



ANNUAL FINANCIAL STATEMENTS

For the year ended
31 December 2024
prepared under Listing Rules
of Malawi Stock Exchange
(Extract)

Belief comes first.

Directors' responsibilities

for the year ended 31 December 2024

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 2024 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2024, and the notes to the financial statements which include a summary of accounting policies and other explanatory notes, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), except that *IAS 29: Financial Reporting in Hyperinflationary Economies* has not been applied to the Malawi-incorporated companies within the Group, nor to the Group as a whole. This follows the Directive on the Application of IAS 29, issued by the Institute of Chartered Accountants in Malawi (ICAM) under Notice No. PN-2024-12. The ICAM directive prohibits the application of IAS 29 to entities incorporated in Malawi as well as to multinational entities listed on the Malawi Stock Exchange with subsidiaries operating in Malawi, including FMBcapital Holdings Plc Group.

ICAM, following its own assessment, concluded that Malawi did not meet the criteria for classification as a hyperinflationary economy for financial reporting purposes as at 31 December 2024. The Group aligns with this assessment and has therefore not applied IAS 29 in the preparation of the financial statements.

The consolidated and separate financial statements are also prepared in line with the requirements of the listing rules of the Malawi Stock Exchange, which require listed companies to comply with the ICAM directive. Furthermore, the Directors are responsible for preparing the Directors' Report in accordance with the relevant requirements.

The Directors are also responsible for ensuring that the Group and Company maintain proper accounting records that provide, with reasonable accuracy, an up-to-date view of the financial position of the Group and Company, and that the financial statements comply with the Listing Rules of the Malawi Stock Exchange.

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

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

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

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

Approval of financial statements

The consolidated and separate financial statements of FMBcapital Holdings Plc as identified in the first paragraph, were approved by the Board of Directors on 23 April 2025 and are signed on its behalf by:



Terence Davidson
Director



Busisa Moyo
Director



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FMB CAPITAL 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") and Company set out on pages 12 to 190, which comprise the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at 31 December 2024, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM).

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 and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and other independence requirements applicable to performing audits of financial statements of the Group and Company and in Mauritius. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in Mauritius. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FMBCAPITAL HOLDINGS PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
(CONTINUED)*Key Audit Matters (Continued)*

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

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses (ECL) on loans and advances to customers The Group recognised gross loans and advances to customers as at 31 December 2024 of USD 787,783,912 (2023: 736,325,443) with related expected credit losses of USD 15,606,067 at the same date (2023: USD 19,917,859). The Group's net loans and advances represented 37% (2023: 47%) of the Group's total assets and the ECL contributed 2% (2023: 3%) of the Group's gross loans and advances to customers at the reporting date. In arriving at the reported expected credit losses, management applied judgements and made assumptions which, by their very nature, are subjective due to the significant uncertainty associated with them. The main inputs with increased complexity in respect of the timing and measurement of ECL include: • Modelled ECL allowance - The Group's loans and advances portfolio is mainly disaggregated into two sections- Corporate loan book and Retail loan book. The ECL allowance is calculated using a modelled approach. The development and execution of the model requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters. Significant management judgement is also required to evaluate probability weighted recovery scenarios, collateral valuations and time to collect.	Our audit procedures in assessing the ECL included the following: We have obtained an understanding of the Group's processes and tested the design effectiveness of the Group's internal controls over credit origination, credit monitoring and credit remediation, as well as the governance process over the approval and review of the Group's ECL models, including management adjustments Modelled ECL allowance With the assistance of our internal specialists: • We assessed the conceptual soundness of the model construct and statistical/mathematical techniques applied as well as the reasonableness underpinning significant assumptions applied with reference to the requirements of IFRS 9 - Financial instruments, in determining the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) parameters included in the models; • We independently reperformed the ECL calculations as per model documentation (model build steps and independently recomputed the PD, EAD and LGD parameters using the model build steps and management's inputs, to assess the reasonableness of the ECL model outputs; • Where exceptions were noted, our internal specialists developed challenger model(s) to evaluate the impact using independently derived parameters while leveraging from internal and external data; • We evaluated the sensitivity of the model outputs for possible changes in the forward-looking information provided by our economic advisory specialists;



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FMBCAPITAL HOLDINGS PLC

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

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
• Staging - The determination of what constitutes significant increase in credit risk ("SICR") and consequent timely allocation of the loans and advances to customers to the appropriate stage in accordance with IFRS 9. This assessment incorporates judgement and estimation by management. • Macroeconomic forecasts incorporated in impairment models - The Group incorporates forward looking information through macroeconomic variables. These require management judgement, given the uncertain macroeconomic environment and the complexity of incorporating these scenario forecasts and probability weightings into the estimation of ECL. The calculation of ECL relating to loans and advances to customers was identified as a key audit matter considering the significance to the consolidated financial statements and the high degree of estimation uncertainty due to significant judgements and assumptions applied in the calculation which required increased audit effort and the use of specialists.	• We assessed the data inputs used in the ECL models by reconciling the data inputs to the core banking system, customer agreements and collateral valuation reports. • We tested the Group's legal right to the collateral for a sample of exposures by inspecting legal agreements and valuation reports supporting the collateral valuations included in the Group's ECL models. • We assessed the competency and independence of a sample of the specialists appointed by the Group to determine the value of the collateral by reviewing the specialists' qualifications, credentials and registrations to professional bodies and the engagement contracts agreed with these specialists. • We reviewed on a sample basis, the valuation reports obtained from these specialists and benchmarked the discount rates and asset valuations reported by these specialists against discount rates and asset valuations for similar assets obtained from our own internal valuation specialists and other valuation specialists for similar assets in the same geographical areas. Staging • We assessed the appropriateness of the Group's SICR methodologies and tested the stage allocation of loans and advances to customers to stage 1, 2 or 3 in accordance with IFRS 9. • Our procedures included obtaining and testing loan arrears reports, verifying that balances are classified in the appropriate stage based on the days past due and credit risk assessments performed and risk ratings determined for individual accounts. • We assessed the risk ratings for a sample of accounts by reviewing the financial statements received from customers, comparing the risk ratings to the Group's credit watchlist, and reviewing the payment behaviour for the selected accounts. We compared the risk ratings for these selected accounts to management's SICR assessment.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FMB CAPITAL HOLDINGS PLC

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

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
The disclosures associated to Expected credit losses (ECL) on loans and advances are set out in the financial statements in the following notes: Note 11 - Loans and advances to customers. Note 51 - Impairment loss on financial assets. Note 7.1 - Credit risk.	Macro-economic forecasts - We obtained an understanding of how the economic forecasts, as part of forward-looking information, are derived and incorporated in the models; and - We evaluated the adequacy and completeness of economic assumptions used in the models by benchmarking these forecasts for a sample of macroeconomic variables to external sources. We assessed the presentation of the Expected Credit Loss and the appropriateness of the accounting policies as well as the adequacy of disclosures by comparing these to the requirements of IFRS 9 - Financial instruments.

Other matter

The accompanying financial statements have been prepared in accordance with the requirement of the Malawi Stock Exchange, applying IFRS Accounting Standards as issued by the International Accounting Standards Board and the IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi. The Company prepared another set of consolidated and separate financial statements under IFRS Accounting Standards as issued by the International Accounting Standards Board for statutory purposes under the requirement of Companies Act 2001 in Mauritius on which a distinct opinion will be issued.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 190-page document titled "FMBcapital Holdings Plc Annual Financial Statements for the year ended 31 December 2024 prepared under Listing Rules of Malawi Stock Exchange", which includes the Directors' Report and the Directors' Responsibilities. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FNBCAPITAL HOLDINGS PLC

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FMBCAPITAL HOLDINGS PLC

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

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

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

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

We also provide the directors 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, actions taken to eliminate threats or safeguards applied.

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

Use of our report

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

Ernst & Young

ERNST & YOUNG
Ebène, Mauritius

David Ng Man Chuen

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

Date: 23 April 2025

Notes to the financial statements

for the year ended 31 December 2024

1 Reporting entity

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

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

2 Basis of preparation

2.1 Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), except that IAS 29: *Financial Reporting in Hyperinflationary Economies* has not been applied to the Malawi-incorporated companies within the Group, nor to the Group as a whole. This follows the Directive on the Application of IAS 29, issued by the Institute of Chartered Accountants in Malawi (ICAM) under Notice No. PN-2024-12.

The ICAM Directive prohibits the application of IAS 29 to:

- Malawi-incorporated entities; and
- Multinational entities listed on the Malawi Stock Exchange (MSE) with subsidiaries operating in Malawi, including FMBcapital Holdings Plc Group.

As a result, and in the preparation of the Group Financial Statements, IAS 29 has not been applied to these subsidiaries incorporated and operated in Malawi and where the functional currency is the Malawi Kwacha.

ICAM, following its own assessment, concluded that Malawi does not meet the criteria of a hyperinflationary economy for financial reporting purposes, and this remained ICAM's official position as at 31 December 2024. This is a position with which the Group is aligned.

2.2 Basis of measurement

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

- properties which are revalued to fair value;
- financial instruments including derivatives that are carried at fair value through profit or loss (FVPL); and
- financial instruments at fair value through other comprehensive income (FVOCI).

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

2.3 Significant changes in the current reporting period

2.3.1 Change of functional currency

Afcarme Zimbabwe Holdings (Private) Limited (Afcarme) and First Capital Bank Zimbabwe (the Bank) changed their functional currency from Zimbabwean Dollars (ZWL) to United States Dollars (USD). Initially, this change was applied with effect from 1 January 2023 which was reflected in the Group's 2023 consolidated financial statements. However, following a reassessment, it was determined that the functional currency change should have been applied from last quarter of 2023, as the necessary conditions for the change were present only from that period. The change in functional currency was applied from 31 December 2023 in the Group's financial statements. As a result, the Group has restated the 2023 financial statements to reflect changes as a result of this revised adoption date. Details of this restatement are contained in Note 58 of these financial statements.

Afcarme is an investment holding company that owns a 52.49% interest in the Bank's issued ordinary share capital. The decision to transition to USD as the functional currency was supported by the following key factors and developments:

- a) The USD had become the dominant currency on the Bank's balance sheet, accounting for more than 80% of both financial assets and financial liabilities.
- b) More than 60% of the Bank's revenue was denominated in USD.
- c) The USD primarily influenced the Bank's labour costs, technology expenses, and other service provision costs.

Notes to the financial statements (continued)

for the year ended 31 December 2024

2 Basis of preparation (continued)

2.3 Significant changes in the current reporting period (continued)

2.3.1 Change of functional currency (continued)

- d) Zimbabwe operates in a multi-currency environment, where the use of the USD is widely recognised, and some government assets and liabilities are realized or settled in USD.
- e) A material shift in economic conditions occurred between 2022 and 2023. The Confederation of Zimbabwe Industries (CZI), Zimbabwe National Statistics Agency (ZIMSTAT), and the Reserve Bank of Zimbabwe (RBZ) highlighted in the RBZ's Monetary Policy Statement (February 2023) that the economy was over 75% USD-based, with 64.6% of total deposits held in USD.
- f) The monetary policy of the Reserve Bank of Zimbabwe extended the use of the multi-currency regime up to 2030 during the last quarter of the 2023 financial year.

Furthermore, in 2023, the Bank migrated its listing from the Zimbabwe Stock Exchange (ZSE) to the Victoria Falls Stock Exchange (VFEX). The VFEX, being established in an Offshore Financial Services Centre, operates primarily in USD, reinforcing the rationale for the functional currency change.

2.3.2 Changes in the macroeconomic environment

In 2024, the macroeconomic environment continued to significantly influence the operations of the FMBcapital Holdings Group banking entities across the corporate, commercial, and retail segments in Botswana, Malawi, Mozambique, Zambia, and Zimbabwe.

Persistent inflationary pressures, although easing in some markets, continued to shape central banks' monetary policies, with interest rates remaining elevated in several jurisdictions as authorities focused on stabilising local currencies and containing inflation.

In Botswana and Mozambique, the trend of moderating inflation has been counterbalanced by election-related fiscal pressures, and in Mozambique, post-election protests contributed to operational and economic uncertainty, impacting business confidence.

A key development in Zimbabwe was the introduction of the Zimbabwe Gold (ZWG) currency during 2024 in an effort to stabilise the economy and restore confidence in the local currency. The transition to ZWG, coupled with ongoing inflationary challenges required the Group to adapt pricing, liquidity management, and credit strategies in the Zimbabwean market.

In Zambia, the Kwacha further weakened against the US Dollar, driven by external debt repayment pressures, reduced foreign investment inflows, and ongoing global economic headwinds. The resultant foreign currency liquidity shortages have created challenges for import-reliant businesses and heightened pressure on the banking sector's liquidity management practices.

Across the region, tight foreign currency liquidity has persisted, prompting central banks to maintain or further increase local and foreign currency deposit reserve requirements. This environment has amplified liquidity constraints for banks and influenced balance sheet strategies.

The tightening of monetary policy has continued to affect credit demand and asset quality, with higher borrowing costs constraining business investment and consumer spending. At the same time, currency volatility and uneven economic recovery trajectories across the Group's footprint have required the Group to further refine its country-specific risk management frameworks and adapt its product offering to reflect evolving market needs.

The Group's various governance structures, from majority-independent boards of directors to the various management teams across its footprint, approached these macroeconomic developments in an integrated fashion with its strategic and tactical plans.

Moreover, the acceleration of digital banking adoption has remained a key priority, driven by evolving customer preferences and the need to enhance operational resilience. In response to the challenging operating environment, the Group has also undertaken further reviews of its operating models and cost structures to enhance operational efficiency and ensure sustainable performance.

This economic and operational context has informed the Group's strategic adjustments and risk management considerations for the year ended 31 December 2024.

Notes to the financial statements (continued)

for the year ended 31 December 2024

2 Basis of preparation (continued)

2.4 IAS 29 Financial reporting in hyperinflationary economies

The Zimbabwean economy remained hyperinflationary for the year ended 31 December 2024. However, following the introduction of a new gold-backed currency, the ZWG, in April 2024, an ongoing evaluation is being conducted to determine whether Zimbabwe will continue to be classified as a hyperinflationary economy.

The Group ceased applying IAS 29 – Financial Reporting in Hyperinflationary Economies with effect from 31 December 2023, following the change in functional currency of Afcarne Zimbabwe Holdings (Private) Limited (Afcarne) and First Capital Bank Zimbabwe (the Bank) to United States Dollars (USD), as outlined in Notes 2.3 and 5.6.

Initially, the Group's 2023 financial statements reflected a change in functional currency from 1 January 2023. However, following a reassessment, the Group concluded that the functional currency change should have been applied from last quarter of 2023, as the conditions supporting the transition only existed from that period. Consequently, the 2023 consolidated financial statements were restated to reflect the revised adoption date of the functional currency change. Refer to note 58 for the details of the restatements.

The comparative financial statements of the Group's Zimbabwean subsidiaries were restated in accordance with IAS 29, which requires financial statements to be presented in terms of the measuring unit current at the end of the reporting period. The restatement was applied up to 30 December 2023, the last date on which the Zimbabwe Dollar (ZWL) was the functional currency of the affected subsidiaries. The key principles applied in the restatement process are summarized as follows:

- Monetary items were not restated, as they are already expressed at their current value at the balance sheet date.
- Non-monetary assets and liabilities carried at historical cost were adjusted to reflect the change in the general price index from the recognition date to the reporting date.
- Non-monetary assets measured at fair value or revalued amounts continued to be accounted for in accordance with Group accounting policies.
- Restated values of non-monetary assets were subject to impairment testing, with adjustments made as required in line with Group impairment policies.
- Items recognised in the statement of comprehensive income were restated by applying the change in the general price index from the original recognition date to the reporting date.
- The loss in purchasing power arising from holding net monetary assets was recognised in profit or loss, calculated 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 from the restatement of opening equity under IAS 29 and the exchange difference on translation to the Group's presentation currency were recognised in other comprehensive income for the year.

The Group determined that the Zimbabwe All Items Consumer Price Index (CPI) was the most appropriate indicator of changes in the purchasing power of the Zimbabwe Dollar. Additionally, the Group elected to use the published interbank exchange rate for the USD when translating Zimbabwe Dollar financial statements into the Group's presentation currency.

Year-end indices and rates	2024	2023
CPI	–	113.22
USD interbank rate	–	6 104.72

Notes to the financial statements (continued)

for the year ended 31 December 2024

5 Significant accounting judgements, estimates and assumptions

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

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

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2024.

5.1 Expected credit losses (ECL) on financial assets

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

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

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

Refer to note 7 for further information.

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 8 for further disclosures.

Notes to the financial statements (continued)

for the year ended 31 December 2024

5 Significant accounting judgements, estimates and assumptions (continued)

5.3 Financial assets at fair value through other comprehensive income

Equity instruments

The fair value of any unquoted equity investments was determined using the dividend growth model.

Dividend growth in perpetuity was estimated using the weighted average cost of capital of the investment. Estimation of the cost of equity and future cash flows is an area of significant judgement.

The fair value of any listed equity investments was determined based on current market pricing, and therefore not subject to any assumptions or estimates.

Refer to note 18 for further information.

Treasury bills and bonds

These instruments are not actively traded despite the existence of potential secondary markets; 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.

Refer to note 10 for further information.

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.

Refer to note 24 for further information.

5.5 Owner occupied property

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

Refer to notes 8 and 24.

Notes to the financial statements (continued)

for the year ended 31 December 2024

5 Significant accounting judgements, estimates and assumptions (continued)

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

As explained in note 2.3.1; Afcarne and its subsidiary, First Capital Bank Zimbabwe, changed their functional currency from the Zimbabwean Dollar (ZWL) to the United States Dollar (USD), effective 31 December 2023. The rationale and timing of this change are detailed in note 2.3.1.

The hyperinflationary adjustments under IAS 29 were retrospectively applied for the period from 1 January 2023 to 30 December 2023. Assets held at fair value were revalued in USD as at 31 December 2023, in line with the Group's accounting policies.

Consequently, the Group has restated its comparative financial statements to reflect the revised adoption date for the change in functional currency of its Zimbabwean subsidiaries.

These restatements did not materially affect the closing net assets for Afcarne and the Bank as at 31 December 2023.

For further details, refer to notes 2.4, and 58.

5.7 Determination of lease term under IFRS 16

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

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

Refer to note 22 for further information.

5.8 Provisions

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

Provisions are disclosed in note 34.

Notes to the financial statements (continued)

for the year ended 31 December 2024

5 Significant accounting judgements, estimates and assumptions (continued)

5.9 Control over subsidiaries with less than 50% majority

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

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

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

Refer to note 41 for further information.

5.10 Operating segments

During 2024 and 2023 respectively, the Group has been organised into six operating segments based on six geographical locations as disclosed in note 4. The Group Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the financial statements.

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

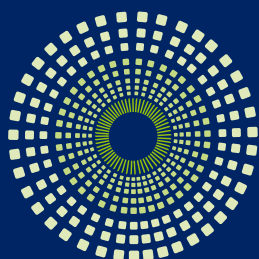
Transfer prices between operating segments are based on the Bank's internal pricing framework and deemed to be at arm's length as per OECD (Organisation for Economic Co-operation and Development) guidelines.

5.11 Investment property

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

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

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



Belief comes first.