# Consolidated and separate financial statements for the year ended 31 December 2024

**Content**

The Directors have pleasure in submitting their report together with the audited consolidated and separate financial statements of First Capital Bank Plc and its subsidiaries for the year ended 31 December 2024.

**Nature of business, subsidiaries, and registered office**

First Capital Bank Plc is a public limited liability company incorporated in Malawi under the Malawi Companies Act, 2013. The Company is registered as a commercial bank under the Banking Act, 2009. It has four wholly owned subsidiaries incorporated in Malawi as follows:

- FMB Capital Markets Limited - dormant
- FMB Forex Bureau Limited - dormant
- FMB Pensions Limited - dormant
- International Commercial Bank Limited - dormant

The physical address of First Capital Bank Plc's registered office is:

Livingstone Towers
Private Bag 122
Glyn Jones Road
Blantyre
Malawi

**Financial Performance**

The results and state of affairs of the Group and Bank are set out in the accompanying consolidated and separate statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows, notes and associated accounting policy information.

**Dividends**

During the year, the Group paid a total dividend of K14.50 billion (2023: K13.76 billion) to its shareholder, FMBcapital Holdings Plc as follows:

- K6.20 billion final dividend for 2023 paid in April 2024.
- K8.30 billion interim dividend for 2024 paid in September 2024.

**Directorate and Secretary**

The following Directors and Company Secretary of the Bank served during the year:

| | | |
|---|---|---|
| Mr. T. Davidson | Chairman | Non-executive |
| Mr. H. N. Anadkat | Director | Non-Executive |
| Mrs. C. Musopole | Director | Non-Executive |
| Mr. T. Kadantot | Director | Non-Executive |
| Mrs. L Mataya | Director | Non-Executive |
| Mr. R. Pant | Director | Non-Executive |
| Mr. B. Ndau | Director | Non-Executive |
| Mr. P. Chikopa | Director | Non-executive |
| Mr. B. Bouke | Director | Non-Executive |
| Mr. E. Chinyamunyamu | Director | Non-Executive |
| Mr. M. Kadumbo | Company Secretary | (Up to 30 November 2024) |
| Mr. R. Ng'omba | Company Secretary | (From to 1 December 2024) |

Total remuneration paid to Non-Executive Directors and expenses incurred on their behalf are disclosed in note 31.

**Donations**

Total donations by the companies in the Group during the year amounted to K817.3 million (2023: K405.1 million). The donations were made to charitable causes, which directors regard as non-political.

**Auditors**

Ernst & Young (EY), Chartered Accountants (Malawi), P. O. Box 530, Blantyre, have signified their willingness to continue in office and a resolution will be proposed at the forthcoming Annual General Meeting in relation to their appointment as auditors in respect of the year ending 31 December 2025.

**Shareholding analysis**

| | 2024 | 2023 |
|---|---|---|
| **Name** | % | % |
| FMBcapital Holdings Plc | 100.00 | 100.00 |

Mr. Hitesh Anadkat and the Group Managing Director for FMBcapital Holdings Plc hold one share each in trust for FMBcapital Holdings Plc.

**Director** **Director**

**The Board**

The Bank has a unitary Board of Directors comprising a Non-Executive Chairman and nine Non-Executive Directors. The Board has adopted without modification the major principles of modern corporate governance as contained in the Cadbury and King II Reports, and the Basel Committee on Banking Supervision.

The Board meets at least four times a year. There are adequate, 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, and providing effective leadership, control, and strategic direction over the Bank's operations, and ensuring that the Bank fully complies with relevant legal, ethical and regulatory requirements.

**Board Meetings Attendance 2024**

| Member | 12-Mar-24 | 13-Jun-24 | 10-Sep-24 | 26-Nov-24 |
|---|---|---|---|---|
| Mr. T. Davidson (Chairman) | ✓ | ✓ | ✓ | ✓ |
| Mr. H. N. Anadkat | ✓ | ✓ | ✓ | ✓ |
| Mrs. C. Musopole | ✓ | ✓ | ✓ | ✓ |
| Mr. T. Kadantot | ✓ | ✓ | ✓ | ✓ |
| Mrs. L. Mataya | ✓ | ✓ | ✓ | ✓ |
| Mr. R. Pant | ✓ | ✓ | ✓ | X |
| Mr. B. Ndau | ✓ | ✓ | ✓ | ✓ |
| Mr. P. Chikopa | ✓ | ✓ | ✓ | ✓ |
| Mr. B. Bouke | ✓ | X | ✓ | ✓ |
| Mr. E. Chinyamunyamu | ✓ | ✓ | X | ✓ |

**Key**

✓ - Attendance X – Apology N/A – Not Applicable

**Board and Management Committees**

There are three permanent management committees: The Asset and Liability Management Committee, the Management Risk Committee, and the Management Credit Committee, which meet monthly. There are four permanent board committees (comprising Directors): The Audit Committee, Credit Committee, Appointments and Remuneration Committee, and Risk and Compliance Committee.

**Asset and Liability Management Committee (ALCO)**

The primary objective of the ALCO is to ensure a proper balance in terms of maturity profile, cost and yield, and risk exposure between funds mobilised and funds deployed. The ALCO seeks to manage risks in order to minimise the volatility of net interest income and protect the long-term economic value of the Bank. The committee also monitors the capital adequacy of the Bank.

Key functions of the ALCO include setting pricing guidelines for assets and liabilities, setting limits and managing liquidity risk and interest rate risk and ensuring that contingency funding plans are in place to avert funding crises. The ALCO comprises the members of management and meets regularly, usually once a month. The members of the ALCO are:

Chief Finance Officer (Chairman)
Chief Executive Officer
Head of Corporate and Institutional Banking
Head of Branch Banking
Head of Risk
Head of Credit
Head of Treasury
Head of Compliance
Manager – Financial Reporting (Committee Secretary).

**Management Risk Committee (MRC)**

MRC is chaired by the Chief Executive Officer and meets monthly to review management of strategic risk, operational risk, compliance risk, reputation risk and any other risks in the Bank. This forum facilitates co-ordination and communication among various risk owners and risk management functions to resolve risk related issues in the Bank expeditiously and promote efficient management of relative risks. The members of the MRC are:

Chief Executive Officer (Chairman)
Chief Finance Officer
Head of Operations and Projects
Head of Branch Banking
Head of Risk
Head of Information Technology
Head of Corporate and Institutional Banking
Head of Internal Audit
Head of Human Resources
Head of Products
Head of Compliance
Head of Legal and Company Secretary
Head of Treasury

**Management Credit Committee (MCC)**

MCC is chaired by the Chief Executive Officer and meets monthly to review management of credit risk in the Bank. The members of the MCC are:

Chief Executive Officer (Chairman)
Head of Credit
Head of Corporate and Institutional Banking
Head of Branch Banking
Head of Treasury
Head of Risk

The Committee may ask one or more of the Heads of customer segments, selected Credit Department officials, the Company Secretary and Legal Counsel to attend meetings.

**Audit Committee**

The Audit Committee assists the Board in discharging its duties in relation to financial reporting, asset management, risk management, internal control systems, processes and procedures and monitors the quality of both the external and internal audit functions. The Bank's External Auditors and Internal Auditors report to the committee in their independent, private meetings to discuss the status of the Bank's internal controls and exposures to risks. Where the committee's monitoring and review activities reveal causes for concern or scope for improvement, it makes recommendations to the Board on required remedial actions.

The Audit Committee comprises three non-executive Directors, one of whom acts as Chairman. The committee meets at least four times a year. During the year, the following served as members of the Audit Committee:

| | |
|---|---|
| Mrs. C. Musopole | Non-executive director (Chairman) |
| Mr. P. Chikopa | Non-executive director |
| Mr. E. Chinyamunyamu | Non-executive director |

**Audit Committee Meetings Attendance 2024**

| Member | 11-Mar-24 | 12-Jun-24 | 9-Sep-24 | 25-Nov-24 |
|---|---|---|---|---|
| Mrs. C. Musopole | ✓ | ✓ | ✓ | ✓ |
| Mr. P. Chikopa | ✓ | ✓ | ✓ | ✓ |
| Mr. E. Chinyamunyamu | ✓ | ✓ | X | ✓ |

**Key**

✓ - Attendance X – Apology N/A – Not Applicable

**Credit Committee**

The Credit Committee comprises three Directors with a good knowledge of the Malawi economy and business environment. Its overall responsibility is to ensure the soundness of the Bank's credit portfolio (including advances, guarantees and other facilities).

The Chief Executive Officer, Head of Credit, Group Head of Credit, Group Head of Compliance, and other Heads attend all Credit Committee meetings in a non-voting capacity. The Credit Committee meets regularly, usually once a quarter, and during the year the following served as members of the Credit Committee:

| | |
|---|---|
| Mr. H. N. Anadkat | Non-executive director (Chairman up to 12 December 2024) |
| Mr. T. Kadantot | Non-executive director |
| Mr. B. Ndau | Non-executive director (Chairman from 13 December 2024) |

**Credit Committee Attendance 2024**

| Member | 11-Mar-24 | 31-May-24 | 9-Sep-24 | 25-Nov-24 |
|---|---|---|---|---|
| Mr. H. N. Anadkat | ✓ | ✓ | X | ✓ |
| Mr. T. Kadantot | ✓ | ✓ | ✓ | ✓ |
| Mr. B. Ndau | ✓ | ✓ | ✓ | ✓ |

**Key**

✓ - Attendance X – Apology N/A – Not Applicable

**Appointments and Remuneration Committee**

The Appointments and Remuneration Committee nominates persons to be appointed Directors (subject to shareholders' approval) and recommends to the Board, Executive and Non-Executive Directors and senior management remuneration. The Committee also approves overall human resource and remuneration policies and strategies. During the year, the following served as members of the Appointments and Remuneration Committee:

| | |
|---|---|
| Mr. T. Davidson | Chairman |
| Mr. B. Ndau | Director |
| Mr. H. N. Anadkat | Director |

**Appointments and Remuneration Committee Meetings Attendance 2024**

| Member | 11-Mar-24 | 27-May-24 | 9-Sep-24 | 25-Nov-24 |
|---|---|---|---|---|
| Mr. T. Davidson | ✓ | ✓ | ✓ | ✓ |
| Mr. B. Ndau | ✓ | ✓ | ✓ | ✓ |
| Mr. H. N. Anadkat | ✓ | ✓ | ✓ | ✓ |

**Key**

✓ - Attendance X – Apology N/A – Not Applicable

**Risk and Compliance Committee**

The Risk and Compliance Committee assists the Board in relation to assessing, controlling, and mitigating business risks. The committee identifies risks facing the Bank and recommends controls to the Board, and comprises three Directors, with at least one non-executive Director. The chairman of the committee is a non-executive Director. The Head of Operations, Head of Corporate and Institutional Banking, Group Head of Compliance, Chief Executive Officer, Chief Finance Officer, Head of Risk, Head of Compliance and Head of Credit attend all meetings. During the year, the following served as members of the Risk and Compliance Committee:

| | |
|---|---|
| Mr. R. Pant | Non-executive director (Chairman up to 12 December 2024) |
| Mr. B. Jani | Non-executive director |
| Mrs. L. Mataya | Non-executive director (Chairman from 13 December 2024) |
| Mr. B. Bouke | Non-executive director |

**Risk Committee Meetings Attendance 2024**

| Member | 7-Mar-24 | 30-May-24 | 5-Sep-24 | 21-Nov-24 |
|---|---|---|---|---|
| Mr. R. Pant | ✓ | ✓ | ✓ | ✓ |
| Mrs. L. Mataya | ✓ | ✓ | ✓ | ✓ |
| Mr. B. Bouke | ✓ | X | ✓ | X |

**Key**

✓ - Attendance    X – Apology    N/A – Not Applicable

**Ethical standards**

The Board is fully committed to ensuring the Bank’s affairs are conducted with integrity and that the highest ethical standards are maintained. All employees of the Bank are required to abide by a code of conduct containing detailed guidelines governing ethics and integrity in the workplace.

The Directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of First Capital Bank Plc, comprising 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 the notes to the consolidated and separate financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM), and the requirements of the Companies Act, 2013. In addition, the Directors are responsible for preparing the Directors' Report.

The Malawi Companies Act, 2013 also requires the Directors to ensure that the Group and Bank maintain proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Bank and ensure the financial statements comply with the Malawi Companies Act, 2013.

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; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume the Bank will continue in business.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the consolidated and separate 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 have made an assessment of the Bank and its subsidiaries respective abilities to continue as going concerns and have no reason to believe that these businesses will not be going concerns in the year ahead except for those entities described as dormant on page 1.

The external auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM), and the requirements of the Companies Act, 2013.

**Approval of financial statements**

The consolidated and separate financial statements of First Capital Bank Plc as identified in the first paragraph, were approved by the Board of Directors on 18 March 2025 and are signed on its behalf by:

**Director** | **Director**

By order of the Board

Shape the future
with confidence

**Chartered Accountants (Malawi)**
Apex House
Kidney Crescent
PO Box 530
Blantyre, Malawi

Tel: +265 999 888 684 / 991 971 035
ey.com

## Independent auditor's report to the members of First Capital Bank Plc

### Opinion

We have audited the consolidated and separate financial statements of First Capital Bank Plc and its subsidiaries ("the Group"), set out on pages 12 to 112, which comprise the consolidated and separate statements of financial position as at 31 December 2024, and consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 December 2024, and 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), IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act, 2013.

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

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. The matter noted below was 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 the matter. For the key audit matter noted 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 this matter. 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 matter below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.
The key audit matter applies equally to the audit of the consolidated and separate financial statements.

| Level | Key audit matter |
|---|---|
| **First Capital Bank Plc** | **Expected credit losses.**<br><br>The disclosures associated with Credit Risk are set out in the consolidated and separate financial statements in the following notes:<br>▶ Note 4(c) - *Classification and measurement of financial instruments under IFRS 9.*<br>▶ Note 5(k) – *Risk Management, Credit Risk Management.*<br>▶ Note 9 - *Loans and advances to customers.*<br>▶ Note 35 – *Impairment loss on financial assets* |

Shape the future
with confidence

**Key audit matters (*Continued)***

| Valuation of expected credit losses on loans and advances | How the matter was addressed in the audit |
|---|---|
| We identified the audit of expected credit losses (ECL) as a key audit matter considering the following:<br><br>▸ First Capital Bank's loan and advances to customers at K165.1 billion represent 24% of total assets and the associated impairment provision for expected credit losses of K2.74 billion are material to the consolidated financial statements.<br><br>▸ The high degree of estimation uncertainty, significant judgements and assumptions applied in estimating the ECL on loans and advances to customers.<br><br>▸ The Significant portion of ECL is calculated on a modelled basis. 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 increases in credit risk (SICR) are assessed based on the current risk of default of an account relative to its risk of default at origination. This assessment incorporates judgement and estimation by management, including impact of external factors.<br><br>▸ In particular, we have focussed on the following areas of significant judgement and estimation which required the use of specialists, additional audit effort and increased discussions with management during the course of the audit: | **Our response to the key audit matter included performing the following audit procedures:**<br><br>▸ We obtained an understanding of the bank's policies and procedures, including controls in place around determination of expected credit losses. We confirmed our understanding of the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification and loan impairment assessment including the oversight role of those charged with governance in the determination, accounting and reporting of expected credit losses.<br><br>▸ We carried out procedures to ensure the data being used in the models is complete, accurate, and that assumptions used are reasonable and supportable.<br><br>▸ We assessed the input assumptions applied within the PD, EAD and LGD models including forward looking information for compliance with the requirements of IFRS 9<br><br>▸ Our internal specialists reviewed the models used to process data and the alignment of these models to the 'methodology' and recalibrations approved for use by the Group. |
| **Modelled ECL provisions.**<br><br>Determination of expected credit losses require consideration of multiple forward-looking macro-economic factors, including consideration of observable relationships between these factors and Non-Performing Loans (NPL) in the past projected into the future. The key factors considered by the bank include inflation, GDP, interest rates, fuel prices, and historical correlations between these inputs against the NPL rate.<br><br>Calculation of expected losses utilizes models that utilize collateral reports from valuers, legal experts, and credit specialists. | **Modelled ECL provisions.**<br><br>We have assessed the appropriateness of the macro-economic forecasts and scenario weightings by benchmarking these against external evidence and economic data. Our internal specialists reviewed the correlation between probabilities of default and external macro-economic factors using historical data and results thereof, including reviewing the appropriateness of the statistical methodologies used to project these relationships in the future.<br><br>For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral. The collateral valuation techniques applied by management were benchmarked to the market practice and values compared to market achievable disposal values on the market. |

| Valuation of expected credit losses on loans and advances | How the matter was addressed in the audit |
|---|---|
| **Extensive disclosures in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.**<br><br>Extensive disclosures are required in the financial statements in order to allow users of the financial statements to understand the additional level of judgement applied by management, this included additional disclosure with regards to management adjustments and sensitivity analyses. Due to the extensive nature of these disclosures which are non-routine and very specific to the environmental conditions, this required significant audit effort to assess the reasonability and compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board | **Our response to the key audit matter.**<br><br>We reviewed the additional disclosures related to adequacy and appropriateness in accordance with the requirements of *IFRS 7- Financial Instruments: Disclosures requirements*.<br><br>Specifically, we assessed the reasonability of the disclosures in light of the audit work performed and disclosures made elsewhere in the financial statements. |

**Other information**

The directors are responsible for the other information. The other information comprises the Report of the Directors', Statement on Corporate Governance and Statement of Directors' Responsibilities as required by the Malawi Companies Act, 2013. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express 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 on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of 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 (IASB), IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act, 2013 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.

Shape the future
with confidence

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's and 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's 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.
- 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, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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.

Ernst & Young

Chartered Accountants (Malawi)
Chiwemi Chihana
Registered Practicing Accountant

26 March 2025

| | Notes | Consolidated 2024 K'000 | Consolidated 2023 K'000 | Separate 2024 K'000 | Separate 2023 K'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 7 | 141 575 296 | 86 394 065 | 141 575 296 | 86 394 065 |
| Money market investments | 8 | 309 897 915 | 160 650 751 | 309 897 915 | 160 650 751 |
| Loans and advances to customers | 9 | 165 084 686 | 184 826 160 | 165 084 686 | 184 826 160 |
| Amounts due from related parties | 11 | 532 554 | 121 111 | 532 554 | 121 111 |
| Repurchase agreements | 34 | 8 714 531 | 8 383 221 | 8 714 531 | 8 383 221 |
| Current tax assets | 27(c) | 43 649 | 43 649 | - | - |
| Investments at fair value through profit or loss | 12 | 15 848 359 | 10 918 842 | 15 848 359 | 10 918 842 |
| Other assets | 10 | 6 897 965 | 4 318 325 | 6 870 515 | 4 290 875 |
| Investment in subsidiaries | 13 | - | - | 208 791 | 208 791 |
| Property and equipment | 14(b) | 30 820 397 | 25 792 649 | 30 820 397 | 25 792 649 |
| Right-of-use assets | 38(a) | 733 657 | 332 564 | 733 657 | 332 564 |
| Deferred tax assets | 15 | 6 286 566 | 497 227 | 6 283 144 | 493 804 |
| Intangible assets | 14(a) | 1 773 628 | 1 369 324 | 1 773 628 | 1 369 324 |
| **Total assets** | | **688 209 203** | **483 647 888** | **688 343 473** | **483 782 157** |
| **Liabilities and Equity** | | | | | |
| **Liabilities** | | | | | |
| Balances due to other banks | 16 | 8 670 059 | 22 878 915 | 8 670 059 | 22 878 915 |
| Customer deposits | 17 | 518 267 166 | 354 465 388 | 518 584 995 | 354 783 217 |
| Amounts due to related parties | 18(c) | 3 705 630 | - | 3 705 630 | - |
| Current tax liabilities | 27(c) | 10 248 541 | 4 245 422 | 10 238 170 | 4 235 051 |
| Trade and Other payables | 18(a) | 34 764 370 | 21 839 335 | 34 948 464 | 22 023 428 |
| Lease liabilities | 38(b) | 901 415 | 448 338 | 901 415 | 448 338 |
| Provisions | 18(b) | 3 677 770 | 2 217 479 | 3 677 770 | 2 217 479 |
| **Total liabilities** | | **580 234 951** | **406 094 877** | **580 726 503** | **406 586 428** |
| **Equity** | | | | | |
| Share capital | 19(a) | 116 813 | 116 813 | 116 813 | 116 813 |
| Share premium | 19(b) | 1 565 347 | 1 565 347 | 1 565 347 | 1 565 347 |
| Property revaluation reserve | 20 | 10 332 115 | 12 530 399 | 10 332 115 | 12 530 399 |
| Loan loss reserve | 21 | 934 799 | 1 089 212 | 934 799 | 1 089 212 |
| Retained earnings | | 95 025 178 | 62 251 240 | 94 667 896 | 61 893 958 |
| **Total equity** | | **107 974 252** | **77 553 011** | **107 616 970** | **77 195 729** |
| **Total equity and liabilities** | | **688 209 203** | **483 647 888** | **688 343 473** | **483 782 157** |

The consolidated and separate financial statements were approved for issue by the Bank's Board of Directors on 18 March 2025 and were signed on its behalf by:

**Director**

**Director**

## First Capital Bank Plc
## Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2024

| | | Consolidated | | Separate | |
|---|---|---|---|---|---|
| | Note | 2024 K'000 | 2023 K'000 | 2024 K'000 | 2023 K'000 |
| Interest income | 23(a) | 96 320 737 | 60 780 948 | 96 320 737 | 60 780 948 |
| Interest expense | 23(b) | (20 413 511) | (14 995 474) | (20 413 511) | (14 995 474) |
| **Net interest income** | | **75 907 226** | **45 785 474** | **75 907 226** | **45 785 474** |
| Fees and commission income | 24(a) | 48 332 470 | 21 724 336 | 48 332 470 | 21 724 336 |
| Income from investments | 24(b) | 2 216 478 | 6 486 204 | 2 216 478 | 6 486 204 |
| Gain on foreign exchange transactions | 24 (c) | 7 091 779 | 8 686 420 | 7 091 779 | 8 686 420 |
| **Total non-interest income** | | **57 640 727** | **36 896 960** | **57 640 727** | **36 896 960** |
| **Total operating income** | | **133 547 953** | **82 682 434** | **133 547 953** | **82 682 434** |
| Staff and training costs | 25 | (17 372 777) | (12 504 499) | (17 372 777) | (12 504 499) |
| Premises and equipment costs | 26(a) | (9 017 683) | (4 760 697) | (9 017 683) | (4 760 697) |
| Depreciation and amortization | 26(c) | (3 060 272) | (2 518 645) | (3 060 272) | (2 518 645) |
| Administration and general expenses | 26(b) | (24 700 522) | (16 599 115) | (24 700 522) | (16 599 115) |
| Impairment loss on financial assets | 35 | (2 059 464) | (3 425 242) | (2 059 464) | (3 425 242) |
| **Total expenses** | | **(56 210 718)** | **(39 808 198)** | **(56 210 718)** | **(39 808 198)** |
| **Profit before income tax expense** | | 77 337 235 | 42 874 236 | 77 337 235 | 42 874 236 |
| Income tax expense | 27(a) | (30 217 710) | (13 890 152) | (30 217 710) | (13 890 152) |
| **Profit for the year** | | **47 119 525** | **28 984 084** | **47 119 525** | **28 984 084** |
| **Other comprehensive income** | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | |
| Revaluation surplus on property | | 324 725 | 1 093 163 | 324 725 | 1 093 163 |
| Deferred tax on revaluation surplus | | (2 523 009) | (132 643) | (2 523 009) | (132 643) |
| **Total other comprehensive income for the year** | | **(2 198 284)** | **960 520** | **(2 198 284)** | **960 520** |
| **Total comprehensive income for the year** | | **44 921 241** | **29 944 604** | **44 921 241** | **29 944 604** |
| **Profit or loss attributable to:** | | | | | |
| Owners of the company | | 47 119 525 | 28 984 084 | 47 119 525 | 28 984 084 |
| **Profit for the year** | | **47 119 525** | **28 984 084** | **47 119 525** | **28 984 084** |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the company | | 44 921 241 | 29 944 604 | 44 921 241 | 29 944 604 |
| **Total comprehensive income for the year** | | **44 921 241** | **29 944 604** | **44 921 241** | **29 944 604** |
| **Basic and diluted earnings per share (tambala)** | 28 | **2 017** | **1 241** | **-** | **-** |

## Consolidated

| | Share Capital K'000 | Share premium K'000 | Property revaluation reserve K'000 | Loan-loss reserve K'000 | Retained earnings K'000 | Total equity K'000 |
|---|---|---|---|---|---|---|
| **2024** | | | | | | |
| As at 1 January 2024 | 116 813 | 1 565 347 | 12 530 399 | 1 089 212 | 62 251 240 | 77 553 011 |
| Profit for the year | - | - | - | - | 47 119 525 | 47 119 525 |
| **Other Comprehensive Income** | | | | | | |
| Revaluation surplus on property | - | - | 324 725 | - | - | 324 725 |
| Deferred tax on revaluation surplus | - | - | (2 523 009) | - | - | (2 523 009) |
| **Total Other Comprehensive Income** | | | **(2 198 284)** | | | **(2 198 284)** |
| **Total comprehensive income for the year** | **-** | **-** | **(2 198 284)** | **-** | **47 119 525** | **44 921 241** |
| **Transfers within reserves** | | | | | | |
| Transfer from loan loss reserve | - | - | - | (154 413) | 154 413 | - |
| **Total Transfers within reserves** | **-** | **-** | **-** | **(154 413)** | **154 413** | **-** |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Dividends declared and paid | - | - | - | - | (14 500 000) | (14 500 000) |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **(14 500 000)** | **(14 500 000)** |
| **As at 31 December 2024** | **116 813** | **1 565 347** | **10 332 115** | **934 799** | **95 025 178** | **107 974 252** |
| **2023** | | | | | | |
| As at 1 January 2023 | 116 813 | 1 565 347 | 11 569 879 | 959 916 | 47 151 452 | 61 363 407 |
| Profit for the year | - | - | - | - | 28 984 084 | 28 984 084 |
| **Other Comprehensive Income** | | | | | | |
| Revaluation surplus on property | - | - | 1 093 163 | - | - | 1 093 163 |
| Deferred tax on revaluation surplus | - | - | (132 643) | - | - | (132 643) |
| **Total Other Comprehensive Income** | **-** | **-** | **960 520** | **-** | **-** | **960 520** |
| **Total comprehensive income for the year** | **-** | **-** | **960 520** | **-** | **28 984 084** | **29 944 604** |
| **Transfers within reserves** | | | | | | |
| Transfer to loan loss reserve | - | - | - | 129 296 | (129 296) | - |
| **Total Transfers within reserves** | **-** | **-** | **-** | **129 296** | **(129 296)** | **-** |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Dividends declared and paid | - | - | - | - | (13 755 000) | (13 755 000) |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **(13 755 000)** | **(13 755 000)** |
| **As at 31 December 2023** | **116 813** | **1 565 347** | **12 530 399** | **1 089 212** | **62 251 240** | **77 553 011** |

## Separate

| | Share capital | Share premium | Property revaluation reserve | Loan loss reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| **2024** | | | | | | |
| As at beginning of the year | 116 813 | 1 565 347 | 12 530 399 | 1 089 212 | 61 893 958 | 77 195 729 |
| Profit for the year | - | - | - | - | 47 119 525 | 47 119 525 |
| **Other Comprehensive Income** | | | | | | |
| Revaluation surplus on property | - | - | 324 725 | - | - | 324 725 |
| Deferred tax on revaluation surplus | - | - | (2 523 009) | - | - | (2 523 009) |
| **Total Other Comprehensive Income** | | | **(2 198 284)** | | | **(2 198 284)** |
| **Total comprehensive income for the year** | **-** | **-** | **(2 198 284)** | **-** | **47 119 525** | **44 921 241** |
| **Transfers between reserves** | | | | | | |
| Transfer from loan loss reserve | - | - | - | (154 413) | 154 413 | - |
| **Total Transfers within reserves** | **-** | **-** | **-** | **(154 413)** | **154 413** | **-** |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Dividends declared and paid | - | - | - | - | (14 500 000) | (14 500 000) |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **(14 500 000)** | **(14 500 000)** |
| **As at 31 December 2024** | **116 813** | **1 565 347** | **10 332 115** | **934 799** | **94 667 896** | **107 616 970** |
| **2023** | | | | | | |
| As at beginning of the year | 116 813 | 1 565 347 | 11 569 879 | 959 916 | 46 794 170 | 61 006 125 |
| Profit for the year | - | - | - | - | 28 984 084 | 28 984 084 |
| **Other comprehensive income** | | | | | | |
| Revaluation surplus on property | - | - | 1 093 163 | - | - | 1 093 163 |
| Deferred tax on revaluation surplus | - | - | (132 643) | - | - | (132 643) |
| **Total other comprehensive income** | **-** | **-** | **960 520** | **-** | **28 984 084** | **29 944 604** |
| **Total Transfers within reserves** | | | | | | |
| Transfer to loan loss reserve | - | - | - | 129 296 | (129 296) | - |
| **Total Transfers within reserves** | **-** | **-** | **-** | **129 296** | **(129 296)** | **-** |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Dividends declared and paid | - | - | - | - | (13 755 000) | (13 755 000) |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **(13 755 000)** | **(13 755 000)** |
| **As at 31 December 2023** | **116 813** | **1 565 347** | **12 530 399** | **1 089 212** | **61 893 958** | **77 195 729** |

| | Notes | Consolidated 2024 K'000 | Consolidated 2023 K'000 | Separate 2024 K'000 | Separate 2023 K'000 |
|---|---|---|---|---|---|
| **Cashflows from operating activities** | | | | | |
| Interest and fees received | | 150 766 577 | 83 998 146 | 150 766 577 | 83 998 146 |
| Interest paid | | (15 689 786) | (14 131 596) | (15 689 786) | (14 131 596) |
| Cash paid to suppliers and employees | | (40 056 257) | (24 376 482) | (40 056 257) | (24 376 482) |
| Net increase in customer balances | | 182 153 768 | 65 506 093 | 182 153 768 | 65 506 093 |
| **Cash generated from operations** | | **277 174 302** | **110 996 161** | **277 174 302** | **110 996 161** |
| Income taxes paid | 27c | (32 526 939) | (12 113 020) | (32 526 939) | (12 113 020) |
| **Net cash generated from operating activities** | | **244 647 363** | **98 883 141** | **244 647 363** | **98 883 141** |
| **Cashflows from investing activities** | | | | | |
| Purchases of investment securities | 8 | (150 359 380) | (70 366 231) | (150 359 380) | (70 366 231) |
| Purchases of repurchase agreements | 34 | (332 985) | (3 286 217) | (332 985) | (3 286 217) |
| Proceeds from sale of equipment | | 32 468 | 41 812 | 32 468 | 41 812 |
| (Purchase)/sale of shares in listed companies | 12 | (2 758 273) | 111 862 | (2 758 273) | 111 862 |
| Acquisition of property and equipment and intangible assets | 14 | (7 982 993) | (2 923 784) | (7 982 993) | (2 923 784) |
| Dividend received net of tax | | 45 234 | 186 673 | 45 234 | 186 673 |
| **Net cash used in investing activities** | | **(161 355 929)** | **(76 235 885)** | **(161 355 929)** | **(76 235 885)** |
| **Cashflows from financing activities** | | | | | |
| Dividend paid | 30 | (14 500 000) | (13 755 000) | (14 500 000) | (13 755 000) |
| (Repayments)/ proceeds from borrowings | 16 | (14 208 856) | 14 589 540 | (14 208 856) | 14 589 540 |
| Repayment of lease liabilities | 38b | (379 756) | (353 931) | (379 756) | (353 931) |
| **Net cash (used in)/from financing activities** | | **(29 088 612)** | **480 609** | **(29 088 612)** | **480 609** |
| **Net Increase in cash and cash equivalents** | | **54 202 822** | **23 127 865** | **54 202 822** | **23 127 865** |
| Cash and cash equivalents at 1 January | | 86 394 065 | 56 233 428 | 86 394 065 | 56 233 428 |
| Effect of changes in exchange rates | | 978 409 | 7 032 772 | 978 409 | 7 032 772 |
| **Cash and cash equivalents at period end** | 7 | **141 575 296** | **86 394 065** | **141 575 296** | **86 394 065** |

## 1. Reporting Entity

First Capital Bank Plc (the Bank) is a public limited liability company domiciled in Malawi. It is registered as a commercial bank under the Banking Act, 2009. These consolidated and separate financial statements comprise the Bank and its subsidiaries ("collectively the Group"). The Group is primarily involved in corporate and retail banking. The Bank's registered office is Livingstone Towers, Private Bag 122, Glyn Jones Road, Blantyre.

## 2. Basis of preparation

### (i) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and in a manner as required by the Malawi Companies Act 2013.

### (ii) 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; and
- financial instruments at fair value through profit or loss.

### (iii) Functional and presentation currency

These consolidated and separate financial statements are presented in Malawi Kwacha (MK), which is the Bank's functional and presentation currency. Except as indicated, financial information presented in Malawi Kwacha has been rounded to the nearest thousand.

### (iv) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes.

- Notes 4(c), 9 and 35 - Loans and advances to customers – Impairment
- Note 4(r) - Provisions
- Note 4(p)(ii) - Deferred tax
- Notes 6, 12 and 14 (b) - Fair value measurement

### (v) Going concern basis of accounting

The consolidated and separate financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities as disclosed in note 16, customer deposits as disclosed in note 17 and Trade and other payables as disclosed in note 18 (a).

### (vi) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

## 3. Adoption of new and revised International Financial Reporting Standards

### 3.1. Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements.

The following amendments to existing IFRS accounting standards became effective for annual periods beginning

on 1 January 2024:

## 3. Adoption of new and revised International Financial Reporting Standards *(Continued)*

### 3.1. Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements. *Continued)*

| Effective date | Standard, Amendment or Interpretation |
|---|---|
| Annual reporting periods beginning on or after 1 January 2024 | **Amendments to IFRS 16: Lease Liability in a Sale and Leaseback**<br><br>In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.<br><br>The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 |
| Annual reporting periods beginning on or after 1 January 2024 | **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**<br><br>In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:<br><br>• What is meant by a right to defer settlement<br><br>• That a right to defer must exist at the end of the reporting period<br><br>• That classification is unaffected by the likelihood that an entity will exercise its deferral right<br><br>• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.<br><br>In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.<br><br>The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. |
| Annual reporting periods beginning on or after 1 January 2024 | **Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**<br><br>In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. |

None of these amendments had an impact on the Bank's consolidated financial statements at 31 December 2024.

### 3.2. Standards and Interpretations in issue, not yet effective

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Bank to determine the impact on the consolidated financial statements. As explained above, this would include standards and amendments that would already be effective based on the new standard or amendment, but the local endorsement is still in progress or has resulted in a later effective date.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

<table>
<tr><th>Effective date</th><th>Standard, Amendment or Interpretation</th></tr>
<tr><td>Annual reporting periods beginning on or after 1 January 2026</td><td>Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7<br><br>Measurement of Financial Instruments (the Amendments). The Amendments include:<br><br>• A clarification that a financial liability is derecognised on the ‘settlement date’ and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date<br><br>• Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed<br><br>• Clarifications on what constitute ‘non-recourse features’ and what are the characteristics of contractually linked instruments<br><br>• The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)<br><br>The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments</td></tr>
<tr><td>Annual reporting periods beginning on or after 1 January 2027</td><td>IFRS 19 Subsidiaries without Public Accountability: Disclosures<br><br>In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.</td></tr>
<tr><td>Annual reporting periods beginning on or after 1 January 2025</td><td>Lack of exchangeability – Amendments to IAS 21<br><br>In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows</td></tr>
<tr><td>Annual reporting periods beginning on or after 1 January 2027</td><td>IFRS 18 Presentation and Disclosure in Financial Statements<br><br>Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7<br><br>In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.<br><br>IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.</td></tr>
</table>

The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

## 4. Material accounting policies

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

### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank, its subsidiaries, namely FMB Pensions Limited, FMB Forex Bureau Limited, FMB Capital Markets Limited and International Commercial Bank Limited (Malawi), (together referred to as 'the Group').

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

***(i)*** **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.

***(ii)*** **Loss of control**
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

***(iii)*** **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.

### (b) Foreign currency

***Foreign currency transactions***
Transactions in foreign currencies are translated to Malawi Kwacha 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 Malawi Kwacha 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 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 Malawi Kwacha using the exchange rate at that date. Foreign currency differences arising on translation are generally recognised in profit or loss.

**4. Material accounting policies** (Continued)

**(c) Financial assets and liabilities**

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 liability is initially measured at fair value plus (for an item not classified at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

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

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

**Classification of financial instruments**

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:
1) Amortised cost
2) Fair value through other comprehensive income (FVTOCI) – debt investments
3) Fair value through other comprehensive income (FVTOCI) – equity investments or
4) Fair value through Profit and Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The classifications are explained as follows:

**i. Hold to collect contractual cash-flows - Amortised cost**
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**ii. Hold to collect contractual cash-flows and selling (FVTOCI)**
A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**4. Material accounting policies** (Continued)

**(c) Financial assets and liabilities** (Continued)

**iii. Other business model - Equity investments (FVTOCI)**
On initial recognition of an equity investment the Group irrevocably elects to present subsequent changes in the investment's fair value in OCI. This election is made on an investment- by-investment basis.

**iv. Hold to sell - (FVTPL)**

- All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets and debt instruments held for trading.

- A financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition for financial assets and liabilities not at fair value through profit and loss. Transaction costs for financial assets and liabilities carried at fair value through profit and loss are expensed in profit and loss.

**Restructures/modification of loans and advances**
The banks within the Group sometimes renegotiate or otherwise modify the contractual cash flows of loans and advances to customers. When this happens, the bank assesses whether or not the new terms are substantially different to the original terms. The bank does this by considering, among others, the following factors:

1) 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;
2) Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
3) Significant extension of the loan term when the borrower is not in financial difficulty.
4) Significant change in the interest rate; and
5) Change in the currency the loan is denominated in.

A loan under credit distress is considered to have been restructured if the bank in the Group agrees to terms which the Group would not otherwise have agreed to in an attempt to offer financial relief and rehabilitation to the borrower.

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 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 de-recognition (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.

**4. Material accounting policies** (Continued)

**(c) Financial assets and liabilities** (Continued)

**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.

**Impairment of financial assets**

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

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

Stage 1 - Financial instruments not credit impaired on initial recognition and with no significant increase in credit risk (SICR) evident;
Stage 2 - If SICR is identified the asset is moved to stage 2; and
Stage 3 - If the asset is credit impaired it is moved to stage 3.

**Expected Credit Loss 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 Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (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 contractual interest rate of the asset;
- The maximum period considered when estimating ECLs is the maximum contractual period (including extensions) over which the Group is exposed to credit risk; and
- The Group uses an individual and portfolio approach assessment to the calculation of ECLs.
- The 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;

i. 12 - month ECLs (Stage 1 - no significant increase in credit risk)
These are a portion of lifetime ECLs that result from possible default events within the 12 months after the reporting date. These ECLs are measured on assets which are performing assets;
   - Customer loans and advances which do not reflect any SICR since initial recognition; and
   - Debt securities, loans to Groups and Group balances which are performing assets.

**4. Material accounting policies** (Continued)

**(c) Financial assets and liabilities** (Continued)

**Expected Credit Loss measurement** (Continued)

ii. Lifetime ECLs (Stage 2 – significant increase in credit risk)
These are ECLs that result from all possible default events over the expected life of a financial instrument. These ECLs are measured on assets with a SICR since initial recognition.
- Customer loans and advances with regulatory asset classification of Special Mention (Rebuttable presumption basis of 30 to 89 days past due) or with a SICR (as demonstrated in terms of the Group's early warning risk monitoring process); and
- Debt securities, loans to Groups and Group balances which are past due.

iii. Lifetime ECLs (Stage 3 – default)
These ECLs are measured on all credit impaired/ in default credit exposures.
- Customer loans and advances with regulatory asset classification Substandard, Doubtful, Loss (Rebuttable presumption basis of more than 89 days past due) or with a SICR (as demonstrated in terms of the Group's early warning risk monitoring process) justifying credit impairment; and
- Debt securities, loans to Groups, Group 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 other comprehensive income.

**Benchmarking ECL**
The assessment is performed on all customer loans and advances supported by available historical information.

**Low risk financial instruments**
ECL for low-risk financial instrument exposures is based on benchmarked PDs and LGDs due to lack of historical data.

**De-recognition of financial instruments**
Full de-recognition 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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

**4. Material accounting policies** (Continued)

**(c) Financial assets and liabilities** (Continued)

**De-recognition of financial instruments** (Continued)

On write-off the Group's policy provides that an asset should be written off if there is no near-term realistic chance of recovery once collateral has been recovered. Recoveries are actively pursued but write-off of an account shall also not be unduly delayed. An asset shall not be written of earlier than:

- Unsecured – 6 months after default; and
- Secured – 18 months after default.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost in the statement of financial position.

**Other assets**
Other financial assets are measured at amortised cost using the effective interest method less impairment losses. Other financial assets comprise amounts due from related parties and other receivable balances. Other non-financial assets are measured at cost less impairment losses, if any. Other non-financial assets comprise prepayments, cheques in the course of collection, dividends receivable, stocks of consumable stationery and computer spares.

**Repurchase Agreements**

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

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

**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 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.

**Investment securities**
Investment securities are initially measured at fair value. Transaction costs for investments at fair value through profit and loss are recognised immediately in profit or loss. Subsequent to initial recognition, investment securities are accounted for depending on their classification as either Fair Value Through Other Comprehensive Income (FVTOCI) or Fair Value Through Profit or Loss (FVTPL).

**(d) 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.

**4. Material accounting policies** (Continued)

**(e) 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 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.

**(f) Property and equipment**

***(i) 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 accounting policy 4(g).

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.

***(ii) 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. The Bank revalues these assets after every two years. 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.

***(iii) 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.

**4. Material accounting policies** (Continued)
**(f) Property and equipment** (Continued)

***(iv) 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 re-assesses the useful lives, the depreciation method and the residual values of the assets at each reporting date. Any changes in the useful lives, depreciation method or estimated residual values are accounted for prospectively as a change in accounting estimate in accordance with IAS 8: *Accounting policies changes in accounting estimates and errors*.

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

| | |
|---|---|
| • Leasehold properties | 2.5% (or period of lease if shorter) |
| • Freehold properties | 2.5% |
| • Motor vehicles | 20.0% |
| • Equipment, fixture and fittings | 20.0% |
| • Aero plane | 6.0% |

***(v) Capital work in progress***
Capital work in progress represent gross amount spent to date in carrying out work of a capital nature. It is measured at cost recognised to date. 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.

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

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

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

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

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

**4. Material accounting policies** (Continued)

**(h) Repurchase agreements and Customer deposits**

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 at amortized cost.

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 fair value through profit or loss.

**(i) Other liabilities**

Trade and Other payables are initially measured at fair value minus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

**(j) Share capital**

***Share issue costs***

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

**(k) Employee benefits**

***(i) Short-term employee benefits***

Short-term employee benefit 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.

***(ii) 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.

**(l) Net interest income**

Interest income on loans and advances at amortised cost, fair value through other comprehensive income debt investments, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, direct and incremental fees and costs, over the expected lives of the assets and liabilities.

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.

**4. Material accounting policies** (Continued)

**(l) Net interest income** (Continued)

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

**(m) Leases**

*The Group as a lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Bank 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 (such as office equipment). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank 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;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, 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); and
- 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.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

**4. Material accounting policies** (Continued)

**(m) Leases** (Continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement 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.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

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 Bank has used this practical expedient.

**(n) Fees and commission income**

The Group applies IFRS 15 - Revenue from contracts with customers, which replaced IAS 18, Revenue.

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.

**4. Material accounting policies** (Continued)

**(o) 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 fair value through profit or loss includes all realised and unrealised fair value changes.

**(p) 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.

***(i) 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.

***(ii) Deferred tax***

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

Deferred tax is not recognised for:

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

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

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

Additional taxes that arise from the distribution of dividends by the Bank 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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

**4. Material accounting policies** (Continued)

**(q) Earnings per share**

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

**(r) Provision**

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

**(s) Fair value measurement**

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

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

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

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

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

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

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

**4. Material accounting policies** (Continued)

**(s) Fair value measurement** (Continued)

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

The analysis of fair value hierarchy for financial assets and liabilities is disclosed in note 6 of these consolidated and separate financial statements.

**(t) Repurchase agreements**

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

**(u) Derivative financial instruments**

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

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

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

**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.

**(v) Financial guarantees, acceptances, and letters of credit**

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

**(w) 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.

**5. 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.

**5. Risk Management** (Continued)

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 has a risk management framework which covers risk identification, risk measurement, risk monitoring and risk control in respect of the significant risks.

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

**(a) Risk Management Policies and Control**

The Group's approach to risk management is based on well-established governance processes, diversification and reliance on both individual responsibility and collective oversight, supported by comprehensive reporting. The Bank has an independent risk management and compliance function and various committees which allow executive management and the Board to evaluate the risks faced by the Bank, as well as its effectiveness for the management of these risks. These committees are integral to the Bank's risk management structure.

**(b) Risk Management Structure**

Responsibility for risk management resides at all levels within the Group, starting at Board level, filtering down to each business unit and ultimately each employee.

The Board is responsible for annually approving the risk appetite which is defined as the level of risk the Group is willing to accept in fulfilling its business objectives. The Group's risk appetite framework is embedded in key decision-making processes and supports the implementation of the Group strategy. The risk appetite has been translated into risk limits. Adherence to these limits is monitored and reported to produce a risk-reward profile for the Group. The Board meets four times a year. Adequate and efficient communication and monitoring systems have been put in place to ensure that the Directors receive all relevant, accurate information to guide them in decision-making and in ensuring that the Group fully complies with relevant legal, ethical, and regulatory requirements.

**(c) Board Sub-Committees**

**(i) The Risk and Compliance Committee**

The Risk and Compliance Committee assists the Board in assessing, mitigating and controlling risks. The Committee reviews the risk, identifies causes of concern and outlines the scope of improvement where there are concerns. The Committee comprises four non-executive Directors.

The Head of Credit, Chief Executive Officer, Head of Corporate and Institutional Banking, Group Head of Compliance, Head of Operations, Chief Finance Officer, Head of Risk and Head of Credit attend the meetings.

**(ii) The Credit Committee**

The Credit Committee comprises three Directors with a good knowledge of the Malawi economy and business environment. Its overall responsibility is to ensure the soundness of the Group's credit portfolio. Specific responsibilities include:

- Ratification of terms and conditions of all credit facilities granted by management under its discretionary powers;
- Approval of all credit facilities above the discretionary limits set for management save for those requiring full Board approval in accordance with Reserve Bank of Malawi (RBM) directives;
- Review of non-performing assets and recovery procedures initiated in respect thereof and establishment of appropriate levels of provisioning when required; and
- The Chief Executive Officer, Head of Credit, Head of Corporate and Institutional Banking, Head of Treasury, Head of Branch Banking, Head of Risk, and other Heads attend the meetings.

**5. Risk Management** (Continued)

**(c) Board Sub-Committees** (Continued)

**(ii) The Credit Committee** (Continued)
The Head of Credit is responsible for credit risk management and underwriting including the assessment of credit facility applications and making recommendations thereon to the Chief Executive Officer and Credit Committee.

**(iii) The Audit Committee**
The Committee comprises three non-executive Directors.
The Audit Committee assists the Board in discharging its duties in relation to financial reporting, asset management, internal control systems and processes. It also monitors the quality of both the external and internal audit functions. The Group's external and internal auditors have unlimited access to the Audit Committee and report to it in their independent, private meetings to discuss risk exposure areas. Where the committee identifies causes for concern or scope for improvement, it makes recommendations to the Board and presents remedial actions.

It is Board policy to maintain an independent internal audit function to undertake internal audit work throughout the Group. Internal Audit provides reliable, valued, 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.

**(d) Management**

**(i) The Chief Executive Officer**
The Chief Executive Officer is appointed by the Board to manage the Bank's business within an acceptable risk profile, while delivering the approved strategy that leads to the achievement of long-term objectives.

The Chief Executive Officer appoints the Head of Risk and Head Compliance, who head independent Risk and Compliance functions and has overall day–to-day accountability for risk management.

**(ii) Head of Risk**
The Head of Risk is responsible for ensuring that an integrated and effective risk management framework is maintained throughout the Bank. The Head of Risk has direct and unfettered access to the Chairman of the Risk Committee.

**(iii) Asset and Liability Management Committee (ALCO)**
The Asset and Liability Management Committee (ALCO) is responsible for capital management and management of liquidity risk, credit risk, interest rate risk, foreign exchange rate risk and price risk in the Bank. ALCO is a management committee, and it meets monthly at a minimum. The committee comprises:

- Chief Finance Officer (Chairman);
- Chief Executive Officer;
- Head of Corporate and Institutional Banking;
- Head of Branch Banking;
- Head of Risk;
- Head of Credit;
- Head of Treasury;
- Head of Compliance; and
- Manager – Financial Reporting (Committee Secretary).

**5. Risk Management** (Continued)

**(d) Management** (Continued)

**(iv) Management Risk Committee (MRC)**
The Management Risk Committee (MRC) comprises:

- Chief Executive Officer (Chairman);
- Head of Risk;
- Chief Finance Officer;
- Head of Information Technology;
- Head of Operations;
- Head of Branch Banking;
- Head of Corporate and Institutional Banking;
- Head of Internal Audit;
- Head of Credit;
- Head of Products;
- Head of Compliance;
- Head of Treasury; and
- Head of Legal and Company Secretary

It is chaired by the Chief Executive Officer and meets monthly to review management of strategic risk, operational risk, compliance risk, reputation risk and any other risks in the Bank. This forum facilitates co-ordination and communication among various risk owners and risk management functions to resolve risk related issues in the Bank expeditiously and promote efficient management of relative risks.

**(v) Management Credit Committee (MCC)**
The Management Credit Committee (MCC) comprises:

- Chief Executive Officer (Chairman);
- Head of Credit;
- Head of Corporate and Institutional Banking;
- Head of Treasury; and
- Head of Risk.

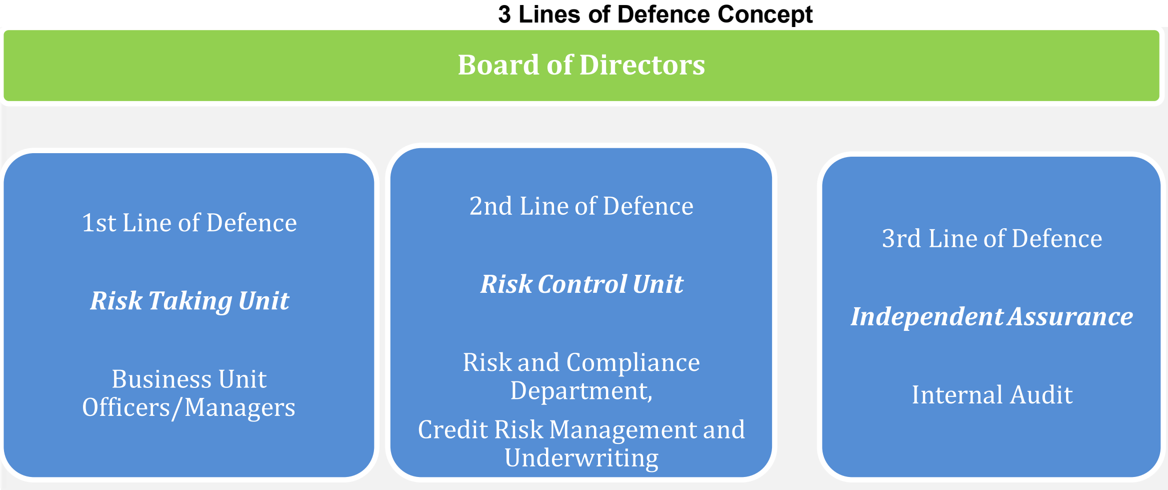
It is chaired by the Chief Executive Officer and meets monthly to review management of credit risk in the Bank.

**5. Risk Management** (Continued)

**(e) Risk Management Philosophy**

The Group believes that risk management trickles down from the Board level to every employee; therefore, everyone within the Group is responsible. The Group has a three line of defence approach as outlined in the diagram below**:**

**3 Lines of Defence Concept**




1st Line of Defence:

Comprises business units and Head Office departments.

The business units manage risk using laid down policies and procedures.

2nd Line of Defence:

Comprises Risk Management and Compliance function and Credit Risk Management and Underwriting function in Head office.

Responsibilities of Risk Management and Compliance function include:

- Formulating risk management framework and policies; developing tools and methodologies for risk identification and measurement; and
- Performing independent risk monitoring and reporting to the Risk and Compliance Committee of the Board.

Responsibilities of Credit Risk Management and Underwriting function include:

- Formulating credit policies; assessing credit facility applications/ proposals and recommending approvals to Credit Committee; and
- Monitoring credit facilities and reporting to the Credit Committee of the Board.

3rd Line of Defence:

Comprises of Internal Audit function

Provides independent assessments of risk management processes and infrastructure, as well as the adequacy and effectiveness of risk policies and internal controls.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

**5. Risk Management** (Continued)

**(f) Risk Appetite**

Risk appetite is the level of risk that the Group is willing to accept in achieving its strategic objectives. The Group's risk appetite framework is the cornerstone of its 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.

From its long-term strategic goals, the Group has identified key strategic objectives (KSOs) that it will need to pursue in the short to medium term, some of which will be measured quantitatively while others will be measured qualitatively. The Group has set measurable thresholds for the KSOs with levels of tolerance for all risk categories. A monitoring dashboard has been created for the KSOs. These are monitored on an ongoing basis with a three-colour coded scale: green, amber and red. Red indicates that the Group has reached the minimum limit. Amber serves as a warning that the Group is approaching minimum limits. Green indicates that the Group is operating with buffer and is far from reaching the minimum levels. When the Group is operating within the buffer, the dashboard indicates amber to warn management against reaching minimum levels and breaching limits.

The Board ensures that management strikes an appropriate balance between promoting short-term profitability and growth and delivering long-term sustainable performance. The Board is fully committed to ensuring that the Group's affairs are conducted with integrity and high ethical standards.

**(g) Market Disclosures**

The Group is obliged to make certain disclosures to the public by regulators and other authorities. This is required under the Financial Services Act 2010, the Malawi Companies Act, 2013, the Reserve Bank of Malawi (RBM) directives and the Market Disclosures guidelines.

The RBM requires all banks in Malawi to provide comprehensive disclosures for risk management practices.

The Group has a Market Disclosure Policy and a risk management report is published twice a year.

**(h) Stress Testing**

The Group carries out stress tests to estimate the potential impact of low probability but extreme events on the Group's earnings and capital. The Group has a stress testing framework that defines scenarios to be used for different types of risk exposures. The stress testing scenarios are to be plausible. The stress scenarios that are used cover all the major types of risks including market, credit and liquidity risks. The stress test results are discussed at ALCO and Board Risk and Compliance Committee, and a summary of the results is sent to the Board of Directors.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

**5. Risk Management** (Continued)

**(i) Significant Risks**
From the Bank's risk assessment process, the following have been identified as significant risks that the Bank faces:

1. Credit risk;
2. Market risk;
   - Foreign exchange rate risk
   - Interest rate risk
   - Equity risk
3. Liquidity risk;
4. Operational risk;
5. Compliance risk;
6. Reputational risk; and
7. Strategic risk.

**(j) Capital Management**

***(i)* Overview**
The Group operates a centralised capital management model. The capital management objectives as detailed in the Capital Management Framework are to meet the capital ratios required by The Reserve Bank of Malawi (RBM) and the capital target ranges set by the Board and to generate sufficient capital to support asset growth.

Capital is managed according to the Capital Management Framework and through ALCO's, regular reports on the capital positions. Capital risks are presented to the Risk Committee and Board. ALCO meets monthly to review, approve and make recommendations relating to the capital risk profile. This includes risk appetite, policies, limits, and utilization.

***(ii)* Internal Capital Adequacy Assessment Process (ICAAP)**
In accordance with the RBM's Internal Capital Adequacy Assessment Process (ICAAP) guidelines, the Group has a capital management planning process. Every year the Group prepares an ICAAP document which is submitted to the RBM. The ICAAP is based on the Group's five-year business plan. The ICAAP is prepared by Risk and Finance departments in consultation with the Chief Executive Officer and other members of senior management. The ICAAP is validated by internal auditors before it is presented to the Board of Directors for approval. ICAAP is a continuous process and is revised and updated whenever there are significant changes in the business / strategic plan. The objective of ICAAP is to ensure that the Group is adequately capitalized and that, where there are potential capital shortages, the Board and senior management ensure that the gaps are met. The Group promotes efficient use of capital by aligning business strategy, risk appetite and expected returns with capital requirements.

***(iii)* Capital Adequacy Ratios**
The following minimum capital adequacy ratios have been determined by The Reserve Bank of Malawi:

- Tier 1 Capital / Core Capital: 10%
- Total Capital (Tier 1 and 2): 15%

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

**5. Risk Management** (Continued)

**(j) Capital Management** (Continued)

***(iv)* Capital Position as at 31 December 2024**

The following is the capital position of the Group and the Bank:

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| Share capital | 116 813 | 116 813 | 116 813 | 116 813 |
| Share premium | 1 565 347 | 1 565 347 | 1 565 347 | 1 565 347 |
| Retained earnings | 95 025 178 | 62 251 240 | 94 667 896 | 61 893 958 |
| Unconsolidated Investments | (100 702) | - | (205 098) | (159 896) |
| Deferred tax assets | (6 286 566) | (497 227) | (6 283 144) | (493 804) |
| **Total Tier 1 Capital** | 90 320 070 | 63 436 173 | 89 861 814 | 62 922 418 |
| **Tier 2 Capital** | | | | |
| Property revaluation reserve | 10 332 115 | 12 530 399 | 10 332 115 | 12 530 399 |
| Loan loss reserve | 934 799 | 1 089 212 | 934 799 | 1 089 212 |
| Unconsolidated Investments | (100 702) | - | (205 098) | (159 896) |
| **Tier 2 Capital** | 11 166 212 | 13 619 111 | 11 061 816 | 13 459 715 |
| **Total qualifying capital** | 101 486 282 | 77 055 784 | 100 923 630 | 76 382 133 |
| **Total risk weighted assets** | 530 836 008 | 394 312 155 | 530 836 008 | 394 312 155 |
| Tier 1 risk-based capital ratio (minimum 10%) | 17.01% | 16.09% | 16.93% | 15.96% |
| Total risk-weighted capital ratio (minimum 15%) | 19.12% | 19.54% | 19.01% | 19.37% |

**5. Risk Management** (Continued)

**(k) Credit Risk**

**(i) Credit Risk Management**

Credit risk is the risk of financial loss should the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. The Group actively seeks 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 Bank faces arises mainly from corporate loans and advances and counterparty credit risk arising from derivative contracts entered into with counterparties. Other sources of credit risk arise from treasury bills, government bonds, settlement balances with counterparties and bank balances with Central Bank and other related banks.

Credit risk management objectives are;

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

**a) Risk limit and mitigation policies**

The Bank uses a range of policies and practices to mitigate credit risk. These include credit scoring, marking limits against counter parties and 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 and accounts receivable, moveable assets and 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 value of loan to value of security is assessed on grant date and continuously monitored.

**b) Credit risk grading**

The Bank's independent Credit Risk Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rated from 1 to 25 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from Good Rating Agency. The grades are as follows:

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

**5. Risk Management** (Continued)

**(k) Credit Risk** *(Continued)*

**(i) Credit Risk Management** (Continued)

**b) Credit risk grading** (Continued)

**Credit quality and maximum exposure to credit risk based on the Bank's internal credit rating system.**

**Loans and advances to customers**
**In Malawi Kwacha**

| **31-Dec-24** | | Gross carrying amount | | | | ECL | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Internal rating grade** | **12-month Basel PD range** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Performing** | | | | | | | | | |
| High grade | 0.00%-0.50% | - | - | - | **-** | - | - | - | **-** |
| Standard grade | 0.50%- 11.7% | 152 973 872 | 10 773 822 | - | **163 747 694** | 754 179 | 86 306 | - | **840 485** |
| Sub-standard grade | 11.7%-29.50% | 64 634 | 40 188 | - | **104 822** | 342 | 198 | - | **540** |
| Low grade | 29.5%-100% | - | - | - | **-** | - | - | - | **-** |
| **Non - performing** | | | | | | | | | |
| Individually impaired | 100.00% | - | - | 3 976 837 | **3 976 837** | - | - | 1 903 642 | **1 903 642** |
| **Total** | | **153 038 506** | **10 814 010** | **3 976 837** | **167 829 353** | **754 521** | **86 504** | **1 903 642** | **2 744 667** |

**Cash and cash equivalents**
**In Malawi Kwacha**

| **31-Dec-24** | | Gross carrying amount | | | | ECL | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Internal rating grade** | **12-month Basel PD range** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Performing** | | | | | | | | | |
| High grade | 0.00%-0.50% | 141 590 137 | - | - | **141 590 137** | 14 841 | - | - | **14 841** |
| Standard grade | 0.50%- 11.7% | - | - | - | **-** | - | - | - | **-** |
| Sub-standard grade | 11.7%-29.50% | - | - | - | **-** | - | - | - | **-** |
| Low grade | 29.5%-100% | - | - | - | **-** | - | - | - | **-** |
| **Non - performing** | | | | | | | | | |
| Individually impaired | 100.00% | - | - | - | **-** | - | - | - | **-** |
| **Total** | | **141 590 137** | **-** | **-** | **141 590 137** | **14 841** | **-** | **-** | **14 841** |

**Money market investments**
**In Malawi Kwacha**

| **31-Dec-24** | | Gross carrying amount | | | | ECL | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Internal rating grade** | **12-month Basel PD range** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| High grade | 0.00%-0.50% | - | - | - | **-** | - | - | - | **-** |
| Standard grade | 0.50%- 11.7% | 312 793 345 | - | - | **312 793 345** | 2 895 430 | - | - | **2 895 430** |
| Sub-standard grade | 11.7%-29.50% | - | - | - | **-** | - | - | - | **-** |
| Low grade | 29.5%-100% | - | - | - | **-** | - | - | - | **-** |
| **Non - performing** | | | | | | | | | |
| Individually impaired | 100.00% | - | - | - | **-** | - | - | - | **-** |
| **Total** | | **312 793 345** | **-** | **-** | **312 793 345** | **2 895 430** | **-** | **-** | **2 895 430** |

**Repurchase agreements**
**In Malawi Kwacha**

| **31-Dec-24** | | Gross carrying amount | | | | ECL | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Internal rating grade** | **12-month Basel PD range** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Performing** | | | | | | | | | |
| High grade | 0.00%-0.50% | 8 749 652 | - | - | **8 749 652** | 35 121 | - | - | **35 121** |
| Standard grade | 0.50%- 11.7% | - | - | - | **-** | - | - | - | **-** |
| Sub-standard grade | 11.7%-29.50% | - | - | - | **-** | - | - | - | **-** |
| Low grade | 29.5%-100% | - | - | - | **-** | - | - | - | **-** |
| **Non - performing** | | | | | | | | | |
| Individually impaired | 100.00% | - | - | - | **-** | - | - | - | **-** |
| **Total** | | **8 749 652** | **-** | **-** | **8 749 652** | **35 121** | **-** | **-** | **35 121** |

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

**5. Risk Management** (Continued)

**(k) Credit Risk** *(Continued)*

**(i) Credit Risk Management** (Continued)

**b) Credit risk grading** (Continued)

**Credit quality and maximum exposure to credit risk based on the Bank's internal credit rating system.**

**Other assets**
**In Malawi Kwacha**

| **31-Dec-24** | | | **Gross carrying amount** | | | | **ECL** | | |
|---|---|---|---|---|---|---|---|---|---|
| **Internal rating grade** | **12-month Basel PD range** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Performing** | | | | | | | | | |
| High grade | 0.00%-0.50% | 4 925 007 | 793 256 | 86 014 | **5 804 277** | 9 464 | 13 529 | 38 706 | **61 699** |
| Standard grade | 0.50%- 11.7% | - | - | - | - | - | - | - | - |
| Sub-standard grade | 11.7%-29.50% | - | - | - | - | - | - | - | - |
| Low grade | 29.5%-100% | - | - | - | - | - | - | - | - |
| **Non - performing** | | | | | | | | | |
| Individually impaired | 100.00% | - | - | - | - | - | - | - | - |
| **Total** | | **4 925 007** | **793 256** | **86 014** | **5 804 277** | **9 464** | **13 529** | **38 706** | **61 699** |

**Guarantees and letters of credit**
**In Malawi Kwacha**

| **31-Dec-24** | | | **Gross carrying amount** | | | | **ECL** | | |
|---|---|---|---|---|---|---|---|---|---|
| **Internal rating grade** | **12-month Basel PD range** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Performing** | | | | | | | | | |
| High grade | 0.00%-0.50% | - | - | - | - | - | - | - | - |
| Standard grade | 0.50%- 11.7% | 190 994 144 | 210 740 | | **191 204 884** | 914 951 | 322 | | **915 273** |
| Sub-standard grade | 11.7%-29.50% | - | - | - | - | - | - | - | - |
| Low grade | 29.5%-100% | - | - | - | - | - | - | - | - |
| **Non - performing** | | | | | | | | | |
| Individually impaired | 100.00% | - | - | 5 440 980 | **5 440 980** | - | - | 512 569 | **512 569** |
| **Total** | | **190 994 144** | **210 740** | **5 440 980** | **196 645 864** | **914 951** | **322** | **512 569** | **1 427 842** |

Other assets include all other financial assets subjected to expected credit losses, that is amounts due from related parties and other receivable balance. Other assets excludes investments in non-listed entities and non-financial assets such stocks and prepayments.

**Customer Loans and Advances**

**Application**:
The Group uses external ratings where available from ratings agencies, alternatively an internal application credit risk scoring tool that reflects its assessment of the PD of individual counterparties. Borrower and loans and advances specific information collected at the time of application (such as borrower profile, business activity, financial, account conduct, facility type, tenor and collateral) is fed into this rating tool. This is supplemented with external data such as credit bureau scoring information. The tool enables 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.

Originators and underwriters will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the Bank officials will also update information about the creditworthiness of the borrower every year from sources such as financial statements, bank statements, credit bureau information and market feedback. This will determine the updated internal credit rating.

**5. Risk Management** (Continued)

**(k) Credit Risk** (Continued)

**(ii) Credit Risk Management** (Continued)

**b) Credit risk grading** (Continued)

**Behavioural**
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).

**c) Expected Credit Losses measurement (ECLs)**

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

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Bank.
- If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired. Please refer to note below for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to lifetime ECLs - default below for a description of how the Bank defines credit-impaired and default.

The ECL is measured on either a 12 - month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit impaired. ECLs are the discounted product of the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

**Probability of Default (PD)**
The 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. The PDs are determined individually using Internal rating and Through The Cycle (TTC) probability of default, Probability of default intrinsic term structure and Probability of default macroeconomic adjustment to determine a Point in Time PD.

PDs are mapped into different grades as follows:

**i) Customer loans**

| | | |
|---|---|---|
| Stage 1 | 12 Month PD | Central bank classification Standard / internal category 0 and 1 |
| Stage 2 | Lifetime PD | Central Bank classification Special Mention / internal category 2 |
| Stage 3 | Default PD | Central bank classification, Substandard, Doubtful, Loss / internal category 3 |

**5. Risk Management** (Continued)

**(k) Credit Risk** (Continued)

**(i) Credit Risk Management** (Continued)

**c) Expected Credit Losses measurement (ECLs) (**Continued**)**

**ii) Low risk financial instruments**
For debt securities in the Treasury portfolio and interbank exposures, performance of the counterparty is monitored for any indication of default. PDs for such exposures are determined based on benchmarked sovereign ratings mapped to external credit rating agencies grade (S&P Sovereign Debt and Corporate Default grades). Where there are external credit ratings, PDs are derived using those external credit ratings.

**Exposure at Default (EAD)**
EAD is the amount the Group expects to be owed at the time of default. For a customer revolving commitment, the EAD includes the current drawn balance plus any undrawn amount at the time of default, should it occur. For term loans, EAD is the drawn balance. For low-risk financial instruments EAD is the current balance sheet exposure.

The amortisation modelling approach for EAD reflects three factors that determine the portfolio's exposure to a borrower for each month from the present to maturity. These will be addressed in turn.

- Loan amortisation schedule (scheduled contractual repayments)
- Prepayment
- Interest accrued to default

The aim is to arrive at a methodology to forecast an expected EAD for each month to maturity to be used in the monthly ECL calculation.

The Credit Conversion Factor approach, that is applied to revolving facilities, assumes a constant EAD based upon the expected increase in the drawn facility exposure as defined by the CCF and uses a behavioural term to determine the length of the EAD cashflows.

**Loss Given Default (LGD)**
LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). The LGD as a percentage of EAD is a combination of three components Loss given liquidation, Loss given restructuring, and Loss given cure. Each facility is adjusted for type and level of collateral and an LGD floor for all over collateralized exposures. LGD for low-risk financial instruments exposure is based on observed recovery rates and:

- Basel II & III Guidelines: the treatment of sovereign exposures in the banking book;
- Basel II Guidelines: applied under foundation Internal Ratings-Based (IRB) and observed in the Committee's study on Banks; and
- Internal benchmark based on historical recoverability.

**5. Risk Management** (Continued)

**(k) Credit Risk** (Continued)

**(ii) Credit Risk Management** (Continued)

**c) Expected Credit Losses measurement (ECLs) (**Continued**)**

**i) 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:

- Customer loans and advances with days past due 0 to 29; and
- Low risk financial instruments which are not past due.

These represent a product of 12 months PD, LGD1 and EAD.

**ii) Lifetime ECLs (Stage 2 - SICR)**
ECLs are measured based on ECLs on a lifetime basis. It is measured for the following exposures;

- Customer loans and advances with central bank classification Special Mention, days past due 30 to 89; and
- Low risk financial instruments where the credit risk has significantly increased since initial recognition.

**iii) Lifetime ECLs (Stage 3 - default)**
ECLs are measured based on ECLs on a lifetime basis. This is measured on the following exposures.

- All credit impaired/ in default customer loans and advances and low risk financial instruments in default;
- These are customers with central bank classification Substandard, Doubtful; and
- Exposures which are 90 days+ past due.

These are a product of default PD, LGD2 and EAD.

**Benchmarking ECL**
LGD's on various financial assets/low risk financial instruments, with the exception of customer loans and advances, have been determined in terms of:

- Basel II & III Guidelines: the treatment of sovereign exposures in the banking book;
- Basel II Guidelines: applied under foundation IRB and observed in the Committee's study on Banks; and
- Internal benchmark based on historical recoverability.

EAD is determined as below:

- For customer loans and advances: Outstanding exposures plus undrawn limits. The Group adopts an amortisation modelling approach for EAD with an aim to arrive at a methodology to forecast an expected EAD for each month to maturity to be used in the monthly ECL calculation. For Revolving facilities EAD is based upon the expected increase in the drawn facility exposure as defined by the CCF and uses a behavioural term to determine the length of the EAD cashflows; and
- For other financial assets/low risk financial instruments: Outstanding exposures.

**5. Risk Management** (Continued)

**(k) Credit Risk** (Continued)

**(i) Credit Risk Management** (Continued)

**d) Significant increase in credit risk (SICR)**
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank 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 banks' historical experience and informed credit assessment and including forward-looking information.

The use of the Rebuttable Presumption of significant increase in risk means that an account is categorized as Stage 2 when the DPD is > 30 days and < 90 days. In addition to the Rebuttable Presumption the Group will also consider the output of its multi factor early warning/risk monitoring analysis as a qualitative measure, which include but are not limited to:

- Significant adverse changes in regulatory, business, financial or economic conditions in which the borrower operates in;
- Actual or expected restructuring of debt;
- Early signs of cash-flow/liquidity problems such as delay in servicing debt;
- Significant decline in account turnover;
- Breach or anticipation of breach of significant debt covenants;
- Significant changes in the value of the collateral supporting the facility; and
- Significant change in the quality of the guarantee or financial support provided by the shareholder.

The assessment of SICR incorporates forward looking information and is performed on a monthly basis at a portfolio level below internal threshold. 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.

**e) Default**
The Group considers a financial asset to be in default when:

Based on the Rebuttable Presumption a customer loan and/or advance is categorized as Substandard/Doubtful/Loss on the central bank asset classification when the DPD is 90 days or more.

In addition to the Rebuttable Presumption the Group will also consider the output of its multi factor risk analysis using internal risk monitoring as a qualitative measure. Qualitative examples of a significant increase in risk include but are not limited to:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- The borrower commits an act of insolvency;
- The borrower's financial statements are qualified as to going concern; and
- The borrower or its Executive commit an act of fraud.

**f) Forward–looking information incorporated in the ECL model**
The Group subscribes to a forward-looking view informed by the identification and use of economic factors which demonstrate a strong correlation with default experience. The ECL model allows the Bank to develop potential future scenarios, attach probabilities thereto and to incorporate this into the calculation of ECL.

An overview of the approach to estimating the allowance for ECL is set out below. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (Reserve Bank of Malawi, National Statistical Office, IMF, and World Bank).

**5. Risk Management** (Continued)

**(k) Credit Risk** (Continued)

**(ii) Credit Risk Management** (Continued)

Its Credit, Risk, and Finance Departments verify the accuracy of inputs to the Bank's ECL models including determining the weights attributable to the multiple scenarios.

The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, allowance for ECL based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2024. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Long term rate" represent a long-term average and so are the same for each scenario.

| **31 December 2024** | | | **Actual** | **Forecast** | | | | |
|---|---|---|---|---|---|---|---|---|
| **Key drivers** | **ECL Scenario** | **Assigned Weightings** | **2024** | **2025** | **2026** | **2027** | **2028** | **Long term rate** |
| **GDP Constant Prices, Percent change** | | **%** | | | | | | |
| | Base case | 58.33% | 28.8 | 30.6 | 22.4 | 19.8 | 18.9 | 20.0 |
| | Good case | 18.44% | 28.8 | 30.6 | 19.9 | 18.2 | 17.6 | 18.3 |
| | Better case | 7.90% | 28.8 | 30.6 | 18.6 | 17.3 | 16.7 | 17.3 |
| | Bad case | 10.73% | 28.8 | 30.6 | 30.0 | 29.1 | 28.8 | 29.1 |
| | Worse case | 4.60% | 28.8 | 30.6 | 34.3 | 33.5 | 33.3 | 33.6 |
| **Volume of Exports of goods and services, Percent change** | | | | | | | | |
| | Base case | 58.33% | 28.4 | 29.3 | 30.3 | 31.4 | 31.8 | 31.3 |
| | Good case | 18.44% | 28.4 | 29.3 | 31.4 | 32.1 | 32.4 | 32.1 |
| | Better case | 7.90% | 28.4 | 29.3 | 32.0 | 32.5 | 32.8 | 32.5 |
| | Bad case | 10.73% | 28.4 | 29.3 | 27.0 | 27.4 | 27.5 | 27.4 |
| | Worse case | 4.60% | 28.4 | 29.3 | 25.1 | 25.4 | 25.5 | 25.4 |

Below are the current summarised results considering the ECL scenarios above.

| | **2024** | | **2023** | |
|---|---|---|---|---|
| | **Total ECL Provision** | **Total income statement charge** | **Total ECL Provision** | **Total income statement charge** |
| | **MK** | **MK** | **MK** | **MK** |
| As reported | 7 179 600 | 2 059 464 | 4 857 746 | 1 912 533 |
| **Scenarios** | | | | |
| Base case | 6 790 814 | 1 670 678 | 4 678 184 | |
| Good case | 6 410 586 | 1 290 451 | 3 844 184 | |
| Better case | 6 302 360 | 1 182 224 | 3 720 825 | |
| Bad case | 7 300 686 | 2 180 551 | 6 232 590 | |
| Worse case | 7 719 983 | 2 599 848 | 7 965 524 | |

However, in the absence of strongly correlating factors, allowance is also made for the use of management's expert view in a holistic manner; implemented by way of adjustment of the PD/LGD/EAD levers built into the ECL model for this purpose.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

**5. Risk Management** (Continued)

**(k) Credit Risk** (Continued)

**(iii) Credit Risk Management** (Continued)

**g) Write – offs**
The Group's policy provides that an asset should be written off if there is no near-term realistic chance of recovery once collateral has been recovered. Recoveries are actively pursued but write-off of an account shall also not be unduly delayed. An asset shall not be written off earlier than:

- Unsecured – 6 months after Default; and
- Secured – 18 months after Default.

However, final, or earlier write-off shall remain at the discretion of Management and the Board.

**h) ECL Model governance**
The ECL Models used for PD, EAD and LGD calculations are governed on a day-to-day basis through the Management Credit Committee comprising of senior managers in risk, finance and the business. Decisions and key judgements made by the Committee relating to the impairments and model overrides will be taken to Board Risk Committee, Board Credit Committee and Board Audit Committee as appropriate. Credit risk processes from origination to monitoring and other operational processes around impairments now take into cognisance IFRS9 requirements.

**5. Risk Management** (Continued)

**(k) Credit Risk Management** (Continued)

**(ii) Disclosures on credit risk**

Maximum exposure to credit risk by credit quality grade before credit enhancements is summarised below:

**31 December 2024**

| Consolidated (K'000) | ECL Stage | Loans and advances | Balances with central banks | Balances with other banks | Money Market investments | Cheques in the course of clearing | Cash balances | Repurchase agreements | Other Assets |
|---|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | 165 084 686 | 42 564 195 | 80 705 879 | 309 897 915 | 92 080 | 18 213 142 | 8 714 531 | 5 770 028 |
| Standard (fully performing) | 1 | 153 038 506 | 42 578 121 | 80 706 794 | 312 793 345 | 92 080 | 18 213 142 | 8 749 652 | 5 831 727 |
| Past due but not impaired | 2 | 10 814 010 | - | - | - | - | - | - | - |
| Impaired | 3 | 3 976 837 | - | - | - | - | - | - | - |
| **Gross exposure** | | 167 829 353 | 42 578 121 | 80 706 794 | 312 793 345 | 92 080 | 18 213 142 | 8 749 652 | 5 831 727 |

| Separate (K'000) | ECL Stage | Loans and advances | Balances with central banks | Balances with other banks | Money Market investments | Cheques in the course of clearing | Cash balances | Repurchase agreements | Other Assets |
|---|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | 165 084 686 | 42 564 195 | 80 705 879 | 309 897 915 | 92 080 | 18 213 142 | 8 714 531 | 5 742 578 |
| Standard (fully performing) | 1 | 153 038 506 | 42 578 121 | 80 706 794 | 312 793 345 | 92 080 | 18 213 142 | 8 749 652 | 5 804 277 |
| Past due but not impaired | 2 | 10 814 010 | - | - | - | - | - | - | - |
| Impaired | 3 | 3 976 837 | - | - | - | - | - | - | - |
| **Gross exposure** | | 167 829 353 | 42 578 121 | 80 706 794 | 312 793 345 | 92 080 | 18 213 142 | 8 749 652 | 5 804 277 |

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

**5. Risk Management** (Continued)

**(k) Credit Risk Management** (Continued)

**(ii) Disclosures on credit risk** (Continued)

Maximum exposure to credit risk by credit quality grade before credit enhancements is summarised below:

**31 December 2023**

| Consolidated (K'000) | ECL Stage | Loans and advances | Balances with central banks | Balances with other banks | Money Market investments | Repurchase agreements |
|---|---|---|---|---|---|---|
| **Carrying amount** | | 184 826 160 | 26 578 710 | 47 150 783 | 160 650 751 | 8 383 221 |
| Standard (fully performing) | 1 | 164 268 845 | 26 578 710 | 47 150 783 | 162 433 965 | 8 416 667 |
| Past due but not impaired | 2 | 19 546 641 | - | - | - | - |
| Impaired | 3 | 5 795 284 | - | - | - | - |
| **Gross exposure** | | 189 610 770 | 26 578 710 | 47 150 783 | 162 433 965 | 8 416 667 |
| **Separate (K'000)** | | | | | | |
| **Carrying amount** | | 184 826 160 | 26 578 710 | 47 150 783 | 160 650 751 | 8 383 221 |
| Standard (fully performing) | 1 | 164 268 845 | 26 578 710 | 47 150 783 | 162 433 965 | 8 416 667 |
| Past due but not impaired | 2 | 19 546 641 | - | - | - | - |
| Impaired | 3 | 5 795 284 | - | - | - | - |
| **Gross exposure** | | 189 610 770 | 26 578 710 | 47 150 783 | 162 433 965 | 8 416 667 |

**5. Risk Management** (Continued)

**(k) Credit Risk Management** (Continued)

**(ii) Disclosures on credit risk management** (Continued)

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

| **Maximum credit risk exposure (K'000)** | **Maximum credit risk exposure** | | | | **ECL Reconciliation** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **2024** | | | | | | | | |
| **Loans and advances to customers** | | | | | | | | |
| Term loans | 33 178 223 | 9 145 014 | 2 159 647 | **44 482 884** | (112 533) | (38 788) | (957 930) | **(1 109 251)** |
| Mortgage loans | 1 821 996 | 6 054 | 191 | **1 828 241** | (4 939) | (26) | (40) | **(5 005)** |
| Overdraft | 91 553 765 | 1 370 907 | 1 180 498 | **94 105 170** | (536 829) | (3 561) | (727 565) | **(1 267 955)** |
| Consumer lending | 24 045 602 | 161 673 | 320 283 | **24 527 558** | (92 463) | (43 594) | (203 701) | **(339 758)** |
| Finance leases | 2 438 920 | 130 362 | 316 218 | **2 885 500** | (7 757) | (535) | (14 406) | **(22 698)** |
| **Total** | **153 038 506** | **10 814 010** | **3 976 837** | **167 829 353** | **(754 521)** | **(86 504)** | **(1 903 642)** | **(2 744 667)** |
| **Cash and cash equivalents** | | | | | | | | |
| Deposits with Central Banks | 42 578 121 | - | - | **42 578 121** | (13 927) | - | - | **(13 927)** |
| Balances with other banks | 5 573 646 | - | - | **5 573 646** | (79) | - | - | **(79)** |
| Placements with other banks | 75 133 148 | - | - | **75 133 148** | (835) | - | - | **(835)** |
| Balances in the course of clearing with other banks | 92 080 | - | - | **92 080** | - | - | - | - |
| Cash balances | 18 213 142 | - | - | **18 213 142** | - | - | - | - |
| **Total** | **141 590 137** | **-** | **-** | **141 590 137** | **(14 841)** | **-** | **-** | **(14 841)** |
| **Money market investments** | | | | | | - | | |
| Treasury Bills | 63 890 545 | **-** | **-** | **63 890 545** | (511 397) | **-** | **-** | **(511 397)** |
| Treasury Notes | 248 902 800 | **-** | **-** | **248 902 800** | (2 384 033) | **-** | **-** | **(2 384 033)** |
| **Total** | **312 793 345** | **-** | **-** | **312 793 345** | **(2 895 430)** | **-** | **-** | **(2 895 430)** |
| **Repurchase agreements** | | | | | | | | |
| Repurchase agreements | 8 749 652 | - | - | **8 749 652** | (35 121) | - | - | **(35 121)** |
| **Total** | **8 749 652** | **-** | **-** | **8 749 652** | **(35 121)** | **-** | **-** | **(35 121)** |
| **Other assets** | | | | | | | | |
| Other assets | 4 925 007 | 793 256 | 86 014 | **5 804 277** | (9 464) | (13 529) | (38 706) | **(61 699)** |
| **Total** | **4 925 007** | **793 256** | **86 014** | **5 804 277** | **(9 464)** | **(13 529)** | **(38 706)** | **(61 699)** |
| **Total on balance sheet** | **621 096 647** | **11 607 266** | **4 062 851** | **636 766 764** | **(3 709 377)** | **(100 033)** | **(1 942 348)** | **(5 751 758)** |
| **Off-balance sheet** | | | | | | | | |
| Guarantees | 162 622 643 | 210 740 | 5 440 980 | **168 274 363** | (837 051) | (322) | (512 569) | **(1 349 942)** |
| Letters of credit | 28 371 501 | - | - | **28 371 501** | (77 899) | - | - | **(77 899)** |
| **Total off-balance sheet** | **190 994 144** | **210 740** | **5 440 980** | **196 645 864** | **(914 950)** | **(322)** | **(512 569)** | **(1 427 841)** |

**5. Risk Management** (Continued)
**(k) Credit Risk Management** (Continued)

**(ii) Disclosures on credit risk management** (Continued)

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

**Maximum credit risk exposure**
**(K'000)**

| | Maximum credit risk exposure | | | | ECL Reconciliation | | | |
|---|---|---|---|---|---|---|---|---|
| **2023** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Loans and advances to customers** | | | | | | | | |
| Term loans | 27 938 536 | 14 986 201 | 3 250 363 | **46 175 100** | (73 257) | (100 942) | (832 164) | **(1 006 363)** |
| Mortgage loans | 2 184 258 | 71 516 | 15 984 | **2 271 758** | (8 182) | (92) | (15 463) | **(23 737)** |
| Overdraft | 113 266 936 | 4 339 009 | 2 032 795 | **119 638 740** | (937 014) | (21 169) | (1 647 373) | **(2 605 556)** |
| Consumer lending | 17 139 899 | 44 724 | 72 707 | **17 257 330** | (303 376) | (8 332) | (57 119) | **(368 827)** |
| Finance leases | 3 739 216 | 105 191 | 423 435 | **4 267 842** | (17 709) | (224) | (33 257) | **(51 190)** |
| **Total** | **164 268 845** | **19 546 641** | **5 795 284** | **189 610 770** | **(1 339 538)** | **(130 759)** | **(2 585 376)** | **(4 055 673)** |
| **Cash and cash equivalents** | | | | | | | | |
| Deposits with Central Banks | 26 578 710 | - | - | **26 578 710** | (8 693) | - | - | **(8 693)** |
| Balances with other banks | 6 688 763 | - | - | **6 688 763** | (128) | - | - | **(128)** |
| Placements with other banks | 40 462 020 | - | - | **40 462 020** | (9 263) | - | - | **(9 263)** |
| Cash balances | 12 664 572 | - | - | **12 664 572** | - | - | - | - |
| **Total** | **86 394 065** | **-** | **-** | **86 394 065** | **(18 084)** | **-** | **-** | **(18 084** |
| **Money market investments** | | | | | | | | |
| Held at Amortised cost | | | | | | | | |
| Treasury Bills | 28 518 733 | **-** | **-** | **28 518 733** | (155 542) | **-** | **-** | **(155 542)** |
| Treasury Notes | 133 915 232 | - | - | **133 915 232** | (1 627 672) | - | - | **(1 627 672)** |
| **Total** | **162 433 965** | **-** | **-** | **162 433 965** | **(1 783 214)** | **-** | **-** | **(1 783 214)** |
| **Repurchase agreements** | | | | | | | | |
| Repurchase agreements | 8 416 667 | - | - | **8 416 667** | (33 446) | - | - | **(33 446)** |
| **Total** | **8 416 667** | **-** | **-** | **8 416 667** | **(33 446)** | **-** | **-** | **(33 446)** |
| **Other assets** | | | | | | | | |
| Other assets | 47 149 | - | - | **47 149** | (9 391) | - | - | **(9 391)** |
| **Total** | **47 149** | **-** | **-** | **47 149** | **(9 391)** | **-** | **-** | **(9 391)** |
| **Total on balance sheet** | **421 560 691** | **19 546 641** | **5 795 284** | **446 902 616** | **(3 183 673)** | **(130 759)** | **(2 585 376)** | **(5 899 808)** |
| **Off-balance sheet** | | | | | | | | |
| Guarantees and letters of credit | 85 132 440 | 40 000 | - | **85 172 440** | (728 861) | (76) | - | **(728 937)** |
| **Total off-balance sheet** | **85 132 440** | **40 000** | **-** | **85 172 440** | **(728 861)** | **(76)** | **-** | **(728 937)** |

**5. Risk Management** (Continued)

**(k) Credit Risk Management** (Continued)

**(ii) Disclosures on credit risk management** (continued)

The Group has internal rating scale which is mapped into Basel II grading system. The internal rating is broadly classified into Standard (Performing), Past due but not impaired, Nonperforming (impaired).

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

- **Past due but not impaired loans**
  These are loans and securities which the group believes that there is a significant increase in credit risk but are not impaired.

- **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.

**(iii) Distribution of Credit Exposure by Sector**

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

| | **Consolidated** | | **Separate** | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| Agriculture | 39 343 342 | 36 421 984 | 39 343 342 | 36 421 984 |
| Mining | 233 507 | 28 085 | 233 507 | 28 085 |
| Financial Services | 10 775 903 | 922 677 | 10 775 903 | 922 677 |
| Construction | 6 688 690 | 13 812 384 | 6 688 690 | 13 812 384 |
| Energy/Electricity/Gas /Water | 10 653 771 | 15 572 593 | 10 653 771 | 15 572 593 |
| Manufacturing | 22 857 636 | 36 929 151 | 22 857 636 | 36 929 151 |
| Wholesale and Retail | 17 421 006 | 28 937 196 | 17 421 006 | 28 937 196 |
| Community/ social and personal | 29 587 506 | 47 655 308 | 29 587 506 | 47 655 308 |
| Real Estate | - | 2 784 | - | 2 784 |
| Tourism & Leisure | 1 371 267 | 2 635 124 | 1 371 267 | 2 635 124 |
| Transport & Communication | 7 603 635 | 5 773 746 | 7 603 635 | 5 773 746 |
| Others | 21 293 090 | 919 738 | 21 293 090 | 919 738 |
| | 167 829 353 | 189 610 770 | 167 829 353 | 189 610 770 |

**5. Risk Management** (Continued)

**(k) Credit Risk Management** (Continued)

**(iv) Credit quality per class of financial assets**

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

| | | Consolidated | | Separate | |
|---|---|---|---|---|---|
| | **Notes** | **2024** | **2023** | **2024** | **2023** |
| | | **K'000** | **K'000** | **K'000** | **K'000** |
| **Gross maximum exposure** | | | | | |
| Liquidity reserves deposits with central banks | 7 | 42 578 121 | 26 578 710 | 42 578 121 | 26 578 710 |
| Placements with other banks | 7 | 80 706 794 | 47 150 783 | 80 706 794 | 47 150 783 |
| Money market investments | 8 | 312 793 345 | 162 433 965 | 312 793 345 | 162 433 965 |
| Cheques in course of clearing | 7 | 92 080 | - | 92 080 | - |
| Cash balances | 7 | 18 213 142 | - | 18 213 142 | - |
| Other Assets | | 5 831 727 | - | 5 804 277 | - |
| Repurchase agreements | 34 | 8 749 652 | 8 416 667 | 8 749 652 | 8 416 667 |
| Loans and advances to customers | 9 | 167 829 353 | 189 610 770 | 167 829 353 | 189 610 770 |
| **Total recognized financial assets** | | 636 794 214 | 434 190 895 | 636 766 764 | 434 190 895 |
| Acceptance and letters of credit | | 28 371 501 | 9 807 747 | 28 371 501 | 9 807 747 |
| Financial guarantees | 32 | 168 274 363 | 85 084 480 | 168 274 363 | 85 084 480 |
| **Total unrecognized assets** | | 196 645 864 | 94 892 227 | 196 645 864 | 94 892 227 |
| **Total credit risk exposure** | | 833 440 078 | 529 083 122 | 833 412 628 | 529 083 122 |

**(v) Collateral for loans and advances to customers**

The tables below summarize the Bank's collateral for loans and advances:

## 5. Risk Management (Continued)

### (k) Credit Risk Management (Continued)

#### (v) Collateral for loans and advances to customers *(Continued)*

**Consolidated and Separate**

| | Gross carrying amount (MK'000) | | | Collateral (MK'000) | | | Net exposure (MK'000) | | |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2024** | **Total** | **Stage 2** | **Stage 3** | **Total** | **Stage 2** | **Stage 3** | **Total** | **Stage 2** | **Stage 3** |
| Term loans | 44 482 884 | 9 145 014 | 2 159 647 | 11 304 661 | 13 012 882 | 4 236 749 | 17 249 631 | (3 867 868) | (2 077 102) |
| Mortgage loans | 1 828 241 | 6 054 | 191 | 6 245 | 3 975 | 4 000 | 7 975 | 2 079 | (3 809) |
| Overdraft | 94 105 170 | 1 370 907 | 1 180 498 | 2 551 405 | 2 074 041 | 705 944 | 2 779 985 | (703 134) | 474 554 |
| Consumer lending | 24 527 558 | 161 673 | 320 283 | 481 956 | - | - | - | 161 673 | 320 283 |
| Finance leases | 2 885 500 | 130 362 | 316 218 | 446 580 | 159 976 | 729 921 | 889 897 | (29 614) | (413 703) |
| **Total** | **167 829 353** | **10 814 010** | **3 976 837** | **14 790 847** | **15 250 874** | **5 676 614** | **20 927 488** | **(4 436 864)** | **(1 699 777)** |

| | Gross carrying amount (MK'000) | | | Collateral (MK'000) | | | Net exposure (MK'000) | | |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2023** | **Total** | **Stage 2** | **Stage 3** | **Total** | **Stage 2** | **Stage 3** | **Total** | **Stage 2** | **Stage 3** |
| Term loans | 46 175 100 | 14 986 201 | 3 250 363 | 33 827 700 | 13 726 856 | 2 717 061 | 12 347 400 | 1 259 345 | 533 302 |
| Mortgage loans | 2 271 758 | 71 516 | 15 984 | 2 256 656 | 71 516 | 9 393 | 15 102 | - | 6 591 |
| Overdraft | 119 638 740 | 4 339 009 | 2 032 795 | 66 341 599 | 4 200 093 | 635 941 | 53 297 141 | 138 916 | 1 396 854 |
| Consumer lending | 17 257 330 | 44 724 | 72 707 | - | - | - | 17 257 330 | 44 724 | 72 707 |
| Finance leases | 4 267 842 | 105 191 | 423 435 | 3 587 904 | 105 191 | 422 577 | 679 938 | - | 858 |
| **Total** | **189 610 770** | **19 546 641** | **5 795 284** | **106 013 859** | **18 103 656** | **3 784 972** | **83 596 911** | **1 442 985** | **2 010 312** |

#### (vi) Collateral and other credit enhancements

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

**5. Risk Management** (Continued)
**(k) Credit Risk Management** (Continued)
**(vi) Collateral and other credit enhancements** *(Continued)*

| Consolidated and Separate | | Fair value of collateral and credit enhancements held | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Type of collateral or credit enhancement | Maximum exposure to credit risk | Cash | Securities | 3rd party/gov guarantees | Property | Other | Offsetting agreements | Surplus collateral | Total collateral | Net exposure | % of exposure subject to collateral requirements | Associated ECL |
| **31 December 2024** | | | | | | | | | | | | |
| **In MK'000** | | | | | | | | | | | | |
| **Loans and advances to customers** | | | | | | | | | | | | |
| Term loans | 44 482 884 | 9 801 039 | 6 400 000 | 867 820 | 56 819 878 | 16 830 756 | - | (62 051 880) | **28 667 613** | 15 815 271 | 64.4% | 1 109 251 |
| Mortgage loans | 1 828 241 | 25 013 | - | - | 4 117 781 | - | | (2 352 314) | **1 790 480** | 37 761 | 97.9% | 5 005 |
| Overdraft | 94 105 170 | 2 445 299 | 166 950 | 12 013 123 | 141 564 618 | 44 248 173 | - | (110 236 430) | **90 201 733** | 3 903 437 | 95.9% | 1 267 955 |
| Consumer Lending | 24 527 558 | - | - | - | - | - | - | - | - | 24 527 558 | 0.0% | 339 758 |
| Finance leases | 2 885 500 | 1 688 | - | 50 873 | 1 220 960 | 4 759 192 | - | (3 409 521) | **2 623 192** | 262 308 | 90.9% | 22 698 |
| **Total** | **167 829 353** | **12 273 039** | **6 566 950** | **12 931 816** | **203 723 237** | **65 838 121** | **-** | **(178 050 145)** | **123 283 018** | **44 546 335** | **73.5%** | **2 744 667** |
| **Cash and cash equivalents** | | | | | | | | | | | | |
| Deposits with Central Banks | 42 578 121 | - | - | - | - | - | - | - | - | 42 578 121 | **0.0%** | 13 927 |
| Balances with other banks | 5 573 646 | - | - | - | - | - | - | - | - | 5 573 646 | **0.0%** | 79 |
| Placements with other banks | 75 133 148 | - | - | - | - | - | - | - | - | 75 133 148 | **0.0%** | 835 |
| Balances in the course of clearing with other banks | 92 080 | - | - | - | - | - | - | - | - | 92 080 | **0.0%** | - |
| Cash balances | 18 213 142 | - | - | - | - | - | - | - | - | 18 213 142 | **0.0%** | - |
| **Total** | **141 590 137** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **141 590 137** | **0.0%** | **14 841** |
| **Money market investments** | | | | | | | | | | | | |
| Treasury Bills | 63 890 545 | - | - | - | - | - | - | - | - | 63 890 545 | **0.0%** | 511 397 |
| Treasury Notes | 248 902 800 | - | - | - | - | - | - | - | - | 248 902 800 | **0.0%** | 2 384 033 |
| **Total** | **312 793 345** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **312 793 345** | **0.0%** | **2 895 430** |
| **Repurchase agreements** | | | | | | | | | | | | |
| Repurchase agreements | 8 749 652 | - | - | - | - | - | - | - | - | 8 749 652 | **0.0%** | 35 121 |
| **Total** | **8 749 652** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **8 749 652** | **0.0%** | **35 121** |
| **Other assets** | | | | | | | | | | | | |
| Other receivables | 5 804 277 | - | - | - | - | - | - | - | - | 5 804 277 | **0.0%** | 61 699 |
| **Total** | **5 804 277** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **5 804 277** | **0.0%** | **61 699** |
| **Total on balance sheet** | **636 766 764** | **12 273 039** | **6 566 950** | **2 931 816** | **203 723 237** | **65 838 121** | **-** | **(178 050 145)** | **123 283 018** | **513 483 746** | **19.4%** | **5 751 758** |
| **Guarantees and letters of credit** | | | | | | | | | | | | |
| Guarantees | 168 274 363 | 11 244 237 | - | - | 121 022 284 | 23 157 778 | - | (67 148 546) | **88 275 753** | 79 998 610 | **52.5%** | 1 349 942 |
| Letters of credit | 28 371 501 | 9 922 683 | - | - | - | - | - | - | **9 922 683** | 18 448 818 | **35.0%** | 77 899 |
| **Total** | **196 645 864** | **21 166 920** | **-** | **-** | **121 022 284** | **23 157 778** | **-** | **(67 148 546)** | **98 198 436** | **98 447 428** | **87.4%** | **1 427 841** |

## 5. Risk Management (Continued)
### (k) Credit Risk Management (Continued)
#### (vi) Collateral and other credit enhancements *(Continued)*

| **Consolidated and Separate** | | Fair value of collateral and credit enhancements held | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Type of collateral or credit enhancement** | **Maximum exposure to credit risk** | **Cash** | **Securities** | **3rd party/gov guarantees** | **Property** | **Other** | **Offsetting agreements** | **Surplus collateral** | **Total collateral** | **Net exposure** | **% of exposure subject to collateral requirements** | **Associated ECL** |
| **31 December 2023** | | | | | | | | | | | | |
| **In MK'000** | | | | | | | | | | | | |
| **Loans and advances to customers** | | | | | | | | | | | | |
| Term loans | 46 175 100 | 596 696 | 6 400 000 | - | 59 331 985 | 19 036 992 | - | (51 537 972) | **33 827 701** | 12 347 399 | **73.3%** | 1 006 362 |
| Mortgage loans | 2 271 758 | 67 913 | - | - | 7 504 081 | | - | (5 315 338) | **2 256 656** | 15 102 | **99.3%** | 23 738 |
| Overdraft | 119 638 740 | 1 926 484 | - | 11 625 116 | 240 450 228 | 29 278 174 | - | (216 938 404) | **66 341 598** | 53 297 142 | **55.5%** | 2 605 556 |
| Consumer Lending | 17 257 330 | - | - | - | - | - | - | - | **-** | 17 257 330 | **0.0%** | 368 827 |
| Finance leases | 4 267 842 | 1 722 | - | - | 2 871 777 | 5 022 470 | - | (4 308 066) | **3 587 903** | 679 939 | **84.1%** | 51 190 |
| **Total** | **189 610 770** | **2 592 815** | **6 400 000** | **11 625 116** | **310 158 071** | **53 337 636** | **-** | **(278 099 780)** | **106 013 858** | **83 596 912** | **76.4%** | **4 055 673** |
| **Cash and cash equivalents** | | | | | | | | | | | | |
| Deposits with Central Banks | 26 578 710 | - | - | - | - | - | - | - | - | 26 578 710 | **0.0%** | 8 693 |
| Balances with other banks | 6 688 763 | - | - | - | - | - | - | - | - | 6 688 763 | **0.0%** | 128 |
| Placements with other banks | 40 462 020 | - | - | - | - | - | - | - | - | 40 462 020 | **0.0%** | 9 263 |
| Cash balances | 12 664 572 | - | - | - | - | - | - | - | - | 12 664 572 | **0.0%** | - |
| **Total** | **86 394 065** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **86 394 065** | **0.0%** | **18 084** |
| **Money market investments** | | | | | | **-** | | | | | | |
| Treasury Bills | 28 518 733 | - | - | - | - | - | - | - | - | 28 518 733 | **0.0%** | 137 458 |
| Treasury Notes | 133 915 232 | - | - | - | - | - | - | - | - | 133 915 232 | **0.0%** | 1 627 672 |
| **Total** | **162 433 965** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **162 433 965** | **0.0%** | **1 765 130** |
| **Repurchase agreements** | | | | | | | | | | | | |
| Repurchase agreements | 8 416 667 | - | - | - | - | - | - | - | - | 8 416 667 | **0.0%** | 33 446 |
| **Total** | **8 416 667** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **8 416 667** | **0.0%** | **33 446** |
| **Other assets** | | | | | | | | | | | | |
| Other receivables | 2 536 852 | - | - | - | - | - | - | - | - | 2 536 852 | **0.0%** | 9 391 |
| **Total** | **2 536 852** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2 536 852** | **0.0%** | **9 391** |
| **Total on balance sheet** | **449 392 319** | **2 592 815** | **6 400 000** | **11 625 116** | **310 158 071** | **53 337 636** | **-** | **(278 099 780)** | **106 013 858** | **343 378 461** | **23.6%** | **5 881 724** |
| **Guarantees and letters of credit** | | | | | | | | | | | | |
| Guarantees | 85 084 480 | 7 312 811 | - | - | 34 864 824 | 15 671 392 | - | (15 234 747) | **42 614 280** | 42 470 200 | **50.1%** | 727 991 |
| Letters of credit | 47 960 | - | - | - | - | - | - | - | **-** | 47 960 | **0.0%** | 946 |
| **Total** | **85 132 440** | **7 312 811** | **-** | **-** | **34 864 824** | **15 671 392** | **-** | **(15 234 747)** | **42 614 280** | **42 518 160** | **50.0%** | **728 937** |

**5. Risk Management** (Continued)

**(k) Credit Risk Management** (Continued)
**(vi) Collateral and other credit enhancements** *(Continued)*

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

| **Type of collateral or credit enhancement** | **Fair value of collateral and credit enhancements held under the base case scenario** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2024** | **Maximum exposure to credit risk** | **Cash** | **Property** | **Other** | **Surplus collateral** | **Total collateral** | **Net exposure** | **% of exposure subject to collateral requirements** | **Associated ECL** |
| **In MK'000** | | | | | | | | | |
| **Loans and advances to customers** | | | | | | | | | |
| Term loans | 2 159 647 | 9 801 039 | 30 114 535 | 8 862 377 | (26 571 074) | **22 206 877** | (20 047 230) | **1028.3%** | 957 930 |
| Mortgage loans | 191 | 25 013 | 2 182 424 | - | (668 452) | **1 538 985** | (1 538 794) | **805751.3%** | 40 |
| Overdraft | 1 180 499 | 2 277 406 | 61 256 149 | 17 106 954 | (41 690 761) | **38 949 748** | (37 769 249) | **3299.4%** | 727 565 |
| Consumer lending | 320 282 | - | - | - | - | **-** | 320 282 | **0.0%** | 203 701 |
| Finance leases | 316 218 | 1 688 | 647 109 | 2 419 349 | (923 119) | **2 145 027** | (1 828 809) | **678.3%** | 14 406 |
| **Total** | **3 976 837** | **12 105 146** | **94 200 217** | **28 388 680** | **(69 853 406)** | **64 840 637** | **(60 863 800)** | **1630.5%** | **1 903 642** |

| **31 December 2023** | **Maximum exposure to credit risk** | **Cash** | **Property** | **Other** | **Surplus collateral** | **Total collateral** | **Net exposure** | **% of exposure subject to collateral requirements** | **Associated ECL** |
|---|---|---|---|---|---|---|---|---|---|
| **In MK'000** | | | | | | | | | |
| **Loans and advances to customers** | | | | | | | | | |
| Term loans | 3 250 363 | - | 7 376 933 | 84 497 | (4 744 368) | **2 717 062** | 533 301 | **83.6%** | 832 163 |
| Mortgage loans | 15 984 | - | 4 000 | 48 011 | (3 118) | **48 893** | (32 909) | **305.9%** | 15 463 |
| Overdraft | 2 032 795 | - | 1 591 276 | 232 503 | (1 172 600) | **651 179** | 1 381 616 | **32.0%** | 1 647 373 |
| Consumer Lending | 72 707 | - | - | - | - | **-** | 72 707 | **0.0%** | 57 119 |
| Finance leases | 423 435 | - | 651 848 | 53 573 | (337 582) | **367 839** | 55 596 | **86.9%** | 33 257 |
| **Total** | **5 795 284** | **-** | **9 624 057** | **418 584** | **(6 257 668)** | **3 784 973** | **2 010 311** | **65.3%** | **2 585 375** |

## 5. Risk Management (Continued)

### (k) Credit Risk Management (Continued)

#### (vii) Exposure to credit risk

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage is as follows:

| **31 December 2024 In MK'000** | **Gross carrying amount** | | | | **ECL** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Loans and advances** | | | | **Loans and advances** | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 164 268 845 | 19 546 641 | 5 795 284 | **189 610 770** | 1 339 537 | 130 761 | 2 585 375 | **4 055 673** |
| Additions | 98 100 991 | 19 814 629 | 1 864 043 | **119 779 663** | 204 464 | 60 013 | 1 970 243 | **2 234 720** |
| De-recognitions | (109 021 080) | (26 665 340) | - | **(135 686 420)** | (780 245) | (85 353) | - | **(865 598)** |
| Transfer to/(from) stage 1 | (3 213 264) | 2 506 996 | 706 268 | **-** | (17 268) | 10 294 | 6 974 | **-** |
| Transfer to/(from) stage 2 | 2 892 672 | (4 390 817) | 1 498 145 | **-** | 3 958 | (30 004) | 26 046 | **-** |
| Transfer to/(from) stage 3 | 10 342 | 1 901 | (12 243) | **-** | 4 075 | 793 | (4 868) | **-** |
| Accounts written off | - | - | (1 534 904) | **(1 534 904)** | - | - | (1 534 904) | **(1 534 904)** |
| Recoveries | - | - | (4 339 756) | **(4 339 756)** | - | - | (1 145 224) | **(1 145 224)** |
| **Closing Balance** | **153 038 506** | **10 814 010** | **3 976 837** | **167 829 353** | **754 521** | **86 504** | **1 903 642** | **2 744 667** |

| | **Money market investments** | | | | **Money market investments** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 162 433 965 | - | - | **162 433 965** | 1 765 130 | - | - | **1 765 130** |
| Additions | 226 899 459 | - | - | **226 899 459** | 1 710 576 | - | - | **1 710 576** |
| Maturities | (76 540 079) | - | - | **(76 540 079)** | (580 276) | - | - | **(580 276)** |
| **Closing Balance** | **312 793 345** | **-** | **-** | **312 793 345** | **2 895 430** | **-** | **-** | **2 895 430** |

| | **Other assets** | | | | **Other assets** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 36 051 | - | - | **36 051** | 180 | - | - | **180** |
| Additions | 4 925 007 | 793 356 | 86 014 | **5 804 277** | (9 464) | (13 529) | (38 706) | **(61 699)** |
| Maturities | (36 051) | - | - | **(36 051)** | (180) | - | - | **(180)** |
| **Closing Balance** | **4 925 007** | **793 256** | **86 014** | **5 804 277** | **(9 464)** | **(13 529)** | **(38 706)** | **(61 699)** |

| | **Cash and cash equivalents** | | | | **Cash and cash equivalents** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 26 578 710 | - | - | **26 578 710** | 8 693 | - | - | **8 693** |
| Additions | 115 011 427 | - | - | **115 011 427** | 6 148 | - | - | **6 148** |
| **Closing Balance** | **141 590 137** | **-** | **-** | **141 590 137** | **14 841** | **-** | **-** | **14 841** |

| | **Repurchase agreements** | | | | **Repurchase agreements** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 8 416 667 | - | - | **8 416 667** | 33 446 | - | - | **33 446** |
| Additions | 8 749 652 | - | - | **8 749 652** | 35 121 | - | - | **35 121** |
| Maturities | (8 416 667) | - | - | **(8 416 667)** | (33 446) | - | - | **(33 446)** |
| **Closing Balance** | **8 749 652** | **-** | **-** | **8 749 652** | **35 121** | **-** | **-** | **35 121** |

| | **Guarantees and letters of credit** | | | | **Guarantees and letters of credit** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 94 852 227 | 40 000 | - | **94 892 227** | 728 861 | 76 | - | **728 937** |
| Additions | 163 310 835 | 210 740 | 5 440 980 | **168 962 555** | 807 552 | 322 | 512 569 | **1 320 443** |
| De-recognitions | (67 168 918) | (40 000) | - | **(67 208 918)** | (621 463) | (76) | - | **(621 539)** |
| **Closing Balance** | **190 994 144** | **210 740** | **5 440 950** | **196 645 864** | **914 950** | **322** | **512 569** | **1 427 841** |

**5. Risk Management** (Continued)

**(k) Credit Risk Management** (Continued)

**(vii) Exposure to credit risk management** *(Continued)*

**31 December 2023**
**In MK'000**

| | Gross carrying amount | | | | ECL | | | |
|---|---|---|---|---|---|---|---|---|
| | **Loans and advances** | | | | **Loans and advances** | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 115 013 738 | 8 646 832 | 6 338 386 | **129 998 956** | 401 718 | 50 932 | 2 305 911 | **2 758 561** |
| Additions | 66 089 932 | 8 036 727 | 687 852 | **74 814 511** | 679 060 | 63 724 | 1 662 649 | **2 405 433** |
| De-recognitions | (5 234 881) | (8 584 280) | - | **(13 819 161)** | - | (36 101) | - | **(36 101)** |
| Transfer (to)/from stage 1 | (14 581 317) | 14 540 059 | 41 258 | **-** | (21 798) | 21 635 | 163 | **-** |
| Transfer (to)/from stage 2 | 2 981 373 | (3 092 697) | 111 324 | **-** | 16 862 | (17 050) | 188 | **-** |
| Accounts written off | - | - | (958 811) | **(958 811)** | - | - | (958 811) | **(958 811)** |
| Recoveries | - | - | (424 725) | **(424 725)** | - | - | (424 725) | **(424 725)** |
| Changes to models | - | - | - | **-** | 263 695 | 47 621 | - | **311 316** |
| **Closing Balance** | **164 268 845** | **19 546 641** | **5 795 284** | **189 610 770** | **1 339 537** | **130 761** | **2 585 375** | **4 055 673** |

| | **Money market investments** | | | | **Money market investments** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 92 067 734 | - | - | **92 067 734** | 300 993 | - | - | **300 993** |
| Additions | 115 169 538 | - | - | **115 169 538** | 1 574 414 | - | - | **1 574 414** |
| Maturities | (44 803 307) | - | - | **(44 803 307)** | (110 277) | - | - | **(110 277)** |
| **Closing Balance** | **162 433 965** | **-** | **-** | **162 433 965** | **1 765 130** | **-** | **-** | **1 765 130** |

| | **Other assets** | | | | **Other assets** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 36 051 | - | - | **36 051** | 180 | - | - | **180** |
| Additions | 11 097 | - | - | **11 097** | 9 211 | - | - | **9 211** |
| **Closing Balance** | **47 148** | **-** | **-** | **47 148** | **9 391** | **-** | **-** | **9 391** |

| | **Cash and balances with central banks** | | | | **Cash and balances with central banks** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 10 333 702 | - | - | **10 333 702** | 641 | - | - | **641** |
| Additions | 16 245 008 | - | - | **16 245 008** | 8 052 | - | - | **8 052** |
| **Closing Balance** | **26 578 710** | **-** | **-** | **26 578 710** | **8 693** | **-** | **-** | **8 693** |

| | **Repurchase agreements** | | | | **Repurchase agreements** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 5 130 450 | - | - | **5 130 450** | 2 137 | - | - | **2 137** |
| Additions | 8 416 667 | - | - | **8 416 667** | 33 446 | - | - | **33 446** |
| Maturities | (5 130 450) | - | - | **(5 130 450)** | (2 137) | - | - | **(2 137)** |
| **Closing Balance** | **8 416 667** | **-** | **-** | **8 416 667** | **33 446** | **-** | **-** | **33 446** |

| | **Guarantees and letters of credit** | | | | **Guarantees and letters of credit** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Opening Balance** | 55 467 295 | 1 323 990 | 10 000 | **56 801 285** | 183 282 | 2 695 | 674 | **186 651** |
| Additions | 46 043 452 | - | - | **46 043 452** | 257 557 | - | - | **257 557** |
| De-recognitions | (16 705 786) | (956 511) | (10 000) | **(17 672 297)** | (64 187) | (2 029) | (674) | **(66 890)** |
| Transfer (to)/from stage 3 | 327 479 | (327 479) | - | **-** | 623 | (623) | - | **-** |
| Changes to models | - | - | - | **-** | 351 586 | 33 | - | **351 619** |
| **Closing Balance** | **85 132 440** | **40 000** | **-** | **85 172 440** | **728 861** | **76** | **-** | **728 937** |

**5. Risk Management** (Continued)

**(k) Credit Risk Management** (Continued)

**(vii) Exposure to credit risk** *(Continued)*

**Modified or forborne loans**

From a risk management perspective, once an asset is forborne or modified due to financial difficulties of the borrower, the Bank's Credit Department continues to monitor the exposure until it exits forbearance through either cure or ultimate derecognition.

The table shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12-month ECL measurement during the period, with the related modification loss suffered by the Bank:

**31 December 2024**

| In MK'000 | Post-modification | | Pre-modification | |
|---|---|---|---|---|
| | Gross carrying amount | Corresponding ECL | Gross carrying amount | Corresponding ECL |
| Facilities that have cured since modification and are now measured using 12m ECL (Stage 1) | 633 035 | 25 718 | 1 472 340 | 51 642 |
| Facilities that reverted to (Stage 2/3) LTECL having once cured | - | - | - | - |

**31 December 2023**

| In MK'000 | Post-modification | | Pre-modification | |
|---|---|---|---|---|
| | Gross carrying amount | Corresponding ECL | | Corresponding ECL |
| Facilities that have cured since modification and are now measured using 12m ECL (Stage 1) | 1 617 479 | 8 460 | 1 957 437 | 20 816 |
| Facilities that reverted to (Stage 2/3) LTECL having once cured | - | - | - | - |

**(l) Market Risk**

**Market Risk Management**

This is the risk that the Group's earnings, capital or its ability to meet its business objectives will be adversely affected by changes in market prices and conditions, such as interest rates, foreign exchange rates, equity prices and commodity prices.

Senior management and ALCO are mandated to manage market risk. Apart from the requirement to set aside capital for market risk under Basel II – Pillar I, the Group has internal procedures for identifying, measuring, monitoring and controlling market risk. The Group is exposed to foreign exchange risk, interest rate risk and equity risk. All these risks are properly managed as follows:

**Foreign Exchange Risk**

The Group has a foreign exchange business policy and a foreign exchange risk management policy. The policies have exposure limits, limits for investments, trading limits and levels of authorization of foreign currency transactions. Forex exposure positions are regularly monitored by Treasury department and senior management.

The Group is exposed to foreign exchange risk in the trading book and the banking book. The policy for trading book exposure is that the position should be almost square. In the banking book, assets and liabilities mismatch is minimized. Most of the foreign currency borrowings by the Group are hedged by foreign currency loans to customers, to minimize risk exposure.

**5. Risk Management** (Continued)
**(I) Market Risk** (Continued)

**Interest Rate Risk**
The Group does not usually offer fixed rate loans and advances to its customers. This minimizes interest rate risk because the Group is able to adjust base lending rates of its entities whenever there is a significant change in the market. Lending to other banks at a fixed rate is usually on short term tenors, so interest rate risk exposure on these assets is minimal.

The Group is exposed to interest rate risk on its liabilities, especially term deposits and subordinated debt. However, the risk exposure is minimized through limiting the proportion of fixed rate term deposit in its overall liabilities to customers.

Overall, the Group usually has more rate sensitive assets than liabilities. Its net interest margin is also wide enough to cover possible losses.

**Equity Risk**
The performance of the equity market and the Group's equity investments are closely monitored and appropriate risk mitigation measures are implemented where necessary. Investments in equities are at fair value and marked to market with any revaluation gains or losses immediately recognized in the profit or loss.

**Policies**
The Group has several policies which cover:

- Foreign exchange business limits for individual currencies, forex exposures and trading limits for the Bank and dealers;
- Domestic money market limits for counterparties and dealers;
- Types of instruments that the Group can invest in and maximum amounts that it can invest;
- Market risk management and stress testing; and
- Categorization of assets into trading book and banking book.

**Assessment of Market Risk**
Apart from the capital charge calculations in accordance with RBM guidelines, the Group conducts internal risk assessments on foreign exchange risk, interest rate risk and equity risk at the end of each quarter. A risk management report is prepared by the Risk and Compliance function. This is presented to management and the Board Risk and Compliance Committee.

For quantitative assessment, ratios are used to measure risk levels in terms of low, moderate and high. For qualitative assessment, several parameters are used to categorize the quality of market risk management in terms of strong, acceptable or weak. Qualitative and quantitative risk levels are used to arrive at the composite rating of each of the three components of market risk.

ALCO meets every month and discusses market risk exposure. ALCO ensures that the Group operates within regulatory and internal limits and approved policies and procedures.

In 2024, market risk was properly managed and the Group operated within limits.

**Stress Testing/scenario analysis**
Stress testing is done by an independent Risk and Compliance function every quarter to ascertain impact on the Bank's capital adequacy of changes in interest rates, exchange rates and share prices. Based on the result, management takes corrective steps acting on the advice of ALCO and the Board.

**5. Risk Management** (Continued)

**(I) Market Risk** (Continued)

**Stress Testing/scenario analysis** (Continued)

The following are the assumptions used:

1) Increase/(decrease) in interest rate by 1%, 2%, 3%, 5%, 7.5% and 10%. The same is used to measure the level of Interest Rate Risk in the Banking Book.

2) Foreign exchange rate devaluation/appreciation by 5%, 10%, 25% and 50%.

3) Fall in share prices by 10%, 20%, 40% and 50%.

**Exposure to Market Risk**

Foreign exchange exposures were as follows:

**Consolidated and Separate**

| | **2024** | | | | **2023** | | | |
|---|---|---|---|---|---|---|---|---|
| **Currency** | **Assets (K'm)** | **Liabilities (K'm)** | **Net (K'm)** | **Sensitivity (1%)** | **Assets (K'm)** | **Liabilities (K'm)** | **Net (K'm)** | **Sensitivity (1%)** |
| USD | 124 462 | (124 042) | 420 | (4.20) | 105 271 | (102 282) | 2 989 | (29.89) |
| GBP | 20 200 | (22 043) | (1 843) | 18.43 | 16 189 | (15 498) | 691 | (6.91) |
| EUR | 21 380 | (22 671) | (1 291) | 12.91 | 10 378 | (10 785) | (407) | 4.07 |
| ZAR | 1 437 | (4 810) | (3 373) | 33.73 | 1 307 | (2 243) | (936) | 9.36 |

A 1% strengthening of the Malawi Kwacha against the foreign currencies above at the reporting date will (increase)/decrease profit or loss by the amounts shown in the sensitivity column above.

A 1% weakening of the Malawi Kwacha against the currencies above at the reporting date would have the equal but opposite effect.

**5. Risk Management** (Continued)

**(I) Market Risk (**Continued)

**Interest rate gap analysis**
The tables below summarize the exposure to interest rate risk. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Group does not bear an interest rate risk on unrecognised financial instruments.

**31 DECEMBER 2024**

| **CONSOLIDATED** | **Non-interest sensitive** | **0-3 months** | **3-6 months** | **6-9 months** | **9-12 months** | **Over 12 months** | **Total** |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | |
| Cash and Cash Equivalents | 60 869 417 | 80 705 879 | - | - | - | - | **141 575 296** |
| Money Market Investments | - | 49 696 395 | 15 624 131 | 54 941 400 | 23 426 442 | 166 209 547 | **309 897 915** |
| Loans and Advances to Customers | 16 310 | 16 147 946 | 1 179 656 | 5 988 210 | 10 151 901 | 131 600 663 | **165 084 686** |
| Repurchase agreements | - | - | 8 714 531 | - | - | - | **8 714 531** |
| Investments at fair value through profit or loss | 15 848 359 | - | - | - | - | - | **15 848 359** |
| Other financial assets | 5 971 433 | - | - | - | - | - | **5 971 433** |
| **Total financial assets** | **82 705 519** | **146 550 220** | **25 518 318** | **60 929 610** | **33 578 343** | **297 810 210** | **647 092 220** |
| **Financial Liabilities** | | | | | | | |
| Customer Deposits | - | 508 554 524 | 12 642 | 9 700 000 | - | - | **518 267 166** |
| Balances Due to other Financial Institutions | - | - | 8 670 059 | - | - | - | **8 670 059** |
| Lease liabilities | 901 415 | - | - | - | - | - | **901 415** |
| Other financial liabilities | 37 602 568 | 398 965 | 5 397 | 4 140 840 | - | - | **42 147 770** |
| **Total Financial liabilities** | **38 503 983** | **508 953 489** | **8 688 098** | **13 840 840** | **-** | **-** | **569 986 410** |
| **Total Interest sensitivity gap** | **44 201 536** | **(362 403 269)** | **16 830 220** | **47 088 770** | **33 578 343** | **297 810 210** | **77 105 810** |

**5. Risk Management** (Continued)

**(I) Market Risk (**Continued)

**Interest rate gap analysis** (Continued)

**31 DECEMBER 2024**

| **SEPARATE** | **Non-interest sensitive** | **0-3 months** | **3-6 months** | **6-9 months** | **9-12 months** | **Over 12 months** | **Total** |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | |
| Cash and Cash Equivalents | 60 869 417 | 80 705 879 | - | - | - | - | **141 575 296** |
| Money Market Investments | - | 49 696 395 | 15 624 131 | 54 941 400 | 23 426 442 | 166 209 547 | **309 897 915** |
| Loans and Advances to Customers | 16 310 | 16 147 946 | 1 179 656 | 5 988 210 | 10 151 901 | 131 600 663 | **165 084 686** |
| Repurchase agreements | - | - | 8 714 531 | - | - | - | **8 714 531** |
| Investments at fair value through profit or loss | 15 848 359 | - | - | - | - | - | **15 848 359** |
| Other financial assets | 5 943 983 | - | - | - | - | - | **5 943 983** |
| **Total financial assets** | **82 678 069** | **146 550 220** | **25 518 318** | **60 929 610** | **33 578 343** | **297 810 210** | **647 064 770** |
| **Financial Liabilities** | | | | | | | |
| Customer Deposits | - | 508 872 353 | 12 642 | 9 700 000 | - | - | **518 584 995** |
| Balances Due to other Financial Institutions | - | - | 8 670 059 | - | - | - | **8 670 059** |
| Lease liabilities | 901 415 | - | - | - | - | - | **901 415** |
| Other financial liabilities | 37 786 662 | 398 965 | 5 397 | 4 140 840 | - | - | **42 331 864** |
| **Total Financial liabilities** | **38 688 077** | **509 271 318** | **8 688 098** | **13 840 840** | **-** | **-** | **570 488 333** |
| **Total Interest sensitivity gap** | **43 989 992** | **(362 721 098)** | **16 830 220** | **47 088 770** | **33 578 343** | **297 810 210** | **76 576 437** |

**31 December 2023**

| | | | Fixed rate | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Consolidated** | **Zero rate K'000** | **Floating rate K'000** | **0-3 months K'000** | **3-6 months K'000** | **6-9 months K'000** | **9-12 months K'000** | **Over 12 months K'000** | **Total K'000** |
| Total assets | 52 939 885 | 151 417 376 | 63 922 314 | 33 986 288 | 44 667 843 | 142 565 | 106 825 830 | 453 902 101 |
| Total liabilities and equity | 118 769 527 | 157 361 476 | 13 766 609 | 4 592 292 | 5 190 | 87 925 784 | 17 300 000 | 399 720 878 |
| **Interest sensitivity gap** | (65 829 642) | (5 944 100) | 50 155 705 | 29 393 996 | 44 662 653 | (87 783 219) | 89 525 830 | 54 181 223 |

| | | | Fixed rate | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Separate** | **Zero rate K'000** | **Floating rate K'000** | **0-3 months K'000** | **3-6 months K'000** | **6-9 months K'000** | **9-12 Months K'000** | **Over 12 months K'000** | **Total K'000** |
| Total assets | 53 077 577 | 151 417 376 | 63 922 314 | 33 986 288 | 44 667 843 | 142 565 | 106 825 830 | 454 039 793 |
| Total liabilities and equity | 118 943 249 | 157 679 305 | 13 766 609 | 4 592 292 | 5 190 | 87 925 784 | 17 300 000 | 400 212 429 |
| **Interest sensitivity gap** | (65 865 672) | (6 261 929) | 50 155 705 | 29 393 996 | 44 662 653 | (87 783 219) | 89 525 830 | 53 827 364 |

**5. Risk Management** (Continued)

**(l) Market Risk** (Continued)

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

| | 2024 | 2023 |
|---|---|---|
| | % | % |
| **Assets** | | |
| Government securities | 16.00 - 35.00 | 13.00 - 28.00 |
| Deposits with banking institutions | 20.00 - 25.00 | 15.00 - 23.00 |
| Loans and advances to customers (Reference/base rate) | 23.60 - 25.20 | 17.30 - 23.60 |
| **Liabilities** | | |
| Customer deposits | 0 - 22.75 | 0 - 21.50 |

**Equity Risk**
The value of investments in listed companies as at 31 December were as follows:

| | 2024 | 2023 |
|---|---|---|
| | K'000 | K'000 |
| Cost of investments in listed companies | 2 800 093 | 41 820 |
| Fair value of investments in listed companies (note 12) | 15 848 359 | 10 918 842 |
| Purchase/(sale) of investments in listed companies | 2 758 273 | (111 861) |
| Net increase in fair value of investments in listed companies | 2 171 244 | 6 299 530 |
| Impact on profit and equity of: | | |
| Increase of share price by 10% | 1 584 836 | 1 091 884 |
| Decrease of share price by 10% | (1 584 836) | (1 091 884) |

**(m) Liquidity Risk**
Liquidity risk is the potential for loss to an institution arising from its inability to meet its obligations as they fall due and/or fund its asset book and operations due to insufficient cash flow.

Liquidity risk is often triggered by consequences of other financial risks such as credit risk, market risk and operational risk. For instance, increasing credit risk through asset concentration may increase liquidity risk and a large loan default or changes in interest rate can adversely impact the liquidity position. If management misjudges the impact on liquidity of entering a new business or product line, the Group's liquidity risk would increase. Large off-balance sheet exposures, high concentrations in deposits and rapid growth in assets may pose relatively high levels of liquidity risk to the Group.

**Policies**
The Group has an asset liability management policy which outlines policies and procedures in liquidity management including a contingency funding plan. All liquidity policies and procedures are subject to Board approval.

**Liquidity Risk Management**
The Board and senior management are responsible for liquidity risk management. The responsibility for managing the overall liquidity of the Group is delegated to ALCO. ALCO is responsible for the implementation of sound policies and procedures keeping in view the strategic direction and risk appetite specified by the Board. ALCO meets every month. The committee interacts regularly with line managers and Board members to enable it to monitor and control liquidity risk arising from new products and future business activities.

**5. Risk Management** (Continued)

**(m) Liquidity risk** (Continued)

**Liquidity Risk Management** (Continued)

ALCO measures the Group's liquidity position using liquidity ratios 1 and 2, liquidity analysis also known as maturity gap analysis, its ability to keep the liquidity reserve requirements, cash flow projections, credit/deposit ratio and other ratios. The Group has an asset liability management policy, liquidity risk management policy and compliance policy. Credit and investments policies and limits are set with liquidity risk management in mind. All these policies are subject to Board approval. Apart from internal policies, the Group is also guided by the Policy Statement on Prudential Aspects of Bank Liquidity issued by the RBM.

**Assessment of Liquidity Risk**
Liquidity risk is assessed and monitored daily. A daily dashboard is circulated to executive management every morning and a Liquidity Position Report is produced by Treasury back office before end of day. This report is used for making decisions on whether to invest surplus funds or borrow funds from the interbank market to cover liquidity gaps. Weekly and fortnightly Liquidity Reports are also produced.

An independent Risk and Compliance function prepares reports for ALCO monthly, and reports for the Risk Committee on a quarterly basis.

For quantitative assessment, gap analysis and ratios are used to measure risk levels. For qualitative assessment, several parameters are used to determine the quality of liquidity risk management.

**Stress Testing**
Stress testing is done by Risk and Compliance function every quarter to ascertain the impact of sudden changes in short term liabilities and liquid assets on the Group's liquidity position. The results are discussed with ALCO and the Risk Committee.

## 5. Risk Management (Continued)

### (m) Liquidity risk (Continued)

The maturity gap analysis as at 31 December 2024 is given below:

**Consolidated**

| Financial Assets | Carrying amount K'000 | Gross nominal amount K'000 | Up to 1 month K'000 | 1-3 months K'000 | 3-6 months K'000 | 6-12 months K'000 | 1-3 years K'000 | Over 3 years K'000 |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 141 575 296 | 141 590 137 | 141 590 137 | - | - | - | - | - |
| Money market investments | 309 897 915 | 428 060 905 | 31 043 000 | 18 889 316 | 16 294 079 | 89 872 510 | 177 540 000 | 94 422 000 |
| Loans and advances to customers | 165 084 686 | 225 405 502 | 42 324 274 | 54 150 007 | 19 307 775 | 28 942 732 | 56 920 053 | 23 760 661 |
| Investments at fair value through P&L | 15 848 359 | 15 848 359 | - | - | - | - | 15 848 359 | - |
| Repurchase agreement | 8 714 531 | 8 749 652 | - | - | 8 749 652 | - | - | - |
| Other financial assets | 5 971 433 | 6 033 132 | 6 033 132 | - | - | - | - | - |
| **Total Financial assets** | 647 092 220 | 825 687 687 | 220 990 543 | 73 039 323 | 44 351 506 | 118 815 242 | 250 308 412 | 118 182 661 |
| **Financial Liabilities** | | | | | | | | |
| Customer deposits | 518 267 166 | 518 267 166 | 478 673 726 | 29 880 798 | 12 642 | 9 700 000 | - | - |
| Due to other banks | 8 670 059 | 8 670 059 | - | - | 8 670 059 | - | - | - |
| Lease liabilities | 901 415 | 1 281 575 | 36 651 | 112 610 | 113 629 | 206 422 | 812 263 | - |
| Other financial liabilities | 42 147 770 | 42 804 893 | 38 013 501 | - | 6 237 | 4 785 156 | - | - |
| **Total Financial liabilities** | 569 986 410 | 571 023 693 | 516 723 878 | 29 993 408 | 8 802 567 | 14 691 578 | 812 263 | - |
| **Net liquidity gap** | 77 105 810 | 254 663 994 | (295 733 335) | 43 045 915 | 35 548 939 | 104 123 664 | 249 496 149 | 118 182 661 |
| **Cumulative liquidity gap** | 77 105 810 | 254 663 994 | (295 733 335) | (252 687 420) | (217 138 481) | (113 014 817) | 136 481 332 | 254 663 993 |

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

**5. Risk Management** (Continued)

**(m) Liquidity risk** (Continued)
The maturity gap analysis as at 31 December 2023 is given below:

**Consolidated**

| | Carrying amount K'000 | Gross nominal amount K'000 | Up to 1 month K'000 | 1-3 months K'000 | 3-6 months K'000 | 6-12 months K'000 | 1-3 years K'000 | Over 3 years K'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | | |
| Cash and cash equivalents | 86 394 065 | 86 394 065 | 86 394 065 | - | - | - | - | - |
| Money market investments | 160 650 751 | 162 433 965 | - | 6 236 640 | 28 518 733 | 41 784 706 | 61 754 227 | 24 139 659 |
| Loans and advances to customers | 184 826 160 | 189 610 770 | 58 122 261 | 12 880 170 | 35 632 832 | 29 158 459 | 22 803 220 | 31 013 828 |
| Investments at fair value through P&L | 10 918 842 | 10 918 842 | 2 183 768 | 2 183 768 | 2 183 768 | 2 183 768 | 2 183 770 | - |
| Other financial assets | 11 068 634 | 11 102 081 | 2 685 413 | 8 416 668 | - | - | - | - |
| **Total Financial assets** | 453 858 452 | 460 459 723 | 149 385 507 | 29 717 246 | 66 335 333 | 73 126 933 | 86 741 217 | 55 153 487 |
| **Financial Liabilities** | | | | | | | | |
| Customer deposits | 354 465 388 | 354 465 388 | 336 737 447 | 17 084 623 | 543 318 | 100 000 | - | - |
| Due to other banks | 22 878 915 | 22 878 915 | 17 300 000 | 5 578 915 | - | - | - | - |
| Other Financial liabilities | 17 682 815 | 17 682 815 | 8 035 916 | 3 215 634 | 3 215 634 | 3 215 631 | - | - |
| **Total Financial liabilities** | 395 027 118 | 395 027 118 | 362 073 363 | 25 879 172 | 3 758 952 | 3 315 631 | - | - |
| **Net liquidity gap** | 58 831 334 | 65 432 605 | (212 687 856) | 3 838 074 | 62 576 381 | 69 811 302 | 86 741 217 | 55 153 487 |
| **Cumulative liquidity gap** | 58 831 334 | 65 432 605 | (212 687 856) | (208 849 782) | (146 273 401) | (76 462 099) | 10 279 118 | 65 432 605 |

**5. Risk Management** (Continued)

**(m) Liquidity risk** (Continued)

The maturity gap analysis as at 31 December 2024 is given below:

**Separate**

| Financial Assets | Carrying amount K'000 | Gross nominal amount K'000 | Up to 1 month K'000 | 1-3 months K'000 | 3-6 months K'000 | 6-12 months K'000 | 1-3 years K'000 | Over 3 years K'000 |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 141 575 296 | 141 590 137 | 141 590 137 | - | - | - | - | - |
| Money market investments | 309 897 915 | 428 060 905 | 31 043 000 | 18 889 316 | 16 294 079 | 89 872 510 | 177 540 000 | 94 422 000 |
| Loans and advances to customers | 165 084 686 | 225 405 502 | 42 324 274 | 54 150 007 | 19 307 775 | 28 942 732 | 56 920 053 | 23 760 661 |
| Investments at fair value through P&L | 15 848 359 | 15 848 359 | - | - | - | - | 15 848 359 | - |
| Repurchase agreement | 8 714 531 | 8 749 652 | - | - | 8 749 652 | - | - | - |
| Other financial assets | 5 943 983 | 6 005 682 | 6 005 682 | - | - | - | - | - |
| **Total Financial assets** | 647 064 770 | 825 660 237 | 220 963 093 | 73 039 323 | 44 351 506 | 118 815 242 | 250 308 412 | 118 182 661 |
| **Financial Liabilities** | | | | | | | | |
| Customer deposits | 518 584 995 | 518 584 995 | 478 991 555 | 29 880 798 | 12 642 | 9 700 000 | - | - |
| Due to other banks | 8 670 059 | 8 670 059 | - | - | 8 670 059 | - | - | - |
| Lease liabilities | 901 415 | 1 281 575 | 36 651 | 112 610 | 113 629 | 206 422 | 812 263 | - |
| Other Financial liabilities | 42 331 864 | 42 988 987 | 38 197 595 | - | 6 237 | 4 785 156 | - | - |
| **Total Financial liabilities** | 570 488 333 | 571 525 616 | 517 225 801 | 29 993 408 | 8 802 567 | 14 691 578 | 812 263 | - |
| **Net liquidity gap** | 76 576 437 | 254 134 621 | (296 262 708) | 43 045 915 | 35 548 939 | 104 123 664 | 249 496 149 | 118 182 661 |
| **Cumulative liquidity gap** | 76 576 437 | 254 134 621 | (296 262 708) | (253 216 793) | (217 667 854) | (113 544 190) | 135 951 959 | 254 134 620 |

**5. Risk Management** (Continued)

**(m) Liquidity risk** (Continued)

The maturity gap analysis as at 31 December 2023 is given below:

**Separate**

| | Carrying amount K'000 | Gross nominal amount K'000 | Up to 1 month K'000 | 1-3 months K'000 | 3-6 months K'000 | 6-12 months K'000 | 1-3 years K'000 | Over 3 years K'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | | |
| Cash and cash equivalents | 86 394 065 | 86 394 065 | 86 394 065 | - | - | - | - | - |
| Money market investments | 160 650 751 | 162 433 965 | - | 6 236 640 | 28 518 733 | 41 784 706 | 61 754 227 | 24 139 659 |
| Loans and advances to customers | 184 826 160 | 189 610 770 | 58 122 261 | 12 880 170 | 35 632 832 | 29 158 459 | 22 803 220 | 31 013 828 |
| Investments at fair value through P&L | 10 918 842 | 10 918 842 | 2 183 768 | 2 183 768 | 2 183 768 | 2 183 768 | 2 183 770 | - |
| Other financial assets | 11 041 184 | 11 074 631 | 2 657 963 | 8 416 | - | - | - | - |
| **Total Financial assets** | 453 831 002 | 460 432 273 | 149 358 057 | 29 717 246 | 66 335 333 | 73 126 933 | 86 741 217 | 55 153 487 |
| **Financial Liabilities** | | | | | | | | |
| Customer deposits | 354 783 217 | 354 783 217 | 337 055 276 | 17 084 623 | 543 318 | 100 000 | - | - |
| Due to other banks | 22 878 915 | 22 878 915 | 17 300 000 | 5 578 915 | - | - | - | - |
| Other Financial liabilities | 17 866 908 | 17 866 908 | 8 080 637 | 3 262 090 | 3 262 090 | 3 262 091 | - | - |
| **Total Financial liabilities** | 395 529 040 | 395 529 040 | 362 435 913 | 25 925 628 | 3 805 408 | 3 362 091 | - | - |
| **Net liquidity gap** | 58 301 962 | 64 903 233 | (213 077 856) | 3 791 618 | 62 529 925 | 69 764 842 | 86 741 217 | 55 153 487 |
| **Cumulative liquidity gap** | 58 301 962 | 64 903 233 | (213 077 856) | (209 286 238) | (146 756 313) | (76 991 471) | 9 749 746 | 64 903 233 |

**5. Risk Management** (Continued)

**m) Liquidity risk** (Continued)

**Analysis of encumbered and unencumbered assets**

Below is the analysis of the Bank's encumbered and unencumbered assets that would be available to obtain additional future funding as securities.

| In MK'000 | Encumbered | | Unencumbered | | |
|---|---|---|---|---|---|
| **As at 31 December 2024** | **Pledged as collateral** | **Other** | **Available as collateral** | **Other** | **Total** |
| **Asset type** | | | | | |
| Cash and balances with central banks | - | - | 141 575 296 | - | 141 575 296 |
| Money market investments | - | - | 309 897 915 | - | 309 897 915 |
| Repurchase agreements | - | - | 8 714 531 | - | 8 714 531 |
| Financial assets at fair value through profit or loss | - | - | 15 848 359 | - | 15 848 359 |
| Loans and advances to customers | - | - | 165 084 686 | - | 165 084 686 |
| Other assets | - | - | 5 943 983 | - | 5 943 983 |
| **Total** | **-** | **-** | **647 064 770** | **-** | **647 064 770** |

| **As at 31 December 2023** | **Pledged as collateral** | **Other** | **Available as collateral** | **Other** | **Total** |
|---|---|---|---|---|---|
| **Asset type** | | | | | |
| Cash and balances with central banks | - | - | 86 394 065 | - | 86 394 065 |
| Money market investments | 20 000 000 | - | 140 650 751 | - | 160 650 751 |
| Repurchase agreements | - | - | 8 383 221 | - | 8 383 221 |
| Financial assets at fair value through profit or loss | - | - | 10 918 842 | - | 10 918 842 |
| Loans and advances to customers | - | - | 184 826 160 | - | 184 826 160 |
| Other assets | - | - | 2 685 413 | - | 2 685 413 |
| **Total** | **20 000 000** | **-** | **433 858 452** | **-** | **453 858 452** |

**(n) Operational Risk**

Operational risk is a risk of loss or reputational damage resulting from inadequate or failed internal processes, people and systems/technology or from external events. Losses due to damage to physical assets, natural disasters, lawsuits, frauds, staff injuries, robberies and theft are all part of operational risk.

**Operational Risk Management**

The Board and senior management have created a culture that places high priority on effective operational risk management and adherence to sound operating controls. This culture emphasises high standards of ethical behaviour, honesty and integrity at all levels of the Group. The Group has an organisational structure with clear reporting lines, efficient lay-out of premises conducive to close supervision, sound work systems and procedures and strong internal controls.

**5. Risk Management** (Continued)

**(n) Operational Risk** *(Continued)*

**Operational Risk Management** (Continued)
The Group has Operations manuals, IT policies and manuals, a system of vetting employees, employee-friendly personnel policies, an employee training centre, systems of regular reconciliations of suspense accounts, an array of periodic Management Information Systems (MIS) reports, security, and internal audit functions for effective management of operational risk in the Group. Disaster recovery and business continuity plans are in place to manage business disruptions. New products are thoroughly examined by a senior management committee and the risk management function before the Board accords approval for adoption. Insurance policies are in place for premises, various assets and employee fidelity and professional indemnity.

The policies, plans and manuals are regularly reviewed and updated, to ensure that they continue to be relevant to the environment within which the Group operates.

**Processes**
The Group has policies, operational manuals, guidelines, and structures to manage its processes.

At bank level, the Bank has a Head of Operations who heads the Operations department and oversees Central Clearing, Card Centre, Regional Processing Centres, Quality Control department, Branch Supervision and Head Office Operations department. All these departments have departmental heads at senior or middle management levels.

All customer service back-office processes are centralised. The centralized processes are handled at the central processing centre (CPC). This was done with the aim of minimizing operational risk and improving efficiency. The CPC manager reports to the Head of Operations. Work done by CPC is reviewed every day by an independent Quality Control department in Head Office to ensure that procedures are adhered to and any errors are detected at the earliest.

Branch and Agency Managers report to Regional Managers who report to the Head of Branch Banking.

Other specialized departments like Credit, Treasury, Risk, Compliance, Legal, Finance, Human Resources, Internal Audit report directly to the Chief Executive Officer. Credit, Risk and Compliance and Internal Audit also have direct reporting to the Board sub-committees.

**Fraud**
The Group has systems and controls to mitigate fraud risk. The Group has a fraud policy which outlines what is to be done in cases of frauds. The Group encourages staff and the public to report actual or suspected fraud through the tip-offs anonymous service, line management or the Compliance Officer. Internal Audit department investigates all fraud cases.

**5. Risk Management** (Continued)

**(n) Operational Risk** (Continued)

**IT Risk**
The risk that the Group can suffer losses or business disruptions due to technological system failure is very high. To manage and mitigate this risk, the Group has the following in place:

1. Policies
2. Modern data centre
3. IT disaster recovery site
4. Offsite backup centre
5. Trained personnel in hardware and software systems
6. Maintenance agreements with system providers

**People Risk**
The Group realizes that its human capital is one of its most important resources. The Group has policies and guidelines on operations to ensure that employees are motivated and perform their duties at high standards at all times. The Group has a Learning and Development Centre (L&D) under Human Resources Department. All new staff go through induction training. L&D organizes training throughout the year for staff at all levels. Timely communication is made to staff on the Group's plans, new products and other developments. The Group recruits qualified staff and police clearance is sought for all new staff.

**Assessment of Operational Risk**
An independent Risk and Compliance function conducts ad-hoc risk assessments on premises, products and processes and reports the findings to business units or respective departments and the Managing Director. It conducts operational risk assessments as part of the bank-wide risk assessments and reports to the Chief Executive Officer and the Risk and Compliance Committee on a quarterly basis.

Each entity in the Group has a risk management framework which gives guidelines on how to identify, assess, monitor and control/mitigate operational risk. In addition, there are policies and procedures on operational risk management that are aligned to the overall business strategy and support continuous improvement of overall risk management in the Group.

The Group has an Operational Risk Management System (ORMS) for recording all operational risk incidents and losses.

**Stress Testing**
Stress testing is done using operational risk scenarios.

**(o) Other Risks**

**Compliance Risk**
This is the risk of legal or regulatory sanctions, material financial loss or damage to reputation that the Group may suffer as a result of failure to comply with laws, regulations, internal policies or code of conduct applicable to the Group's activities.

The Group's Board of Directors has set in place systems for identifying, measuring, monitoring and controlling all the potential lapse areas to ensure continued compliance with all the sections of the Banking Act 2009, Reserve Bank of Malawi Act 1989, Financial Services Act 2010, Financial Crimes Act, 2017 and RBM directives/prudential guidelines and all other relevant laws in Malawi.

**5. Risk Management** (Continued)

**(o) Other Risks** (Continued)

***Compliance Risk Management***
To achieve proper management of compliance risk, the Board has set limits and guidelines through policies on liquidity, credit, and money laundering to ensure that management operates within limits and conditions set in the laws, regulations and directives issued by the government and the regulator. Senior management is responsible for effective management of compliance risk by implementing and instituting a risk management framework to identify, assess, monitor and control the compliance risk in the Group as well as to report to the Board on management of risk and compliance failures, if any, from time to time. Senior management reviews the compliance management framework, operational manuals and employee guidelines periodically for appropriateness and soundness.

The Group has a Compliance Officer who is responsible for monitoring and ensuring that regulations and policies are followed. Any breach of limits or regulations are made known to the Compliance Officer and these are reported to the Chief Executive Officer and the Board Risk and Compliance Committee and the Board.

Every functional head and line manager in the Group is responsible for ensuring that the Group complies with regulations and policies. Assets and Liability Committee (ALCO) is very instrumental in identifying the potential violation areas and minutes of ALCO meetings are tabled in Board meetings, to ensure that the Board is kept informed of all compliance risk management concerns.

Internal audit function conducts periodical audits and provides reasonable assurance that all activities and aspects of compliance risk are being properly managed. Internal auditors also inform management and the audit committee of any breaches or violations.

**Reputational Risk**
Reputational risk is the potential that negative publicity, whether true or not, will cause a decline in the customer base, costly litigations or revenue reductions. This risk can be a result of the Group's failure to effectively manage any or all of the risk types and it can emerge at all business levels.

***Reputational Risk Management***
At First Capital Bank Malawi, it is every employee's responsibility to ensure that the Group's reputation is guarded at all times. From product development stage, we ensure that all products have been vetted to ensure that they don't tarnish the Group's image. All employees and senior management are encouraged to report any negative publicity in newspapers, social media and the grapevine to ensure that any incorrect perceptions are corrected. First Capital Bank Malawi has a Marketing department and has suggestion boxes at its service centres, a call centre and tip-off anonymous service to enhance customer service but also as a means of getting feedback and information from customers and the public.

The Group has the following Board approved policies which have been formulated to manage reputation risk:

1. Reputation risk management policy, which contain guidance for management of reputation risk.
2. Disclosure policy which defines what information can be disclosed by whom to the public.
3. Market disclosure policy which defines when and what can be disclosed in the risk management report under Basel II - Pillar III.

**5. Risk Management** (Continued)

**(o) Other Risks** (Continued)

**Reputational Risk** (Continued)

The Board and the Chief Executive Officer have the ultimate responsibility of managing reputation risk.

Risk and Compliance function independently assesses and reports level of reputational risk to the Risk committee.

The Group's Internal Audit function checks that reputation risk is being managed effectively in the company during their scheduled audits and reports findings to the Board Audit Committee.

**Strategic Risk**
This is the risk of adverse impact on earnings, capital, and reputation arising from changes in the environment and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technical changes.

**Strategic Risk Management**
The Group is guided in its strategic decision-making by a strategic plan also known as a business plan covering five years. The plan is developed by the Board of Directors in collaboration with senior management and it is reviewed regularly. The plan is updated whenever there are significant changes or new developments in the market, changes in government policies and shifts in customer behaviour. Within the ambit of the operative business plan, annual budgets are prepared and implemented by management after approval by the Board.

Board and senior management are responsible for strategic risk management. This is achieved by among other things formulating strategy and policies, setting the Group's and individual entities' risk appetites as well as careful assessment before introduction of new products and exiting from certain products. It is the duty of the Board to establish adequate systems and controls to ensure that overall risk remains within acceptable levels. The Board has a duty to assess expansion of business arenas, monitor market changes and emergence of new financial products.

All decisions and actions that have or may have an impact on the Group's strategy have prior approval of the Board. All actions or decisions touching on strategy involve functional managers' first-hand assessments of the competitive and practical considerations underlying such decisions or actions. Strategic decisions are clearly communicated throughout the organization in a timely manner to ensure that appropriate employees are aware and engaged and act in a manner consistent with such decisions.

The Risk and Compliance function conducts periodic strategic risk assessments and reports the results to the Risk Committee.

## 6. Financial assets and liabilities

### Classification of financial instruments

The disclosed fair value of these financial assets and liabilities measured at amortised cost approximate their value because of their short-term nature except for loans, advances and leases which are at variable interest rates.

| **Consolidated**<br>**31-Dec-24** | **Financial assets at FVTPL**<br>**K'000** | **Financial assets at amortized cost**<br>**K'000** | **Financial liabilities at amortized cost**<br>**K'000** | **Total Carrying amount**<br>**K'000** | **Fair values**<br>**K'000** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | - | 141 575 296 | - | 141 575 296 | 141 575 296 |
| Money market investments | - | 309 897 915 | - | 309 897 915 | 309 897 915 |
| Investments at FVTPL | 15 848 359 | - | - | 15 848 359 | 15 848 359 |
| Loans and advances | - | 165 084 686 | - | 165 084 686 | 165 084 686 |
| Repurchase agreement | - | 8 714 531 | - | 8 714 531 | 8 714 531 |
| Other assets | - | 5 971 433 | - | 5 971 433 | 5 971 433 |
| | 15 848 359 | 631 243 861 | - | 647 092 220 | 647 092 220 |
| **Financial liabilities** | | | | | |
| Liabilities to customers | - | - | 518 267 166 | 518 267 166 | 518 267 166 |
| Due to other banks | - | - | 8 670 059 | 8 670 059 | 8 670 059 |
| Lease liabilities | - | - | 901 415 | 901 415 | 901 415 |
| Other liabilities | - | - | 42 147 770 | 42 147 770 | 42 147 770 |
| | - | - | 569 986 410 | 569 986 410 | 569 986 410 |
| **Separate** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | - | 141 575 296 | - | 141 575 296 | 141 575 296 |
| Money market investments | - | 309 897 915 | - | 309 897 915 | 309 897 915 |
| Investments at FVTPL | 15 848 359 | - | - | 15 848 359 | 15 848 359 |
| Loans and advances | - | 165 084 686 | - | 165 084 686 | 165 084 686 |
| Repurchase agreement | - | 8 714 531 | - | 8 714 531 | 8 714 531 |
| Other assets | - | 5 943 983 | - | 5 943 983 | 5 943 983 |
| | 15 848 359 | 631 216 411 | - | 647 064 770 | 647 064 770 |
| **Financial liabilities** | | | | | |
| Liabilities to customers | - | - | 518 584 995 | 518 584 995 | 518 584 995 |
| Due to other banks | - | - | 8 670 059 | 8 670 059 | 8 670 059 |
| Lease liabilities | - | - | 901 415 | 901 415 | 901 415 |
| Other liabilities | - | - | 42 331 864 | 42 331 864 | 42 331 864 |
| | - | - | 570 488 333 | 570 488 333 | 570 488 333 |

**6. Financial assets and liabilities** (Continued)

**Classification of financial instruments** (Continued)

The disclosed carrying amounts of these financial assets and liabilities measured at amortised cost approximate their fair value because of their short-term nature except for loans, advances and leases which are at variable interest rates.

| **Consolidated 31-Dec-23** | **Financial assets at FVTPL K'000** | **Financial assets at Amortised cost K'000** | **Financial liabilities at amortised cost K'000** | **Total Carrying amount K'000** | **Fair values K'000** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | - | 86 394 065 | - | 86 394 065 | 86 394 065 |
| Money market investments | - | 160 650 751 | - | 160 650 751 | 160 650 751 |
| Investments at FVTPL | 10 918 842 | - | - | 10 918 842 | 10 918 842 |
| Loans and advances | - | 184 826 160 | - | 184 826 160 | 184 826 160 |
| Other assets | - | 11 068 634 | - | 11 068 634 | 11 068 634 |
| | 10 918 842 | 442 939 610 | - | 453 858 452 | 453 858 452 |
| **Financial liabilities** | | | | | |
| Liabilities to customers | - | - | 354 465 388 | 354 465 388 | 354 465 388 |
| Due to other banks | - | - | 22 878 915 | 22 878 915 | 22 878 915 |
| Other liabilities | - | - | 17 682 815 | 17 682 815 | 17 682 815 |
| | - | - | 395 027 118 | 395 027 118 | 395 027 118 |
| **Separate** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | - | 86 394 065 | - | 86 394 065 | 86 394 065 |
| Money market investments | - | 160 650 751 | - | 160 650 751 | 160 650 751 |
| Investments at FVTPL | 10 918 842 | - | - | 10 918 842 | 10 918 842 |
| Loans and advances | - | 184 826 160 | - | 184 826 160 | 184 826 160 |
| Other assets | - | 11 041 184 | - | 11 041 184 | 11 041 184 |
| | 10 918 842 | 442 912 160 | - | 453 831 002 | 453 831 002 |
| **Financial liabilities** | | | | | |
| Liabilities to customers | - | - | 354 783 217 | 354 783 217 | 354 783 217 |
| Due to other banks | - | - | 22 878 915 | 22 878 915 | 22 878 915 |
| Other liabilities | - | - | 17 866 908 | 17 866 908 | 17 866 908 |
| | - | - | 395 529 040 | 395 529 040 | 395 529 040 |

**6. Financial assets and liabilities** (Continued)

**Fair value hierarchy of assets and liabilities held at fair value**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. 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.

**Consolidated and separate**

| | 2024 K'000 | | | 2023 K'000 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| **Financial asset** | | | | | | |
| Investment at fair value through P&L | 15 848 359 | - | - | 10 918 842 | - | - |

Valuation for investments at fair value through profit or loss is done using quoted prices on the Malawi Stock Exchange.

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.

**7. Cash and cash equivalents**

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024 K'000** | **2023 K'000** | **2024 K'000** | **2023 K'000** |
| Deposits with Central Bank | 42 578 121 | 26 578 710 | 42 578 121 | 26 578 710 |
| Balances with banks abroad | 5 573 646 | 6 688 763 | 5 573 646 | 6 688 763 |
| Cheques in course of clearing | 92 080 | - | 92 080 | - |
| Placements with other banks | 75 133 148 | 40 462 020 | 75 133 148 | 40 462 020 |
| Cash balances | 18 213 142 | 12 664 572 | 18 213 142 | 12 664 572 |
| Cash and Cash Equivalents - ECL | (14 841) | - | (14 841) | - |
| Total cash and cash equivalents | 141 575 296 | 86 394 065 | 141 575 296 | 86 394 065 |

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)
For the year ended 31 December 2024

**7. Cash and cash equivalents** (Continued)

Deposits with Central Bank are amounts held at Reserve Bank of Malawi. These amounts do not attract interest and are regulated as disclosed in note 33 (i). Other cash and cash equivalents with other banks earn interest of 20.00% - 25.00% (2023: 15.00% - 23.00%).

The currency analysis of cash is in note 5(l).

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

All money market investments mature within 12 months, except for treasury notes with a gross amount of K272.0 billion as at 31 December 2024 (2023: K85.9 billion). These have a tenor of more than 12 months with maturities ranging between May 2026 and July 2034 and with a coupon rate of 13.5% (2023: 12%).

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| **Gross amount** | | | | |
| Treasury notes | 248 902 800 | 133 915 232 | 248 902 800 | 133 915 232 |
| Treasury notes - ECL | (2 384 033) | (1 627 672) | (2 384 033) | (1 627 672) |
| Treasury bills | 63 890 545 | 28 518 733 | 63 890 545 | 28 518 733 |
| Treasury bills - ECL | (511 397) | (155 542) | (511 397) | (155 542) |
| **Carrying value** | 309 897 915 | 160 650 751 | 309 897 915 | 160 650 751 |
| Movement during the year was as follows: | | | | |
| As at 1 January | 162 433 965 | 92 067 734 | 162 433 965 | 92 067 734 |
| Purchases | 150 359 380 | 70 366 231 | 150 359 380 | 70 366 231 |
| As at 31 December | 312 793 345 | 162 433 965 | 312 793 345 | 162 433 965 |
| **Expected Credit Losses** | | | | |
| Balance at 1 January | (1 783 214) | (301 814) | (1 783 214) | (301 814) |
| Charge | (1 112 216) | (1 481 400) | (1 112 216) | (1 481 400) |
| Balance at 31 December | (2 895 430) | (1 783 214) | (2 895 430) | (1 783 214) |
| **Carrying amount** | 309 897 915 | 160 650 751 | 309 897 915 | 160 650 751 |

## 9. Loans and advances to customers

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| **Loans and advances (amortized cost) are receivable as follows:** | | | | |
| Maturing within 3 months | 71 831 503 | 71 002 431 | 71 831 503 | 71 002 431 |
| Maturing between 3 and 12 months | 35 925 704 | 64 791 291 | 35 925 704 | 64 791 291 |
| Maturing after 12 months | 60 072 146 | 53 817 048 | 60 072 146 | 53 817 048 |
| | 167 829 353 | 189 610 770 | 167 829 353 | 189 610 770 |
| **Specific impairment allowances (Stage 3)** | | | | |
| **Balance at 1 January** | (2 561 866) | (2 306 584) | (2 561 866) | (2 306 584) |
| Credit/(charge) for the year | (853 171) | (1 181 184) | (853 171) | (1 181 184) |
| Write-offs | 1 534 904 | 925 902 | 1 534 904 | 925 902 |
| **Balance at 31 December** | (1 880 133) | (2 561 866) | (1 880 133) | (2 561 866) |
| **Collective impairment allowance (Stages 2)** | | | | |
| Balance at 1 January | (136 393) | (53 628) | (136 393) | (53 628) |
| Credit/(charge) for the year | 52 666 | (82 765) | 52 666 | (82 765) |
| **Balance at 31 December** | (83 727) | (136 393) | (83 727) | (136 393) |
| **Collective impairment allowance (Stages 1)** | | | | |
| Balance at 1 January | (2 086 351) | (585 000) | (2 086 351) | (585 000) |
| Credit/(charge) for the year | 1 305 544 | (1 501 351) | 1 305 544 | (1 501 351) |
| **Balance at 31 December** | (780 807) | (2 086 351) | (780 807) | (2 086 351) |
| **Net loans and advances to customers** | 165 084 686 | 184 826 160 | 165 084 686 | 184 826 160 |

The directors consider that the carrying amounts of loans and advances are a reasonable approximation of their fair value.

The Group manages these loans and advances in accordance with its Credit strategy. Internal reporting and performance measurement of these loans and advances are at amortised cost.

Impairment of loans and advances has been calculated as disclosed in note **35**.

Loans and advances as per industry/sector have been disclosed in note **5(k)(iii)**.

Effective base interest rates for loans and advances have been disclosed in note **37**.

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage is as disclosed in note **5(k)(vii)**.

## 10. Other assets

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| Prepayments | 1 074 663 | 1 395 268 | 1 074 663 | 1 395 268 |
| Stock of stationery | 382 427 | 324 202 | 382 427 | 324 202 |
| Stock of computer spares and other items | 1 996 | 34 553 | 1 996 | 34 553 |
| Other receivables | 5 500 578 | 2 564 302 | 5 473 128 | 2 536 852 |
| Other receivables - ECL | (61 699) | - | (61 699) | - |
| Total other assets | 6 897 965 | 4 318 325 | 6 870 515 | 4 290 875 |

All other assets are recoverable/realisable within 12 months and no interest is charged on overdue balances. 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 the Group.

Other receivables include investments in non-listed entities, cash collateral with VISA and amounts due from government on payroll deducted loans. The group offers payroll deducted loans to civil servants, the repayments are collected through government. Included in other assets is K62m (2023: K0) impairment provision on funds receivable from government. A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage is as disclosed in note **5(k)(vii)**.

The Group grants loans to its employees at interest rates lower than market rates. Included in other receivables is K222m (2023: K186m) representing the difference between the amount outstanding and fair value of these loans using market rates. The difference has been recognised as an employee benefit in compliance with IAS 19 *Employee Benefits.*

## 11. Amounts due from related parties

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | **2023** |
| | **K'000** | **K'000** |
| First Capital Bank Limited S.A. Mozambique | 65 589 | 9 154 |
| First Capital Bank Limited Zimbabwe | 226 331 | 102 210 |
| First Capital Bank Limited Zambia | 196 423 | 9 747 |
| Directors | 44 211 | - |
| Total amounts due from related parties | 532 554 | 121 111 |

Balances due from related parties have no fixed repayment terms, are unsecured and are interest free.

## 12. Investments at fair value through profit or loss

| | Consolidated and separate | |
|---|---|---|
| | **2024** | **2023** |
| | **K'000** | **K'000** |
| **Change in fair value** | | |
| Balance at 1 January | 10 918 842 | 4 731 173 |
| Purchase/(Sale) of shares in a listed company | 2 758 273 | (111 861) |
| Movement in fair value (note 24(b)) | 2 171 244 | 6 299 530 |
| **Balance at 31 December** | 15 848 359 | 10 918 842 |

**12. Investments at fair value through profit or loss** (Continued)

All investments in listed companies are designated at fair value through profit or loss upon initial recognition. The movement in fair value is taken to profit or loss. At end of the reporting period, the Group's portfolio of investments in listed companies comprised:

| | Consolidated and separate | |
|---|---|---|
| | **2024** | **2023** |
| **Shares held** | | |
| Illovo Sugar (Malawi) Plc | 8 665 541 | 8 665 541 |
| Old Mutual Limited | 2 105 557 | - |
| **Share Price (Kwacha)** | | |
| Illovo Sugar (Malawi) Plc | 1 355.08 | 1 260.03 |
| Old Mutual Limited | 1 950.01 | - |
| **Market Value (K'000)** | | |
| Illovo Sugar (Malawi) Plc | 11 742 501 | 10 918 842 |
| Old Mutual Limited | 4 105 858 | - |
| | 15 848 359 | 10 918 842 |

Fair value measurement of investments in listed companies has been categorised as Level 1 fair value based on quoted bid prices on the Malawi Stock Exchange. Details of the fair value inputs have been disclosed in note 6.

**13. Investments in subsidiaries**

| | | | Separate | |
|---|---|---|---|---|
| | **Shares ('000)** | **Share-holding** | **2024 K'000** | **2023 K'000** |
| **Investment in subsidiaries (Dormant)** | | | | |
| International Commercial Bank Limited | 7 149 | 100.0% | 148 791 | 148 791 |
| FMB Capital Markets Limited | 500 | 100.0% | 50 000 | 50 000 |
| FMB Forex Bureau Limited | 10 000 | 100.0% | 10 000 | 10 000 |
| FMB Pensions Limited | 1 000 | 100.0% | - | - |
| | | | 208 791 | 208 791 |

## 14. (a) Intangible assets

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| **Cost** | | | | |
| As at 1 January | 8 249 213 | 8 182 198 | 8 244 213 | 8 177 198 |
| Transfer from work in progress | 178 414 | 61 901 | 178 414 | 61 901 |
| Additions | 895 836 | 79 301 | 895 836 | 79 301 |
| Disposals | - | (74 187) | - | (74 187) |
| **As at 31 December** | 9 323 463 | 8 249 213 | 9 318 463 | 8 244 213 |
| **Accumulated amortization** | | | | |
| As at 1 January | 6 879 889 | 6 134 549 | 6 879 889 | 6 129 549 |
| Charge for the year | 669 946 | 819 522 | 669 946 | 819 522 |
| Amortization On Disposals | - | (74 182) | - | (74 182) |
| **As at 31 December** | 7 549 835 | 6 879 889 | 7 549 835 | 6 874 889 |
| **Carrying amount** | 1 773 628 | 1 369 324 | 1 773 628 | 1 369 324 |

Intangible assets have finite useful lives and relate to computer software and are measured at cost incurred in the acquisition and development of computer software, including website development costs. During the year, the Bank transferred development costs valued at K178 million (2023: K62 million) from capital work in progress disclosed under note 14(b) to intangible assets following successful completion of the development of the software.

### 14. (b) Property and equipment

| **Consolidated** | **Freehold Property** | **Leasehold Improvements** | **Motor Vehicles** | **Aero plane** | **Equipment, Fixtures & Fittings** | **Capital Work in Progress** | **Total** |
|---|---|---|---|---|---|---|---|
| | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** |
| **Cost or valuation** | | | | | | | |
| **Balance at 1 January 2024** | 12 301 550 | 7 529 390 | 2 129 146 | 1 398 862 | 10 975 604 | 1 294 219 | 35 628 771 |
| Additions | 109 255 | 740 555 | 431 117 | - | 3 021 627 | 2 784 603 | 7 087 157 |
| Disposals | (26) | - | (55 835) | - | (135 052) | (8 576) | (199 489) |
| Revaluation surplus/(loss) | 680 175 | (840 021) | - | - | - | - | (159 846) |
| Transfer from work in progress | 24 269 | 556 544 | - | - | 43 252 | (802 479) | (178 414) |
| **Balance at 31 December 2024** | 13 115 223 | 7 986 468 | 2 504 428 | 1 398 862 | 13 905 431 | 3 267 767 | 42 178 179 |
| **Accumulated depreciation** | | | | | | | |
| **Balance at 1 January 2024** | - | 568 138 | 1 475 215 | 503 163 | 7 289 606 | - | 9 836 122 |
| Charge for the year | 139 643 | 164 629 | 275 719 | 83 923 | 1 402 417 | - | 2 066 331 |
| Released on disposal | - | - | (20 473) | - | (39 627) | - | (60 100) |
| Eliminated on revaluation | (139 643) | (344 928) | - | - | - | - | (484 571) |
| **Balance at 31 December 2024** | - | 387 839 | 1 730 461 | 587 086 | 8 652 396 | - | 11 357 782 |
| **Cost or valuation** | | | | | | | |
| **Balance at 1 January 2023** | 11 589 187 | 7 365 880 | 2 038 004 | 1 398 862 | 9 615 697 | 655 152 | 32 662 782 |
| Additions | 37 459 | - | 176 341 | - | 1 693 334 | 937 349 | 2 844 483 |
| Disposals | - | - | (85 199) | - | (444 980) | - | (530 179) |
| Revaluation surplus | 550 076 | 163 510 | - | - | - | - | 713 586 |
| Transfer from work in progress | 124 828 | - | - | - | 111 553 | (298 282) | (61 901) |
| **Balance at 31 December 2023** | 12 301 550 | 7 529 390 | 2 129 146 | 1 398 862 | 10 975 604 | 1 294 219 | 35 628 771 |
| **Accumulated depreciation** | | | | | | | |
| **Balance at 1 January 2023** | - | 475 391 | 1 365 085 | 419 240 | 6 784 166 | - | 9 043 882 |
| Charge for the year | 259 403 | 212 921 | 195 248 | 83 923 | 947 628 | - | 1 699 123 |
| Released on disposal | - | - | (85 118) | - | (442 188) | - | (527 306) |
| Eliminated on revaluation | (259 403) | (120 174) | - | - | - | - | (379 577) |
| **Balance at 31 December 2023** | - | 568 138 | 1 475 215 | 503 163 | 7 289 606 | - | 9 836 122 |
| **Carrying amount** | | | | | | | |
| **At 31 December 2024** | 13 115 223 | 7 598 629 | 773 967 | 811 776 | 5 253 035 | 3 267 767 | 30 820 397 |
| **At 31 December 2023** | 12 301 550 | 6 961 252 | 653 931 | 895 699 | 3 685 998 | 1 294 219 | 25 792 649 |

## 14. (b) Property and equipment (Continued)

Following successful completion of projects, the Bank capitalised completed projects to property and equipment and intangible assets. In 2024, the Bank made some reclassifications within property and equipment line items of cost and accumulated depreciation. This had no impact on the net book values reported.

| **Separate** | **Freehold Property** | **Leasehold Improvements** | **Motor Vehicles** | **Aero plane** | **Equipment, Fixtures & Fittings** | **Capital Work in Progress** | **Total** |
|---|---|---|---|---|---|---|---|
| | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** |
| **Cost or valuation** | | | | | | | |
| **Balance at 1 January 2024** | 12 301 550 | 7 409 300 | 2 109 701 | 1 398 862 | 10 827 618 | 1 294 219 | 35 341 250 |
| Additions | 109 255 | 740 555 | 431 117 | - | 3 021 627 | 2 784 603 | 7 087 157 |
| Disposals | (26) | - | (55 835) | - | (135 052) | (8 576) | (199 489) |
| Revaluation surplus | 680 175 | (840 021) | - | - | - | - | (159 846) |
| Transfers | 24 269 | 556 544 | - | - | 43 252 | (802 479) | (178 414) |
| **Balance at 31 December 2024** | 13 115 223 | 7 866 378 | 2 484 983 | 1 398 862 | 13 757 445 | 3 267 767 | 41 890 658 |
| **Accumulated depreciation** | | | | | | | |
| **Balance at 1 January 2024** | - | 448 048 | 1 455 770 | 503 163 | 7 141 620 | - | 9 548 601 |
| Charge for the year | 139 643 | 164 629 | 275 719 | 83 923 | 1 402 417 | - | 2 066 331 |
| Released on disposal | - | - | (20 473) | - | (39 627) | - | (60 100) |
| Eliminated on revaluation | (139 643) | (344 928) | - | - | - | - | (484 571) |
| **Balance at 31 December 2024** | - | 267 749 | 1 711 016 | 587 086 | 8 504 410 | - | 11 070 261 |
| **Cost or valuation** | | | | | | | |
| **Balance at 1 January 2023** | 11 589 187 | 7 245 790 | 2 018 559 | 1 398 862 | 9 467 711 | 655 152 | 32 375 261 |
| Additions | 37 459 | - | 176 341 | - | 1 693 334 | 937 349 | 2 844 483 |
| Disposals | - | - | (85 199) | - | (444 980) | - | (530 179) |
| Revaluation surplus | 550 076 | 163 510 | - | - | - | - | 713 586 |
| Transfers | 124 828 | - | - | - | 111 553 | (298 282) | (61 901) |
| **Balance at 31 December 2023** | 12 301 550 | 7 409 300 | 2 109 701 | 1 398 862 | 10 827 618 | 1 294 219 | 35 341 250 |
| **Accumulated depreciation** | | | | | | | |
| **Balance at 1 January 2023** | - | 355 301 | 1 345 640 | 419 240 | 6 636 180 | - | 8 756 361 |
| Charge for the year | 259 403 | 212 921 | 195 248 | 83 923 | 947 628 | - | 1 699 123 |
| Released on disposal | - | - | (85 118) | - | (442 188) | - | (527 306) |
| Eliminated on revaluation | (259 403) | (120 174) | - | - | - | - | (379 577) |
| **Balance at 31 December 2023** | - | 448 048 | 1 455 770 | 503 163 | 7 141 620 | - | 9 548 601 |
| **Carrying amount** | | | | | | | |
| **At 31 December 2024** | 13 115 223 | 7 598 629 | 773 967 | 811 776 | 5 253 035 | 3 267 767 | 30 820 397 |
| **At 31 December 2023** | 12 301 550 | 6 961 252 | 653 931 | 895 699 | 3 685 998 | 1 294 219 | 25 792 649 |

**14. (b) Property and equipment** (Continued)

Registers of land and buildings giving details as required under the Malawi Companies Act, 2013 are maintained at the registered office of the company and are open for inspection by members or their duly authorised agents.

Capital work in progress represents development costs on the Bank's various branches and software.

The freehold properties and leasehold improvements for First Capital Bank Plc (Malawi) were last revalued fully as at 31 December 2024 by Bernard J. Mughogho BSc (Est. Mgmt.) of Knight Frank Malawi. Valuation was done on an open market value basis and the resultant surplus was credited to revaluation reserve. This is not available for distribution until realized. The valuers are independent entities and are not related to the Group.

The fair values of the properties were determined based on the following valuation techniques:

**(a) Investment method**
The valuation process makes comparisons between the subject property and comparable property based on a collation and analysis of appropriate comparable investment, rental transactions, and an estimate of the future potential net income capable of being generated using the property. The process further considers size, location, terms, covenant, together with evidence of demand within the vicinity of the subject properties and other material factors.

**(b) Depreciated Replacement Cost (DRC)**
The DRC method is a cost-based approach to estimate the market value for the existing use of the land and buildings. The method uses the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. This method is used for certain types of properties which are rarely, if ever, sold on the open market, except by way of a sale of the business of which they are a part (called the business in occupation), due to their uniqueness arising from the specialised nature and design of the buildings, their configuration, size, location, and any other factors which may be deemed to be relevant.

Had land and buildings been carried at historical cost less depreciation and accumulated impairment losses, their carrying value would have been approximately K1.66 billion (2023: K1.59 billion).

The Group assessed its property and equipment for indicators of impairment. There were no impairments to the items of property and equipment and as such no impairment losses were recognized on these assets.

**15. Deferred tax**

**Movements in temporary differences during the year**

**Consolidated**

| **2024** | **Opening balance K'000** | **Recognized in profit or loss K'000** | **Recognized in other comprehensive income K'000** | **Closing balance K'000** |
|---|---|---|---|---|
| Property and equipment | 124 286 | (120 746) | - | 3 540 |
| Deferred and accrued income | (3 130 790) | 6 835 929 | - | 3 705 139 |
| Revaluation of property | (45 073) | - | (2 523 009) | (2 568 082) |
| Gratuity and severance pay liabilities | 809 915 | 1 211 399 | - | 2 021 314 |
| ECL provisions | 1 629 205 | 357 631 | - | 1 986 836 |
| Other temporary differences | 1 109 684 | 28 135 | - | 1 137 819 |
| | 497 227 | 8 312 348 | (2 523 009) | 6 286 566 |
| **2023** | | | | |
| Property and equipment | 102 390 | 21 896 | - | 124 286 |
| Accrued income | (554 701) | (2 576 089) | - | (3 130 790) |
| Revaluation of property | 87 570 | - | (132 643) | (45 073) |
| Gratuity and severance pay liabilities | 348 751 | 461 164 | - | 809 915 |
| ECL provisions | 245 079 | 1 384 126 | - | 1 629 205 |
| Other temporary differences | 579 855 | 529 829 | - | 1 109 684 |
| | 808 944 | (179 074) | (132 643) | 497 227 |

**Separate**

| **2024** | | | | |
|---|---|---|---|---|
| Property and equipment | 120 263 | (120 746) | - | (483) |
| Accrued income | (3 130 790) | 6 835 929 | - | 3 705 139 |
| Revaluation of property | (45 073) | - | (2 523 009) | (2 568 082) |
| Gratuity and severance pay liabilities | 809 915 | 1 211 399 | - | 2 021 314 |
| ECL provisions | 1 629 205 | 357 631 | - | 1 986 836 |
| Other temporary differences | 1 110 284 | 28 135 | - | 1 138 419 |
| | 493 804 | 8 312 348 | (2 523 009) | 6 283 144 |
| **2023** | | | | |
| Property and equipment | 98 367 | 21 896 | - | 120 263 |
| Accrued income | (554 701) | (2 576 089) | - | (3 130 790) |
| Revaluation of property | 87 570 | - | (132 643) | (45 073) |
| Gratuity and severance pay liabilities | 348 751 | 461 164 | - | 809 915 |
| ECL provisions | 245 079 | 1 384 126 | - | 1 629 205 |
| Other temporary differences | 580 455 | 529 829 | - | 1 110 284 |
| | 805 521 | (179 074) | (132 643) | 493 804 |

## 16. Balances due to other banks

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| Local banks | 8 670 059 | 22 878 915 | 8 670 059 | 22 878 915 |
| Total balance due to other banks | 8 670 059 | 22 878 915 | 8 670 059 | 22 878 915 |
| **Payable as follows:** | | | | |
| Due within 1 year | 8 670 059 | 22 878 915 | 8 670 059 | 22 878 915 |
| | 8 670 059 | 22 878 915 | 8 670 059 | 22 878 915 |
| **Movement during the year was as follows:** | | | | |
| Balance at 1 January | 22 878 915 | 8 289 375 | 22 878 915 | 8 289 375 |
| **Cash flow items:** | | | | |
| Net increase or (decrease) | (14 208 856) | 14 589 540 | (14 208 856) | 14 589 540 |
| Additions | 8 670 059 | 22 878 915 | 8 670 059 | 22 878 915 |
| Repayment | (22 878 915) | (8 289 375) | (22 878 915) | (8 289 375) |
| **Carrying amount** | 8 670 059 | 22 878 915 | 8 670 059 | 22 878 915 |

All balances due to other banks are stated at amortised cost. Balances due to local banks represent short-term borrowings by the Group and a repurchase agreement which First Capital Bank Plc entered into with the Reserve Bank of Malawi ("RBM") in which the Bank received Malawi Kwacha from the RBM. The amount outstanding, due to this agreement, as at end of the reporting period was K8.7 billion (2023: K8.4 billion). The corresponding asset under the arrangement has been disclosed under note 34.

## 17. Customer deposits

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| Current and savings accounts | 314 260 160 | 167 273 860 | 314 577 989 | 167 591 689 |
| Foreign currency accounts | 105 501 428 | 86 480 568 | 105 501 428 | 86 480 568 |
| Term deposit accounts | 98 505 578 | 100 710 960 | 98 505 578 | 100 710 960 |
| Total customer deposits | 518 267 166 | 354 465 388 | 518 584 995 | 354 783 217 |
| **Payable as follows:** | | | | |
| Maturing within 3 months | 508 554 523 | 353 822 070 | 508 872 352 | 354 139 899 |
| Maturing after 3 months | 9 712 643 | 643 318 | 9 712 643 | 643 318 |
| | 518 267 166 | 354 465 388 | 518 584 995 | 354 783 217 |

Interest rates and currency analysis for customer deposits have been disclosed in note 5(l).

**18 (a). Trade and Other payables**

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| Accrued expenses | 7 475 748 | 4 047 172 | 7 475 748 | 4 047 172 |
| Bankers' cheques issued and uncleared | 551 191 | 349 952 | 551 191 | 349 952 |
| Bills payable | 1 196 605 | 1 080 983 | 1 194 871 | 1 079 249 |
| Interest payable | 4 545 202 | 1 314 989 | 4 545 202 | 1 314 989 |
| Margins on letters of credit and other instruments | 654 779 | 2 074 357 | 654 779 | 2 074 357 |
| Employee benefits liabilities | 27 021 | 109 348 | 27 021 | 109 348 |
| Trade payables | 20 313 824 | 12 862 534 | 20 499 652 | 13 048 361 |
| Total Trade and Other payables | 34 764 370 | 21 839 335 | 34 948 464 | 22 023 428 |

All payables are expected to be settled within a period of twelve (12) months. All amounts included in Trade and other payables are non-interest bearing.

The currency analysis of other payables is in note 5(l).

**(b). Provisions**

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| Opening balance at 1 January | 2 217 479 | 796 000 | 2 217 479 | 796 000 |
| Provisions made during the year | 1 460 291 | 2 174 982 | 1 460 291 | 2 174 982 |
| Payments made during the year | - | (753 503) | - | (753 503) |
| Balance at 31 December | 3 677 770 | 2 217 479 | 3 677 770 | 2 217 479 |

The amount recognised as a provision has been deemed as the best estimate of the expenditure for various legal cases that the Group is currently defending in the courts. The estimates of outcome and the resultant financial effect have been determined using management's judgement, supplemented by reports by the Group's legal consultants. Furthermore, the amount also includes provision for impairment on financial guarantees and letters of credit.

**(C). Amount due to related parties**

| | Consolidated and Separate | |
|---|---|---|
| | 2024 | 2023 |
| | K'000 | K'000 |
| First Capital Shared Services Limited | 2 899 580 | - |
| FMBcapital Holdings Plc | 806 050 | - |
| Total amounts due to related parties | **3 705 630** | - |

Balances due to related parties have no fixed repayment terms, are unsecured and are interest free.

**19. Share capital**

| | | Consolidated and separate | |
|---|---|---|---|
| | | 2024 | 2023 |
| | | K'000 | K'000 |
| **(a)** | Share capital | 116 813 | 116 813 |

Share capital represent authorised, issued, and fully paid up 2 336 250 000 ordinary shares at 5 tambala each.

| | | Consolidated and separate | |
|---|---|---|---|
| | | **2024** | **2023** |
| | | **K'000** | **K'000** |
| **(b)** | Share premium | 1 565 347 | 1 565 347 |

On 19 June 2006, following an offer to the public, 225 000 000 ordinary shares of 5 tambala each were allotted at a premium of 245 tambala per share.

The resultant premium on issue of K551.25m less offer expenses of K37.215m was credited to share premium account. In 2009, the company issued by way of bonus issue from retained earnings, 111,250,000 ordinary shares of 5 tambala each at 950 tambala per share giving rise to a share premium of K1.051 billion which was also credited to the share premium account.

## 20. Property revaluation reserve

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| Opening balance | 12 530 399 | 11 569 879 | 12 530 399 | 11 569 879 |
| Property revaluation | (2 198 284) | 960 520 | (2 198 284) | 960 520 |
| Closing balance | 10 332 115 | 12 530 399 | 10 332 115 | 12 530 399 |

This represents the surplus arising on revaluation of property and the related deferred taxation provision and is not available for distribution to the owners.

The fair value measurement for properties has been categorised as level 2 fair value based on the inputs to the valuation techniques used. The valuation approaches adopted takes cognisance of the performance of the property market at the time of valuation. The approaches rely on sales data and all relevant factors pertaining to the property market. The methods recognise 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.

## 21. Loan loss reserve

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| As at 1 January | 1 089 212 | 959 916 | 1 089 212 | 959 916 |
| Transfer to/(from) retained earnings | (154 413) | 129 296 | (154 413) | 129 296 |
| As at 31 December | 934 799 | 1 089 212 | 934 799 | 1 089 212 |

**Loans loss reserve**
To comply with requirements of the Financial Services (Financial Asset Classification for banks) Directive, 2018, the Directors have made a transfer from the loan loss reserve in addition to provisions charged to profit or loss in accordance with International Financial Reporting Standards. The Loan Loss Reserve (LLR) amount relates to additional credit impairments for exposures that have remained in non-performing status for at least 18 months as per the requirements of the Directive.

## 22. Maturity analysis of assets and liabilities

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

## 22. Maturity analysis of assets and liabilities *(Continued)*

**As at 31 December 2024**

| | Consolidated | | | Separate | | |
|---|---|---|---|---|---|---|
| *In thousands of Malawi Kwacha* | **Within 12 months** | **After 12 months** | **Total Gross Amount** | **Within 12 months** | **After 12 months** | **Total Gross Amount** |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | 141 590 137 | - | **141 590 137** | 141 590 137 | - | **141 590 137** |
| Money market investments | 156 098 905 | 271 962 000 | **428 060 905** | 156 098 905 | 271 962 000 | **428 060 905** |
| Loans and advances to customers | 144 724 788 | 80 680 714 | **225 405 502** | 144 724 788 | 80 680 714 | **225 405 502** |
| Amounts due from related parties | 532 554 | - | **532 554** | 532 554 | - | **532 554** |
| Repurchase agreements | 8 749 652 | - | **8 749 652** | 8 749 652 | - | **8 749 652** |
| Current tax asset | 43 649 | - | **43 649** | - | - | **-** |
| Investments at fair value through profit or loss | - | 15 848 359 | **15 848 359** | - | 15 848 359 | **15 848 359** |
| Investment in subsidiary companies | - | - | **-** | - | 208 791 | **208 791** |
| Right of use assets | 298 130 | 435 527 | **733 657** | 298 130 | 435 527 | **733 657** |
| Deferred tax assets | - | 6 286 566 | **6 286 566** | - | 6 283 144 | **6 283 144** |
| Intangible assets | - | 1 773 628 | **1 773 628** | - | 1 773 628 | **1 773 628** |
| Property and equipment | - | 30 820 397 | **30 820 397** | - | 30 820 397 | **30 820 397** |
| Other assets | 6 959 664 | - | **6 959 664** | - | 6 932 214 | **6 932 214** |
| **Total assets** | **458 997 479** | **407 807 191** | **866 804 670** | **451 994 166** | **414 944 774** | **866 938 940** |
| **LIABILITIES** | | | | | | |
| **Liabilities** | | | | | | |
| Balances due to other banks | 8 670 059 | - | **8 670 059** | 8 670 059 | - | **8 670 059** |
| Customer deposits | 518 267 166 | - | **518 267 166** | 518 584 995 | - | **518 584 995** |
| Amounts due to related parties | 3 705 630 | | **3 705 630** | 3 705 630 | - | **3 705 630** |
| Income tax payable | 10 248 541 | - | **10 248 541** | 10 238 170 | - | **10 238 170** |
| Other payables | 35 421 493 | - | **35 421 493** | 35 605 587 | - | **35 605 587** |
| Lease liabilities | 469 312 | 812 263 | **1 281 575** | 469 312 | 812 263 | **1 281 575** |
| Provisions | 3 677 770 | - | **3 677 770** | 3 677 770 | - | **3 677 770** |
| **Total liabilities** | **580 459 971** | **812 263** | **581 272 234** | **580 951 523** | **812 263** | **581 763 786** |
| **Off-balance sheet exposures** | | | | | | |
| Financial guarantees | 128 448 908 | 39 825 455 | **168 274 363** | 128 448 908 | 39 825 455 | **168 274 363** |
| Letters of credit | 28 371 501 | - | **28 371 501** | 28 371 501 | - | **28 371 501** |
| **Total off-balance sheet exposures** | **156 820 409** | **39 825 455** | **196 645 864** | **156 820 409** | **39 825 455** | **196 645 864** |

A detailed analysis of how the Group manages the liquidity risk has been disclosed in note **5(m)**.

## 22. Maturity analysis of assets and liabilities *(Continued)*

**As at 31 December 2023**

| *In thousands of Malawi Kwacha* | **Consolidated** | | | **Separate** | | |
|---|---|---|---|---|---|---|
| | **Within 12 months** | **After 12 months** | **Total Carrying Amount** | **Within 12 months** | **After 12 months** | **Total Carrying Amount** |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | 86 394 065 | - | **86 394 065** | 86 394 065 | - | **86 394 065** |
| Money market investments | 74 756 865 | 85 893 886 | **160 650 751** | 74 756 865 | 85 893 886 | **160 650 751** |
| Loans and advances to customers | 131 009 112 | 53 817 048 | **184 826 160** | 131 009 112 | 53 817 048 | **184 826 160** |
| Amounts due from related parties | 121 111 | - | **121 111** | 121 111 | - | **121 111** |
| Repurchase agreements | 8 383 221 | - | **8 383 221** | 8 383 221 | - | **8 383 221** |
| Current tax asset | 43 649 | - | **43 649** | - | - | **-** |
| Investments at fair value through profit or loss | 8 735 072 | 2 183 770 | **10 918 842** | 8 735 072 | 2 183 770 | **10 918 842** |
| Investment in subsidiary companies | - | - | **-** | - | 208 791 | **208 791** |
| Right of use assets | - | 332 564 | **332 564** | - | 332 564 | **332 564** |
| Deferred tax assets | - | 497 227 | **497 227** | - | 493 804 | **493 804** |
| Intangible assets | - | 1 369 324 | **1 369 324** | - | 1 369 324 | **1 369 324** |
| Property and equipment | - | 25 792 649 | **25 792 649** | - | 25 792 649 | **25 792 649** |
| Other assets | - | 4 318 325 | **4,318,325** | - | 4 290 875 | **4 290 875** |
| **Total assets** | **309 443 095** | **174 204 793** | **483 647 888** | **309 399 446** | **174 382 711** | **483 782 157** |
| **LIABILITIES** | | | | | | |
| **Liabilities** | | | | | | |
| Balances due to other banks | 22 878 915 | - | **22 878 915** | 22 878 915 | - | **22 878 915** |
| Customer deposits | 354 465 388 | - | **354 465 388** | 354 783 217 | - | **354 783 217** |
| Income tax payable | 4 245 422 | - | **4 245 422** | 4 235 051 | - | **4 235 051** |
| Other payables | 21 839 335 | - | **21 839 335** | 22 023 428 | - | **22 023 428** |
| Lease liabilities | 257 297 | 191 041 | **448 338** | 257 297 | 191 041 | **448 338** |
| Provisions | 2 217 479 | - | **2 217 479** | 2 217 479 | - | **2 217 479** |
| **Total liabilities** | **405 903 836** | **191 041** | **406 094 877** | **406 395 387** | **191 041** | **406 586 428** |

### 23. (a) Interest income

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| Loans and advances | 36 525 982 | 29 192 160 | 36 525 982 | 29 192 160 |
| Treasury bills | 7 961 247 | 6 620 108 | 7 961 247 | 6 620 108 |
| Treasury notes | 46 907 239 | 22 665 663 | 46 907 239 | 22 665 663 |
| Placements with other banks | 4 926 269 | 2 303 017 | 4 926 269 | 2 303 017 |
| Total interest income | 96 320 737 | 60 780 948 | 96 320 737 | 60 780 948 |

### (b) Interest expense

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| Interest paid-Customer deposits | 19 177 714 | 14 122 983 | 19 177 714 | 14 122 983 |
| Interest paid-Money market | 1 057 274 | 872 491 | 1 057 274 | 872 491 |
| Interest expense on lease liability (note 38(b)) | 178 523 | - | 178 523 | - |
| Total interest expense | 20 413 511 | 14 995 474 | 20 413 511 | 14 995 474 |

Interest expense on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the Group's incremental borrowing rate.

### 24. Non-Interest Income

#### (a) Fees and commissions

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| Account activity fees | 2 190 095 | 1 624 604 | 2 190 095 | 1 624 604 |
| Card-based transaction fees | 1 854 922 | 1 241 594 | 1 854 922 | 1 241 594 |
| Commission on forex contracts | 28 579 015 | 2 215 779 | 28 579 015 | 2 215 779 |
| Facility processing fees | 3 582 594 | 2 292 511 | 3 582 594 | 2 292 511 |
| Guarantees | 2 289 674 | 1 523 721 | 2 289 674 | 1 523 721 |
| Other Fees and commission | 9 836 170 | 12 826 127 | 9 836 170 | 12 826 127 |
| Total | 48 332 470 | 21 724 336 | 48 332 470 | 21 724 336 |

In both the current and prior year, the bank has provided a detailed breakdown of fees and commission income to facilitate a clearer understanding of the components contributing to this revenue stream.

### (b) Income from investments

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| Dividend income | 45 234 | 186 673 | 45 234 | 186 673 |
| Movement in fair value of investments (note 12) | 2 171 244 | 6 299 531 | 2 171 244 | 6 299 531 |
| Total | 2 216 478 | 6 486 204 | 2 216 478 | 6 486 204 |

### (c) Gain on foreign exchange transactions

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| Gain on foreign exchange transactions | 7 091 779 | 8 686 420 | 7 091 779 | 8 686 420 |
| Total | 7 091 779 | 8 686 420 | 7 091 779 | 8 686 420 |

The bank reclassified exchange gains from fees and commission income to a separate line item in the profit and loss statement. This change was made to enhance the transparency and clarity of the financial statements, allowing stakeholders to better assess the impact of exchange rate fluctuations on the bank's financial performance. The reclassification aligns with the bank's commitment to providing more relevant and reliable financial information. The prior year amount was part of fees and commission income and has been reclassified to Gain on foreign exchange transactions.

### 25. Staff and training costs

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| Contributions to defined contribution pension plans | 1 029 044 | 825 554 | 1 029 044 | 825 554 |
| Salaries and wages | 11 559 158 | 8 207 115 | 11 559 158 | 8 207 115 |
| Training and other staff costs | 4 784 575 | 3 471 830 | 4 784 575 | 3 471 830 |
| Total staff and training costs | 17 372 777 | 12 504 499 | 17 372 777 | 12 504 499 |

### 26. (a) Premises and equipment costs

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| IT and communication costs | 5 576 432 | 2 599 145 | 5 576 432 | 2 599 145 |
| Card operating expenses | 2 091 611 | 1 075 193 | 2 091 611 | 1 075 193 |
| Security costs | 783 138 | 665 735 | 783 138 | 665 735 |
| Other expenses | 566 502 | 420 624 | 566 502 | 420 624 |
| Total Premises and equipment costs | 9 017 683 | 4 760 697 | 9 017 683 | 4 760 697 |

**(b) Administration and general expenses**

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| Administration expenses | 11 889 693 | 6 995 032 | 11 889 693 | 6 995 032 |
| Auditor's remuneration | 307 111 | 214 728 | 307 111 | 214 728 |
| Bank charges | 1 574 810 | 702 292 | 1 574 810 | 702 292 |
| Non-executive Directors' remuneration | 760 897 | 467 710 | 760 897 | 467 710 |
| Insurance | 163 116 | 82 391 | 163 116 | 82 391 |
| Legal and consultancy fees | 979 232 | 2 669 338 | 979 232 | 2 669 338 |
| Marketing costs | 2 731 743 | 1 277 866 | 2 731 743 | 1 277 866 |
| Motor vehicle running costs | 709 940 | 455 642 | 709 940 | 455 642 |
| Repairs and maintenance | 616 613 | 345 031 | 616 613 | 345 031 |
| Operational losses | 343 842 | 474 917 | 343 842 | 474 917 |
| Postage | 62 424 | 67 735 | 62 424 | 67 735 |
| Printing and stationery | 593 401 | 366 327 | 593 401 | 366 327 |
| Professional subscriptions | 83 563 | 67 707 | 83 563 | 67 707 |
| Telephone expenses | 41 123 | 12 525 | 41 123 | 12 525 |
| Travel expenses | 403 298 | 223 050 | 403 298 | 223 050 |
| Interest expense on lease liability (note 38(b))* | - | 73 343 | - | 73 343 |
| Depreciation for right-of -use-assets (note 38(b)) * | - | 283 617 | - | 283 617 |
| Utilities | 613 562 | 393 569 | 613 562 | 393 569 |
| Total | 21 874 368 | 15 172 820 | 24 700 522 | 15 172 820 |
| | | | | |
| Fee and commission expense** | 2 826 154 | 1 426 295 | 2 826 154 | 1 426 295 |
| | | | | |
| Total Administration and general expenses | 24 700 522 | 16 599 115 | 24 700 522 | 16 599 115 |

*Prior year administration and general expenses included depreciation for right-of -use-assets and Interest expense on lease liability presented separately.

** Fees and commission expenses have been presented as a separate line item in the notes to the financial statements for both the current and prior years. This has been done to provide the stakeholders with a view of the bank's operational costs associated with fee-generating activities. In prior year, K1.2billion and K0.2billion were reclassified from administrative expenses and legal and consultancy charges lines respectively, to the fees and commission expenses line.

**(c) Depreciation and Amortization**

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| Property and Equipment (note 14 (b)) | 2 066 331 | 1 699 123 | 2 066 331 | 1 699 123 |
| Depreciation for right-of -use-assets (note 38(b)) | 323 995 | - | 323 995 | - |
| Intangible assets amortisation (note 14(a)) | 669 946 | 819 522 | 669 946 | 819 522 |
| Total depreciation and amortisation | 3 060 272 | 2 518 645 | 3 060 272 | 2 518 645 |

## 27. Income tax expense

*Recognised in the statement of comprehensive income*

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024 (K'000)** | **2023 (K'000)** | **2024 (K'000)** | **2023 (K'000)** |
| ***(a) Current tax expense*** | | | | |
| Current year at 30% (40% for taxable profits above MK10 billion) (2023: 30%, 40% for taxable profits above MK10 billion) | 38 530 058 | 13 711 078 | 38 530 058 | 13 711 078 |
| Origination and reversal of temporary differences (Note 15) | (8 312 348) | 179 074 | (8 312 348) | 179 074 |
| | 30 217 710 | 13 890 152 | 30 217 710 | 13 890 152 |
| ***(b) Reconciliation of effective tax rate*** | | | | |
| Operating Profit | 77 337 235 | 42 874 236 | 77 337 235 | 42 874 236 |
| Tax using the domestic tax rate of 30% (and 40% for taxable profits above MK10Bn) (2023: 30%, 40% for taxable profits above MK10 billion) | 29 934 894 | 16 014 787 | 29 934 894 | 16 014 787 |
| Non-deductible expenses | 1 334 296 | 628 144 | 1 334 296 | 628 144 |
| Tax exempt income | (1 051 480) | (2 752 779) | (1 051 480) | (2 752 779) |
| | 30 217 710 | 13 890 152 | 30 217 710 | 13 890 152 |
| ***(c) Income tax (recoverable)/payable*** | | | | |
| As at 1 January | 4 201 773 | 2 603 715 | 4 235 051 | 2 636 993 |
| Charge for the year | 38 530 058 | 13 711 078 | 38 530 058 | 13 711 078 |
| Paid during the year | (32 526 939) | (12 113 020) | (32 526 939) | (12 113 020) |
| **As at 31 December** | 10 204 892 | 4 201 773 | 10 238 170 | 4 235 051 |
| **Presented in the statement of financial position as** | | | | |
| Current tax assets | 43 649 | 43 649 | - | - |
| Current tax liabilities | (10 248 541) | (4 245 422) | (10 238 170) | (4 235 051) |
| | (10 204 892) | (4 201 773) | (10 238 170) | (4 235 051) |

## 28. Basic and diluted earnings per share

The calculation of basic and diluted earnings per share as at 31 December 2024 was based on profit attributable to ordinary shareholders of K 47 119 525 000 (2023: K 28 984 084 000) and a weighted average number of ordinary shares outstanding of 2 336 250 000 (2023: 2 336 250 000) calculated as follows:

| | Consolidated | |
|---|---|---|
| | **2024** | **2023** |
| Profit attributable to ordinary shareholders (K'000) | 47 119 525 | 28 984 084 |
| Weighted average number of ordinary shares in issue (thousands) | 2 336 250 | 2 336 250 |
| Basic and diluted earnings per share (tambala) | 2 017 | 1 241 |

## 29. Group subsidiaries

### List of subsidiaries

The table below provides details of the subsidiaries of the Group.

| Company name | Principal place of business | Ownership interest | |
|---|---|---|---|
| | | **2024** | **2023** |
| FMB Capital Markets Limited (dormant) | Malawi | 100.0% | 100.0% |
| FMB Forex Bureau Limited (dormant) | Malawi | 100.0% | 100.0% |
| International Commercial Bank Limited (dormant) | Malawi | 100.0% | 100.0% |
| FMB Pensions Limited (dormant) | Malawi | 100.0% | 100.0% |

## 30. Dividends

In 2024, the Bank paid, to its shareholders, cash dividend amounting to K14.50 billion (2023: K13.76 billion). K6.20 billion was paid in April 2024 as 2023 final dividend, K8.30 billion was paid in September 2024 as 2024 interim dividend.

## 31. Related party transactions

The Group transacts part of its business with related parties including Directors and parties related to or under the control of the Directors. Details of related party transactions of the Group are set out below:

**Loans to Directors, senior management, and other related parties**

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| **Corporate bodies directly or indirectly related to Directors:** | | | | |
| Balance at the beginning of the year | 3 455 449 | 2 929 524 | 3 455 449 | 2 929 524 |
| Loans granted during the year | - | - | - | - |
| Repayments | (1 985 541) | (896 909) | (1 985 541) | (896 909) |
| **Balance at the end of the year** | 1 469 908 | 2 032 615 | 1 469 908 | 2 032 615 |
| **Senior management:** | | | | |
| Balance at the beginning of the year | 983 775 | 979 394 | 983 775 | 979 394 |
| Loans granted during the year | - | 60 437 | - | 60 437 |
| Repayments | (446 949) | (112 115) | (446 949) | (112 115) |
| **Balance at the end of the year** | 536 826 | 927 716 | 536 826 | 927 716 |

Loans granted in the period represent increase in utilisation of overdraft limits by parties related to directors. These are done in the normal course of business. All loans are secured and, other than staff loans to senior management in the ordinary course of business as part of employment practices, are made on an arms' length basis. They are approved on terms no more favourable than those, which would be offered under prevailing conditions to persons other than related parties. Other than staff loans in the ordinary course of business, credit decisions on loans to related parties are made only by the board of Directors exclusive of the relevant related parties.

Loans to senior management, like all other staff loans are approved by Credit Executive and/or the Chief Executive Officer. Advances to employees include K16.3 million (2023: K39.2 million) of interest free advances and K2.9 billion (2023: K3.0 billion) of advances which carry interest at 12.7% per annum (2023:11.8%). All other transactions with related parties are carried out on an arm's length basis on normal commercial terms. There were no non-performing loans and overdrafts to related parties.

**31. Related party transactions** (Continued)

The following intercompany balances by group companies were outstanding at year end.

| Counter party | Name of related parties | Relationship | Nature of transactions | 2024 (K'000) | 2024 (K'000) |
|---|---|---|---|---|---|
| First Capital Bank Plc (Malawi) | FMBcapital Holdings Plc (Mauritius) | Shareholder | Deposit account | 2 153 | 17 616 |
| First Capital Bank Plc (Malawi) | First Capital Shared Services Limited (Mauritius) | Subsidiary of FMBCH | Intercompany | 2 499 652 | 1 068 698 |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Zimbabwe) | Subsidiary of FMBCH | Deposit account | 142 916 | 246 944 |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Botswana) | Subsidiary of FMBCH | Deposit account | - | 6 059 |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Zimbabwe) | Subsidiary of FMBCH | Intercompany | 226 331 | - |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Zambia) | Subsidiary of FMBCH | Intercompany | 206 479 | 102 210 |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Botswana) | Subsidiary of FMBCH | Intercompany | 67 019 | 9 731 |
| First Capital Bank Plc (Malawi) | First Capital Bank S.A (Mozambique) | Subsidiary of FMBCH | Intercompany | 64 404 | 9 154 |
| First Capital Bank Plc (Malawi) | FMBcapital Holdings Plc (Mauritius) | Ultimate shareholder | Intercompany | 1 028 386 | 279 226 |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Zambia) | Subsidiary of FMBCH | Interest on Placement | - | 7 014 |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Mozambique) | Subsidiary of FMBCH | Interest on Placement | - | 9 165 |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Zambia) | Subsidiary of FMBCH | Placement | - | 8 416 667 |
| First Capital Bank Plc (Malawi) | First Capital Bank S.A (Mozambique) | Subsidiary of FMBCH | Placement | - | 11 783 334 |

Intercompany receivables have zero default rates. All balances are constantly being paid off by companies in the Group and where necessary, they are netted off. As such, they have no expected credit loss allowance. The Group expects no change to this in the foreseeable future.

Details of related party transactions and balances between the Bank and its subsidiaries, FMB Forex Bureau Limited, FMB Pensions Limited and FMB Capital Markets Limited which have been eliminated on consolidation are as follows:

| | 2024 K’000 | 2023 K’000 |
|---|---|---|
| Deposits | 317 829 | 317 829 |

**31. Related party transactions** (Continued)

The following transactions were conducted with related parties:

| Counter party | Name of related parties | Relationship | Nature of transactions | 2024 (K'000) | 2023 (K'000) |
|---|---|---|---|---|---|
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Botswana) | Subsidiary of FMBCH | Interest Income (Placement with Affliated) | 26 237 | 123 920 |
| First Capital Bank Plc (Malawi) | First Capital Bank S.A (Mozambique) | Subsidiary of FMBCH | Interest Income (Placement with Affliated) | 488 887 | 146 637 |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Zambia) | Subsidiary of FMBCH | Interest Income (Placement with Affliated) | 552 182 | 143 785 |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Zambia) | Subsidiary of FMBCH | commission on FCY Cash buy expense | 52 319 | - |
| First Capital Bank Plc (Malawi) | First Capital Bank S.A (Mozambique) | Subsidiary of FMBCH | LCs Establishment Commission | 70 193 | 95 235 |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Zambia) | Subsidiary of FMBCH | Other expense (cash swap expense) | - | 109 572 |
| First Capital Bank Plc (Malawi) | First Capital Bank Ltd (Botswana) | Subsidiary of FMBCH | Other expense (currency swap interest expense) | 2 651 | - |
| First Capital Bank Plc (Malawi) | FMBcapital Holdings Plc (Mauritius) | Ultimate shareholder | Group shares services | 5 583 845 | 5 616 904 |
| First Capital Bank Plc (Malawi) | First Capital Shared Services Limited (Mauritius) | Subsidiary of FMBCH | Group shares services | 3 237 650 | 2 803 730 |

Compensation for First Capital Bank Plc's key personnel is as follows:

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 K'000 | 2023 K'000 | 2024 K'000 | 2023 K'000 |
| **Non-executive directors** | | | | |
| Directors' fees and expenses | 760 897 | 467 710 | 760 897 | 467 710 |
| **Compensation of key management personnel** | | | | |
| Salaries, bonuses, and benefits | 2 958 996 | 2 367 772 | 2 958 996 | 2 367 772 |

There were no executive directors within the employment of the Group during the year. Any director who performs services which are outside the scope of the ordinary duties of a director, are paid extra remuneration at a rate determined by other directors. These payments have been included as part of remuneration for non-executive directors.

First Capital Bank Plc has three separate agreements with Livingstone Exports Limited, in which First Capital Bank Plc Director, Mr. H. N. Anadkat, is beneficially interested:

| | Agreement date | 2024 K'000 | 2023 K'000 |
|---|---|---|---|
| Chief M'Mbelwa Building | 7-Jun-03 | 80 000 | 80 000 |
| Livingstone Towers | 3-Oct-03 | 9 000 | 9 000 |
| Livingstone Car Park | 26-Jun-14 | 151 774 | 151 774 |
| | | 240 774 | 240 774 |

**31. Related party transactions** (Continued)

**Other related parties** (Continued)

**Chief M'Mbelwa Building**
On 7 June 2003, First Capital Bank Plc entered into a debenture agreement which has no fixed term with Livingstone Exports Limited. The agreement required First Capital Bank Plc to loan K80m to Livingstone Exports Limited secured by way of the registered debenture giving First Capital Bank Plc a proportionate share of office space in Chief M'Mbelwa Building. First Capital Bank Plc uses the office space determined in the debenture agreement on a peppercorn rental basis. Total expenditure to convert and renovate the proportionate share of the premises for use by First Capital Bank Plc was K138.1m and was capitalized in 2004. This office space currently houses First Capital Bank Plc's Capital City Branch.

**Livingstone Towers Building**
On 3 October 2003, First Capital Bank Plc entered into a 99-year (expiring 30 June 2102) lease agreement with Livingstone Exports Limited. First Capital Bank Plc paid a single lease premium of K9 million and erected, at its cost and expense, office space. Total expenditure incurred of K142.9million was capitalized in 2004. This office space within Livingstone Towers currently houses First Capital Bank Plc's Head Office.

**Livingstone Car Park**
On 26 June 2014, First Capital Bank Plc entered into a debenture agreement which has no fixed term with Livingstone Exports Limited. The agreement required First Capital Bank Plc to loan K151.7m to Livingstone Exports Limited secured by way of the registered debenture for development of a car park opposite Livingstone Towers. First Capital Bank Plc was given a proportionate (68.85%) share in the property comprising 42 vehicle parking spaces used by First Capital Bank Plc. The parking spaces are used by First Capital Bank Plc on a peppercorn rental basis.

**Directors' interests**
As of 31 December 2024, the total direct and indirect interests of the Directors and parties related thereto in the issued share capital of the parent company (FMBCH Plc) were as follows:

| | **Ordinary shares** | |
|---|---|---|
| | **2024** | **2023** |
| H. N. Anadkat | 1 117 695 155 | 1 117 695 155 |
| T. Kadantot | 1 587 600 | 1 587 600 |

**32. Capital commitments and contingent liabilities**

In conjunction with other banks, the Bank conducts business involving acceptances, guarantees, performance bonds and indemnities. Most of these facilities are offset by corresponding obligations of third parties.

The contractual amounts of the Bank's off-balance sheet financial instruments that may commit it to extend credit to customers are as follows:

**32. Capital commitments and contingent liabilities** *(Continued)*

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| **Contingent liabilities** | | | | |
| Acceptances and letters of credit | 28 371 501 | 9 807 747 | 28 371 501 | 9 807 747 |
| Financial guarantees | 168 274 363 | 85 084 480 | 168 274 363 | 85 084 480 |
| | 196 645 864 | 94 892 227 | 196 645 864 | 94 892 227 |
| **Other contingent liabilities** | | | | |
| Tax claims | 368 487 | 1 333 320 | 368 487 | 1 333 320 |
| Legal claims | 456 283 | 286 283 | 456 283 | 286 283 |
| | 824 770 | 1 619 603 | 824 770 | 1 619 603 |

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.

**Other contingent liabilities**
The tax claim relates to an appeal the Bank lodged with the Commissioner General of the Malawi Revenue Authority (MRA) in 2021, for a claim of K1.33 billion (principal plus penalties) relating to Value Added Tax (VAT) on local transactions. Determination of appeal was received in 2024 of which the claim was reduced to K0.4 billion. The Bank contends that MRA's claim is not in line with the provisions of the then VAT Act when those transactions occurred and, in some cases, appropriate taxes were settled.

Legal claims represent outstanding legal cases against the Bank as at 31 December 2024, the outcome of which is uncertain. The amount disclosed of MK0.46 billion (2023: MK0.29 billion) represents an estimate of the cost to the Group in the event that legal proceedings find the Group to be in the wrong. Management is accordingly satisfied that the legal proceedings currently pending against the Bank should not have a material adverse effect on the Bank's financial position and the directors are satisfied that the Bank has adequate provisions in place to meet claims that may succeed.

**Capital commitments**

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | K'000 | K'000 | K'000 | K'000 |
| **Capital expenditure (authorized but not contracted for)** | | | | |
| Property and equipment | 3 190 528 | 4 276 334 | 3 190 528 | 4 276 334 |
| Intangible Assets | 2 395 181 | 1 670 020 | 2 395 181 | 1 670 020 |
| **Total** | 5 585 709 | 5 937 354 | 5 585 709 | 5 937 354 |

**33. Statutory requirements**

In accordance with Financial Services (Capital Adequacy for Banks) Directive 2012 and Directive No. LRR-07 FMO-Liquidity Reserve Requirement, the Reserve Bank of Malawi has established the following requirements as at the financial reporting date:

***(i) Liquidity Reserve Requirement***
The Bank is required to maintain a liquidity reserve as defined by the Reserve Bank of Malawi, calculated on a fortnight average basis, of not less than 10.00% (2023: 7.75%) for LCY and not less than 3.75% (2023: 3.75%) for FCY of the preceding weeks total deposit liabilities. In December 2024 the liquidity reserve was 10.00% (2023: 7.75%) and 3.75% (2023: 3.75%) of total customer deposits for LCY and FCY respectively.

**33. Statutory requirements** (Continued)

***(ii) Capital Adequacy Requirement***

Reserve Bank of Malawi requires the bank to maintain a minimum Tier 1 capital and Total Capital of **10%** and **15%,** respectively as a percentage of total risk-weighted assets.

The total capital is made up of the following:

(1) Tier 1 capital, which includes paid-up share capital, share premium, retained earnings, non-controlling interest, non-distributable reserves less investment in unconsolidated financial institutions; and
(2) Tier 2 capital, which includes subordinated debt, asset revaluation reserves, translation reserves, loan loss reserves and non-controlling interests.

As at 31 December, the Group's Tier 1 capital ratio of its risk bearing assets and Total capital ratio were as follows:

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| Tier 1 risk-based capital ratio (minimum 10%) | 17.01% | 16.09% | 16.93% | 15.96% |
| Total risk-weighted capital ratio (minimum 15%) | 19.12% | 19.54% | 19.01% | 19.37% |

**34. Repurchase agreements**

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | **2023** |
| | **K'000** | **K'000** |
| Repurchase agreements | 8 714 531 | 8 383 221 |
| **Movement during the year was as follows:** | | |
| As at 1 January | 8 383 221 | 5 128 313 |
| Additions | 8 749 652 | 8 416 667 |
| Maturities | (8 383 221) | (5 128 313) |
| Expected credit losses | (35 121) | (33 446) |
| As at 31 December | 8 714 531 | 8 383 221 |

| **Funds under repurchase agreement** | **Trade date** | **Maturity date** | **K'000** | **Spot/ Forward Rate** |
|---|---|---|---|---|
| **31-Dec-24** | | | | |
| US$ 5.0 million | 1-Oct-24 | 1-Apr-24 | 8 749 652 | 1734.01/1733.09 |
| **31-Dec-23** | | | | |
| US$ 5.0 million | 29-Sep-23 | 29-Mar-24 | 8 416 667 | 1115.78/1120.54 |

The Bank entered into an arrangement with the Reserve Bank of Malawi (RBM) in which the Bank sold US Dollars to RBM. The deal is listed above. The corresponding liability under the arrangement has been disclosed in **note 16.**

## 35. Impairment loss on financial assets

| | Consolidated | | Separate | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **K'000** | **K'000** | **K'000** | **K'000** |
| **Impairment allowance on loans and advances** | | | | |
| Impairment charge | 1 377 051 | 2 332 653 | 1 377 051 | 2 332 653 |
| Recoveries | (1 145 224) | (420 120) | (1 145 224) | (420 120) |
| | 231 827 | 1 912 533 | 231 827 | 1 912 533 |
| **Impairment allowance on Guarantees and Letters of Credit** | | | | |
| Impairment charge | 698 905 | - | 698 905 | - |
| Recoveries | - | - | - | - |
| | 698 905 | - | 698 905 | - |
| **Impairment allowance on money market investments and cash equivalents** | | | | |
| Impairment charge | 1 128 732 | 1 512 709 | 1 128 732 | 1 512 709 |
| Recoveries | - | - | - | - |
| | 1 128 732 | 1 512 709 | 1 128 732 | 1 512 709 |
| **Total impairment loss on money market investments and cash equivalents** | 2 059 464 | 3 425 242 | 2 059 464 | 3 425 242 |
| ***Comprising*** | | | | |
| **Impairment allowance on loans and advances** | | | | |
| Specific impairment charges | 651 772 | 328 418 | 651 772 | 328 418 |
| Collective impairment charges | (419 945) | 1 584 115 | (419 945) | 1 584 115 |
| | 231 827 | 1 912 533 | 231 827 | 1 912 533 |
| **Impairment allowance on Guarantees and Letters of Credit** | | | | |
| Specific impairment charges | 698 905 | - | 698 905 | - |
| Collective impairment charges | - | - | - | - |
| | 698 905 | - | 698 905 | - |
| **Impairment allowance on money market investments and cash equivalents** | | | | |
| Collective impairment charges/(recoveries) | 1 128 732 | 1 512 709 | 1 128 732 | 1 512 709 |
| | 1 128 732 | 1 512 7089 | 1 128 732 | 1 512 709 |
| **Total impairment loss on financial assets** | 2 059 464 | 3 425 242 | 2 059 464 | 3 425 242 |

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage has been disclosed in note **5(k)(vii)**.

## 36. Exchange rates and inflation

The average of the year-end buying and selling rates of the major foreign currencies most affecting the performance of the Group are stated below, together with the increase in the Malawi National Consumer Price Index, which represent an official measure of inflation.

| **Exchange rates** | **2024 Kwacha** | **2023 Kwacha** |
|---|---|---|
| Malawi Kwacha/GBP | 2 243.20 | 2 216.71 |
| Malawi Kwacha/Rand | 95.38 | 94.54 |
| Malawi Kwacha/US Dollar | 1 733.83 | 1 683.33 |
| Malawi Kwacha/Euro | 1 859.78 | 1 922.30 |
| Malawi Kwacha/Pula | 126.80 | 128.30 |
| Malawi Kwacha/Meticais | 27.41 | 37.86 |
| Malawi Kwacha/Zambia Kwacha | 64.30 | 69.42 |
| **Inflation rate %** | 28.10 | 28.80 |

As at the date of approval of the financial statements, the above noted exchange rates had moved as follows:

| | **2025 Kwacha** |
|---|---|
| Malawi Kwacha/GBP | 2 318.92 |
| Malawi Kwacha/Rand | 98.92 |
| Malawi Kwacha/US Dollar | 1 733.83 |
| Malawi Kwacha/Euro | 1 949.25 |
| Malawi Kwacha/Pula | 130.54 |
| Malawi Kwacha/Meticais | 26.41 |
| Malawi Kwacha/Zambia Kwacha | 67.16 |
| Inflation rate % (February 2025) | 30.7 |

## 37. Effective interest rates of financial assets and liabilities

The effective interest rates for the principal financial assets and liabilities of the Bank at 31 December were in the following ranges:

| | **2024** | **2023** |
|---|---|---|
| **Assets** | | |
| Government securities | 16.00 - 35.00 % | 13.00 - 28.00 % |
| Deposits with banking institutions | 20.00 - 25.00 % | 15.00 - 23.00 % |
| Loans and advances to customers (base rate) | 23.60 - 25.20 % | 17.30 - 23.60 % |
| **Liabilities** | | |
| Customer deposits | 0 - 22.75 % | 0 - 21.50 % |

## 38. Leases

The Bank leases several building assets for its operations. The average lease term is 4.1 years (2023: 4.3 years). The maturity analysis of lease liabilities is presented in (b) below. The Bank has no lease agreements with clauses for variable payments. There are no expectations for such payments in future years. There are no future cash outflows to which the Bank is potentially exposed that are not reflected in the measurement of lease liabilities arising from: (i) variable lease payments; (ii) extension options and termination options: (iii) residual value guarantees; (iv) leases not yet commenced to which the Bank is committed. As at the reporting date, there are no onerous terms linked to restrictions or covenants imposed by leases; or any sale and leaseback transactions contained within the agreements.

### (a). Right-of-use-assets

| | Consolidated and Separate | |
|---|---|---|
| | **2024** | **2023** |
| **Cost** | **K'000** | **K'000** |
| At 1 January | 1 117 246 | 1 383 177 |
| Additions | 725 088 | 259 437 |
| Remeasurement adjustment | 19 991 | (101 877) |
| Disposals | (664 322) | (423 491) |
| | 1 198 003 | 1 117 246 |
| **Accumulated depreciation** | | |
| At 1 January | 784 682 | 1 026 433 |
| Charge for the year | 323 995 | 283 617 |
| Remeasurement adjustment | 19 991 | (101 877) |
| Disposals | (664 322) | (423 491) |
| At 31 December | 464 346 | 784 682 |
| **Carrying amount** | | |
| At 31 December | 733 657 | 332 564 |
| Average lease term (years) | 4.1 | 4.3 |

### (b). Lease liabilities

| | Consolidated and separate | |
|---|---|---|
| | **2024** | **2023** |
| | **K'000** | **K'000** |
| Opening liability at 1 January | 448 338 | 453 605 |
| Additions | 725 087 | 259 437 |
| Interest on lease liabilities | 178 523 | 73 343 |
| Lease payments during the year | (379 756) | (353 931) |
| Lease liability adjustment | (70 777) | 15 884 |
| Carrying amount of lease liabilities | 901 415 | 448 338 |
| **Analyzed as:** | | |
| Non-current | 272 109 | 191 041 |
| Current | 629 306 | 257 297 |
| | 901 415 | 448 338 |

| | Consolidated and separate | |
|---|---|---|
| | 2024 | 2023 |
| | K'000 | K'000 |
| **Maturity analysis** | | |
| Year 1 | 437 589 | 222 283 |
| Year 2 | 384 812 | 119 910 |
| Year 3 | 210 493 | 52 636 |
| Year 4 | 128 931 | 30 741 |
| Year 5 | 33 443 | 26 443 |
| After 5 years | 86 307 | 115 723 |
| | 1 281 575 | 567 736 |
| Less: unearned interest | (380 160) | (119 398) |
| | 901 415 | 448 338 |
| **Amounts recognized in profit and loss** | | |
| Depreciation expense on right-of-use assets (Note 26(c)) | 323 995 | 283 617 |
| Interest expense on lease liabilities (Note 23(b)) | 178 523 | 73 343 |

The Bank does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored within the Bank's Administration function. Lease obligations are denominated in either Malawi Kwacha (MWK) or United States Dollars (USD).

The currency analysis of lease liabilities is included in note 5(l).

## 39. Segmental Reporting

Separate financial information is presented to the Group's chief operating decision makers in respect of the individual legal entities comprised in the Group, namely:

- First Capital Bank Plc - corporate and retail banking in Malawi
- FMB Forex Bureau Limited - dormant
- FMB Pensions Limited - dormant
- FMB Capital Markets Limited - asset management in Malawi - dormant
- International Commercial Bank Limited - dormant

In the case of First Capital Bank Plc, information on income and expenditure, assets and liabilities is further disaggregated between its various individual branches and agencies and its head office operations. Head office income includes group treasury income from dealing in foreign currency and trading in financial instruments and income from transfer secretarial services. Head office expenditure includes all head office staff, premises and overhead costs including the costs of group treasury and capital market operations which are not separately identified in internal reports.

Branches and agencies of First Capital Bank Plc are all engaged in corporate and retail banking, offer similar products and services to similar classes of customer, and are governed by the same regulatory environment. Given their common economic characteristics, these individual segments are aggregated and presented in a single segment, Malawi corporate and retail banking, in these financial statements.

FMB Pensions Limited, International Commercial Bank Limited, FMB Forex Bureau Limited and FMB Capital Markets Limited do not meet any of the quantitative thresholds set out in *IFRS 8 Segment Reporting* for separate disclosure and reporting and this segment has been aggregated into the Malawi corporate and retail banking segment information presented below.

Income tax expense, assets and liabilities are not disaggregated but allocated in full to head office.

Included in external interest income is income from placements with banks abroad of K241.7 million (2023: K205.3 million). All other revenues are attributable to the country in which the respective operating segment is domiciled.

During the year, the Bank earned K8.0 billion (2023: K6.6 billion) interest on Government of Malawi treasury bills; K46.9 billion (2023: K22.7 billion) interest on Government of Malawi Treasury Notes and K411.0 million (2023: K346.1 million) interest on loans and advances to enterprises controlled by Government of Malawi.

**39. Segmental Reporting** (Continued)

| | Corporate & Retail Banking | Others | Malawi Subtotal | Total before adjustments | Consolidation adjustments | TOTAL |
|---|---|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| **2024** | | | | | | |
| Interest income | 96 320 737 | - | 96 320 737 | 96 320 737 | - | 96 320 737 |
| Interest expense | (20 413 511) | - | (20 413 511) | (20 413 511) | - | (20 413 511) |
| **Net interest income** | 75 907 226 | - | 75 907 226 | 75 907 226 | - | 75 907 226 |
| Fees and commissions | 48 332 470 | - | 48 332 470 | 48 332 470 | - | 48 332 470 |
| Income from investments | 2 216 478 | - | 2 216 478 | 2 216 478 | - | 2 216 478 |
| Gain on foreign exchange transactions | 7 091 779 | - | 7 091 779 | 7 091 779 | - | 7 091 779 |
| **Non-interest income** | 57 640 727 | - | 57 640 727 | 57 640 727 | - | 57 640 727 |
| **Total operating income** | 133 547 953 | - | 133 547 953 | 133 547 953 | - | 133 547 953 |
| Staff and training costs | (17 372 777) | - | (17 372 777) | (17 372 777) | - | (17 372 777) |
| Premises and equipment | (9 017 683) | - | (9 017 683) | (9 017 683) | - | (9 017 683) |
| Depreciation | (3 060 272) | - | (3 060 272) | (3 060 272) | - | (3 060 272) |
| Administration and general expenses | (24 700 522) | - | (24 700 522) | (24 700 522) | - | (24 700 522) |
| Impairment of financial assets | (2 059 464) | - | (2 059 464) | (2 059 464) | - | (2 059 464) |
| **Total expenditure** | (56 210 718) | - | (56 210 718) | (56 210 718) | - | (56 210 718) |
| **Profit before income tax expense** | 77 337 235 | - | 77 337 235 | 77 337 235 | - | 77 337 235 |
| Income tax expense | (30 217 710) | - | (30 217 710) | (30 217 710) | - | (30 217 710) |
| **Profit for the year** | 47 119 525 | - | 47 119 525 | 47 119 525 | - | 47 119 525 |
| **Other comprehensive income** | | | | | | |
| Revaluation surplus on property | 324 725 | - | 324 725 | 324 725 | - | 324 725 |
| Deferred tax on revalued property | (2 523 009) | - | (2 523 009) | (2 523 009) | - | (2 523 009) |
| **Total other comprehensive income for the period** | (2 198 284) | - | (2 198 284) | (2 198 284) | - | (2 198 284) |
| **Total comprehensive income for the period** | 44 921 241 | - | 44 921 241 | 44 921 241 | - | 44 921 241 |
| **Total segment assets** | 688 343 473 | 1 051 505 | 689 394 978 | 689 394 978 | (1 185 775) | 688 209 203 |
| **Total segment liabilities** | 580 726 503 | 46 215 | 580 772 718 | 580 772 718 | (537 767) | 580 234 951 |

**39. Segmental Reporting** (Continued)

| | Corporate & Retail Banking | Malawi Others | Subtotal | Total before adjustments | Consolidation adjustments | TOTAL |
|---|---|---|---|---|---|---|
| **2023** | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** | **K'000** |
| Interest income | 60 780 948 | - | 60 780 948 | 60 780 948 | - | 60 780 948 |
| Interest expense | (14 995 474) | - | (14 995 474) | (14 995 474) | - | (14 995 474) |
| **Net interest income** | 45 785 474 | - | 45 785 474 | 45 785 474 | - | 45 785 474 |
| Fees and commissions | 21 724 336 | - | 21 724 336 | 21 724 336 | - | 21 724 336 |
| Income from investments | 6 486 204 | - | 6 486 204 | 6 486 204 | - | 6 486 204 |
| Gain on foreign exchange transactions | 8 686 420 | - | 8 686 420 | 8 686 420 | - | 8 686 420 |
| **Non-interest income** | 36 896 960 | - | 36 896 960 | 36 896 960 | - | 36 896 960 |
| **Total operating income** | 82 682 434 | - | 82 682 434 | 82 682 434 | - | 82 682 434 |
| Staff and training costs | (12 504 499) | - | (12 504 499) | (12 504 499) | - | (12 504 499) |
| Premises and equipment | (4 760 697) | - | (4 760 697) | (4 760 697) | - | (4 760 697) |
| Depreciation | (2 518 645) | - | (2 518 645) | (2 518 645) | - | (2 518 645) |
| Administration and general expenses | (16 599 115) | - | (16 599 115) | (16 599 115) | - | (16 599 115) |
| Impairment of financial assets | (3 425 242) | - | (3 425 242) | (3 425 242) | - | (3 425 242) |
| **Total expenditure** | (39 808 198) | - | (39 808 198) | (39 808 198) | - | (39 808 198) |
| **Profit before income tax expense** | 42 874 236 | - | 42 874 236 | 42 874 236 | - | 42 874 236 |
| Income tax expense | (13 890 152) | - | (13 890 152) | (13 890 152) | - | (13 890 152) |
| **Profit for the year** | 28 984 084 | - | 28 984 084 | 28 984 084 | - | 28 984 084 |
| **Other comprehensive income** | | | | | | |
| Revaluation surplus on property | 1 093 163 | - | 1 093 163 | 1 093 163 | - | 1 093 163 |
| Deferred tax on revalued property | (132 643) | - | (132 643) | (132 643) | - | (132 643) |
| **Total other comprehensive income for the period** | 960 520 | - | 960 520 | 960 520 | - | 960 520 |
| **Total comprehensive income for the period** | 29 944 604 | - | 29 944 604 | 29 944 604 | - | 29 944 604 |
| **Total segment assets** | 483 782 157 | 1 051 505 | 484 833 662 | 484 833 662 | (1 185 774) | 483 647 888 |
| **Total segment liabilities** | 406 586 425 | 46 215 | 406 632 640 | 406 632 640 | (537 802) | 406 094 838 |

**40. Subsequent events**

The Malawi's year-on-year inflation increased to 30.7% in February 2025, up from 28.10% in December 2024. This increase was primarily driven by a surge in food inflation, which rose to 38.0% in February from 30% in December. Non-food inflation increased marginally from 16.8% to 18.5% in December 2024. A final dividend of K15.2 billion was declared on 18 March 2025. The impact of these events will be reflected in the financial statements for the year ending 31 December 2025.