference Shares	**100**	100	**2 475 355**	2 475 355
First Capital Bank S.A. (Mozambique)	Banking	Equity Shares	**80**	80	**21 365 742**	21 365 741
Total investments in subsidiary companies					**141 385 697**	137 666 463
Movements during the year were as follows						
Opening balance					**137 666 463**	134 904 875
Subscription of shares for cash					**250 000**	2 071 378
Capital contribution					**3 469 234**	690 210
Total investments in subsidiary companies					**141 385 697**	137 666 463

** Includes equity share capital of US$105.*

In April 2021 FMBCH purchased 19% in AFCARME for US$250 000. In December 2021, an outstanding loan due from First Capital Share Services Limited of US$3.4m was converted into a capital contribution. Correspondingly, in the subsidiary's individual financial statements this is accounted for in equity as a capital contribution. Equity shares were issued in March 2022.

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:

US$	CONSOLIDATED 2021	CONSOLIDATED 2020
At fair value		
Balance as at 1 January	**4 699 902**	5 441 927
Transfer from Property and equipment (Note 19)	**–**	183 036
Transfer to Property and equipment (Note 19)	**(1 499 125)**	–
Effect of changes in exchange rate and hyperinflation	**1 051 428**	(771 442)
Change in fair value	**447 795**	(153 619)
Balance as at 31 December	**4 700 000**	4 699 902

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 2021	2020
Group's interest in investment		
Group's interest at beginning of year	**11 933 118**	14 456 648
Effect of changes in exchange rate and hyperinflation	**2 391 268**	(1 156 776)
Share of profit in joint venture	**14 222 205**	29 600
Dividends received during the year	**(165 943)**	(125 938)
Impairment loss on investment in joint venture	**(16 505 648)**	(1 270 416)
Carrying amount of investment as at 31 December	**11 875 000**	11 933 118

FCB Zimbabwe own a 50% interest in Makasa Sun.

The joint venture owns a 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 in US$. Given the limited market for properties of this nature an impairment provision has been made to reflect the value of the Group's 50% interest.

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

US$	2021	2020
Revenue	**1 062 593**	96 120
Fair value gain on investment property	**29 162 704**	–
Profit/(loss) for the year	**28 444 410**	(2 481 632)
Total comprehensive income	**28 444 410**	(2 481 632)
Non current assets	**59 405 981**	25 000 000
Current assets	**447 621**	134 765
Non current liabilities	**(2 970 295)**	(1 250 000)
Current liabilities	**(55 664)**	(185 290)

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

18 Intangible assets

US$	CONSOLIDATED 2021	CONSOLIDATED 2020	SEPARATE 2021	SEPARATE 2020
Cost				
As at 1 January	**19 900 321**	20 722 690	**2 369 886**	1 917 395
Transfer from property and equipment (Note 19)	**859 636**	330 227	**–**	–
Additions	**1 335 983**	1 068 960	**894 479**	452 491
Disposals	**(4 597)**	(791 074)	**–**	–
Effect of changes in exchange rate and hyperinflation	**(601 259)**	(1 430 482)	**–**	–
As at 31 December	**21 490 084**	19 900 321	**3 264 365**	2 369 886
Accumulated amortisation				
As at 1 January	**(9 900 369)**	(8 768 590)	**(529 029)**	(141 114)
Effect of changes in exchange rate and hyperinflation	**422 172**	794 529		–
Transfer from property and equipment (Note 19)	**(69)**	(48 523)		–
Disposals	**1 633**	714 981		–
Charge for the year (Note 42)	**(2 196 008)**	(2 592 766)	**(420 547)**	(387 915)
As at 31 December	**(11 672 641)**	(9 900 369)	**(949 576)**	(529 029)
Carrying amount as at 31 December	**9 817 443**	9 999 952	**2 314 789**	1 840 857

Intangible assets include computer software, website development , core banking, switch software and licenses which are accounted for at cost incurred on acquisition or development. These assets are controlled by the entity and are separately identifiable. Transfers of US$859 636 were from Capital Work in Progress for software development.

19 Property and equipment

	CONSOLIDATED			CONSOLIDATED				
2021 (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								
Balance at 1 January 2021	29 319 700	9 995 906	4 577 682	1 811 168	547 256	23 018 687	2 324 013	71 594 411
Additions	1 475 760	704 621	1 023 361	–	–	3 005 087	704 169	6 912 998
On acquisition of subsidiary	3 950 278	–	–	–	–	–	–	3 950 278
Impairment loss	(3 364 777)	–	–	–	–	–	–	(3 364 777)
Effect of changes in exchange rate	4 802 348	(152 645)	294 226		–	702 761	(11 660)	5 635 030
Disposals	(108 880)	(289 853)	(469 901)	–	(517 405)	(273 749)	–	(1 659 788)
Transfers from/(to) investment property (Note 16)	1 267 550	–	–	–	–	–	231 575	1 499 125
Transfers to intangible assets (Note 18)	98 649	578 991	301 096	–	–	433 838	(2 272 210)	(859 636)
Balance at 31 December 2021	**37 440 628**	**10 837 020**	**5 726 464**	**1 811 168**	**29 851**	**26 886 624**	**975 887**	**83 707 641**
Accumulated depreciation								
Balance at 1 January 2021	368 044	1 834 834	3 706 754	325 491	501 307	16 459 367	–	23 195 797
Charge for the year (Note 42)	726 078	455 713	595 808	102 732	19 535	2 433 757	–	4 333 623
Released on disposal	–	(32)	(369 179)	–	(493 497)	(95 116)	–	(957 824)
Transfers	–	–	–	–	–	(69)	–	(69)
Effect of changes in exchange rate and hyperinflation	(305 931)	(144 012)	282 983	325 491	501 307	678 300	–	1 338 138
Balance at 31 December 2021	**788 191**	**2 146 503**	**4 216 366**	**753 714**	**528 652**	**19 476 239**	**–**	**27 909 665**
Carrying amount								
At 31 December 2021	**36 652 437**	**8 690 517**	**1 510 098**	**1 057 454**	**(498 801)**	**7 410 385**	**975 887**	**55 797 976**
At 31 December 2020	**28 951 656**	**8 161 072**	**870 928**	**1 485 677**	**45 949**	**6 559 320**	**2 324 013**	**48 398 614**

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

19 *PROPERTY AND EQUIPMENT (continued)*

	CONSOLIDATED				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								
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 16)	–	–	–	–	–	–	(183 036)	(183 036)
Transfers to intangible assets (Note 18)	–	–	–	–	–	–	(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 (Note 42)	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)
Charge on operating lease	–	–	–	–	21 607	–	–	21 607
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)
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)*

	SEPARATE		
US$	Motor vehicles	Equipment, fixtures and fittings	Total
Cost			
Balance at 1 January 2021	**142 045**	**1 193 855**	**1 335 900**
Disposal	**(142 045)**	**(2 500)**	**(144 545)**
Balance at 31 December 2021	**–**	**1 191 355**	**1 191 355**
Accumulated depreciation			
Balance at 1 January 2021	**49 822**	**336 660**	**386 482**
Charge for the year (Note 42)	**35 947**	**238 314**	**274 261**
Released on disposal	**(85 769)**	**(845)**	**(86 614)**
Balance at 31 December 2021	**–**	**574 129**	**574 129**
Carrying amount at 31 December 2021	**–**	**617 236**	**617 236**
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 (Note 42)	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

The freehold properties and leasehold improvements of the Group's companies were last revalued by independent valuers on an open market value current as at 31 December 2020 for all entities apart from FCB Zimbabwe which was done at the reporting date.

Property and equipment were subjected to impairment testing by way of internal evaluation of obsolescence of equipment. No items of property and equipment were pledged as collateral as at 31 December 2021. 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 Basis Open market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.	The valuation approach adopted takes cognisance of the performance of the property market at the time of valuation. The approach relies on sales data and all relevant factors pertaining to the property market.
The valuation process makes comparisons between the subject property and comparable property in order to formulate an opinion for a fair market value using an estimate of the future potential net income generated by the use of the property.	The method recognises that property can be assembled, not only for occupation and use of the owner, but also to let to one or more tenants who will pay the owner rent for the right to the use and occupation of the property.

20 Leases

US$	CONSOLIDATED 2021	CONSOLIDATED 2020	SEPARATE 2021	SEPARATE 2020
20.1 Right-of-use asset				
Balance at the beginning of the year	**7 699 382**	8 912 787	**112 269**	241 469
Additions	**1 997 055**	3 139 189	**30 568**	(2 902)
Depreciation charge (Note 42)	**(1 712 652)**	(2 392 311)	**(24 896)**	(126 298)
Effect of changes in exchange rate and hyperinflation	**(2 159 841)**	(1 960 283)	**–**	–
Carrying amount at 31 December	**5 823 944**	7 699 382	**117 941**	112 269
20.2 Lease liabilities				
Maturity analysis – contractual undiscounted cash flows				
Less than one year	**1 029 071**	1 102 305	**61 142**	45 263
One to five years	**5 453 352**	5 796 551	**86 100**	89 434
More than five years	**1 092 628**	676 195	**–**	–
Total contractual undiscounted cash flows as at 31 December	**7 575 051**	7 548 051	**147 242**	134 697
Less: unearned interest	**(1 329 105)**	(1 338 488)	**(8 917)**	(6 544)
	6 341 210	6 236 563	**138 325**	128 153
Lease liabilities included in statement of financial position				
Current	**2 112 971**	1 076 154	**58 230**	37 766
Non-current	**4 228 239**	5 160 409	**80 095**	90 387
Carrying amount at 31 December	**6 341 210**	6 236 563	**138 325**	128 153
Amounts recognised in Profit and Loss				
Interest on lease liability (Note 35.2)	**623 177**	592 695	**9 714**	14 630
Expenses-short term low value leases	**160 350**	351 923	**–**	–
Depreciation charge (Note 42)	**1 712 652**	2 392 311	**24 896**	126 298
	2 496 179	3 336 929	**34 610**	140 928

2021 (US$)	CONSOLIDATED Leased property	Leasehold improvements	Motor vehicles	Total
Balance as at 1 January	**7 587 114**	**17 762**	**94 506**	**7 699 382**
Additions	**1 997 055**	**–**	**–**	**1 997 055**
Depreciation	**(1 600 384)**	**(17 762)**	**(94 506)**	**(1 712 652)**
Effects of changes in exchange rate and hyper inflation	**(2 159 841)**	**–**	**–**	**(2 159 841)**
Carrying amount as at 31 December 2021	**5 823 944**	**–**	**–**	**5 823 944**
2020				
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 and hyper inflation	(1 960 283)	–	–	(1 960 283)
Carrying amount as at 31 December 2020	7 587 114	17 762	94 506	7 699 382

21 Assets held for sale

	CONSOLIDATED	
US$	**2021**	**2020**
As at 1 January	**2 656 478**	3 903 980
Property repossessed during the year	**–**	33 693
Impairment loss (Note 38)	**(1 193 727)**	(43 202)
Disposal of assets held	**(884 910)**	(80 730)
Effect of changes in exchange rates	**(234 870)**	(1 157 263)
Carrying amount as at 31 December	**342 971**	2 656 478

Assets held for sale comprise certain properties acquired by FCB Malawi on its acquisition of Opportunity International Bank of Malawi Limited (OIBM) and a repossessed property in FCB Mozambique.

The Group has reviewed the carrying value of the above assets and has confirmed no impairment in value. The Group has also assessed that the sale of these assets is highly probable.

22 Other assets

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Prepayments	**3 752 665**	2 931 733	**424 039**	429 185
Stock of stationery, computer spares and other items	**355 127**	824 284	**–**	–
Card security deposit and settlement balances	**2 315 533**	2 314 364	**–**	–
Customer funds receivable from foreign currency auction	**9 659 520**	3 375 932	**–**	–
Retentions for letters of credit	**26 778**	3 178 088	**–**	–
RBZ receivable for NOP support	**8 253 833**	10 750 193	**–**	–
Loan receivable from subsidiary*	**–**	–	**–**	3 218 445
Other receivables	**10 629 985**	6 838 659	**1 011 952**	2 125 623
Gross Balance	**34 993 441**	30 213 253	**1 435 991**	5 773 253
Less: Expected credit loss	**(623 030)**	(409 154)	**–**	–
Total other assets	**34 370 411**	29 804 099	**1 435 991**	5 773 253
Current	**28 592 353**	14 182 517	**1 435 991**	2 554 808
Non-current	**5 778 058**	15 621 582	**–**	3 218 445
Total other assets	**34 370 411**	29 804 099	**1 435 991**	5 773 253

* *The loan receivable from subsidiary, was converted into a capital contribution during 2021. (Note 15)*

The Reserve Bank of Zimbabwe (RBZ) receivable of US$8.2 million 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 3.2 years (2020: 4.5 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.

23 Balances due to other banks

23.1 Balances due to other banks

US$	2021	2020
European Investment Bank	633 284	1 611 539
Currency swap liabilities	90 077 965	57 251 400
Borrowings from other banks	106 308 580	3 416 061
FMO Line of Credit	12 366 122	18 513 222
Total balances due to other banks	**209 385 951**	80 792 222
Payable as follows:		
Due within one year	195 578 332	72 587 655
Due between two and five years	13 807 619	8 204 567
Total balances due to other banks	**209 385 951**	80 792 222

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 Botswana, FCB Malawi and FCB Zimbabwe entered into foreign currency swap agreements with both domestic and foreign banks. The corresponding assets under the arrangements have been disclosed under Note 12.

Borrowings from other banks represent short term facilities with interest rates ranging from 7 – 9% with interest payable in quarterly instalments.

The borrowings from other banks includes the Targeted Medium Term Refinancing Facility from the Bank of Zambia for on-lending to customers of US$7.7 million. In addition, the borrowings include amounts due to the Reserve Bank of Malawi of US$55.3 million.

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. The Company has provided a guarantee in respect of these loans.

23 *BALANCES DUE TO OTHER BANKS (continued)*

23.2 Movement in term borrowings

2021 (US$)	CONSOLIDATED Balance due to other banks (Note 23)	Subordinated debt (Note 26)	Loans payable (Note 46)	Total
As at 1 January	**80 792 222**	**17 504 281**	**15 810 033**	**114 106 536**
Net increase or (decrease) in term borrowings	**129 370 600**	**–**	**2 000 000**	**131 370 600**
Additions	**136 499 096**	**–**	**2 000 000**	**138 499 096**
Repayment	**(7 128 496)**	**–**	**–**	**(7 128 496)**
Unamortised issue cost	**–**	**–**	**–**	**–**
Effects of changes in exchange rate and hyperinflation	**(776 871)**	**(1 492 063)**	**(642 109)**	**(2 911 043)**
Carrying amount as at 31 December	**209 385 951**	**16 012 218**	**17 167 924**	**242 566 093**

2021 (US$)	SEPARATE Loans payable (Note 46)	Total
As at 1 January	**17 810 033**	17 810 033
Net increase or (decrease) in term borrowings	**5 000 000**	5 000 000
Additions	**5 000 000**	5 000 000
Effects of changes in exchange rates	**(497 956)**	(497 956)
Carrying amount as at 31 December	**22 312 077**	22 312 077

2020 (US$)	CONSOLIDATED Balance due to other banks (Note 22)	Subordinated debt (Note 26)	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

24 Customer deposits

US$	2021	2020
Current accounts	**544 740 154**	286 406 719
Savings accounts	**73 939 108**	70 419 808
Term deposit accounts	**254 509 022**	239 627 113
Interest payable on deposits	**4 999 364**	4 414 662
Other deposits – cash security	**9 045 735**	8 756 147
Total customer deposits	**887 233 383**	757 728 556
Payable as follows:		
Maturing within three months	**632 727 502**	513 129 782
Maturing after three months	**254 505 881**	244 598 774
Total customer deposits	**887 233 383**	757 728 556

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$9.0 million (2020: US$8.7 million) are deposits held as collateral for loans advanced and letters of credit.

25 Other payables

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Accrued expenses	**18 571 049**	10 357 007	**1 346 240**	1 374 745
Bankers cheques issued and uncleared	**573 442**	776 673	**–**	–
Interest payable	**223 661**	964 375	**223 661**	360 240
Margins on letters of credit and other instruments	**1 821 332**	1 290 740	**–**	–
Trade payables	**11 569 983**	27 225 425	**136 552**	357 140
Other payables	**19 622**	–	**19 622**	–
Total other payables	**32 779 088**	40 614 220	**1 726 075**	2 092 125

All amounts included in other payables are non-interest bearing. Directors consider that the carrying amounts of other payables approximate their fair values. All amounts are expected to be paid within 12 months.

26 Subordinated debt

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Carrying amount	**16 012 218**	17 504 281	**–**	–
Movement during the year:				
As at 1 January	**17 504 281**	26 599 027	**–**	–
Additions	**–**	638 543	**–**	–
Repayment	**–**	(9 063 205)	**–**	–
Unamortised issue cost	**–**	9 141	**–**	–
Effect of changes in exchange rate	**(1 492 063)**	(679 225)	**–**	–
Carrying amount as at 31 December	**16 012 218**	17 504 281	**–**	–

26 *SUBORDINATED DEBT (continued)*

US$	CONSOLIDATED 2021	CONSOLIDATED 2020
Payable as follows:		
Due within one year	**2 553 191**	–
Due between two and five years	**13 459 027**	17 504 281
	16 012 218	17 504 281

US$	CONSOLIDATED 2021	CONSOLIDATED 2020	SEPARATE 2021	SEPARATE 2020
Notes issued by FCB Botswana	**16 012 218**	17 504 281	**–**	–
Carrying amount as at 31 December	**16 012 218**	17 504 281	**–**	–

a) In 2020, First Capital Bank Botswana (FCB Botswana) issued BWP 6.9m (US$587 234) 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$8 851 064) at an average rate of 7.1% 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. The carrying amount of the outstanding balance includes accrued interest.

c) On 1 July 2018, FCB Botswana issued BWP 33m (US$2 808 511) 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$1 276 596) 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$2 553 191), 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.

f) In 2016, First Capital Bank Plc issued through private placement MWK7 billion, fixed term unsecured floating rate subordinated note maturing on 3 June 2023. On 26 June 2020, FCB Malawi exercised its option for early settlement of the subordinated loan to the holders in accordance with the placement agreement.

The subordinated debt notes constituted direct, subordinated and unsecured obligations of FCB Malawi. The notes ranked *pari passu* among themselves and were subordinated to general creditors and claims of depositors.

27 Deferred tax

2021 (US$)	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassification *	Effect of changes in exchange rate	Closing balance
	CONSOLIDATED					
Property and equipment	**4 706 447**	**(1 854 268)**	**–**	**–**	**(994 007)**	**1 858 172**
Accrued income	**1 488 407**	**181 630**	**–**	**–**	**463 352**	**2 133 389**
Revaluation of property	**537 421**	**375 568**	**–**	**–**	**(280 307)**	**632 682**
Tax losses	**(1 873 878)**	**(500 686)**	**–**	**–**	**(320 613)**	**(2 695 177)**
Gratuity and severance pay liabilities	**(218 305)**	**(133 590)**	**–**	**–**	**1 874**	**(350 021)**
Expected credit loss provisions	**(901 770)**	**(134 649)**	**–**	**–**	**182 390**	**(854 029)**
Other temporary differences	**291 515**	**(425 539)**	**127 965**	**–**	**607 502**	**601 443**
	4 029 837	**(2 491 534)**	**127 965**	**–**	**(339 809)**	**1 326 459**
2020						
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

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

	CONSOLIDATED	
	2021	2020
Disclosed as:		
Deferred tax assets	**(3 899 227)**	(2 846 920)
Deferred tax liabilities	**5 225 686**	6 876 757
Balance as at 31 December	**1 326 459**	4 029 837

28 Share capital

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
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

Each ordinary share has the following rights attached:

i. one vote on a poll at a meeting of the Company on any resolution;

ii. an equal share in dividends authorised by the Board; and

iii. 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 was 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.

Restructuring reserve comprises:

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

30 Property revaluation reserve

	CONSOLIDATED	
US$	**2021**	**2020**
Balance as at 1 January	**6 341 795**	4 245 921
Property revaluation	**–**	2 761 438
Deferred tax on revalued assets	**–**	(583 784)
Depreciation on property revaluation surplus	**–**	(81 780)
Balance as at 31 December	**6 341 795**	6 341 795

31 Loan loss reserve

The loan loss reserve represents the amount of statutory impairment provisions which local regulatory authorities within the group's operations require in addition to the IFRS impairment provision. Changes in this reserve are accounted for as transfers to and from retained earnings as appropriate.

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 the cumulative conversion differences arising on translation of foreign subsidiaries at the end of the reporting period.

34 Group subsidiaries

34.1 As at 31 December 2021, the Company had the following subsidiaries:

(%)		FMBCH SHAREHOLDING				SUBSIDIARY SHAREHOLDING	
Subsidiary	**Domicile**	**2021**	**2020**	**Sub Subsidiary**	**Domicile**	**2021**	**2020**
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
				International Commercial Bank Limited (dormant)	Malawi	**100.00**	100.00
First Capital Bank Limited	Botswana	**38.60**	38.60	First Capital Bank Insurance Agency (Pty) Limited (formerly Jetwig (Pty) Limited)	Botswana	**100.00**	100.00
				Diron Ridge (Pty) Limited	Botswana	**–**	100.00
Afcarme Zimbabwe Holdings (Private) Limited	Zimbabwe	**100**	81.00	First Capital Bank Limited	Zimbabwe	**52.51**	52.68
				Thulile (Private) Limited	Zimbabwe	**100.00**	Nil
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				

FCB Zimbabwe acquired 100% in Thulile (Private) Limited, a company that owns a piece of land measuring 18 786 sqm in Harare, Zimbabwe. The property is currently not leased out and is earmarked for further development over the next three years. The value of the subsidiary's equity was equivalent to value of land held (US$ 3.9m) and no cash was acquired. The land is revalued every three years or annually when there is significant change in value.

Diron Ridge (Pty) Limited which was previously owned by FCB Botswana, was de-registered, during the year.

34.2 Non-controlling interest (NCI) in subsidiaries:

2021 (US$)	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	First Capital Bank Zimbabwe	Total
NCI percentage	**61.40%**	**20%**	**51%**	**47.49%**	
Assets					
Cash and cash equivalents	**104 150 246**	**37 445 898**	**37 344 110**	**84 052 269**	**262 992 523**
Money market investments	**21 446 035**	**12 307 719**	**64 211 717**	**16 734 001**	**114 699 472**
Loans and advances to customers	**245 481 391**	**62 410 705**	**60 189 243**	**65 718 585**	**433 799 924**
Current tax asset	**370 617**	**432 616**	**–**	**–**	**803 233**
Repurchase agreements	**58 706 687**	**–**	**–**	**16 484**	**58 723 171**
Assets held for sale	**–**	**77 577**	**–**	**–**	**77 577**
Investments at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**
Equity instruments	**–**	**99 131**	**–**	**5 202 854**	**5 301 985**
Investments in subsidiary companies	**–**	**–**	**–**	**–**	**–**
Investment in joint venture	**–**	**–**	**–**	**11 875 000**	**11 875 000**
Other assets	**4 151 320**	**508 106**	**1 763 797**	**25 296 754**	**31 719 977**
Deferred tax assets	**–**	**2 695 177**	**1 204 050**	**–**	**3 899 227**
Investment property	**–**	**–**	**–**	**4 700 000**	**4 700 000**
Intangible assets	**461 481**	**491 729**	**449 455**	**2 400 930**	**3 803 595**
Right-of-use assets	**128 624**	**1 429 694**	**1 889 437**	**1 582 203**	**5 029 958**
Property and equipment	**5 666 071**	**2 478 011**	**2 050 786**	**20 906 605**	**31 101 473**
Total assets	**440 562 472**	**120 376 363**	**169 102 595**	**238 485 685**	**968 527 115**

34 *GROUP SUBSIDIARIES (continued)*

34.2 *Non-controlling interest (NCI) in subsidiaries (continued)*

2021 (US$)	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	First Capital Bank Zimbabwe	Total
Liabilities					
Balances due to other banks	65 504 890	5 525 499	15 011 334	5 048 600	91 090 323
Customer deposits	315 807 714	84 919 266	131 210 850	150 890 924	682 828 754
Other payables	3 820 506	1 563 894	2 326 456	15 301 411	23 012 267
Income tax payable	63 079	–	145 973	116 484	325 536
Lease liabilities	211 036	1 404 444	2 193 026	1 573 867	5 382 373
Deferred tax liabilities	671 852	–	–	2 672 521	3 344 373
Provisions	1 062 586	529 722	975 486	1 852 224	4 420 018
Loans payable	–	–	–	–	–
Subordinated debt	16 012 218	–	–	–	16 012 218
Preference shares	2 224 000	–	–	–	2 224 000
Total liabilities	**405 377 881**	**93 942 825**	**151 863 125**	**177 456 031**	**828 639 862**
Net assets	**35 184 591**	**26 433 538**	**17 239 470**	**61 029 654**	**139 887 253**
Net assets attributable to NCI	21 603 339	5 286 708	8 792 130	28 982 983	64 665 160
Carrying amount of NCI	21 603 339	5 286 708	8 792 130	28 982 983	64 665 160
Dividend paid to NCI	(1 821 737)	–	(388 125)	(561 805)	(2 771 667)

2021 (US$)	First Capital Bank Botswana	First Capital Bank Mozambique	First Capital Bank Zambia	First Capital Bank Zimbabwe	Total
NCI percentage	61.40%	20%	51%	47.49%	
Interest and similar income	32 722 785	12 184 115	18 905 190	25 193 652	89 005 742
Interest expense and similar charges	(9 968 527)	(5 015 690)	(5 328 836)	(488 491)	(20 801 544)
Net interest income	**22 754 258**	**7 168 425**	**13 576 354**	**24 705 161**	**68 204 198**
Net fees and commissions	2 071 920	2 885 154	2 289 743	26 097 315	33 344 132
Income/(loss) from investments	–	(18 904)	(1 193 726)	2 124 078	911 448
Gain on foreign exchange transactions	3 656 685	2 803 219	2 879 384	8 412 058	17 751 346
Other operating income	57 151	(16 696)	27 115	817 422	884 992
Total non-interest income	**5 785 756**	**5 652 773**	**4 002 516**	**37 450 873**	**52 891 918**
Total operating income	**28 540 014**	**12 821 198**	**17 578 870**	**62 156 034**	**121 096 116**
Staff and training costs	(6 731 401)	(4 396 165)	(4 040 566)	(15 080 582)	(30 248 714)
Premises and equipment costs	(1 125 619)	(1 142 654)	(931 632)	(5 738 781)	(8 938 686)
Depreciation and amortisation	(965 328)	(1 175 213)	(738 703)	(1 227 243)	(4 106 487)
Administration and general expenses	(4 648 910)	(2 700 251)	(3 410 548)	(14 217 112)	(24 976 821)
Impairment loss on financial assets	(13 471 258)	(9 414 283)	(9 121 449)	(36 263 718)	(68 270 708)
Total expenses	**(2 556 923)**	**(1 418 071)**	**(675 711)**	**(668 507)**	**(5 319 212)**
Operating profit	**12 511 833**	**1 988 844**	**7 781 710**	**25 223 809**	**47 506 196**
Net Monetary Loss	–	–	–	(5 128 967)	(5 128 967)
Impairment loss on owner occupied property	–	–	–	(3 364 777)	(3 364 777)
Impairment loss on investment in joint venture	–	–	–	(2 653 364)	(2 653 364)
Fair value gain on investment property	–	–	–	447 795	447 795
Share of profit in joint venture	–	–	–	369 921	369 921
Profit before income tax expense	**12 511 833**	**1 988 844**	**7 781 710**	**14 894 417**	**37 176 804**
Income tax expense	(3 017 795)	(524 086)	(2 973 318)	(5 071 156)	(11 586 355)
Profit for the year	**9 494 038**	**1 464 758**	**4 808 392**	**9 823 261**	**25 590 449**
Profit allocated to NCI	5 829 339	292 952	2 452 280	4 665 067	13 239 638

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	First Capital Bank Zimbabwe	Total
NCI percentage	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	First Capital Bank Zimbabwe	Total
NCI percentage	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	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 for the year	6 025 232	1 897 231	2 378 704	4 657 454	14 958 621
Profit allocated to NCI	3 699 492	379 446	1 213 140	2 669 653	7 961 731

35 Interest

35.1 Interest income

US$	CONSOLIDATED 2021	CONSOLIDATED 2020	SEPARATE 2021	SEPARATE 2020
Analysis of interest and similar income				
Instruments at amortised costs	126 014 015	90 945 603	250 788	418 685
Interest income recognised using the Effective Interest Rate method	126 014 015	90 945 603	250 788	418 685
Loans and advances	83 953 696	58 435 843	–	–
Lease finance	1 336 001	662 403	–	–
Government notes and stocks	34 041 666	25 204 087	–	–
Placements with other banks	4 133 471	2 956 258	–	25
Corporate bonds	1 887 486	367 413	–	–
Other interest earning assets	661 695	3 319 599	250 788	418 660
Interest and similar income	**126 014 015**	90 945 603	**250 788**	418 685

35.2 Interest expense

US$	CONSOLIDATED 2021	CONSOLIDATED 2020	SEPARATE 2021	SEPARATE 2020
Analysis of interest expenses and similar charges				
Instruments at amortised costs	28 885 972	25 196 864	2 384 031	1 976 593
Interest expense and similar charges	28 885 972	25 196 864	2 384 031	1 976 593
Customer deposits	20 801 593	16 790 683	–	–
Subordinated debt	1 072 996	2 260 019	–	–
Preference shares	783 672	588 261	779 601	588 261
Borrowings from banks	4 010 067	3 832 790	–	–
Loans payable	1 594 467	1 132 416	1 594 709	1 373 702
Lease liability (Note 20.2)	623 177	592 695	9 714	14 630
Total interest expense and similar charges	**28 885 972**	25 196 864	**2 384 031**	1 976 593

36 Net fees and commissions

US$	CONSOLIDATED 2021	CONSOLIDATED 2020	SEPARATE 2021	SEPARATE 2020
Fee and commission income				
Account activity fees	20 096 105	19 360 470	–	–
Card-based transaction fees	7 419 647	3 826 790	–	–
Guarantee fees	2 105 902	2 082 885	–	–
Facility processing fees	2 851 955	3 351 469	–	–
Insurance commission	316 775	126 693	–	–
Other fees and commissions	12 071 734	6 901 147	–	–
Total net fees and commissions	**44 862 118**	35 649 454	–	–

37 Gain/(Loss) on foreign exchange transactions

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Net foreign exchange revaluation gain/(loss)	**2 007 541**	3 425 330	**685 365**	(12 198)
Net foreign exchange trading income	**23 620 208**	22 293 665	**–**	–
Other trading income	**265 297**	272 460	**–**	–
Total gains/(loss) on foreign exchange transactions	**25 893 046**	25 991 455	**685 365**	(12 198)

38 Income/(loss) from investments

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Dividend income	**2 406 625**	612 570	**8 152 372**	8 333 434
Movement in fair value of investments at FVTPL (Note 14)	**2 679 234**	(1 140 466)	**–**	–
Impairment loss on assets held for sale (Note 21)	**(1 193 727)**	(43 202)	**–**	–
Total Income/(Loss) from investments	**3 892 132**	(571 098)	**8 152 372**	8 333 434

39 Other operating income

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Profit/(loss) on disposal of assets	**591 824**	(71 298)	**–**	–
Rental income	**340 614**	98 301	**–**	–
Bad debts recovered	**389 111**	–	**–**	–
Cost recoveries	**–**	–	**2 759 678**	3 102 940
Sundry income	**286 586**	415 205	**–**	–
Total other operating income	**1 608 135**	442 208	**2 759 678**	3 102 940

40 Staff and training costs

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Salaries and other short-term benefits	**39 848 184**	26 005 214	**1 455 897**	1 200 315
Training and other staff costs	**2 854 261**	5 477 166	**87 315**	441 407
Contributions to defined contribution plans	**1 725 375**	1 606 169	**–**	–
Total staff and training costs	**44 427 820**	33 088 549	**1 543 212**	1 641 722

41 Premises and equipment costs

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Repairs and maintenance	**1 116 730**	474 333	**–**	–
Equipment hire	**240 376**	117 480	**–**	–
IT related costs	**10 253 281**	10 221 240	**1 345 284**	1 434 555
Rent, rates and utilities	**1 803 209**	1 010 306	**–**	–
Security costs	**1 290 720**	1 295 998	**–**	–
Total premises and equipment costs	**14 704 316**	13 119 357	**1 345 284**	1 434 555

42 Depreciation and amortisation

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Property and Equipment (Note 19)	**4 333 623**	4 809 202	**274 261**	254 089
Lease – right-of-use asset depreciation (Note 20)	**1 712 652**	2 392 311	**24 896**	126 298
Intangible assets amortisation (Note 18)	**2 196 008**	2 592 766	**420 547**	387 915
Total depreciation and amortisation	**8 242 283**	9 794 279	**719 704**	768 302

43 Administration and general expenses

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Auditor's remuneration	**1 160 767**	947 079	**75 175**	75 000
Bank charges	**1 783 952**	1 691 302	**3 979**	3 405
Non-Executive Director's fees and expenses	**947 559**	929 215	**186 489**	226 208
Insurance	**1 387 430**	877 918	**1 017**	–
Legal consultancy fees, fines and penalties	**3 009 224**	4 132 749	**425 788**	470 785
Marketing costs	**1 861 706**	961 367	**17 883**	295
Motor vehicle running costs	**140 507**	462 005	**–**	3 205
Operational losses	**749 466**	602 488	**–**	–
Other administration costs	**10 933 883**	8 055 703	**109 322**	132 156
Cash in transit expenses	**1 530 608**	1 010 714	**–**	–
Postage	**225 067**	130 294	**–**	79
Printing and stationery	**1 125 563**	1 008 055	**21 582**	–
Professional subscriptions	**641 928**	124 214	**6 032**	–
Repairs and maintenance other	**1 172 865**	482 981	**–**	–
Communication and connectivity costs	**1 586 896**	1 368 046	**–**	–
Travel expenses	**1 263 266**	900 502	**2 957**	8 952
Total administration and general expenses	**29 523 603**	23 684 632	**850 224**	920 085

** Certain expenses in the comparative period have been reclassified between expense lines.*

44 Impairment loss on financial assets

	CONSOLIDATED	
US$	**2021**	**2020**
Impairment charge on loans, finance leases and advance to customers		
Impairment charge	**8 476 768**	7 468 698
Recoveries	**(2 711 024)**	(1 860 830)
	5 765 744	5 607 868
Impairment charge on other financial assets		
Impairment charge:		
– Money market investments	**1 131 158**	355 368
– Cash and cash Equivalents	**1 591**	–
– Repurchase agreements	**(2 580)**	(404 732)
– Other assets	**213 876**	561 556
– Guarantees and letters of credit	**104 659**	–
Recoveries	**(156 516)**	(9 391)
	1 292 188	502 801
Total impairment loss on financial assets	**7 057 932**	6 110 669

45 Provisions

US$	CONSOLIDATED Staff retention incentive	Outstanding employee leave	Others	Total
Balance as at 1 January 2021	**1 698 032**	**277 787**	**954 807**	**2 930 626**
Net movement during the period	**785 037**	**1 955 870**	**831 204**	**3 572 111**
Balance as at 31 December 2021	**2 483 069**	**2 233 657**	**1 786 011**	**6 502 737**
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 at 31 December 2020	1 698 032	277 787	954 807	2 930 626

US$	CONSOLIDATED 2021	2020
Payable as follows:		
Due within one year	**4 716 726**	1 975 819
Due between two and five years	**1 786 011**	954 807
	6 502 737	2 930 626

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.

46 Loans payable

US$	CONSOLIDATED 2021	CONSOLIDATED 2020	SEPARATE 2021	SEPARATE 2020
Related parties (i)	**6 500 000**	6 500 000	**6 500 000**	6 500 000
Other lenders (ii)	**10 510 638**	9 310 033	**10 510 638**	9 310 033
Loan from subsidiary (iii)	**–**	–	**5 000 000**	2 000 000
Accrued interest	**154 286**	–	**301 439**	–
Total loans payable	**17 164 924**	15 810 033	**22 312 077**	17 810 033

US$	CONSOLIDATED 2021	CONSOLIDATED 2020	SEPARATE 2021	SEPARATE 2020
Payable as follows:				
Due within one year	**271 875**	–	**5 301 439**	2 000 000
Due between two and five years	**16 893 049**	15 810 033	**17 010 638**	15 810 033
Total loans payable	**17 164 924**	15 810 033	**22 312 077**	17 810 033

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

The principal amount including any interest outstanding is repayable after six years.

(ii) In 2019 an unsecured loan of BWP 100m (2021: US$8 510 638; 2020: US$ 9 310 033) was obtained from a 3rd party investor for four years with an interest rate of 8% per annum, the interest is payable on a yearly basis with the principal due at the maturity of the loan. In 2021 an unsecured loan of US$2 million was obtained from a third party investor. The loan is repayable after four years with an interest rate of 7%, per annum payable half-yearly.

(iii) In February 2021, the company received funding from FCB Botswana for US$2.5 million at 6% per annum repayable in February 2022.

In November 2021, the company received funding from FCB Zambia for US$2.5 million at 6% per annum repayable in November 2022.

47 Convertible preference shares

The 10 786 747 US$1 convertible redeemable preference shares bear a cumulative annual preferential dividend on nominal value at the following rates:

- 10 October 2020 to 9 October 2021 – 7%
- 10 October 2021 to 9 October 2022 – 8%
- 10 October 2022 onwards – 9%

The convertible preference shares were acquired by Magni Holdings and Prime Bank from Barclays Bank Plc during 2021.

The shares are redeemable at anytime at the option of the company. The preference shares are convertible to ordinary shares at the option of the holders at US$0.0472 cents of per share by the holders at anytime after 30 September 2024.

48 Equity instruments

	CONSOLIDATED	
US$	**2021**	**2020**
Equity instruments	**5 301 985**	699 299
As at January	**699 299**	1 664 939
Effect of changes in exchange rate and hyperinflation	**13 854**	(168 089)
Fair value gain / (loss) taken to other comprehensive income	**4 588 832**	(797 551)
Equity instruments	**5 301 985**	699 299
Represented by		
Investment in Zimswitch Technologies Private Limited	**5 202 853**	614 022
Investment in Sociedade Interbancária de Moçambique (SIMO)	**99 132**	85 277
Total equity instruments	**5 301 985**	699 299

Equity instruments classified as FVOCI represent shares held by banks in the Group in local switch companies. FCB Zimbabwe holds 11.98% of the issued share capital of Zimswitch Limited and First Capital Bank S.A. (Mozambique) (FCB Mozambique) holds 0.5% of SIMO's issued share capital. The fair value of Zimswitch was determined by external, independent valuers, having the appropriate recognised professional qualifications and recent experience in similar valuations using relevant equity valuation approaches. The switch is not fully operational and fair value cannot be reliably determined. The investment has therefore been measured at cost. The Group has no intention to dispose of 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.

49 Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2021 was based on profit attributable to ordinary shareholders of US$27 206 368 (2020: US$13 314 320) and a weighted average number of ordinary shares outstanding of 2 458 250 000 (2020: 2 458 250 000) calculated as follows:

	CONSOLIDATED	
	2021	2020
Basic earnings per share (EPS)		
Profit attributable to ordinary shareholders (US$)	**27 206 368**	13 314 320
Weighted average number of ordinary shares in issue	**2 458 250 000**	2 458 250 000
Basic earnings per share (US cents)	**1.107**	0.542

The calculation of diluted earnings per share at 31 December 2021 was based on adjusted profit attributable to ordinary shareholders of US$27 990 040 (2020: US$13 902 851) and a weighted average number of ordinary shares adjusted for the dilutive effect of convertible preference shares calculated as follows:

	CONSOLIDATED	
US$	2021	2020
Diluted earnings per share		
Adjusted profit attributable to ordinary shareholders (US$)	**27 990 040**	13 902 581
Weighted average number of ordinary shares in issue	**2 458 250 000**	2 458 250 000
Adjustment for convertible preferences shares	**228 532 775**	228 532 775
Diluted average number of ordinary shares	**2 686 782 775**	2 686 782 775
Diluted earnings per share (US cents)	**1.042**	0.517

50 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$	2021	2020	2021	2020
Authorised and contracted for	**23 994 488**	1 373 626	**3 433 326**	279 413
Authorised but not yet contracted for	**12 705 190**	11 987 992	**–**	–
Total Capital commitment	**36 699 678**	13 361 618	**3 433 326**	279 413

51 Contingent liabilities

In common with other banks, the business of the Group's entities involves acceptances, guarantees, performance bonds and indemnities.

The majority of these facilities are offset by corresponding obligations of third parties.

The contractual amount of the Group companies' off balance sheet financial instruments are as follows:

	CONSOLIDATED		SEPARATE	
US$	**2021**	**2020**	**2021**	**2020**
Acceptances and letters of credit	**40 415 220**	44 635 040	**–**	–
Financial guarantees	**96 477 986**	88 699 133	**12 366 122**	18 513 222
	136 893 206	133 334 173	**12 366 122**	18 513 222
Other contingent liabilities	**30 638**	–	**–**	–

Contingencies in respect of letters of credit will only crystallise into an asset or a liability when bills are presented in accordance with the terms and conditions of payment of the individual letters of credit. Contingencies in respect of guarantees and performance bonds issued will only crystallise into an asset and a liability in the event of default by the relevant counterparty.

Legal claims assessed to be probable have been included as provisions in Note 45.

Other contingent liabilities represent civil litigation matters that will crystallise into a liability only in the unlikely event of an unfavourable judgement.

FMBCH has guaranteed two US$10m loan facilities granted to FCB Malawi and FCB Botswana respectively by FMO. This loan facility is for on-lending to each of these bank's customers.

52 Related party transactions

The following significant transactions were entered into between FMBCH and the following related parties.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

All of these transactions where entered into in the ordinary course of business.

		SEPARATE	
		US$	
TRANSACTIONS	RELATIONSHIP	2021	2020
Administration and secretarial services			
JTC Fiduciary Services (Mauritius) Limited	Administrator and secretary	(50 836)	(50 960)
Dividend income on preference shares			
First Capital Bank Limited (Botswana)	Subsidiary	155 372	177 613
Group shared services for subsidiaries			
First Capital Bank Limited (Zimbabwe)	Subsidiary	601 909	765 225
First Capital Bank Limited (Botswana)	Subsidiary	942 783	774 729
First Capital Bank S.A. (Mozambique)	Subsidiary	23 492	130 394
First Capital Bank Plc (Malawi)	Subsidiary	582 543	891 418
First Capital Bank Limited (Zambia)	Subsidiary	624 173	461 386
Interest income			
First Capital Bank Limited (Botswana)	Subsidiary	–	17 000
First Capital Shared Services Limited	Subsidiary	250 788	–
First Capital Bank Plc (Malawi)	Subsidiary	–	1 944
Interest paid on convertible preference shares			
Magni Holdings Limited	Shareholder	(202 584)	–
Prime Bank Limited	Shareholder	(202 584)	–
Interest paid on Loans			
First Capital Bank Limited (Zambia)	Subsidiary	(18 403)	–
First Capital Bank Limited (Botswana)	Subsidiary	(147 416)	(48 764)
Mrs Meeta Anadkat	Immediate family member of a shareholder	(90 000)	(91 500)
Premier Capital (Mauritius) Limited	Shareholder	(112 500)	(114 375)
Prime Bank Limited	Shareholder	(292 500)	(297 375)

52 *RELATED PARTY TRANSACTIONS (continued)*

Outstanding balances with related parties as at 31 December 2021 are as follows:

		SEPARATE US$	
TRANSACTIONS	RELATIONSHIP	2021	2020
Expenses payable			
JTC Fiduciary Services (Mauritius) Limited	Administrator and secretary	–	(4 750)
Balances outstanding – Group shared services			
First Capital Bank Limited (Zimbabwe)	Subsidiary	676 838	670 417
First Capital Bank Limited (Botswana)	Subsidiary	38 027	–
First Capital Shared Services Limited	Subsidiary	243 829	414 282
First Capital Bank Plc (Malawi)	Subsidiary	(180 670)	–
First Capital Bank S.A. (Mozambique)	Subsidiary	153 015	–
First Capital Bank Limited (Zambia)	Subsidiary	43 122	269 496
Interest on loans			
First Capital Bank Limited (Botswana)	Subsidiary	(147 152)	(17 000)
Mrs Meeta Anadkat	Immediate family member of a shareholder	(15 250)	(15 250)
Premier Capital (Mauritius) Limited	Shareholder	(19 062)	(19 062)
Prime Bank Limited	Shareholder	(49 562)	(49 562)
Interest on Convertible preference shares			
Magni Holdings Limited	Shareholder	(202 584)	–
Prime Bank Limited	Shareholder	(202 584)	–
Loan receivable			
First Capital Shared Services Limited	Subsidiary	–	3 218 445
Loans payable			
First Capital Bank Limited (Botswana)	Subsidiary	(2 500 000)	(2 000 000)
First Capital Bank Limited (Zambia)	Subsidiary	(2 500 000)	–
Mrs Meeta Anadkat	Immediate family member of a shareholder	(1 000 000)	(1 000 000)
Premier Capital (Mauritius) Limited	Shareholder	(1 250 000)	(1 250 000)
Prime Bank Limited	Shareholder	(3 250 000)	(3 250 000)
Convertible preference shares outstanding			
Magni Holdings Limited	Shareholder	(5 393 374)	–
Prime Bank Limited	Shareholder	(5 393 373)	–
Cash and cash equivalents			
First Capital Bank Limited (Botswana)	Subsidiary	8 426 479	39 902
First Capital Bank Plc (Malawi)	Subsidiary	25 370	4 333
First Capital Bank S.A. (Mozambique)	Subsidiary	41 851	280 908
Preference share investment			
First Capital Bank Limited (Botswana)	Subsidiary	2 314 789	2 314 789

There were no provisions raised against the outstanding items. No interest was charged on balances outstanding from subsidiaries for shared services.

53 Directors' fees and expenses

	CONSOLIDATED		SEPARATE	
US$	2021	2020	2021	2020
Executive Directors	460 000	586 099	460 000	586 099
Key Management Personnel	3 622 578	2 744 834	1 083 212	614 216
Non-Executive Directors including expenses	947 559	929 215	186 489	226 208
	5 030 137	4 260 148	1 729 701	1 426 523

Key management personnel comprises the Heads of Group functions and Managing Directors of the subsidiary companies. Amounts paid to key management personnel compromise of short term employee benefits.

Non-executive directors fees for the Group include directors fees paid to all non-executive directors at both FMBCH and subsidiary level.

54 Events after the reporting date

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2021, of US$2 458 250 (0.1 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 2022.

55 Exchange rates used for translation

		2021		2020	
ENTITY	CURRENCY	Closing Rate	Average Rate	Closing Rate	Average Rate
Afcarme Zimbabwe Holdings (Private) Limited	ZWL	108.67	108.67	81.787	81.787
First Capital Bank Limited (Botswana)	BWP	11.75	11.07	10.741	11.422
First Capital Bank Plc (Malawi)	MWK	814.24	802.81	772.354	746.788
First Capital Bank S.A. (Mozambique)	MZN	63.83	65.89	74.200	69.442
First Capital Bank Limited (Zambia)	ZMK	16.66	19.99	21.135	18.581
First Capital Shared Services Limited	MUR	43.74	41.64	39.265	39.269

WHERE TO FIND US

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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/Chief Executive Officer
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

KEY CORPORATE INFORMATION

Auditor

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Mauritius

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SBM Bank (Mauritius) Ltd

Corporate Office, SBM Tower, 1,
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Secretary/Administrator

JTC Fiduciary Services (Mauritius) Limited

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FMBcapital HOLDINGS plc

www.fmbcapitalgroup.com