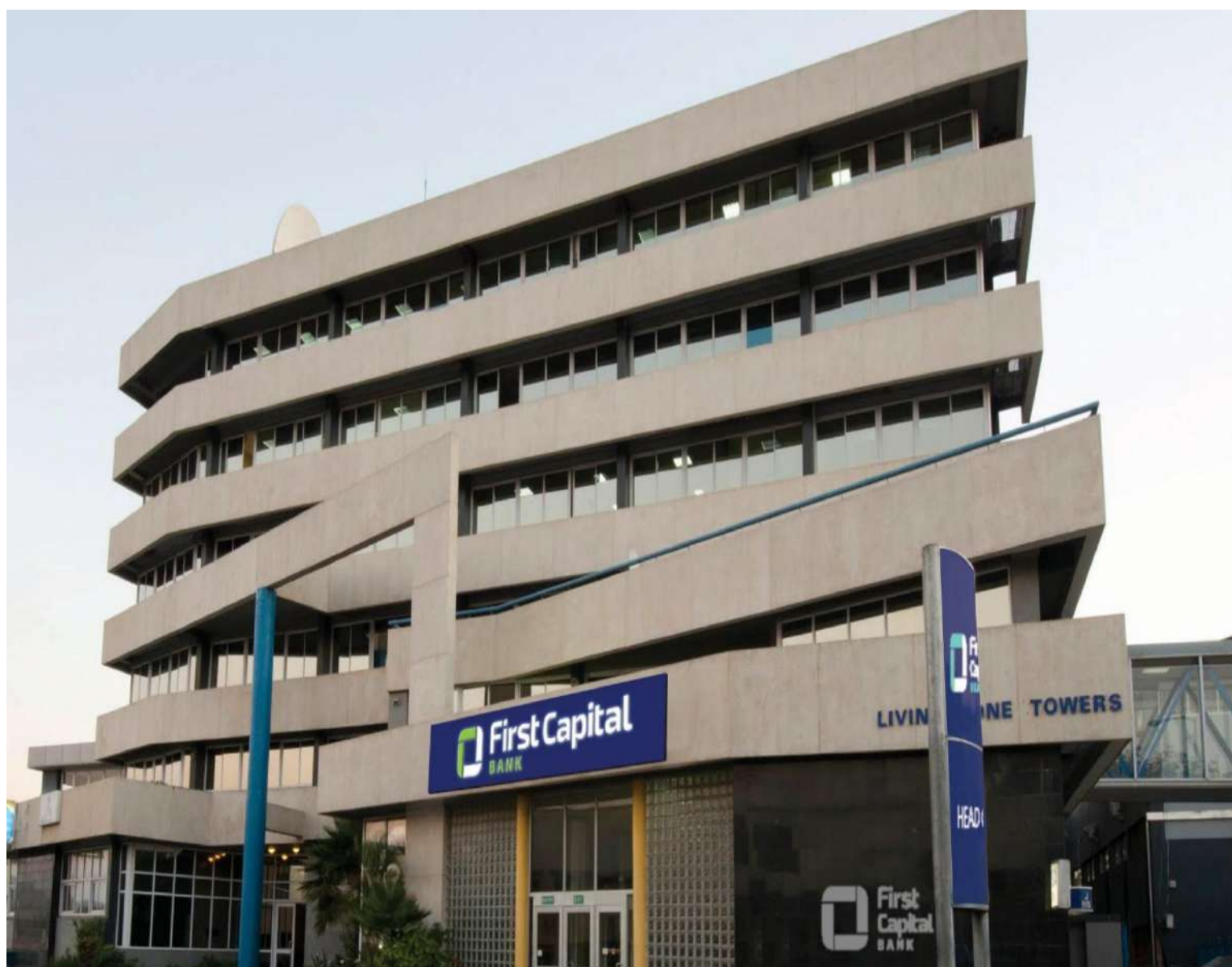




## Consolidated and separate financial statements for the year ended 31 December 2025



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**First Capital Bank Plc**  
**Report of the Directors for the year ended 31 December 2025**

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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 2025.

**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 K40.20 billion (2024: K14.50 billion) to its shareholder, FMBcapital Holdings Plc as follows:

- ▶ K15.20 billion final dividend for 2024 paid in May 2025.
- ▶ K15.00 billion first interim dividend for 2025 paid in August 2025.
- ▶ K10.00 billion second interim dividends for 2025 paid in October 2025.

**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
Mr. T. Kadantot	Director	Non-executive
Ms. L. Mataya	Director	Non-executive
Mr. R. Pant	Director	Non-executive
Mrs. C. Musopole	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
Ms. A. Jazza	Director	Executive (From 8 January 2025)
Mr. R. Ng'omba	Company Secretary	

Total remuneration paid to Non-Executive Directors and expenses incurred on their behalf are disclosed in note 30.

**Donations**

Total donations by the companies in the Group during the year amounted to K456.7 million (2024: K817.3 million). The donations were made to charitable causes, which directors regard as non-political.

**First Capital Bank Plc**  
**Report of the Directors for the year ended 31 December 2025**

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**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 2026.

**Shareholding analysis**

Name	2025 %	2024 %
FMBcapital Holdings Plc	<u>100.00</u>	<u>100.00</u>

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 2025**

<b>Member</b>	<b>18-Mar-25</b>	<b>3-Jun-25</b>	<b>30-Sep-25</b>	<b>27-Nov-25</b>
Mr. T. Davidson (Chairman)	✓	✓	✓	✓
Mr. H. N. Anadkat	✓	✓	✓	✓
Mr. T. Kadantot	✓	✓	✓	✓
Ms. L. Mataya	✓	✓	✓	✓
Mr. R. Pant	✓	✓	✓	✓
Mrs. C. Musopole	✓	✓	✓	✓
Mr. B. Ndau	X	✓	X	✓
Mr. P. Chikopa	✓	✓	✓	✓
Mr. B. Bouke	✓	✓	✓	X
Mr. E. Chinyamunyamu	✓	✓	✓	✓
Ms. A. Jazza	✓	✓	✓	✓
Mr. R. Ng’omba	✓	✓	✓	✓

**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 2025**

Member	17-Mar-25	27-May-25	29-Sep-25	26-Nov-25
Mrs. C. Musopole	✓	✓	✓	✓
Mr. P. Chikopa	✓	✓	✓	✓
Mr. E. Chinyamunyamu	✓	✓	✓	✓

**Key**

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

## First Capital Bank Plc

### Statement on Corporate Governance for the year ended 31 December 2025

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#### 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. B. Nda	Non-executive director (Chairman)
Mr. H. N. Anadkat	Non-executive director
Mr. T. Kadantot	Non-executive director

#### Credit Committee Attendance 2025

Member	17-Mar-25	26-May-25	29-Sep-25	26-Nov-25
Mr. B. Nda	X	✓	X	✓
Mr. H. N. Anadkat	✓	✓	✓	✓
Mr. T. Kadantot	✓	✓	✓	✓

#### 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	Non-executive director (Chairman)
Mr. B. Nda	Non-executive director
Mr. H. N. Anadkat	Non-executive director

#### Appointments and Remuneration Committee Meetings Attendance 2025

Member	17-Mar-25	29-May-25	30-Sep-25	26-Nov-25
Mr. T. Davidson	✓	✓	✓	✓
Mr. B. Nda	✓	✓	X	✓
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:

Mrs. L. Mataya	Non-executive director (Chairman)
Mr. R. Pant	Non-executive director
Mr. B. Bouke	Non-executive director

**Risk Committee Meetings Attendance 2025**

<b>Member</b>	<b>13-Mar-25</b>	<b>29-May-25</b>	<b>25-Sep-25</b>	<b>20-Nov-25</b>
Mrs. L. Mataya	✓	✓	✓	✓
Mr. R. Pant	✓	✓	✓	✓
Mr. B. Bouke	✓	✓	✓	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 2025 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 ~~26~~ March 2026 and are signed on its behalf by:



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Director



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Director

By order of the Board



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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 114, which comprise the consolidated and separate statements of financial position as at 31 December 2025, 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 2025, 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)*, as applicable to audits of financial statements of public interest entities 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 the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. 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	<p><b>Expected credit losses.</b></p> <p>The disclosures associated with Credit Risk are set out in the consolidated and separate financial statements in the following notes:</p> <ul style="list-style-type: none"> <li>▶ Note 4(c) - <i>Classification and measurement of financial instruments under IFRS 9.</i></li> <li>▶ Note 5(k) - <i>Risk Management, Credit Risk Management.</i></li> <li>▶ Note 8 - <i>Money market investments</i></li> <li>▶ Note 9 - <i>Loans and advances to customers.</i></li> <li>▶ Note 34 - <i>Impairment loss on financial assets</i></li> </ul>



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Key audit matters (Continued)

Valuation of expected credit losses on loans and advances, and money market investments	How the matter was addressed in the audit
<p>We identified the audit of expected credit losses (ECL) as a key audit matter considering the following:</p> <ul style="list-style-type: none"> <li>▶ First Capital Bank's loans and advances to customers at K261.8 billion and money market investments at K412 billion represent 28% and 42% respectively of total assets. The associated impairment provision for expected credit losses of K2.69 billion for loans and advances to customers and K6.7 billion for money market investments are material to the consolidated financial statements.</li> <li>▶ The high degree of estimation uncertainty, significant judgements and assumptions applied in estimating the ECL on loans and advances to customers, and money market investments.</li> <li>▶ 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.</li> <li>▶ 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:</li> </ul>	<p><b>Our response to the key audit matter included performing the following audit procedures:</b></p> <ul style="list-style-type: none"> <li>▶ 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.</li> <li>▶ We carried out procedures to ensure the data being used in the models is complete, accurate, and that assumptions used are reasonable and supportable.</li> <li>▶ 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</li> <li>▶ 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.</li> </ul>
<p><b>Modelled ECL provisions.</b></p> <p>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.</p> <p>Calculation of expected losses utilizes models that utilize collateral reports from valuers, legal experts, and credit specialists.</p>	<p><b>Modelled ECL provisions.</b></p> <p>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.</p> <p>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.</p>



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Valuation of expected credit losses on loans and advances, and money market investments	How the matter was addressed in the audit
<p><b>Extensive disclosures in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.</b></p> <p>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</p>	<p><b>Our response to the key audit matter.</b></p> <p>We reviewed the additional disclosures related to adequacy and appropriateness in accordance with the requirements of <i>IFRS 7- Financial Instruments: Disclosures requirements</i>.</p> <p>Specifically, we assessed the reasonability of the disclosures in light of the audit work performed and disclosures made elsewhere in the financial statements.</p>
<p><b>Other information</b></p>	
<p>The directors are responsible for the other information. The other information comprises the Report of the Directors as required by the Companies Act 2013, Statement on Corporate Governance and Statement of Directors' Responsibilities. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.</p>	
<p>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.</p>	
<p>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.</p>	
<p>If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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.</p>	
<p><b>Responsibilities of the Directors for the Consolidated and Separate financial statements</b></p>	
<p>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.</p>	
<p>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.</p>	
<p><b>Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements</b></p>	
<p>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.</p>	



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

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

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.

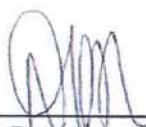
**Chartered Accountants (Malawi)**

**Chiwemi Chihana  
Registered Practicing Accountant**

**27 March 2026**

	Notes	Consolidated		Separate	
		2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Assets</b>					
Cash and cash equivalents	7	193 518 424	141 575 296	193 518 424	141 575 296
Money market investments	8	405 451 968	309 897 915	405 451 968	309 897 915
Loans and advances to customers	9	259 134 076	165 084 686	259 134 076	165 084 686
Amounts due from related parties	11	626 187	532 554	626 187	532 554
Repurchase agreements	33	-	8 714 531	-	8 714 531
Current tax assets	27(c)	43 649	43 649	-	-
Other assets <sup>1</sup>	10	23 673 205	6 786 965	23 645 755	6 759 515
Investments at fair value through profit or loss	12	64 046 690	15 848 359	64 046 690	15 848 359
Intangible assets <sup>1</sup>	14(a)	2 695 969	1 773 628	2 695 969	1 773 628
Right-of-use assets	37(a)	553 689	733 657	553 689	733 657
Investment in subsidiaries <sup>1</sup>	13(a)	-	-	208 791	208 791
Other Investments <sup>2</sup>	13(b)	111 000	111 000	111 000	111 000
Property and equipment	14(b)	32 065 500	30 820 397	32 065 500	30 820 397
Deferred tax assets	15	-	6 286 566	-	6 283 144
<b>Total assets</b>		<b><u>981 920 357</u></b>	<b><u>688 209 203</u></b>	<b><u>982 058 049</u></b>	<b><u>688 343 473</u></b>
<b>Liabilities and Equity</b>					
<b>Liabilities</b>					
Balances due to other banks	16	-	8 670 059	-	8 670 059
Customer deposits	17	728 052 918	518 267 166	728 370 747	518 584 995
Amounts due to related parties	18(c)	860 533	3 705 630	860 533	3 705 630
Current tax liabilities	27(c)	20 376 854	10 248 541	20 366 483	10 238 170
Trade and Other payables	18(a)	45 103 246	34 764 370	45 287 339	34 948 464
Lease liabilities	37(b)	800 736	901 415	800 736	901 415
Provisions	18(b)	2 511 416	3 677 770	2 511 416	3 677 770
Deferred Tax Liabilities	15	9 194 686	-	9 198 109	-
<b>Total liabilities</b>		<b><u>806 900 389</u></b>	<b><u>580 234 951</u></b>	<b><u>807 395 363</u></b>	<b><u>580 726 503</u></b>
<b>Equity</b>					
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	10 081 598	10 332 115	10 081 598	10 332 115
Loan loss reserve	21	493 730	934 799	493 730	934 799
Retained earnings		<u>162 762 480</u>	<u>95 025 178</u>	<u>162 405 198</u>	<u>94 667 896</u>
<b>Total equity</b>		<b><u>175 019 968</u></b>	<b><u>107 974 252</u></b>	<b><u>174 662 686</u></b>	<b><u>107 616 970</u></b>
<b>Total equity and liabilities</b>		<b><u>981 920 357</u></b>	<b><u>688 209 203</u></b>	<b><u>982 058 049</u></b>	<b><u>688 343 473</u></b>

The consolidated and separate financial statements were approved for issue by the Bank's Board of Directors on 26 March 2026 and were signed on its behalf by:



Director



Director

<sup>1</sup> In 2025, the Group reassessed the order of liquidity in the statement of financial position, moving investment in subsidiary companies below 'right-of-use assets', 'other assets' above investments at fair value through profit or loss and intangible assets above 'right-of-use assets.' This change reflects the items' relative liquidity, with no impact on the amounts presented. The same reorder has been applied to the prior year and relevant notes for consistency and comparability of disclosures.

<sup>2</sup> In the prior period, Other Investments were reported under Other Assets. In the current period, these have been presented separately. The comparatives have been amended to align with the current period's presentation for consistency and comparability.

**First Capital Bank Plc**
**Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025**

	Note	Consolidated		Separate	
		2025 K'000	2024 K'000	2025 K'000	2024 K'000
Interest income	23(a)	161 377 680	96 320 737	161 377 680	96 320 737
Interest expense	23(b)	(24 564 386)	(20 413 511)	(24 564 386)	(20 413 511)
<b>Net interest income</b>		<b>136 813 294</b>	<b>75 907 226</b>	<b>136 813 294</b>	<b>75 907 226</b>
Fees and commission income	24(a)	95 904 402	47 573 324	95 904 402	47 573 324
Fees and commission expense <sup>1</sup>	24(a)	(3 952 804)	(2 826 154)	(3 952 804)	(2 826 154)
Income from investments	24(b)	34 835 977	2 216 478	34 835 977	2 216 478
Gain/(loss) on foreign exchange transactions	24(c)	(13 079 774)	7 091 779	(13 079 774)	7 091 779
Other operating income <sup>1</sup>	24(d)	680 625	759 146	680 625	759 146
<b>Total non-interest income</b>		<b>114 388 426</b>	<b>54 814 573</b>	<b>114 388 426</b>	<b>54 814 573</b>
<b>Total operating income</b>		<b>251 201 720</b>	<b>130 721 799</b>	<b>251 201 720</b>	<b>130 721 799</b>
Staff and training costs	25	(24 797 199)	(17 372 777)	(24 797 199)	(17 372 777)
Premises and equipment costs	26(a)	(7 889 992)	(9 017 683)	(7 889 992)	(9 017 683)
Depreciation and amortisation	26(c)	(3 517 808)	(3 060 272)	(3 517 808)	(3 060 272)
Administration and general expenses	26(b)	(28 977 030)	(21 874 368)	(28 977 030)	(21 874 368)
Impairment loss on financial assets	34	(3 171 183)	(2 059 464)	(3 171 183)	(2 059 464)
<b>Total expenses</b>		<b>(68 353 212)</b>	<b>(53 384 564)</b>	<b>68 353 212</b>	<b>(53 384 564)</b>
<b>Profit before income tax expense</b>		<b>182 848 508</b>	<b>77 337 235</b>	<b>182 848 508</b>	<b>77 337 235</b>
Income tax expense	27(a)	(75 352 275)	(30 217 710)	(75 352 275)	(30 217 710)
<b>Profit for the year</b>		<b>107 496 233</b>	<b>47 119 525</b>	<b>107 496 233</b>	<b>47 119 525</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Revaluation surplus/(loss) on property		(417 528)	324 725	(417 528)	324 725
Deferred tax on revaluation (surplus)/loss		167 011	(2 523 009)	167 011	(2 523 009)
<b>Total other comprehensive income for the year</b>		<b>(250 517)</b>	<b>(2 198 284)</b>	<b>(250 517)</b>	<b>(2 198 284)</b>
<b>Total comprehensive income for the year</b>		<b>107 245 716</b>	<b>44 921 241</b>	<b>107 245 716</b>	<b>44 921 241</b>
<b>Profit or loss attributable to:</b>					
Owners of the company		107 496 233	47 119 525	107 496 233	47 119 525
<b>Profit for the year</b>		<b>107 496 233</b>	<b>47 119 525</b>	<b>107 496 233</b>	<b>47 119 525</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the company		107 245 716	44 921 241	107 245 716	44 921 241
<b>Total comprehensive income for the year</b>		<b>107 245 716</b>	<b>44 921 241</b>	<b>107 245 716</b>	<b>44 921 241</b>

<sup>1</sup> The line items ' Fees and commission expense' and 'Other operating income' have been introduced on the face of the 'Statement of Profit or Loss and Other Comprehensive Income' to align with the parent entity's presentation. The comparatives have been amended to align with the current period's presentation for consistency and comparability.

First Capital Bank Plc

Consolidated and Separate Statements of Changes in Equity for the year ended 31 December 2025

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
<b>2025</b>						
As at 1 January 2025	116 813	1 565 347	10 332 115	934 799	95 025 178	107 974 252
Profit for the year	-	-	-	-	107 496 233	107 496 233
<b>Other Comprehensive Income</b>						
Revaluation loss on property	-	-	(417 528)	-	-	(417 528)
Deferred tax on revaluation loss	-	-	167 011	-	-	167 011
<b>Total Other Comprehensive Income</b>	-	-	<b>(250 517)</b>	-	-	<b>(250 517)</b>
<b>Total comprehensive income for the year</b>	-	-	<b>(250 517)</b>	-	<b>107 496 233</b>	<b>107 245 716</b>
<b>Transfers within reserves</b>						
Transfer from loan loss reserve	-	-	-	(441 069)	441 069	-
<b>Total Transfers within reserves</b>	-	-	-	<b>(441 069)</b>	<b>441 069</b>	-
<b>Transactions with owners, recorded directly in equity</b>						
Dividends declared and paid	-	-	-	-	(40 200 000)	(40 200 000)
<b>Total transactions with owners</b>	-	-	-	-	<b>(40 200 000)</b>	<b>(40 200 000)</b>
<b>As at 31 December 2025</b>	<b>116 813</b>	<b>1 565 347</b>	<b>10 081 598</b>	<b>493 730</b>	<b>162 762 480</b>	<b>175 019 968</b>
<b>2024</b>						
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
<b>Other Comprehensive Income</b>						
Revaluation surplus on property	-	-	324 725	-	-	324 725
Deferred tax on revaluation surplus	-	-	(2 523 009)	-	-	(2 523 009)
<b>Total Other Comprehensive Income</b>	-	-	<b>(2 198 284)</b>	-	-	<b>(2 198 284)</b>
<b>Total comprehensive income for the year</b>	-	-	<b>(2 198 284)</b>	-	<b>47 119 525</b>	<b>44 921 241</b>
<b>Transfers within reserves</b>						
Transfer from loan loss reserve	-	-	-	(154 413)	154 413	-
<b>Total Transfers within reserves</b>	-	-	-	<b>(154 413)</b>	<b>154 413</b>	-
<b>Transactions with owners, recorded directly in equity</b>						
Dividends declared and paid	-	-	-	-	(14 500 000)	(14 500 000)
<b>Total transactions with owners</b>	-	-	-	-	<b>(14 500 000)</b>	<b>(14 500 000)</b>
<b>As at 31 December 2024</b>	<b>116 813</b>	<b>1 565 347</b>	<b>10 332 115</b>	<b>934 799</b>	<b>95 025 178</b>	<b>107 974 252</b>

First Capital Bank Plc

Consolidated and Separate Statements of Changes in Equity for the year ended 31 December 2025

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
<b>2025</b>						
As at beginning of the year	116 813	1 565 347	10 332 115	934 799	94 667 896	107 616 970
Profit for the year					107 496 233	107 496 233
<b>Other Comprehensive Income</b>						
Revaluation loss on property	-	-	(417 528)	-	-	(417 528)
Deferred tax on revaluation surplus	-	-	167 011	-	-	167 011
<b>Total Other Comprehensive Income</b>	-	-	<b>(250 517)</b>	-	-	<b>(250 517)</b>
<b>Total comprehensive income for the year</b>	-	-	<b>(250 517)</b>	-	<b>107 496 233</b>	<b>107 245 716</b>
<b>Transfers between reserves</b>						
Transfer from loan loss reserve	-	-	-	(441 069)	441 069	-
<b>Total Transfers within reserves</b>	-	-	-	<b>(441 069)</b>	<b>441 069</b>	-
<b>Transactions with owners, recorded directly in equity</b>						
Dividends declared and paid	-	-	-	-	(40 200 000)	(40 200 000)
<b>Total transactions with owners</b>	-	-	-	-	<b>(40 200 000)</b>	<b>(40 200 000)</b>
<b>As at 31 December 2025</b>	<b>116 813</b>	<b>1 565 347</b>	<b>10 081 598</b>	<b>493 730</b>	<b>162 405 198</b>	<b>174 662 686</b>
<b>2024</b>						
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
<b>Other comprehensive income</b>						
Revaluation surplus on property	-	-	324 725	-	-	324 725
Deferred tax on revaluation surplus	-	-	(2 523 009)	-	-	(2 523 009)
<b>Total other comprehensive income</b>	-	-	<b>(2 198 284)</b>	-	-	<b>(2 198 284)</b>
<b>Total Transfers within reserves</b>						
Transfer from loan loss reserve	-	-	-	(154 413)	154 413	-
<b>Total Transfers within reserves</b>	-	-	-	<b>(154 413)</b>	<b>154 413</b>	-
<b>Transactions with owners, recorded directly in equity</b>						
Dividends declared and paid	-	-	-	-	(14 500 000)	(14 500 000)
<b>Total transactions with owners</b>	-	-	-	-	<b>(14 500 000)</b>	<b>(14 500 000)</b>
<b>As at 31 December 2024</b>	<b>116 813</b>	<b>1 565 347</b>	<b>10 332 115</b>	<b>934 799</b>	<b>94 667 896</b>	<b>107 616 970</b>

First Capital Bank Plc

Consolidated Statement of Cash flows for the year ended 31 December 2025

	Notes	Consolidated		Separate	
		2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Cashflows from operating activities</b>					
Interest and fees received		234 657 318	150 766 577	234 657 318	150 766 577
Interest paid		(28 496 318)	(15 689 786)	(28 496 318)	(15 689 786)
Cash paid to suppliers and employees		(65 264 071)	(40 056 257)	(65 264 071)	(40 056 257)
		<u>140 896 929</u>	<u>95 020 534</u>	<u>140 896 929</u>	<u>95 020 534</u>
Decrease/(increase) in loans and advances <sup>1</sup>		(97 314 206)	162 838 578	(97 314 206)	162 838 578
Increase/ (decrease) in customer deposits <sup>1</sup>		<u>212 843 612</u>	<u>19 315 190</u>	<u>212 843 612</u>	<u>19 315 190</u>
<b>Cash generated from operations</b>					
Income taxes paid	27c	(49 536 529)	(32 526 939)	(49 536 529)	(32 526 939)
<b>Net cash generated from operating activities</b>					
		<u>206 889 806</u>	<u>244 647 363</u>	<u>206 889 806</u>	<u>244 647 363</u>
<b>Cashflows from investing activities</b>					
Purchases of investment securities	8	(99 398 049)	(150 359 380)	(99 398 049)	(150 359 380)
Maturities/(purchases) of repurchase agreements	33	8 749 652	(332 985)	8 749 652	(332 985)
Proceeds from sale of equipment		-	32 468	-	32 468
(Purchase)/sale of shares in listed companies	12	(13 537 831)	(2 758 273)	(13 537 831)	(2 758 273)
Acquisition of property and equipment and intangible assets	14	(5 790 287)	(7 982 993)	(5 790 287)	(7 982 993)
Dividend received net of tax		<u>175 477</u>	<u>45 234</u>	<u>175 477</u>	<u>45 234</u>
<b>Net cash used in investing activities</b>					
		<u>(109 801 038)</u>	<u>(161 355 929)</u>	<u>(109 801 038)</u>	<u>(161 355 929)</u>
<b>Cashflows from financing activities</b>					
Dividend paid	29	(40 200 000)	(14 500 000)	(40 200 000)	(14 500 000)
Proceeds from short and long term borrowings <sup>2</sup>	16	-	8 670 059	-	8 670 059
Repayments of short and long term borrowings <sup>2</sup>	16	(8 670 059)	(22 878 915)	(8 670 059)	(22 878 915)
Repayment of lease liabilities	37b	(295 901)	(379 756)	(295 901)	(379 756)
<b>Net cash (used in)/from financing activities</b>					
		<u>(49 165 960)</u>	<u>(29 088 612)</u>	<u>(49 165 960)</u>	<u>(29 088 612)</u>
<b>Net Increase in cash and cash equivalents</b>					
Cash and cash equivalents at 1 January		141 575 296	86 394 065	141 575 296	86 394 065
Effect of changes in exchange rates		<u>4 069 458</u>	<u>978 409</u>	<u>4 069 458</u>	<u>978 409</u>
<b>Cash and cash equivalents at period end</b>					
	7	<u>193 567 562</u>	<u>141 575 296</u>	<u>193 567 562</u>	<u>141 575 296</u>

<sup>1</sup> In the prior period, cash flows from deposits and loans and advances were presented as net customer balances. In the current period, these have been presented separately on a gross basis to be in line with the requirements of IAS 7.21. The comparatives have been amended to align with the current period's presentation for consistency and comparability

<sup>2</sup> In the prior period, cash flows from proceeds and repayments of short- and long-term borrowings were presented on a net basis. In the current period, these have been split into receipts and payments to be in line with the requirements of IAS 7.21. The comparatives have been amended to align with the current period's presentation for consistency and comparability.

FIRST CAPITAL BANK PLC  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2025

**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 (MWK), 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 2025:

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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 2025	<p><b>Lack of exchangeability – Amendments to IAS 21</b></p> <p>Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.</p> <p>The amendments also require disclosure of information that enables users of an entity's 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.</p> <p>This amendment did not have a material impact on the Bank's financial statements</p>

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

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2025 and have not been applied in preparing these annual consolidated and separate financial statements. The Bank does not plan to adopt these standards early:

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2026	<p><b>Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7</b></p> <p>Measurement of Financial Instruments (the Amendments). The Amendments include:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed</li> <li>• Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments</li> <li>• 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)</li> </ul> <p>The Amendments are effective for annual periods starting on or after 1 January 2026. The amendments will be applied prospectively. Based on the assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements.</p>
Annual reporting periods beginning on or after 1 January 2026	<p><b>Annual Improvements to IFRS Accounting Standards - Volume 11</b></p> <p>The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a material impact on the group's annual consolidated and separate financial statements. Annual Improvements to IFRS Accounting Standards - Volume 11 are effective for annual periods beginning on or after 1 January 2026.</p>
Annual reporting periods beginning on or after 1 January 2026	<p><b>Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7</b></p> <p>In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity.</p> <p>The amendments include:</p> <ul style="list-style-type: none"> <li>• Clarify the application of the 'own-use' requirements for in-scope contracts</li> <li>• Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts</li> <li>• Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.</li> </ul>

Effective date	Standard, Amendment or Interpretation
	<p>The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.</p> <p>The Bank does not expect that the amendments will have an impact on its financial statements</p>
Annual reporting periods beginning on or after 1 January 2027	<p><b>IFRS 18 Presentation and Disclosure in Financial Statements</b></p> <p>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.</p> <p>IFRS 18 will be retrospectively applied. The Bank is in the planning phase of determining the impact on the Bank's annual consolidated and separate financial statements</p> <p>IFRS 18 Presentation and Disclosures in Financial Statements (IFRS 18) is effective for annual periods beginning on or after 1 January 2027.</p>
Annual reporting periods beginning on or after 1 January 2027	<p><b>IFRS 19 Subsidiaries without Public Accountability: Disclosure (IFRS 19)</b></p> <p>In May 2024, the IASB issued IFRS 19 that permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements. When a parent company prepares consolidated financial statements that comply with IFRS Accounting Standards, its subsidiaries are required to report to the parent using IFRS Accounting Standards. However, for their own financial statements, subsidiaries are permitted to use IFRS Accounting Standards, the IFRS for SMEs Accounting Standard or national accounting standards. Subsidiaries are eligible to apply IFRS 19 if they do not have public accountability and their parent company applies IFRS Accounting Standards in their consolidated financial statements. A subsidiary does not have public accountability if it does not have equities or debt listed on a stock exchange and does not hold assets in a fiduciary capacity for a broad group of outsiders. IFRS 19 will not be applicable to the Bank's annual consolidated and separate financial statements.</p> <p>IFRS 19 Subsidiaries without Public Accountability: Disclosure (IFRS 19) is effective for annual periods beginning on or after 1 January 2027.</p>
Annual reporting periods beginning on or after 1 January 2027	<p><b>Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21</b></p> <p>In November 2025, the Board issued Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21. The amendments require translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. hyperinflationary economy, its results and financial position are translated into the presentation currency by translating all amounts (i.e., assets, liabilities, equity items, income and expenses) and all comparatives at the closing rate at the date of the most recent statement of financial position.</p> <p>An entity whose functional currency and presentation currency are the currency of a hyperinflationary economy, restates the comparative amounts of a foreign operation, whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of IAS 29, to the foreign operation's comparative figures. The amendments also introduce certain additional disclosure requirements.</p> <p>The amendments apply for annual reporting periods beginning on or after 1 January 2027 and earlier application is permitted. The Bank does not anticipate that the amendments will have a material effect on the Bank's financial statements.</p>

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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 2025

**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 off 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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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 and expense**

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.

The Group earns fee and commission income from the diverse range of financial services it provides to its customers. Fee and commission income including account activity fees, card-based transaction fees, guarantee fees, facility processing fees, forex commissions and other fees and commissions are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. Fees and commissions are disaggregated into fees received at a point in time and fees received over time. Fees received at a point in time refer to one time fees which comprise forex commissions, account activity fees, card-based transaction fees, cash deposit and withdrawal fees. Commission earned on bank guarantees and letters of credit and facility processing fees relate to fees received over time as a collection is made periodically over the life of the instrument. The performance obligations as well as the timing of their satisfaction are identified and determined at the inception of the contract.

Fee and commission expenses included in net fee and commission income are mainly transaction and service fees relating to financial instruments which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

When the Group provides a service to its customers consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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) Gain/ (loss) on foreign exchange transactions**

Gains/ (losses) on foreign exchange transactions includes all gains and losses from changes in fair value and the related income or expense for financial assets and financial liabilities held for trading.

**(q) 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 2025

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

**(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.

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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

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

**(u) Derivative financial instruments** (Continued)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**5. Risk Management** (Continued)

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

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.

**(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).

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

For the year ended 31 December 2025

**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:



**1<sup>st</sup> Line of Defence:**

Comprises business units and Head Office departments.

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

**2<sup>nd</sup> 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.

**3<sup>rd</sup> 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 2025

**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 2025

**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:

- Common Equity Tier 1 Capital: 8.5%
- Tier 1 Capital / Core Capital: 10.0%
- Total Capital (Tier 1 and 2): 15.0%

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**5. Risk Management** (Continued)**(j) Capital Management** (Continued)**(iv) Capital Position as at 31 December 2025**

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

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 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	162 762 480	95 025 178	162 405 198	94 667 896
Other intangible assets	(3 077)	-	(3 077)	-
Unconsolidated Investments	(201 405)	(100 702)	(319 791)	(205 098)
Deferred tax assets	-	(6 286 566)	-	(6 283 144)
<b>CET 1 Capital</b>	<b>164 240 158</b>	<b>90 320 070</b>	<b>163 764 490</b>	<b>89 861 814</b>
<b>Total Tier 1 Capital</b>	<b>164 240 158</b>	<b>90 320 070</b>	<b>163 764 490</b>	<b>89 861 814</b>
<b>Tier 2 Capital</b>				
Property revaluation reserve	-	10 332 115	-	10 332 115
Loan loss reserve	493 730	934 799	493 730	934 799
Unconsolidated Investments	-	(100 702)	-	(205 098)
<b>Tier 2 Capital</b>	<b>493 730</b>	<b>11 166 212</b>	<b>493 730</b>	<b>11 061 816</b>
<b>Total qualifying capital</b>	<b>164 733 888</b>	<b>101 486 282</b>	<b>164 258 220</b>	<b>100 923 630</b>
<b>Total risk weighted assets</b>	<b>722 126 187</b>	<b>530 836 008</b>	<b>722 126 187</b>	<b>530 836 008</b>
CET1 risk-based capital ratio (minimum 8.5%)	22.74%	-	22.68%	-
Tier 1 risk-based capital ratio (minimum 10%)	22.74%	17.01%	22.68%	16.93%
Total risk-weighted capital ratio (minimum 15%)	22.81%	19.12%	22.75%	19.01%

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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 2025

**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 LCY

31-Dec-25

Internal rating grade	12 month Basel PD range	Gross carrying amount			Total	ECL			Total
		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
<b>Performing</b>									
High grade	0.00%-0.50%	-	-	-	-	-	-	-	-
Standard grade	0.50%- 11.7%	241 078 098	17 676 538	-	258 754 636	596 531	158 130	-	754 661
Sub-standard grade	11.7%-29.50%	189 086	90 103	-	279 189	1 509	534	-	2 043
Low grade	29.5%-100%	-	-	-	-	-	-	-	-
<b>Non – performing</b>									
Individually impaired	100.00%	-	-	2 793 389	2 793 389	-	-	1 936 434	1 936 434
<b>Total</b>		<b>241 267 184</b>	<b>17 766 641</b>	<b>2 793 389</b>	<b>261 827 214</b>	<b>598 040</b>	<b>158 664</b>	<b>1 936 434</b>	<b>2 693 138</b>

**Cash and cash equivalents**

In LCY

31-Dec-25

Internal rating grade	12 month Basel PD range	Gross carrying amount			Total	ECL			Total
		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
<b>Performing</b>									
High grade	0.00%-0.50%	193 567 562	-	-	193 567 562	49 138	-	-	49 138
Standard grade	0.50%- 11.7%	-	-	-	-	-	-	-	-
Sub-standard grade	11.7%-29.50%	-	-	-	-	-	-	-	-
Low grade	29.5%-100%	-	-	-	-	-	-	-	-
<b>Non – performing</b>									
Individually impaired	100.00%	-	-	-	-	-	-	-	-
<b>Total</b>		<b>193 567 562</b>	<b>-</b>	<b>-</b>	<b>193 567 562</b>	<b>49 138</b>	<b>-</b>	<b>-</b>	<b>49 138</b>

**Money market investments**

In LCY

31-Dec-25

Internal rating grade	12 month Basel PD range	Gross carrying amount			Total	ECL			Total
		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
<b>Performing</b>									
High grade	0.00%-0.50%	-	-	-	-	-	-	-	-
Standard grade	0.50%- 11.7%	412 191 394	-	-	412 191 394	6 739 426	-	-	6 739 426
Sub-standard grade	11.7%-29.50%	-	-	-	-	-	-	-	-
Low grade	29.5%-100%	-	-	-	-	-	-	-	-
<b>Non – performing</b>									
Individually impaired	100.00%	-	-	-	-	-	-	-	-
<b>Total</b>		<b>412 191 394</b>	<b>-</b>	<b>-</b>	<b>412 191 394</b>	<b>6 739 426</b>	<b>-</b>	<b>-</b>	<b>6 739 426</b>

**Other Assets**

In LCY

31-Dec-25

Internal rating grade	12 month Basel PD range	Gross carrying amount			Total	ECL			Total
		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
<b>Performing</b>									
High grade	0.00%-0.50%	10 159 490	-	-	10 159 490	-	-	-	-
Standard grade	0.50%- 11.7%	-	-	-	-	-	-	-	-
Sub-standard grade	11.7%-29.50%	-	-	-	-	-	-	-	-
Low grade	29.5%-100%	-	-	-	-	-	-	-	-
<b>Non – performing</b>									
Individually impaired	100.00%	-	-	-	-	-	-	-	-
<b>Total</b>		<b>10 159 490</b>	<b>-</b>	<b>-</b>	<b>10 159 490</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**Guarantees and letters of credit**

In LCY

31-Dec-25

Internal rating grade	12 month Basel PD range	Gross carrying amount			Total	ECL			Total
		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
<b>Performing</b>									
High grade	0.00%-0.50%	-	-	-	-	-	-	-	-
Standard grade	0.50%- 11.7%	179 459 732	81 066	-	179 540 798	391 593	290	-	391 883
Sub-standard grade	11.7%-29.50%	-	-	-	-	-	-	-	-
Low grade	29.5%-100%	-	-	-	-	-	-	-	-
<b>Non – performing</b>									
Individually impaired	100.00%	-	-	-	-	-	-	-	-
<b>Total</b>		<b>179 459 732</b>	<b>81 066</b>	<b>-</b>	<b>179 540 798</b>	<b>391 593</b>	<b>290</b>	<b>512 569</b>	<b>391 883</b>

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

Internal rating grade	12-month Basel PD range	Gross carrying amount			Total	ECL			Total
		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
<b>Performing</b>									
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%	-	-	-	-	-	-	-	-
<b>Non – performing</b>									
Individually impaired	100.00%	-	-	3 976 837	3 976 837	-	-	1 903 642	1 903 642
<b>Total</b>		<b>153 038 506</b>	<b>10 814 010</b>	<b>3 976 837</b>	<b>167 829 353</b>	<b>754 521</b>	<b>86 504</b>	<b>1 903 642</b>	<b>2 744 667</b>

**Cash and cash equivalents**

In Malawi Kwacha

31-Dec-24

Internal rating grade	12-month Basel PD range	Gross carrying amount			Total	ECL			Total
		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
<b>Performing</b>									
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%	-	-	-	-	-	-	-	-
<b>Non – performing</b>									
Individually impaired	100.00%	-	-	-	-	-	-	-	-
<b>Total</b>		<b>141 590 137</b>	<b>-</b>	<b>-</b>	<b>141 590 137</b>	<b>14 841</b>	<b>-</b>	<b>-</b>	<b>14 841</b>

**Money market investments**

In Malawi Kwacha

31-Dec-24

Internal rating grade	12-month Basel PD range	Gross carrying amount			Total	ECL			Total
		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
<b>Performing</b>									
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%	-	-	-	-	-	-	-	-
<b>Non – performing</b>									
Individually impaired	100.00%	-	-	-	-	-	-	-	-
<b>Total</b>		<b>312 793 345</b>	<b>-</b>	<b>-</b>	<b>312 793 345</b>	<b>2 895 430</b>	<b>-</b>	<b>-</b>	<b>2 895 430</b>

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**Repurchase agreements**

In Malawi Kwacha

31-Dec-24

Internal rating grade	12-month Basel PD range	Gross carrying amount			Total	ECL			Total
		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
<b>Performing</b>									
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%	-	-	-	-	-	-	-	-
<b>Non – performing</b>									
Individually impaired	100.00%	-	-	-	-	-	-	-	-
<b>Total</b>		<b>8 749 652</b>	<b>-</b>	<b>-</b>	<b>8 749 652</b>	<b>35 121</b>	<b>-</b>	<b>-</b>	<b>35 121</b>

**Other assets**

In Malawi Kwacha

31-Dec-24

Internal rating grade	12-month Basel PD range	Gross carrying amount			Total	ECL			Total
		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
<b>Performing</b>									
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%	-	-	-	-	-	-	-	-
<b>Non – performing</b>									
Individually impaired	100.00%	-	-	-	-	-	-	-	-
<b>Total</b>		<b>4 925 007</b>	<b>793 256</b>	<b>86 014</b>	<b>5 804 277</b>	<b>9 464</b>	<b>13 529</b>	<b>38 706</b>	<b>61 699</b>

**Guarantees and letters of credit**

In Malawi Kwacha

31-Dec-24

Internal rating grade	12-month Basel PD range	Gross carrying amount			Total	ECL			Total
		Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
<b>Performing</b>									
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%	-	-	-	-	-	-	-	-
<b>Non – performing</b>									
Individually impaired	100.00%	-	-	5 440 980	5 440 980	-	-	512 569	512 569
<b>Total</b>		<b>190 994 144</b>	<b>210 740</b>	<b>5 440 980</b>	<b>196 645 864</b>	<b>914 951</b>	<b>322</b>	<b>512 569</b>	<b>1 427 842</b>

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 exclude 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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**5. Risk Management** (Continued)**(k) Credit Risk** (Continued)**(ii) Credit Risk Management** (Continued)**b) Credit risk grading** (Continued)**Customer Loans and Advances** (Continued)

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.

**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

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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).

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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 2025			Actual		Forecast				Long term rate
Key drivers	ECL Scenario	Assigned Weightings	2025	2026	2027	2028	2029		
		%							
<b>GDP Constant Prices, Percent change</b>									
	Base case	58.33%	32.16	30.47	25.94	23.94	22.79	21.94	
	Good case	16.78%	32.16	25.71	23.56	22.25	21.40	20.79	
	Better case	7.19%	32.16	23.86	22.25	21.25	20.56	20.02	
	Bad case	12.39%	32.16	36.69	33.85	33.16	32.85	32.77	
	Worse case	5.31%	32.16	40.92	38.31	37.61	37.46	37.31	
<b>Volume of Exports of goods and services, Percent change</b>									
	Base case	58.33%	29.48	29.40	31.13	31.89	32.33	32.65	
	Good case	16.78%	29.48	31.22	32.04	32.54	32.86	33.09	
	Better case	7.19%	29.48	31.92	32.54	32.92	33.18	33.39	
	Bad case	12.39%	29.48	27.02	28.11	28.37	28.49	28.52	
	Worse case	5.31%	29.48	25.41	26.41	26.67	26.73	26.79	

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

	2025		2024	
	Total ECL Provision MK	Total income statement charge MK	Total ECL Provision MK	Total income statement charge MK
As reported	9 873 584	3 171 183	7 179 600	2 059 464
<b>Scenarios</b>				
Base case	9 702 412	3 000 011	6 790 814	1 670 678
Good case	9 490 039	2 787 637	6 410 586	1 290 451
Better case	9 392 883	2 690 481	6 302 360	1 182 224
Bad case	10 077 074	3 374 673	7 300 686	2 180 551
Worse case	10 408 582	3 706 181	7 719 983	2 599 848

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 2025

**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.

FIRST CAPITAL BANK PLC  
**NOTES TO THE FINANCIAL STATEMENTS** (Continued)  
For the year ended 31 December 2025

**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 2025**

	<b>ECL Stage</b>	<b>Loans and advances</b>	<b>Balances with central banks</b>	<b>Balances with other banks</b>	<b>Money Market investments</b>	<b>Cheques in the course of clearing</b>	<b>Cash balances</b>	<b>Other Assets</b>	<b>Off-balance sheet</b>
<b>Consolidated (K'000)</b>									
<b>Carrying amount</b>		<u>259 134 076</u>	<u>62 144 064</u>	<u>106 770 191</u>	<u>405 451 968</u>	<u>63 847</u>	<u>24 540 322</u>	<u>10 159 490</u>	<u>179 148 915</u>
Standard (fully performing)	1	241 267 186	62 180 877	106 782 516	412 191 394	63 847	24 540 322	10 159 490	179 459 732
Past due but not impaired	2	17 766 641	-	-	-	-	-	-	81 066
Impaired	3	<u>2 793 387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Gross exposure</b>		<u>261 827 214</u>	<u>62 180 877</u>	<u>106 782 516</u>	<u>412 191 394</u>	<u>63 847</u>	<u>24 540 322</u>	<u>10 159 490</u>	<u>179 540 798</u>
<b>Separate (K'000)</b>									
<b>Carrying amount</b>		<u>259 134 076</u>	<u>62 144 064</u>	<u>106 770 191</u>	<u>405 451 968</u>	<u>63 847</u>	<u>24 540 322</u>	<u>10 159 490</u>	<u>179 148 915</u>
Standard (fully performing)	1	241 267 186	62 180 877	106 782 516	412 191 394	63 847	24 540 322	10 159 490	179 459 732
Past due but not impaired	2	17 766 641	-	-	-	-	-	-	81 066
Impaired	3	<u>2 793 387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Gross exposure</b>		<u>261 827 214</u>	<u>62 180 877</u>	<u>106 782 516</u>	<u>412 191 394</u>	<u>63 847</u>	<u>24 540 322</u>	<u>10 159 490</u>	<u>179 540 798</u>

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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 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	Off-balance sheet
<b>Carrying amount</b>		<u>165 084 686</u>	<u>42 564 195</u>	<u>80 705 879</u>	<u>309 897 915</u>	<u>92 080</u>	<u>18 213 142</u>	<u>8 714 531</u>	<u>5 770 028</u>	<u>195 218 023</u>
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	190 994 144
Past due but not impaired	2	10 814 010	-	-	-	-	-	-	-	210 740
Impaired	3	<u>3 976 837</u>	-	-	-	-	-	-	-	<u>5 440 980</u>
<b>Gross exposure</b>		<u>167 829 353</u>	<u>42 578 121</u>	<u>80 706 794</u>	<u>312 793 345</u>	<u>92 080</u>	<u>18 213 142</u>	<u>8 749 652</u>	<u>5 831 727</u>	<u>196 645 864</u>
<b>Separate (K'000)</b>										
<b>Carrying amount</b>		<u>165 084 686</u>	<u>42 564 195</u>	<u>80 705 879</u>	<u>309 897 915</u>	<u>92 080</u>	<u>18 213 142</u>	<u>8 714 531</u>	<u>5 742 578</u>	<u>195 218 023</u>
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	190 994 144
Past due but not impaired	2	10 814 010	-	-	-	-	-	-	-	210 740
Impaired	3	<u>3 976 837</u>	-	-	-	-	-	-	-	<u>5 440 980</u>
<b>Gross exposure</b>		<u>167 829 353</u>	<u>42 578 121</u>	<u>80 706 794</u>	<u>312 793 345</u>	<u>92 080</u>	<u>18 213 142</u>	<u>8 749 652</u>	<u>5 804 277</u>	<u>196 645 864</u>

FIRST CAPITAL BANK PLC  
**NOTES TO THE FINANCIAL STATEMENTS** (Continued)  
For the year ended 31 December 2025

**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
<b>2025</b>								
<b>Loans and advances to customers</b>								
Term loans	71 263 795	9 705 333	1 671 185	<b>82 640 313</b>	(51 907)	(10 671)	(974 310)	<b>(1 036 888)</b>
Mortgage loans	1 344 072	15 552	-	<b>1 359 624</b>	(2 057)	(28)	-	<b>(2 085)</b>
Overdraft	134 322 035	7 504 660	695 890	<b>142 522 585</b>	(348 694)	(19 096)	(679 106)	<b>(1 046 896)</b>
Consumer lending	30 959 795	485 545	223 897	<b>31 669 237</b>	(189 880)	(128 770)	(147 103)	<b>(465 753)</b>
Finance leases	3 377 489	55 551	202 415	<b>3 635 455</b>	(5 502)	(99)	(135 915)	<b>(141 516)</b>
<b>Total</b>	<b><u>241 267 186</u></b>	<b><u>17 766 641</u></b>	<b><u>2 793 387</u></b>	<b><u>261 827 214</u></b>	<b><u>(598 040)</u></b>	<b><u>(158 664)</u></b>	<b><u>(1 936 434)</u></b>	<b><u>(2 693 138)</u></b>
<b>Cash and cash equivalents</b>								
Deposits with Central Banks	62 180 877	-	-	<b>62 180 877</b>	(36 813)	-	-	<b>(36 813)</b>
Balances with other banks	61 782 516	-	-	<b>61 782 516</b>	(134)	-	-	<b>(134)</b>
Placements with other banks	45 000 000	-	-	<b>45 000 000</b>	(12 191)	-	-	<b>(12 191)</b>
Balances in the course of clearing with other banks	63 847	-	-	<b>63 847</b>	-	-	-	<b>-</b>
Cash balances	24 540 322	-	-	<b>24 540 322</b>	-	-	-	<b>-</b>
<b>Total</b>	<b><u>193 567 562</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>193 567 562</u></b>	<b><u>(49 138)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(49 138)</u></b>
<b>Money market investments</b>								
Treasury Bills	190 139 185	-	-	<b>190 139 185</b>	(1 826 706)	-	-	<b>(1 826 706)</b>
Treasury Notes	222 052 209	-	-	<b>222 052 209</b>	(4 912 720)	-	-	<b>(4 912 720)</b>
<b>Total</b>	<b><u>412 191 394</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>412 191 394</u></b>	<b><u>(6 739 426)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(6 739 426)</u></b>
<b>Other assets</b>								
Other assets	10 159 490	-	-	<b>10 159 490</b>	-	-	-	<b>-</b>
<b>Total</b>	<b><u>10 159 490</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>10 159 490</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total on balance sheet</b>	<b><u>857 185 632</u></b>	<b><u>17 766 641</u></b>	<b><u>2 793 387</u></b>	<b><u>877 745 660</u></b>	<b><u>(7 386 604)</u></b>	<b><u>(158 664)</u></b>	<b><u>(1 936 434)</u></b>	<b><u>(9 481 702)</u></b>
<b>Off-balance sheet</b>								
Guarantees	139 808 592	81 066	-	<b>139 889 658</b>	(331 549)	(290)	-	<b>(331 839)</b>
Letters of credit	39 651 140	-	-	<b>39 651 140</b>	(60 044)	-	-	<b>(60 044)</b>
<b>Total off-balance sheet</b>	<b><u>179 459 732</u></b>	<b><u>81 066</u></b>	<b><u>-</u></b>	<b><u>179 540 798</u></b>	<b><u>(391 593)</u></b>	<b><u>(290)</u></b>	<b><u>-</u></b>	<b><u>(391 883)</u></b>

FIRST CAPITAL BANK PLC  
**NOTES TO THE FINANCIAL STATEMENTS** (Continued)  
For the year ended 31 December 2025

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

**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	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Agriculture	85 051 797	39 343 342	85 051 797	39 343 342
Mining	4 870 331	233 507	4 870 331	233 507
Financial Services	7 506 996	10 775 903	7 506 996	10 775 903
Construction	25 363 667	6 688 690	25 363 667	6 688 690
Energy/Electricity/Gas /Water	12 856 437	10 653 771	12 856 437	10 653 771
Manufacturing	43 122 203	22 857 636	43 122 203	22 857 636
Wholesale and Retail	46 228 409	17 421 006	46 228 409	17 421 006
Community/ social and personal services	30 489 625	29 587 506	30 489 625	29 587 506
Real Estate	450 473	-	450 473	-
Tourism & Leisure	1 304 586	1 371 267	1 304 586	1 371 267
Transport & Communication	4 582 690	7 603 635	4 582 690	7 603 635
Others	-	21 293 090	-	21 293 090
	<u>261 827 214</u>	<u>167 829 353</u>	<u>261 827 214</u>	<u>167 829 353</u>

**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.

	Notes	Consolidated		Separate	
		2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Gross maximum exposure</b>					
Liquidity reserves deposits with central banks	7	62 180 877	42 578 121	62 180 877	42 578 121
Balances with other banks	7	106 782 516	80 706 794	106 782 516	80 706 794
Money Market investments	8	412 191 394	312 793 345	412 191 394	312 793 345
Cheques in the course of clearing	7	63 847	92 080	63 847	92 080
Cash balances	7	24 540 322	18 213 142	24 540 322	18 213 142
Other Assets		10 159 490	5 831 727	10 159 490	5 804 277
Repurchase agreements	34	-	8 749 652	-	8 749 652
Loans and advances to customers	9	<u>261 827 214</u>	<u>167 829 353</u>	<u>261 827 214</u>	<u>167 829 353</u>
<b>Total recognised financial assets</b>		<u>877 745 660</u>	<u>636 794 214</u>	<u>877 745 660</u>	<u>636 766 764</u>
Acceptance and letters of credit		39 651 140	28 371 501	39 651 140	28 371 501
Financial Guarantees	32	<u>139 889 658</u>	<u>168 274 363</u>	<u>139 889 658</u>	<u>168 274 363</u>
<b>Total unrecognised assets</b>		<u>179 540 798</u>	<u>196 645 864</u>	<u>179 540 798</u>	<u>196 645 864</u>
<b>Total credit risk exposure</b>		<u>1 057 286 458</u>	<u>833 440 078</u>	<u>1 057 286 458</u>	<u>833 412 628</u>

**(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**

31 December 2025	Gross carrying amount (MK'000)			Collateral (MK'000)			Net exposure (MK'000)		
	Total	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total	Stage 2	Stage 3
Term loans	82 640 313	9 705 333	1 671 185	11 376 518	7 936 655	647 723	8 584 378	1 768 678	1 023 462
Mortgage loans	1 359 624	15 552	-	15 552	10 498	-	10 498	5 054	-
Overdraft	142 522 585	7 504 660	695 890	8 200 550	7 474 885	16 897	7 491 782	29 775	678 993
Consumer lending	31 669 237	485 545	223 897	709 442	-	-	-	485 545	223 897
Finance leases	<u>3 635 455</u>	<u>55 551</u>	<u>202 415</u>	<u>257 966</u>	<u>39 719</u>	<u>202 415</u>	<u>242 134</u>	<u>15 832</u>	<u>-</u>
<b>Total</b>	<b><u>261 827 214</u></b>	<b><u>17 766 641</u></b>	<b><u>2 793 387</u></b>	<b><u>20 560 028</u></b>	<b><u>15 461 757</u></b>	<b><u>867 035</u></b>	<b><u>16 328 792</u></b>	<b><u>2 304 884</u></b>	<b><u>1 926 352</u></b>

31 December 2024	Gross carrying amount (MK'000)			Collateral (MK'000)			Net exposure (MK'000)		
	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	<u>2 885 500</u>	<u>130 362</u>	<u>316 218</u>	<u>446 580</u>	<u>159 976</u>	<u>729 921</u>	<u>889 897</u>	<u>(29 614)</u>	<u>(413 703)</u>
<b>Total</b>	<b><u>167 829 353</u></b>	<b><u>10 814 010</u></b>	<b><u>3 976 837</u></b>	<b><u>14 790 847</u></b>	<b><u>15 250 874</u></b>	<b><u>5 676 614</u></b>	<b><u>20 927 488</u></b>	<b><u>(4 436 864)</u></b>	<b><u>(1 699 777)</u></b>

(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.

FIRST CAPITAL BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

5. Risk Management (Continued)

(k) Credit Risk Management (Continued)

(vi) Collateral and other credit enhancements (Continued)

Consolidated and Separate Type of collateral or credit enhancement	Maximum exposure to credit risk	Cash	Securities	3rd party/gov guarantees	Fair value of collateral and credit enhancements held				Total collateral	Net exposure	% of exposure subject to collateral requirements	Associated ECL
					Property	Other	Offsetting agreements	Surplus collateral				
<b>31 December 2025</b>												
<b>In MK'000</b>												
<b>Loans and advances to customers</b>												
Term loans	82 640 313	1 138 693	69 460 500	958 077	53 149 302	12 530 202	-	(80 220 886)	57 015 888	25 624 425	69.0%	1 036 888
Mortgage loans	1 359 624	22 111	-	-	1 765 631	-	-	(657 768)	1 129 974	229 650	83.1%	2 085
Overdraft	142 522 585	2 234 147	-	5 420 661	55 861 016	22 287 144	-	(31 362 338)	54 440 630	88 081 955	38.2%	1 046 896
Consumer Lending	31 669 237	-	-	-	-	-	-	-	-	31 669 237	0.0%	465 753
Finance leases	3 635 455	263 797	-	13 303	1 293 282	1 628 683	-	(689 539)	2 509 526	1 125 929	69.0%	141 516
<b>Total</b>	<b>261 827 214</b>	<b>3 658 748</b>	<b>69 460 500</b>	<b>6 392 041</b>	<b>112 069 231</b>	<b>36 446 029</b>	<b>-</b>	<b>(112 930 531)</b>	<b>115 096 018</b>	<b>146 731 196</b>	<b>44.0%</b>	<b>2 693 138</b>
<b>Cash and cash equivalents</b>												
Deposits with Central Banks	62 180 877	-	-	-	-	-	-	-	-	62 180 877	0.0%	36 813
Balances with other banks	61 782 516	-	-	-	-	-	-	-	-	61 782 516	0.0%	134
Placements with other banks	45 000 000	-	-	-	-	-	-	-	-	45 000 000	0.0%	12 191
Balances in the course of clearing with other banks	63 847	-	-	-	-	-	-	-	-	63 847	0.0%	-
Cash balances	24 540 322	-	-	-	-	-	-	-	-	24 540 322	0.0%	-
<b>Total</b>	<b>193 567 562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>193 567 562</b>	<b>0.0%</b>	<b>49 138</b>
<b>Money market investments</b>												
Treasury Bills	190 139 185	-	-	-	-	-	-	-	-	190 139 185	0.0%	1 826 706
Treasury Notes	222 052 209	-	-	-	-	-	-	-	-	222 052 209	0.0%	4 912 720
<b>Total</b>	<b>412 191 394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>412 191 394</b>	<b>0.0%</b>	<b>6 739 426</b>
<b>Repurchase agreements</b>												
Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>												
Other receivables	10 159 490	-	-	-	-	-	-	-	-	10 159 490	0.0%	-
<b>Total</b>	<b>10 159 490</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 159 490</b>	<b>0.0%</b>	<b>-</b>
<b>Total on balance sheet</b>	<b>877 745 660</b>	<b>3 658 748</b>	<b>69 460 500</b>	<b>6 392 041</b>	<b>112 069 231</b>	<b>36 446 029</b>	<b>-</b>	<b>(112 930 531)</b>	<b>115 096 018</b>	<b>762 649 642</b>	<b>17.0%</b>	<b>9 481 702</b>
<b>Guarantees and letters of credit</b>												
Guarantees	139 889 658	23 264 286	-	-	52 467 509	3 974 831	-	(30 895 101)	48 811 525	91 078 133	34.9%	331 839
Letters of credit	39 651 140	6 300 000	-	-	1 323 156	-	-	-	7 623 156	32 027 984	19.2%	60 044
<b>Total</b>	<b>179 540 798</b>	<b>29 564 286</b>	<b>-</b>	<b>-</b>	<b>53 790 665</b>	<b>3 974 831</b>	<b>-</b>	<b>(30 895 101)</b>	<b>56 434 681</b>	<b>123 106 117</b>	<b>54.1%</b>	<b>391 883</b>

FIRST CAPITAL BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

5. Risk Management (Continued)

(k) Credit Risk Management (Continued)

(vi) Collateral and other credit enhancements (Continued)

Consolidated and Separate Type of collateral or credit enhancement	Maximum exposure to credit risk	Cash	Securities	3rd party/gov guarantees	Fair value of collateral and credit enhancements held				Total collateral	Net exposure	% of exposure subject to collateral requirements	Associated ECL
					Property	Other	Offsetting agreements	Surplus collateral				
<b>31 December 2024 (in MK'000)</b>												
<b>Loans and advances to customers</b>												
Term loans	44 482 884	9 801 039	6 400 000	867 820	56 819 878	16 830 756	-	(62 051 880)	<b>28 667 613</b>	15 815 271	64.4%	1 109 251
Mortgage loans	1 828 241	25 013	-	-	4 117 781	-	-	(2 352 314)	<b>1 790 480</b>	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)	<b>90 201 733</b>	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)	<b>2 623 192</b>	262 308	90.9%	22 698
<b>Total</b>	<b>167 829 353</b>	<b>12 273 039</b>	<b>6 566 950</b>	<b>12 931 816</b>	<b>203 723 237</b>	<b>65 838 121</b>	<b>-</b>	<b>(178 050 145)</b>	<b>123 283 018</b>	<b>44 546 335</b>	<b>73.5%</b>	<b>2 744 667</b>
<b>Cash and cash equivalents</b>												
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%	-
<b>Total</b>	<b>141 590 137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141 590 137</b>	<b>0.0%</b>	<b>14 841</b>
<b>Money market investments</b>												
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
<b>Total</b>	<b>312 793 345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>312 793 345</b>	<b>0.0%</b>	<b>2 895 430</b>
<b>Repurchase agreements</b>												
Repurchase agreements	8 749 652	-	-	-	-	-	-	-	-	8 749 652	0.0%	35 121
<b>Total</b>	<b>8 749 652</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 749 652</b>	<b>0.0%</b>	<b>35 121</b>
<b>Other assets</b>												
Other receivables	5 804 277	-	-	-	-	-	-	-	-	5 804 277	0.0%	61 699
<b>Total</b>	<b>5 804 277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 804 277</b>	<b>0.0%</b>	<b>61 699</b>
<b>Total on balance sheet</b>	<b>636 766 764</b>	<b>12 273 039</b>	<b>6 566 950</b>	<b>12 931 816</b>	<b>203 723 237</b>	<b>65 838 121</b>	<b>-</b>	<b>(178 050 145)</b>	<b>123 283 018</b>	<b>513 483 746</b>	<b>19.4%</b>	<b>5 751 758</b>
<b>Guarantees and letters of credit</b>												
Guarantees	168 274 363	11 244 237	-	-	121 022 284	23 157 778	-	(67 148 546)	<b>88 275 753</b>	79 998 610	52.5%	1 349 942
Letters of credit	28 371 501	9 922 683	-	-	-	-	-	-	<b>9 922 683</b>	18 448 818	35.0%	77 899
<b>Total</b>	<b>196 645 864</b>	<b>21 166 920</b>	<b>-</b>	<b>-</b>	<b>121 022 284</b>	<b>23 157 778</b>	<b>-</b>	<b>(67 148 546)</b>	<b>98 198 436</b>	<b>98 447 428</b>	<b>87.4%</b>	<b>1 427 841</b>

**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								
	Maximum exposure to credit risk	Cash	Property	Other	Surplus collateral	Total collateral	Net exposure	% of exposure subject to collateral requirements	Associated ECL
<b>31 December 2025</b>									
<b>In MK'000</b>									
<b>Loans and advances to customers</b>									
Term loans	1 671 185	-	420 281	452 882	(225 440)	<b>647 723</b>	1 023 462	<b>38.8%</b>	974 309
Mortgage loans	-	-	-	-	-	-	-	-	-
Overdraft	695 890	-	44 541	5 610	(33 254)	<b>16 897</b>	678 993	<b>2.4%</b>	679 106
Consumer lending	223 897	-	-	-	-	-	223 897	<b>0.0%</b>	147 104
Finance leases	202 415	-	297 408	8 425	(103 418)	<b>202 415</b>	-	<b>100.0%</b>	135 915
<b>Total</b>	<b>2 793 387</b>	<b>-</b>	<b>762 230</b>	<b>466 917</b>	<b>(362 112)</b>	<b>867 035</b>	<b>1 926 352</b>	<b>31.0%</b>	<b>1 936 434</b>
<b>31 December 2024</b>									
<b>In MK'000</b>									
<b>Loans and advances to customers</b>									
Term loans	2 159 647	9 801 039	30 114 535	8 862 377	(26 571 074)	<b>22 206 877</b>	(20 047 230)	<b>1028.3%</b>	957 930
Mortgage loans	191	25 013	2 182 424	-	(668 452)	<b>1 538 985</b>	(1 538 794)	<b>805751.3%</b>	40
Overdraft	1 180 499	2 277 406	61 256 149	17 106 954	(41 690 761)	<b>38 949 748</b>	(37 769 249)	<b>3299.4%</b>	727 565
Consumer Lending	320 282	-	-	-	-	-	320 282	<b>0.0%</b>	203 701
Finance leases	316 218	1 688	647 109	2 419 349	(923 119)	<b>2 145 027</b>	(1 828 809)	<b>678.3%</b>	14 406
<b>Total</b>	<b>3 976 837</b>	<b>12 105 146</b>	<b>94 200 217</b>	<b>28 388 680</b>	<b>(69 853 406)</b>	<b>64 840 637</b>	<b>(60 863 800)</b>	<b>1630.5%</b>	<b>1 903 642</b>

**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 2025 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
<b>Opening Balance</b>	153 038 506	10 814 010	3 976 837	<b>167 829 353</b>	754 521	86 504	1 903 642	<b>2 744 667</b>
Additions	106 761 683	11 636 616	616 282	<b>119 014 581</b>	842 864	144 939	1 747 128	<b>2 734 931</b>
De-recognitions	(18 759 081)	(4 541 876)	-	<b>(23 300 957)</b>	(1 030 886)	(39 811)	-	<b>(1 070 697)</b>
Transfer (from) stage 1	(636 229)	607 534	28 695	-	(2 480)	1 515	965	-
Transfer (from) stage 2	517 394	(749 647)	232 253	-	33 098	(34 483)	1 385	-
Transfer (from) stage 3	344 913	4	(344 917)	-	923	-	(923)	-
Accounts written off	-	-	(444 714)	<b>(444 714)</b>	-	-	(444 714)	<b>(444 714)</b>
Recoveries	-	-	(1 271 049)	<b>(1 271 049)</b>	-	-	(1 271 049)	<b>(1 271 049)</b>
<b>Closing Balance</b>	<b><u>241 267 186</u></b>	<b><u>17 766 641</u></b>	<b><u>2 793 387</u></b>	<b><u>261 827 214</u></b>	<b><u>598 040</u></b>	<b><u>158 664</u></b>	<b><u>1 936 434</u></b>	<b><u>2 693 138</u></b>
	<b>Money market investments</b>				<b>Money market investments</b>			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening Balance</b>	312 793 345	-	-	<b>312 793 345</b>	2 895 430	-	-	<b>2 895 430</b>
Additions	265 253 863	-	-	<b>265 253 863</b>	4 890 941	-	-	<b>4 890 941</b>
Maturities	(165 855 814)	-	-	<b>(165 855 814)</b>	(1 046 945)	-	-	<b>(1 046 945)</b>
<b>Closing Balance</b>	<b><u>412 191 394</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>412 191 394</u></b>	<b><u>6 739 426</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>6 739 426</u></b>
	<b>Other assets</b>				<b>Other assets</b>			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening Balance</b>	5 804 277	-	-	<b>5 804 277</b>	9 464	13 529	38 706	<b>61 699</b>
Additions	10 159 490	-	-	<b>10 159 490</b>	-	-	-	<b>-</b>
Maturities	(5 804 277)	-	-	<b>(5 804 277)</b>	(9 464)	(13 529)	(38 706)	<b>(61 699)</b>
<b>Closing Balance</b>	<b><u>10 159 490</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>10 159 490</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
	<b>Cash and cash equivalents</b>				<b>Cash and cash equivalents</b>			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening Balance</b>	141 590 137	-	-	<b>141 590 137</b>	14 841	-	-	<b>14 841</b>
Additions	193 567 562	-	-	<b>193 567 562</b>	49 138	-	-	<b>49 138</b>
Maturities	(141 590 137)	-	-	<b>(141 590 137)</b>	(14 841)	-	-	<b>(14 841)</b>
<b>Closing Balance</b>	<b><u>193 567 562</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>193 567 562</u></b>	<b><u>49 138</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>49 138</u></b>
	<b>Repurchase agreements</b>				<b>Repurchase agreements</b>			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening Balance</b>	8 749 652	-	-	<b>8 749 652</b>	35 121	-	-	<b>35 121</b>
Additions	-	-	-	<b>-</b>	-	-	-	<b>-</b>
Maturities	(8 749 652)	-	-	<b>(8 749 652)</b>	(35 121)	-	-	<b>(35 121)</b>
<b>Closing Balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
	<b>Guarantees and letters of credit</b>				<b>Guarantees and letters of credit</b>			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening Balance</b>	190 994 174	210 740	5 440 950	<b>196 645 864</b>	914 950	322	512 569	<b>1 427 841</b>
Additions	95 114 400	-	-	<b>95 114 400</b>	161 339	-	-	<b>161 339</b>
De-recognitions	(106 648 842)	(129 674)	(5 440 950)	<b>(112 219 466)</b>	(684 696)	(32)	(512 569)	<b>(1 197 297)</b>
<b>Closing Balance</b>	<b><u>179 459 732</u></b>	<b><u>81 066</u></b>	<b><u>-</u></b>	<b><u>179 540 798</u></b>	<b><u>391 593</u></b>	<b><u>290</u></b>	<b><u>-</u></b>	<b><u>391 883</u></b>

**5. Risk Management** (Continued)

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

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

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
<b>Opening Balance</b>	164 268 845	19 546 641	5 795 284	<b>189 610 770</b>	1 339 537	130 761	2 585 375	<b>4 055 673</b>
Additions	98 100 991	19 814 629	1 864 043	<b>119 779 663</b>	204 464	60 013	1 970 243	<b>2 234 720</b>
De-recognitions	(109 021 080)	(26 665 340)	-	<b>(135 686 420)</b>	(780 245)	(85 353)	-	<b>(865 598)</b>
Transfer (from) stage 1	(3 213 264)	2 506 996	706 268	-	(17 268)	10 294	6 974	-
Transfer (from) stage 2	2 892 672	(4 390 817)	1 498 145	-	3 958	(30 004)	26 046	-
Transfer (from) stage 3	10 342	1 901	(12 243)	-	4 075	793	(4 868)	-
Accounts written off	-	-	(1 534 904)	<b>(1 534 904)</b>	-	-	(1 534 904)	<b>(1 534 904)</b>
Recoveries	-	-	(4 339 756)	<b>(4 339 756)</b>	-	-	(1 145 224)	<b>(1 145 224)</b>
<b>Closing Balance</b>	<b><u>153 038 506</u></b>	<b><u>10 814 010</u></b>	<b><u>3 976 837</u></b>	<b><u>167 829 353</u></b>	<b><u>754 521</u></b>	<b><u>86 504</u></b>	<b><u>1 903 642</u></b>	<b><u>2 744 667</u></b>
	<b>Money market investments</b>				<b>Money market investments</b>			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening Balance</b>	162 433 965	-	-	<b>162 433 965</b>	1 765 130	-	-	<b>1 765 130</b>
Additions	226 899 459	-	-	<b>226 899 459</b>	1 710 576	-	-	<b>1 710 576</b>
Maturities	(76 540 079)	-	-	<b>(76 540 079)</b>	(580 276)	-	-	<b>(580 276)</b>
<b>Closing Balance</b>	<b><u>312 793 345</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>312 793 345</u></b>	<b><u>2 895 430</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2 895 430</u></b>
	<b>Other assets</b>				<b>Other assets</b>			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening Balance</b>	36 051	-	-	<b>36 051</b>	180	-	-	<b>180</b>
Additions	4 925 007	793 356	86 014	<b>5 804 277</b>	(9 464)	(13 529)	(38 706)	<b>(61 699)</b>
Maturities	(36 051)	-	-	<b>(36 051)</b>	(180)	-	-	<b>(180)</b>
<b>Closing Balance</b>	<b><u>4 925 007</u></b>	<b><u>793 356</u></b>	<b><u>86 014</u></b>	<b><u>5 804 277</u></b>	<b><u>(9 464)</u></b>	<b><u>(13 529)</u></b>	<b><u>(38 706)</u></b>	<b><u>(61 699)</u></b>
	<b>Cash and cash equivalents</b>				<b>Cash and cash equivalents</b>			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening Balance</b>	26 578 710	-	-	<b>26 578 710</b>	8 693	-	-	<b>8 693</b>
Additions	115 011 427	-	-	<b>115 011 427</b>	6 148	-	-	<b>6 148</b>
<b>Closing Balance</b>	<b><u>141 590 137</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>141 590 137</u></b>	<b><u>14 841</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>14 841</u></b>
	<b>Repurchase agreements</b>				<b>Repurchase agreements</b>			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening Balance</b>	8 416 667	-	-	<b>8 416 667</b>	33 446	-	-	<b>33 446</b>
Additions	8 749 652	-	-	<b>8 749 652</b>	35 121	-	-	<b>35 121</b>
Maturities	(8 416 667)	-	-	<b>(8 416 667)</b>	(33 446)	-	-	<b>(33 446)</b>
<b>Closing Balance</b>	<b><u>8 749 652</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>8 749 652</u></b>	<b><u>35 121</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>35 121</u></b>
	<b>Guarantees and letters of credit</b>				<b>Guarantees and letters of credit</b>			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Opening Balance</b>	94 852 227	40 000	-	<b>94 892 227</b>	728 861	76	-	<b>728 937</b>
Additions	163 310 835	210 740	5 440 980	<b>168 962 555</b>	807 552	322	512 569	<b>1 320 443</b>
De-recognitions	(67 168 918)	(40 000)	-	<b>(67 208 918)</b>	(621 462)	(76)	-	<b>(621 538)</b>
<b>Closing Balance</b>	<b><u>190 994 144</u></b>	<b><u>210 740</u></b>	<b><u>5 440 950</u></b>	<b><u>196 645 864</u></b>	<b><u>914 951</u></b>	<b><u>322</u></b>	<b><u>512 569</u></b>	<b><u>1 427 842</u></b>

**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:

<b>MK'000</b>	<b>2025</b>	<b>2024</b>
<b>Financial assets modified during the period</b>		
Amortised cost before modification	4 302 199	1 472 340
Net modification loss	21 007	22 963
<b>Financial assets modified since initial recognition</b>		
Gross carrying amount of financial assets previously modified for which loss allowance has changed during the period to an amount equal to 12-month ECL from lifetime	-	633 035

**(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 2025, 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**

Currency	2025				2024			
	Assets (K'm)	Liabilities (K'm)	Net (K'm)	Sensitivity (1%)	Assets (K'm)	Liabilities (K'm)	Net (K'm)	Sensitivity (1%)
USD	125 648	137 909	(12 261)	(122.61)	124 462	(124 042)	420	(4.20)
GBP	17 403	36	17 367	173.67	20 200	(22 043)	(1 843)	18.43
EUR	9 648	10 166	(518)	(5.18)	21 380	(22 671)	(1 291)	12.91
ZAR	1 917	1 593	324	3.24	1 437	(4 810)	(3 373)	33.73
Others	117	4 711	(4 594)	(45.94)				

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.

FIRST CAPITAL BANK PLC  
**NOTES TO THE FINANCIAL STATEMENTS** (Continued)  
For the year ended 31 December 2025

**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 2025**

<b>CONSOLIDATED</b>	<b>Non-interest sensitive</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-9 months</b>	<b>9-12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>Financial Assets</b>							
Cash and Cash Equivalents	86 740 317	106 778 107	-	-	-	-	<b>193 518 424</b>
Money Market Investments	-	81 139 983	79 261 445	50 093 157	29 895 053	165 062 330	<b>405 451 968</b>
Loans and Advances to Customers	29 145 374	126 018 649	21 014 517	17 596 450	7 218 856	58 140 230	<b>259 134 076</b>
Investments at fair value through profit or loss	64 046 690	-	-	-	-	-	<b>64 046 690</b>
Other financial assets	10 159 490	-	-	-	-	-	<b>10 159 490</b>
<b>Total financial assets</b>	<b>190 091 871</b>	<b>313 936 739</b>	<b>100 275 962</b>	<b>67 689 607</b>	<b>37 113 909</b>	<b>223 202 560</b>	<b>932 310 648</b>
<b>Financial Liabilities</b>							
Customer Deposits	-	717 425 820	9 876 050	751 048	-	-	<b>728 052 918</b>
Lease liabilities	-	100 236	40 081	59 368	52 583	548 468	<b>800 736</b>
Other financial liabilities	45 963 779	-	-	-	-	-	<b>45 963 779</b>
<b>Total Financial liabilities</b>	<b>45 963 779</b>	<b>717 526 056</b>	<b>9 916 131</b>	<b>810 416</b>	<b>52 583</b>	<b>548 468</b>	<b>774 817 433</b>
<b>Total Interest sensitivity gap</b>	<b>144 128 092</b>	<b>(403 589 317)</b>	<b>90 359 831</b>	<b>66 879 191</b>	<b>37 061 326</b>	<b>222 654 092</b>	<b>157 493 215</b>

FIRST CAPITAL BANK PLC  
**NOTES TO THE FINANCIAL STATEMENTS** (Continued)  
For the year ended 31 December 2025

**5. Risk Management** (Continued)

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

**Interest rate gap analysis** (Continued)

**31 DECEMBER 2025**

<b>SEPARATE</b>	<b>Non-interest sensitive</b>	<b>0-3 months</b>	<b>3-6 months</b>	<b>6-9 months</b>	<b>9-12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>Financial Assets</b>							
Cash and Cash Equivalents	86 740 317	106 778 107	-	-	-	-	<b>193 518 424</b>
Money Market Investments	-	81 139 983	79 261 445	50 093 157	29 895 053	165 062 330	<b>405 451 968</b>
Loans and Advances to Customers	29 145 374	126 018 649	21 014 517	17 596 450	7 218 856	58 140 230	<b>259 134 076</b>
Investments at fair value through profit or loss	64 046 690	-	-	-	-	-	<b>64 046 690</b>
Other financial assets	10 159 490	-	-	-	-	-	<b>10 159 490</b>
<b>Total financial assets</b>	<b>190 091 871</b>	<b>313 936 739</b>	<b>100 275 962</b>	<b>67 689 607</b>	<b>37 113 909</b>	<b>223 202 560</b>	<b>932 310 648</b>
<b>Financial Liabilities</b>							
Customer Deposits	-	717 743 649	9 876 050	751 048	-	-	<b>728 370 747</b>
Lease liabilities	-	100 236	40 081	59 368	52 583	548 468	<b>800 736</b>
Other financial liabilities	46 147 872	-	-	-	-	-	<b>46 147 872</b>
<b>Total Financial liabilities</b>	<b>46 147 872</b>	<b>717 843 885</b>	<b>9 916 131</b>	<b>810 416</b>	<b>52 583</b>	<b>548 468</b>	<b>775 319 355</b>
<b>Total Interest sensitivity gap</b>	<b>143 943 999</b>	<b>(403 907 146)</b>	<b>90 359 831</b>	<b>66 879 191</b>	<b>37 061 326</b>	<b>222 654 092</b>	<b>156 991 293</b>

FIRST CAPITAL BANK PLC  
**NOTES TO THE FINANCIAL STATEMENTS** (Continued)  
For the year ended 31 December 2025

**5. Risk Management** (Continued)

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

**Interest rate gap analysis** (Continued)

**31 DECEMBER 2024**

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

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**5. Risk Management** (Continued)**(I) Market Risk** (Continued)**Interest rate gap analysis** (Continued)**31 DECEMBER 2024**

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

**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:

	<b>2025</b>	<b>2024</b>
	%	%
<b>Assets</b>		
Government securities	16.00 - 35.00 %	16.00 - 35.00
Deposits with banking institutions	20.00 - 25.00 %	20.00 - 25.00
Loans and advances to customers (Reference/base rate)	25.10 - 25.30 %	23.60 - 25.20
<b>Liabilities</b>		
Customer deposits	0 - 20.00 %	0 - 22.75

**Equity Risk**

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

	<b>2025</b>	<b>2024</b>
	K'000	K'000
Cost of investments in listed companies	16 337 925	2 800 093
Fair value of investments in listed companies (note 12)	64 046 690	15 848 359
Purchase of investments in listed companies	13 537 831	2 758 273
Net increase in fair value of investments in listed Companies (note 12)	<u>34 660 500</u>	<u>2 171 244</u>
Impact on profit and equity of:		
Increase of share price by 10%	6 404 669	1 584 836
Decrease of share price by 10%	<u>(6 404 669)</u>	<u>(1 584 836)</u>

**(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.

FIRST CAPITAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**5. Risk Management** (Continued)

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

The maturity gap analysis as at 31 December 2025 is given below:

**Consolidated**

	<b>Carrying amount K'000</b>	<b>Gross nominal amount K'000</b>	<b>Up to 1 month K'000</b>	<b>1-3 months K'000</b>	<b>3-6 months K'000</b>	<b>6-12 months K'000</b>	<b>1-3 years K'000</b>	<b>Over 3 years K'000</b>
<b>Financial Assets</b>								
Cash and cash equivalents	193 518 424	193 626 691	193 626 691	-	-	-	-	-
Money market investments	405 451 968	590 662 211	65 738 709	68 001 580	44 728 344	100 352 403	235 979 052	75 862 123
Loans and advances to customers	259 134 076	334 350 739	24 210 869	123 257 063	26 795 325	34 096 682	36 594 407	89 396 393
Investments at fair value through P&L	64 046 690	64 046 690	-	-	-	-	-	64 046 690
Other financial assets	<u>10 159 490</u>	<u>10 159 490</u>	<u>8 129 720</u>	<u>626 187</u>	<u>-</u>	<u>-</u>	<u>1 403 583</u>	<u>-</u>
<b>Total Financial assets</b>	<u>932 310 648</u>	<u>1 192 845 821</u>	<u>291 705 989</u>	<u>191 884 830</u>	<u>71 523 669</u>	<u>134 449 085</u>	<u>273 977 042</u>	<u>229 305 206</u>
<b>Financial Liabilities</b>								
Customer deposits	728 052 918	734 570 198	673 411 310	49 864 956	10 495 757	798 175	-	-
Lease liabilities	800 736	1 088 581	39 824	163 741	81 399	227 355	420 288	155 974
Other financial liabilities	<u>45 963 779</u>	<u>45 963 779</u>	<u>36 069 410</u>	<u>7 086 431</u>	<u>1 341 393</u>	<u>1 309 592</u>	<u>156 953</u>	<u>-</u>
<b>Total Financial liabilities</b>	<u>774 817 433</u>	<u>781 622 558</u>	<u>709 520 544</u>	<u>57 115 128</u>	<u>11 918 549</u>	<u>2 335 122</u>	<u>577 241</u>	<u>155 974</u>
<b>Net liquidity gap</b>	<u>157 493 215</u>	<u>411 223 263</u>	<u>(417 814 555)</u>	<u>134 769 702</u>	<u>59 605 120</u>	<u>132 113 963</u>	<u>273 399 801</u>	<u>229 149 232</u>
<b>Cumulative liquidity gap</b>	<u>157 493 215</u>	<u>411 223 263</u>	<u>(417 814 555)</u>	<u>(283 044 853)</u>	<u>(223 439 733)</u>	<u>(91 325 770)</u>	<u>182 074 031</u>	<u>411 223 263</u>

FIRST CAPITAL BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

5. Risk Management (Continued)

(m) Liquidity risk (Continued)

The maturity gap analysis as at 31 December 2024 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
<b>Financial Assets</b>								
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	<u>5 971 433</u>	<u>6 033 132</u>	<u>6 033 132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial assets</b>	<u>647 092 220</u>	<u>825 687 687</u>	<u>220 990 543</u>	<u>73 039 323</u>	<u>44 351 506</u>	<u>118 815 242</u>	<u>250 308 412</u>	<u>118 182 661</u>
<b>Financial Liabilities</b>								
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	<u>42 147 770</u>	<u>42 804 893</u>	<u>38 013 501</u>	<u>-</u>	<u>6 237</u>	<u>4 785 156</u>	<u>-</u>	<u>-</u>
<b>Total Financial liabilities</b>	<u>569 986 410</u>	<u>571 023 693</u>	<u>516 723 878</u>	<u>29 993 408</u>	<u>8 802 567</u>	<u>14 691 578</u>	<u>812 263</u>	<u>-</u>
<b>Net liquidity gap</b>	<u>77 105 810</u>	<u>254 663 994</u>	<u>(295 733 335)</u>	<u>43 045 915</u>	<u>35 548 939</u>	<u>104 123 664</u>	<u>249 496 149</u>	<u>118 182 661</u>
<b>Cumulative liquidity gap</b>	<u>77 105 810</u>	<u>254 663 994</u>	<u>(295 733 335)</u>	<u>(252 687 420)</u>	<u>(217 138 481)</u>	<u>(113 014 817)</u>	<u>136 481 332</u>	<u>254 663 993</u>

FIRST CAPITAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**5. Risk Management** (Continued)

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

The maturity gap analysis as at 31 December 2025 is given below:

**Separate**

	<b>Carrying amount K'000</b>	<b>Gross nominal amount K'000</b>	<b>Up to 1 month K'000</b>	<b>1-3 months K'000</b>	<b>3-6 months K'000</b>	<b>6-12 months K'000</b>	<b>1-3 years K'000</b>	<b>Over 3 years K'000</b>
<b>Financial Assets</b>								
Cash and cash equivalents	193 518 424	193 626 691	193 626 691	-	-	-	-	-
Money market investments	405 451 968	590 662 211	65 738 709	68 001 580	44 728 344	100 352 403	235 979 052	75 862 123
Loans and advances to customers	259 134 076	334 350 739	24 210 869	123 257 063	26 795 325	34 096 682	36 594 407	89 396 393
Investments at fair value through P&L	64 046 690	64 046 690	-	-	-	-	-	64 046 690
Other financial assets	<u>10 159 490</u>	<u>10 159 490</u>	<u>8 129 720</u>	<u>626 187</u>	<u>-</u>	<u>-</u>	<u>1 403 583</u>	<u>-</u>
<b>Total Financial assets</b>	<u>932 310 648</u>	<u>1 192 845 821</u>	<u>291 705 989</u>	<u>191 884 830</u>	<u>71 523 669</u>	<u>134 449 085</u>	<u>273 977 042</u>	<u>229 305 206</u>
<b>Financial Liabilities</b>								
Customer deposits	728 370 747	734 570 198	673 411 310	49 864 956	10 495 757	798 175	-	-
Lease liabilities	800 736	1 088 581	39 824	163 741	81 399	227 355	420 288	155 974
Other Financial liabilities	<u>46 147 872</u>	<u>46 147 872</u>	<u>36 253 503</u>	<u>7 086 431</u>	<u>1 341 393</u>	<u>1 309 592</u>	<u>156 953</u>	<u>-</u>
<b>Total Financial liabilities</b>	<u>775 319 355</u>	<u>781 806 651</u>	<u>709 704 637</u>	<u>57 115 128</u>	<u>11 918 549</u>	<u>2 335 122</u>	<u>577 241</u>	<u>155 974</u>
<b>Net liquidity gap</b>	<u>156 991 293</u>	<u>411 039 170</u>	<u>(417 998 648)</u>	<u>134 769 702</u>	<u>59 605 120</u>	<u>132 113 963</u>	<u>273 399 801</u>	<u>229 149 232</u>
<b>Cumulative liquidity gap</b>	<u>156 991 293</u>	<u>411 039 170</u>	<u>(417 998 648)</u>	<u>(283 228 946)</u>	<u>(223 623 826)</u>	<u>(91 509 863)</u>	<u>181 889 938</u>	<u>411 039 170</u>

FIRST CAPITAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**5. Risk Management** (Continued)

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

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

**Separate**

	<b>Carrying amount K'000</b>	<b>Gross nominal amount K'000</b>	<b>Up to 1 month K'000</b>	<b>1-3 months K'000</b>	<b>3-6 months K'000</b>	<b>6-12 months K'000</b>	<b>1-3 years K'000</b>	<b>Over 3 years K'000</b>
<b>Financial Assets</b>								
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	<u>5 943 983</u>	<u>6 005 682</u>	<u>6 005 682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Financial assets</b>	<u>647 064 770</u>	<u>825 660 237</u>	<u>220 963 093</u>	<u>73 039 323</u>	<u>44 351 506</u>	<u>118 815 242</u>	<u>250 308 412</u>	<u>118 182 661</u>
<b>Financial Liabilities</b>								
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	<u>42 331 864</u>	<u>42 988 987</u>	<u>38 197 595</u>	<u>-</u>	<u>6 237</u>	<u>4 785 156</u>	<u>-</u>	<u>-</u>
<b>Total Financial liabilities</b>	<u>570 488 333</u>	<u>571 525 616</u>	<u>517 225 801</u>	<u>29 993 408</u>	<u>8 802 567</u>	<u>14 691 578</u>	<u>812 263</u>	<u>-</u>
<b>Net liquidity gap</b>	<u>76 576 437</u>	<u>254 134 621</u>	<u>(296 262 708)</u>	<u>43 045 915</u>	<u>35 548 939</u>	<u>104 123 664</u>	<u>249 496 149</u>	<u>118 182 661</u>
<b>Cumulative liquidity gap</b>	<u>76 576 437</u>	<u>254 134 621</u>	<u>(296 262 708)</u>	<u>(253 216 793)</u>	<u>(217 667 854)</u>	<u>(113 544 190)</u>	<u>135 951 959</u>	<u>254 134 620</u>

**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 2025	Pledged as collateral	Other	Available as collateral	Other	Total
<b>Asset type</b>					
Cash and balances with central banks	-	-	193 518 424	-	193 518 424
Money market investments	-	-	405 451 968	-	405 451 968
Financial assets at fair value through profit or loss	-	-	64 046 690	-	64 046 690
Loans and advances to customers	-	-	259 134 076	-	259 134 076
Other assets	-	-	<u>23 645 755</u>	-	<u>23 645 755</u>
<b>Total</b>	<u>-</u>	<u>-</u>	<b><u>945 796 913</u></b>	<u>-</u>	<b><u>945 796 913</u></b>
As at 31 December 2024	Pledged as collateral	Other	Available as collateral	Other	Total
<b>Asset type</b>					
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	-	-	<u>5 943 983</u>	-	<u>5 943 983</u>
<b>Total</b>	<u>-</u>	<u>-</u>	<b><u>647 064 770</u></b>	<u>-</u>	<b><u>647 064 770</u></b>

**(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.

FIRST CAPITAL BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

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 31-Dec-25	Financial assets at FVTPL K'000	Financial assets at amortized cost K'000	Financial liabilities at amortized cost K'000	Total Carrying amount K'000	Fair values K'000
<b>Financial assets</b>					
Cash and cash equivalents	-	193 518 424	-	193 518 424	193 518 424
Money market investments	-	405 451 968	-	405 451 968	405 451 968
Investments at FVTPL	64 046 690	-	-	64 046 690	64 046 690
Loans and advances	-	259 134 076	-	259 134 076	259 134 076
Other assets	-	10 159 490	-	10 159 490	10 159 490
	<u>64 046 690</u>	<u>868 263 958</u>	<u>-</u>	<u>932 310 648</u>	<u>932 310 648</u>
<b>Financial liabilities</b>					
Customer deposits	-	-	728 052 918	728 052 918	728 052 918
Lease liabilities	-	-	800 736	800 736	800 736
Other liabilities	-	-	45 963 779	45 963 779	45 963 779
	<u>-</u>	<u>-</u>	<u>774 817 433</u>	<u>774 817 433</u>	<u>774 817 433</u>
<b>Separate</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	193 518 424	-	193 518 424	193 518 424
Money market investments	-	405 451 968	-	405 451 968	405 451 968
Investments at FVTPL	64 046 690	-	-	64 046 690	64 046 690
Loans and advances	-	259 134 076	-	259 134 076	259 134 076
Other assets	-	10 159 490	-	10 159 490	10 159 490
	<u>64 046 690</u>	<u>868 263 958</u>	<u>-</u>	<u>932 310 648</u>	<u>932 310 648</u>
<b>Financial liabilities</b>					
Customer deposits	-	-	728 370 747	728 370 747	728 370 747
Lease liabilities	-	-	800 736	800 736	800 736
Other liabilities	-	-	46 147 872	46 147 872	46 147 872
	<u>-</u>	<u>-</u>	<u>775 319 355</u>	<u>775 319 355</u>	<u>775 319 355</u>

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**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.

<b>Consolidated 31-Dec-24</b>	<b>Financial assets at FVTPL K'000</b>	<b>Financial assets at amortized cost K'000</b>	<b>Financial liabilities at amortized cost K'000</b>	<b>Total Carrying amount K'000</b>	<b>Fair values K'000</b>
<b>Financial assets</b>					
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
	<u>15 848 359</u>	<u>631 243 861</u>	<u>-</u>	<u>647 092 220</u>	<u>647 092 220</u>
<b>Financial liabilities</b>					
Customer deposits	-	-	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
	<u>-</u>	<u>-</u>	<u>569 986 410</u>	<u>569 986 410</u>	<u>569 986 410</u>
<b>Separate</b>					
<b>Financial assets</b>					
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
	<u>15 848 359</u>	<u>631 216 411</u>	<u>-</u>	<u>647 064 770</u>	<u>647 064 770</u>
<b>Financial liabilities</b>					
Customer deposits	-	-	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
	<u>-</u>	<u>-</u>	<u>570 488 333</u>	<u>570 488 333</u>	<u>570 488 333</u>

**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**

	2025 K'000			2024 K'000		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial asset</b>						
Investment at fair value through P&L	<u>64 046 690</u>	<u>-</u>	<u>-</u>	<u>15 848 359</u>	<u>-</u>	<u>-</u>

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

**7. Cash and cash equivalents**

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Deposits with Central Bank	62 180 877	42 578 121	62 180 877	42 578 121
Balances with banks abroad	61 782 516	5 573 646	61 782 516	5 573 646
Cheques in course of clearing	63 847	92 080	63 847	92 080
Placements with other banks	45 000 000	75 133 148	45 000 000	75 133 148
Cash balances	<u>24 540 322</u>	<u>18 213 142</u>	<u>24 540 322</u>	<u>18 213 142</u>
<b>Total Cash and Cash Equivalents Before ECL</b>	<b><u>193 567 562</u></b>	<b><u>141 590 137</u></b>	<b><u>193 567 562</u></b>	<b><u>141 590 137</u></b>
Cash and Cash Equivalents - ECL	<u>(49 138)</u>	<u>(14 841)</u>	<u>(49 138)</u>	<u>(14 841)</u>
<b>Total cash and cash equivalents</b>	<b><u>193 518 424</u></b>	<b><u>141 575 296</u></b>	<b><u>193 518 424</u></b>	<b><u>141 575 296</u></b>

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

**Reconciliation of cash and cash equivalents to the statement cash flows is as follows:**

Total Cash and Cash Equivalents	193 518 424	141 575 296	193 518 424	141 575 296
Add: Expected credit losses	<u>49 138</u>	<u>-</u>	<u>49 138</u>	<u>-</u>
<b>Total cash and cash equivalents (SOCF)</b>	<b><u>193 567 562</u></b>	<b><u>141 575 296</u></b>	<b><u>193 567 562</u></b>	<b><u>141 575 296</u></b>

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 32 (i). Other cash and cash equivalents with other banks earn interest of 1.80% - 25.00% (2024: 20.00% - 25.00%).

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 K168.8 billion as at 31 December 2025 (2024: K272.0 billion). These have a tenor of more than 12 months with maturities ranging between January 2027 and Aug 2029 and with a coupon rate of 12.5% (2024: 13.5%).

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Gross amount</b>				
Treasury notes	222 052 209	248 902 800	222 052 209	248 902 800
Treasury notes - ECL	(4 912 720)	(2 384 033)	(4 912 720)	(2 384 033)
Treasury bills	190 139 185	63 890 545	190 139 185	63 890 545
Treasury bills - ECL	<u>(1 826 706)</u>	<u>(511 397)</u>	<u>(1 826 706)</u>	<u>(511 397)</u>
<b>Carrying value</b>	<b><u>405 451 968</u></b>	<b><u>309 897 915</u></b>	<b><u>405 451 968</u></b>	<b><u>309 897 915</u></b>
<u>Movement during the year was as follows:</u>				
As at 1 January	312 793 345	162 433 965	312 793 345	162 433 965
Purchases	<u>99 398 049</u>	<u>150 359 380</u>	<u>99 398 049</u>	<u>150 359 380</u>
As at 31 December	<u>412 191 394</u>	<u>312 793 345</u>	<u>412 191 394</u>	<u>312 793 345</u>
<b>Expected Credit Losses</b>				
Balance at 1 January	(2 895 430)	(1 783 214)	(2 895 430)	(1 783 214)
Charge	<u>(3 843 996)</u>	<u>(1 112 216)</u>	<u>(3 843 996)</u>	<u>(1 112 216)</u>
Balance at 31 December	<u>(6 739 426)</u>	<u>(2 895 430)</u>	<u>(6 739 426)</u>	<u>(2 895 430)</u>
<b>Carrying amount</b>	<b><u>405 451 968</u></b>	<b><u>309 897 915</u></b>	<b><u>405 451 968</u></b>	<b><u>309 897 915</u></b>

**9. Loans and advances to customers**

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Loans and advances (amortized cost) are receivable as follows:</b>				
Maturing within 3 months	143 464 055	71 831 503	143 464 055	71 831 503
Maturing between 3 and 12 months	52 174 280	35 925 704	52 174 280	35 925 704
Maturing after 12 months	<u>66 188 879</u>	<u>60 072 146</u>	<u>66 188 879</u>	<u>60 072 146</u>
	<u>261 827 214</u>	<u>167 829 353</u>	<u>261 827 214</u>	<u>167 829 353</u>
<b>Specific impairment allowances (Stage 3)</b>				
<b>Balance at 1 January</b>	(1 880 133)	(2 561 866)	(1 880 133)	(2 561 866)
Credit/(charge) for the year	(501 015)	(853 171)	(501 015)	(853 171)
Write-offs	<u>444 714</u>	<u>1 534 904</u>	<u>444 714</u>	<u>1 534 904</u>
<b>Balance at 31 December</b>	<u>(1 936 434)</u>	<u>(1 880 133)</u>	<u>(1 936 434)</u>	<u>(1 880 133)</u>
<b>Collective impairment allowance (Stages 2)</b>				
Balance at 1 January	(83 727)	(136 393)	(83 727)	(136 393)
Credit/(charge) for the year	<u>(74 937)</u>	<u>52 666</u>	<u>(74 937)</u>	<u>52 666</u>
<b>Balance at 31 December</b>	<u>(158 664)</u>	<u>(83 727)</u>	<u>(158 664)</u>	<u>(83 727)</u>
<b>Collective impairment allowance (Stages 1)</b>				
Balance at 1 January	(780 807)	(2 086 351)	(780 807)	(2 086 351)
Credit/(charge) for the year	<u>182 767</u>	<u>1 305 544</u>	<u>182 767</u>	<u>1 305 544</u>
<b>Balance at 31 December</b>	<u>(598 040)</u>	<u>(780 807)</u>	<u>(598 040)</u>	<u>(780 807)</u>
<b>Net loans and advances to customers</b>	<u>259 134 076</u>	<u>165 084 686</u>	<u>259 134 076</u>	<u>165 084 686</u>

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 34.

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 36.

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	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Prepayments	12 681 731	1 074 663	12 681 731	1 074 663
Stock of stationery	773 823	382 427	773 823	382 427
Stock of computer spares and other items	185 679	1 996	185 679	1 996
Other receivables	10 031 972	5 389 578	10 004 522	5 362 128
Other receivables - ECL	-	(61 699)	-	(61 699)
<b>Total other assets</b>	<u>23 673 205</u>	<u>6 786 965</u>	<u>23 645 755</u>	<u>6 759 515</u>

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 includes cash collateral with VISA , cash collateral with Afrexim, National Switch receivables, amounts due from government on payroll deducted loans and other sundry receivables. The group offers payroll deducted loans to civil servants, the repayments are collected through government.

The Group grants loans to its employees at interest rates lower than market rates. Included in other receivables is K215m (2024: K222m) 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	
	2025	2024
	K'000	K'000
First Capital Bank Limited S.A. Mozambique	13 402	65 589
First Capital Bank Limited Zimbabwe	286 158	226 331
First Capital Bank Limited Zambia	277 763	196 423
Directors	<u>48 864</u>	<u>44 211</u>
<b>Total amounts due from related parties</b>	<u>626 187</u>	<u>532 554</u>

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	
	2025	2024
	K'000	K'000
<b>Change in fair value</b>		
Balance at 1 January	15 848 359	10 918 842
Purchase of shares in a listed company	13 537 831	2 758 273
Movement in fair value (note 24(b))	<u>34 660 500</u>	<u>2 171 244</u>
<b>Balance at 31 December</b>	<u>64 046 690</u>	<u>15 848 359</u>

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

All investments in listed companies are measured 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:

	<b>Consolidated and separate</b>	
	<b>2025</b>	<b>2024</b>
<b>Shares held</b>		
Illovo Sugar (Malawi) Plc	8 665 541	8 665 541
Old Mutual Limited	<u>11 571 102</u>	<u>2 105 557</u>
<b>Share Price (Kwacha)</b>		
Illovo Sugar (Malawi) Plc	2 330.12	1 355.08
Old Mutual Limited	<u>3 790.04</u>	<u>1 950.01</u>
<b>Market Value (K'000)</b>		
Illovo Sugar (Malawi) Plc	20 191 750	11 742 501
Old Mutual Limited	<u>43 854 940</u>	<u>4 105 858</u>
	<u>64 046 690</u>	<u>15 848 359</u>

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. a) Investments in subsidiaries**

			<b>Separate</b>	
	<b>Shares (‘000)</b>	<b>Share- holding</b>	<b>2025 K'000</b>	<b>2024 K'000</b>
<b>Investment in subsidiaries (Dormant)</b>				
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%	<u>-</u>	<u>-</u>
			<u>208 791</u>	<u>208 791</u>

**b) Other Investments**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
National switch Limited	<u>111 000</u>	<u>111 000</u>	<u>111 000</u>	<u>111 000</u>
	<u>111 000</u>	<u>111 000</u>	<u>111 000</u>	<u>111 000</u>

The other investments balance includes K111 million in the National Switch. The other investments have been initially recognized and subsequently carried at cost

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**14. (a) Intangible assets**

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Cost</b>				
As at 1 January	9 323 463	8 249 213	9 318 463	8 244 213
Transfer from work in progress	991 821	178 414	991 821	178 414
Additions	457 821	895 836	457 821	895 836
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>As at 31 December</b>	<u>10 773 105</u>	<u>9 323 463</u>	<u>10 768 105</u>	<u>9 318 463</u>
<b>Accumulated amortization</b>				
As at 1 January	7 549 835	6 879 889	7 544 835	6 874 889
Charge for the year	527 301	669 946	527 301	669 946
Amortization On Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>As at 31 December</b>	<u>8 077 136</u>	<u>7 549 835</u>	<u>8 072 136</u>	<u>7 544 835</u>
<b>Carrying amount</b>	<u>2 695 969</u>	<u>1 773 628</u>	<u>2 695 969</u>	<u>1 773 628</u>

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 K992 million (2024: K178 million) from capital work in progress disclosed under note 14(b) to intangible assets following successful completion of the development of the software.

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

Consolidated	Freehold Property K'000	Leasehold Improvements K'000	Motor Vehicles K'000	Aero plane K'000	Equipment, Fixtures & Fittings K'000	Capital Work in Progress K'000	Total K'000
<b>Cost or valuation</b>							
<b>Balance at 1 January 2025</b>	13 115 223	7 986 468	2 504 428	1 398 862	13 905 431	3 267 767	42 178 179
Additions	-	-	1 104 710	-	2 848 274	1 379 482	5 332 466
Disposals	-	-	-	-	(773)	-	(773)
Impairment loss on building conversion	(417 528)	-	-	-	-	-	(417 528)
Transfer from work in progress	-	-	-	-	195 514	(1 187 335)	(991 821)
<b>Balance at 31 December 2025</b>	<u>12 697 695</u>	<u>7 986 468</u>	<u>3 609 138</u>	<u>1 398 862</u>	<u>16 948 446</u>	<u>3 459 914</u>	<u>46 100 523</u>
<b>Accumulated depreciation</b>							
<b>Balance at 1 January 2025</b>	-	387 839	1 730 461	587 086	8 652 396	-	11 357 782
Charge for the year	320 133	195 756	381 753	83 923	1 696 449	-	2 678 014
Released on disposal	-	-	-	-	(773)	-	(773)
Eliminated on revaluation	-	-	-	-	-	-	-
<b>Balance at 31 December 2025</b>	<u>320 133</u>	<u>583 595</u>	<u>2 112 214</u>	<u>671 009</u>	<u>10 348 072</u>	<u>-</u>	<u>14 035 023</u>
<b>Cost or valuation</b>							
<b>Balance at 1 January 2024</b>	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)
<b>Balance at 31 December 2024</b>	<u>13 115 223</u>	<u>7 986 468</u>	<u>2 504 428</u>	<u>1 398 862</u>	<u>13 905 431</u>	<u>3 267 767</u>	<u>42 178 179</u>
<b>Accumulated depreciation</b>							
<b>Balance at 1 January 2024</b>	-	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)
<b>Balance at 31 December 2024</b>	<u>-</u>	<u>387 839</u>	<u>1 730 461</u>	<u>587 086</u>	<u>8 652 396</u>	<u>-</u>	<u>11 357 782</u>
<b>Carrying amount</b>							
<b>At 31 December 2025</b>	<u>12 377 562</u>	<u>7 402 873</u>	<u>1 496 924</u>	<u>727 853</u>	<u>6 600 374</u>	<u>3 459 914</u>	<u>32 065 500</u>
<b>At 31 December 2024</b>	<u>13 115 223</u>	<u>7 598 629</u>	<u>773 967</u>	<u>811 776</u>	<u>5 253 035</u>	<u>3 267 767</u>	<u>30 820 397</u>

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14. (b) Property and equipment (Continued)

Following successful completion of projects, the Bank capitalised completed projects to property and equipment and intangible assets. In 2025, 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 K'000	Leasehold Improvements K'000	Motor Vehicles K'000	Aero plane K'000	Equipment, Fixtures & Fittings K'000	Capital Work in Progress K'000	Total K'000
<b>Cost or valuation</b>							
<b>Balance at 1 January 2025</b>	13 115 223	7 866 378	2 484 983	1 398 862	13 757 445	3 267 767	41 890 658
Additions	-	-	1 104 710	-	2 848 274	1 379 482	5 332 466
Disposals	-	-	-	-	(773)	-	(773)
Impairment loss on building conversion	(417 528)	-	-	-	-	-	(417 528)
Transfers	-	-	-	-	195 514	(1 187 335)	(991 821)
<b>Balance at 31 December 2025</b>	<u>12 697 695</u>	<u>7 866 378</u>	<u>3 589 693</u>	<u>1 398 862</u>	<u>16 800 460</u>	<u>3 459 914</u>	<u>45 813 002</u>
<b>Accumulated depreciation</b>							
<b>Balance at 1 January 2025</b>	-	267 749	1 711 016	587 086	8 504 410	-	11 070 261
Charge for the year	320 133	195 756	381 753	83 923	1 696 449	-	2 678 014
Released on disposal	-	-	-	-	(773)	-	(773)
Eliminated on revaluation	-	-	-	-	-	-	-
<b>Balance at 31 December 2025</b>	<u>320 133</u>	<u>463 505</u>	<u>2 092 769</u>	<u>671 009</u>	<u>10 200 086</u>	<u>-</u>	<u>13 747 502</u>
<b>Cost or valuation</b>							
<b>Balance at 1 January 2024</b>	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)
<b>Balance at 31 December 2024</b>	<u>13 115 223</u>	<u>7 866 378</u>	<u>2 484 983</u>	<u>1 398 862</u>	<u>13 757 445</u>	<u>3 267 767</u>	<u>41 890 658</u>
<b>Accumulated depreciation</b>							
<b>Balance at 1 January 2024</b>	-	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)
<b>Balance at 31 December 2024</b>	<u>-</u>	<u>267 749</u>	<u>1 711 016</u>	<u>587 086</u>	<u>8 504 410</u>	<u>-</u>	<u>11 070 261</u>
<b>Carrying amount</b>							
<b>At 31 December 2025</b>	<u>12 377 562</u>	<u>7 402 873</u>	<u>1 496 924</u>	<u>727 853</u>	<u>6 600 374</u>	<u>3 459 914</u>	<u>32 065 500</u>
<b>At 31 December 2024</b>	<u>13 115 223</u>	<u>7 598 629</u>	<u>773 967</u>	<u>811 776</u>	<u>5 253 035</u>	<u>3 267 767</u>	<u>30 820 397</u>

**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 K1.60 billion (2024: K1.66 billion).

The Group assessed its property and equipment for indicators of impairment. There was impairment assessed on some of the items of property and equipment and as such impairment losses were recognized on these assets.

## 15. Deferred tax

## Movements in temporary differences during the year

<b>Consolidated 2025</b>	<b>Opening balance K'000</b>	<b>Recognized in profit or loss K'000</b>	<b>Recognized in other comprehensive income K'000</b>	<b>Closing balance K'000</b>
Property and equipment	3 540	(279 913)	-	(276 373)
Deferred and accrued income	3 705 139	(2 215 987)	-	1 489 152
Investments at fair value	-	(15 430 318)	-	(15 430 318)
Revaluation of property	(2 568 082)	-	167 011	(2 401 071)
Gratuity and severance pay liabilities	2 021 314	787 035	-	2 808 349
ECL provisions	1 986 836	1 246 866	-	3 233 702
Other temporary differences	<u>1 137 819</u>	<u>244 054</u>	<u>-</u>	<u>1 381 873</u>
	<u>6 286 566</u>	<u>(15 648 263)</u>	<u>167 011</u>	<u>(9 194 686)</u>
<b>2024</b>				
Property and equipment	124 286	(120 746)	-	3 540
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	<u>1 109 684</u>	<u>28 135</u>	<u>-</u>	<u>1 137 819</u>
	<u>497 227</u>	<u>8 312 348</u>	<u>(2 523 009)</u>	<u>6 286 566</u>
<b>Separate 2025</b>				
Property and equipment	(483)	(279 913)	-	(280 396)
Deferred and accrued income	3 705 139	(2 215 987)	-	1 489 152
Investments at fair value	-	(15 430 318)	-	(15 430 318)
Revaluation of property	(2 568 082)	-	167 011	(2 401 071)
Gratuity and severance pay liabilities	2 021 314	787 035	-	2 808 349
ECL provisions	1 986 836	1 246 866	-	3 233 702
Other temporary differences	<u>1 138 419</u>	<u>244 054</u>	<u>-</u>	<u>1 382 473</u>
	<u>6 283 144</u>	<u>(15 648 263)</u>	<u>167 011</u>	<u>(9 198 109)</u>
<b>2024</b>				
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	<u>1 110 284</u>	<u>28 135</u>	<u>-</u>	<u>1 138 419</u>
	<u>493 804</u>	<u>8 312 348</u>	<u>(2 523 009)</u>	<u>6 283 144</u>

**16. Balances due to other banks**

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Local banks	-	8 670 059	-	8 670 059
Total balance due to other banks	<u>-</u>	<u>8 670 059</u>	<u>-</u>	<u>8 670 059</u>
<b>Payable as follows:</b>				
Due within 1 year	-	8 670 059	-	8 670 059
	<u>-</u>	<u>8 670 059</u>	<u>-</u>	<u>8 670 059</u>

**Movement during the year was as follows:**

Balance at 1 January	8 670 059	22 878 915	8 670 059	22 878 915
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**Cash flow items:**

Net increase or (decrease)	(8 670 059)	(14 208 856)	(8 670 059)	(14 208 856)
Additions	-	8 670 059	-	8 670 059
Repayment	(8 670 059)	(22 878 915)	(8 670 059)	(22 878 915)

<b>Carrying amount</b>	<u>-</u>	<u>8 670 059</u>	<u>-</u>	<u>8 670 059</u>
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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. There was no amount outstanding, due to this agreement, as at end of the reporting period (2024: K8.7 billion). The corresponding asset under the arrangement has been disclosed under note 33.

**17. Customer deposits**

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Current and savings accounts	495 215 235	314 260 160	495 533 064	314 577 989
Foreign currency accounts	121 319 496	105 501 428	121 319 496	105 501 428
Term deposit accounts	<u>111 518 187</u>	<u>98 505 578</u>	<u>111 518 187</u>	<u>98 505 578</u>
Total customer deposits	<u>728 052 918</u>	<u>518 267 166</u>	<u>728 370 747</u>	<u>518 584 995</u>
<b>Payable as follows:</b>				
Maturing within 3 months	717 425 820	508 554 523	717 743 649	508 872 352
Maturing after 3 months	<u>10 627 098</u>	<u>9 712 643</u>	<u>10 627 098</u>	<u>9 712 643</u>
	<u>728 052 918</u>	<u>518 267 166</u>	<u>728 370 747</u>	<u>518 584 995</u>

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

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

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Accrued expenses	10 954 620	7 475 748	10 954 620	7 475 748
Bankers' cheques issued and uncleared	506 903	551 191	506 903	551 191
Bills payable	5 257 987	1 196 605	5 256 253	1 194 871
Interest payable	71 876	4 545 202	71 876	4 545 202
Margins on letters of credit and other instruments	1 152 639	654 779	1 152 639	654 779
Employee benefits liabilities	281 546	27 021	281 546	27 021
Trade payables	<u>26 877 675</u>	<u>20 313 824</u>	<u>27 063 502</u>	<u>20 499 652</u>
Total Trade and Other payables	<u>45 103 246</u>	<u>34 764 370</u>	<u>45 287 339</u>	<u>34 948 464</u>

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 and Separate		
	Legal provisions	Guarantees and Letters of Credit provisions	Total
Balance at 1 January 2025	2 249 928	1 427 842	3 677 770
Arising during the year	-	161 338	161 338
Utilised	<u>(130 395)</u>	<u>(1 197 297)</u>	<u>(1 327 692)</u>
<b>Balance at 31 December 2025</b>	<b><u>2 119 533</u></b>	<b><u>391 883</u></b>	<b><u>2 511 416</u></b>
Balance at 1 January 2024	2 217 479	-	2 217 479
Reclassification from loans and advances ECL	-	728 937	728 937
Arising during the year	32 449	1 320 443	1 352 892
Utilised	<u>-</u>	<u>(621 538)</u>	<u>(621 538)</u>
<b>Balance at 31 December 2024</b>	<b><u>2 249 928</u></b>	<b><u>1 427 842</u></b>	<b><u>3 677 770</u></b>

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	
	2025 K'000	2024 K'000
First Capital Shared Services Limited	387 717	2 899 580
FMBcapital Holdings Plc	393 252	806 050
First Capital Bank Limited Botswana	<u>79 564</u>	<u>-</u>
Total amounts due to related parties	<b><u>860 533</u></b>	<b><u>3 705 630</u></b>

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

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**19. Share capital**

	<b>Consolidated and separate</b>	
	<b>2025</b>	<b>2024</b>
	<b>K'000</b>	<b>K'000</b>
(a) Share capital	<u>116 813</u>	<u>116 813</u>

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

	<b>Consolidated and separate</b>	
	<b>2025</b>	<b>2024</b>
	<b>K'000</b>	<b>K'000</b>
(b) Share premium	<u>1 565 347</u>	<u>1 565 347</u>

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**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
Opening balance	10 332 115	12 530 399	10 332 115	12 530 399
Property revaluation net of deferred tax and impairment losses	<u>(250 517)</u>	<u>(2 198 284)</u>	<u>(250 517)</u>	<u>(2 198 284)</u>
Closing balance	<u>10 081 598</u>	<u>10 332 115</u>	<u>10 081 598</u>	<u>10 332 115</u>

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**

	<b>Consolidated</b>		<b>Separate</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
As at 1 January	934 799	1 089 212	934 799	1 089 212
Transfer to retained earnings	<u>(441 069)</u>	<u>(154 413)</u>	<u>(441 069)</u>	<u>(154 413)</u>
As at 31 December	<u>493 730</u>	<u>934 799</u>	<u>493 730</u>	<u>934 799</u>

**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.

As at 31 December 2025

<i>In thousands of Malawi Kwacha</i>	Consolidated			Separate		Total Carrying Amount
	Within 12 months	After 12 months	Total Carrying Amount	Within 12 months	After 12 months	
<b>ASSETS</b>						
Cash and cash equivalents	193 518 424	-	<b>193 518 424</b>	193 518 424	-	<b>193 518 424</b>
Money market investments	240 389 638	165 062 330	<b>405 451 968</b>	240 389 638	165 062 330	<b>405 451 968</b>
Loans and advances to customers	192 945 197	66 188 879	<b>259 134 076</b>	192 945 197	66 188 879	<b>259 134 076</b>
Amounts due from related parties	626 187	-	<b>626 187</b>	626 187	-	<b>626 187</b>
Current tax asset	43 649	-	<b>43 649</b>	-	-	-
Other assets	22 269 622	1 403 583	<b>23 673 205</b>	22 242 172	1 403 583	<b>23 645 755</b>
Other Investments	-	111 000	<b>111 000</b>	-	111 000	<b>111 000</b>
Investments at fair value through profit or loss	-	64 046 690	<b>64 046 690</b>	-	64 046 690	<b>64 046 690</b>
Intangible assets	-	2 695 969	<b>2 695 969</b>	-	2 695 969	<b>2 695 969</b>
Right of use assets	288 787	264 902	<b>553 689</b>	288 787	264 902	<b>553 689</b>
Investment in subsidiary companies	-	-	-	-	208 791	<b>208 791</b>
Property and equipment	-	32 065 500	<b>32 065 500</b>	-	32 065 500	<b>32 065 500</b>
<b>Total assets</b>	<b>650 081 504</b>	<b>331 838 853</b>	<b>981 920 357</b>	<b>650 010 405</b>	<b>332 047 644</b>	<b>982 058 049</b>
<b>LIABILITIES</b>						
<b>Liabilities</b>						
Customer deposits	728 052 918	-	728 052 918	728 370 747	-	728 370 747
Amounts due to related parties	860 533	-	860 533	860 533	-	860 533
Income tax payable	20 376 854	-	20 376 854	20 366 483	-	20 366 483
Other payables	45 103 246	-	45 103 246	45 287 339	-	45 287 339
Lease liabilities	548 467	252 269	800 736	548 467	252 269	800 736
Provisions	2 511 416	-	2 511 416	2 511 416	-	2 511 416
Deferred Tax Liabilities	9 194 686	-	9 194 686	9 198 109	-	9 198 109
<b>Total liabilities</b>	<b>806 648 120</b>	<b>252 269</b>	<b>806 900 389</b>	<b>807 143 094</b>	<b>252 269</b>	<b>807 395 363</b>
<b>Off-balance sheet exposures</b>						
Financial guarantees	118 064 978	21 411 775	<b>139 476 753</b>	118 064 978	21 411 775	<b>139 476 753</b>
Letters of credit	39 591 096	-	<b>39 591 096</b>	39 591 096	-	<b>39 591 096</b>
<b>Total off-balance sheet exposures</b>	<b>157 656 074</b>	<b>21 411 775</b>	<b>179 067 849</b>	<b>157 656 074</b>	<b>21 411 775</b>	<b>179 067 849</b>

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

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

As at 31 December 2024

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

**23. (a) Interest income**

	Consolidated		Separate	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Loans and advances	49 354 613	36 525 982	49 354 613	36 525 982
Treasury bills	35 097 250	7 961 247	35 097 250	7 961 247
Treasury notes	68 015 538	46 907 239	68 015 538	46 907 239
Placements with other banks	<u>8 910 279</u>	<u>4 926 269</u>	<u>8 910 279</u>	<u>4 926 269</u>
Total interest income	<u>161 377 680</u>	<u>96 320 737</u>	<u>161 377 680</u>	<u>96 320 737</u>

**(b) Interest expense**

	Consolidated		Separate	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Interest paid-Customer deposits	23 431 311	19 177 714	23 431 311	19 177 714
Interest paid- Borrowings from banks	923 453	1 057 274	923 453	1 057 274
Interest expense on lease liability (note 37(b))	<u>209 622</u>	<u>178 523</u>	<u>209 622</u>	<u>178 523</u>
Total interest expense	<u>24 564 386</u>	<u>20 413 511</u>	<u>24 564 386</u>	<u>20 413 511</u>

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. Fees and commission income**

**(a) Net Fees and commissions**

	Consolidated		Separate	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
<b><i>Fee earned from services that are provided at a point in time:</i></b>				
Account activity fees	2 778 144	2 190 095	2 778 144	2 190 095
Card-based transaction fees	3 207 680	1 854 922	3 207 680	1 854 922
Commission on forex transactions	67 698 627	28 579 015	67 698 627	28 579 015
Other fees and commission	<u>11 919 459</u>	<u>9 077 024</u>	<u>11 919 459</u>	<u>9 077 024</u>
	<u>85 603 910</u>	<u>41 701 056</u>	<u>85 603 910</u>	<u>41 701 056</u>
<b><i>Fee earned from services that are provided over time:</i></b>				
Guarantees	4 147 300	2 289 674	4 147 300	2 289 674
Facility processing fees	<u>6 153 192</u>	<u>3 582 594</u>	<u>6 153 192</u>	<u>3 582 594</u>
	<u>10 300 492</u>	<u>5 872 268</u>	<u>10 300 492</u>	<u>5 872 268</u>
<b>Gross fees and commissions income</b>	95 904 402	47 573 324	95 904 402	47 573 324
Fees and commission expense <sup>1</sup>	<u>(3 952 804)</u>	<u>(2 826 154)</u>	<u>(3 952 804)</u>	<u>(2 826 154)</u>
<b>Net fees and commission</b>	<u>91 951 598</u>	<u>44 747 170</u>	<u>91 951 598</u>	<u>44 747 170</u>

<sup>1</sup> The line items ' Fees and commission expense' has been introduced on the face of the 'Statement of Profit or Loss and Other Comprehensive Income' to align with the parent entity's presentation. This was done to provide the stakeholders with a view of the bank's operational costs associated with fee-generating activities. The comparatives have been amended to align with the current period's presentation for consistency and comparability.

**24. Fees and commission income**(continued)**(a) Net Fees and commissions**(continued)

Fee income and expense relates to amounts other than those included in determining the effective interest rate. These arise from financial assets and liabilities that are not measured at FVPL and trust and other fiduciary duties that result in the holding or investing of assets on behalf of the Group's customers

**(b) Income from investments**

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Dividend income	175 477	45 234	175 477	45 234
Movement in fair value of investments (note 12)	<u>34 660 500</u>	<u>2 171 244</u>	<u>34 660 500</u>	<u>2 171 244</u>
Total	<u>34 835 977</u>	<u>2 216 478</u>	<u>34 835 977</u>	<u>2 216 478</u>

**(c) Gain/(loss) on foreign exchange transactions**

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Gain/(loss) on foreign exchange transactions	(13 079 774)	7 091 779	(13 079 774)	7 091 779
Total	<u>(13 079 774)</u>	<u>7 091 779</u>	<u>(13 079 774)</u>	<u>7 091 779</u>

**(d) Other Operating Income**

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Gain on disposal of assets	-	32 468	-	32 468
Gain on Lease remeasurement	13 578	-	13 578	-
Rental income	196 233	139 661	196 233	139 661
Sundry income	<u>470 814</u>	<u>587 017</u>	<u>470 814</u>	<u>587 017</u>
Total	<u>680 625</u>	<u>759 146</u>	<u>680 625</u>	<u>759 146</u>

**25. Staff and training costs**

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Contributions to defined contribution pension plans	1 347 487	1 029 044	1 347 487	1 029 044
Salaries and wages	16 767 308	11 559 158	16 767 308	11 559 158
Training and other staff costs	<u>6 682 404</u>	<u>4 784 575</u>	<u>6 682 404</u>	<u>4 784 575</u>
Total staff and training costs	<u>24 797 199</u>	<u>17 372 777</u>	<u>24 797 199</u>	<u>17 372 777</u>

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

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
IT and communication costs	6 164 692	5 576 432	6 164 692	5 576 432
Card operating expenses	-	2 091 611	-	2 091 611
Security costs	925 190	783 138	925 190	783 138
Other expenses	<u>800 110</u>	<u>566 502</u>	<u>800 110</u>	<u>566 502</u>
Total Premises and equipment costs	<u>7 889 992</u>	<u>9 017 683</u>	<u>7 889 992</u>	<u>9 017 683</u>

**(b) Administration and general expenses**

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Administration expenses	17 589 078	11 889 693	17 589 078	11 889 693
Auditor's remuneration	439 249	307 111	439 249	307 111
Bank charges	1 488 227	1 574 810	1 488 227	1 574 810
Non-executive Directors' remuneration	858 542	760 897	858 542	760 897
Insurance	189 725	163 116	189 725	163 116
Legal and consultancy fees	620 453	979 232	620 453	979 232
Marketing costs	3 252 441	2 731 743	3 252 441	2 731 743
Motor vehicle running costs	750 850	709 940	750 850	709 940
Repairs and maintenance	855 727	616 613	855 727	616 613
Operational losses	619 512	343 842	619 512	343 842
Postage	91 087	62 424	91 087	62 424
Printing and stationery	702 889	593 401	702 889	593 401
Professional subscriptions	155 991	83 563	155 991	83 563
Telephone expenses	30 428	41 123	30 428	41 123
Travel expenses	762 733	403 298	762 733	403 298
Utilities	<u>570 098</u>	<u>613 562</u>	<u>570 098</u>	<u>613 562</u>
Total	<u>28 977 030</u>	<u>21 874 368</u>	<u>28 977 030</u>	<u>21 874 368</u>

**(c) Depreciation and amortisation**

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
Property and equipment (note 14 (b))	2 678 014	2 066 331	2 678 014	2 066 331
Depreciation for right-of -use-assets (note 37(b))	312 493	323 995	312 493	323 995
Intangible assets amortisation (note 14(a))	<u>527 301</u>	<u>669 946</u>	<u>527 301</u>	<u>669 946</u>
Total depreciation and amortisation	<u>3 517 808</u>	<u>3 060 272</u>	<u>3 517 808</u>	<u>3 060 272</u>

**27. Income tax expense**

*Recognised in the statement of comprehensive income*

	2025 (K'000)	Consolidated 2024 (K'000)	Separate 2025 (K'000)	2024 (K'000)
<b>(a) Current tax expense</b>				
Current year at 30% (and 40% for taxable profits above MK5 billion) (2024: 30%, 40% for taxable profits above MK10 billion)	59 704 012	38 530 058	59 704 012	38 530 058
Origination and reversal of temporary differences (Note 15)	<u>15 648 263</u>	<u>(8 312 348)</u>	<u>15 648 263</u>	<u>(8 312 348)</u>
	<u>75 352 275</u>	<u>30 217 710</u>	<u>75 352 275</u>	<u>30 217 710</u>
<b>(b) Reconciliation of effective tax rate</b>				
Operating Profit	182 848 508	77 337 235	182 848 508	77 337 235
Tax using the domestic tax rate of 30% (and 40% for taxable profits above MK5Bn) (2024: 30%, 40% for taxable profits above MK5billion)	72 639 404	29 934 894	72 639 404	29 934 894
Non-deductible expenses	1 530 303	1 334 296	1 530 303	1 334 296
Tax exempt income	(383 552)	(1 051 480)	(383 552)	(1 051 480)
Effect of change in capital gains tax law*	<u>1 566 120</u>	<u>-</u>	<u>1 566 120</u>	<u>-</u>
	<u>75 352 275</u>	<u>30 217 710</u>	<u>75 352 275</u>	<u>30 217 710</u>
<b>(c) Income tax (recoverable)/payable</b>				
As at 1 January	10 204 892	4 201 773	10 238 170	4 235 051
Other adjustments	(39 170)	-	(39 170)	-
Charge for the year	59 704 012	38 530 058	59 704 012	38 530 058
Paid during the year	<u>(49 536 529)</u>	<u>(32 526 939)</u>	<u>(49 536 529)</u>	<u>(32 526 939)</u>
<b>As at 31 December</b>	<u>20 333 205</u>	<u>10 204 892</u>	<u>20 366 483</u>	<u>10 238 170</u>

**Presented in the statement of financial position as**

Current tax assets	43 649	43 649	-	-
Current tax liabilities	<u>(20 376 854)</u>	<u>(10 248 541)</u>	<u>(20 366 483)</u>	<u>(10 238 170)</u>
	<u>(20 333 205)</u>	<u>(10 204 892)</u>	<u>(20 366 483)</u>	<u>(10 238 170)</u>

**Change in capital gains tax law\***

On 30 December 2025, the Government of Malawi implemented amendments to capital gains taxation as part of the 2025/26 Mid-Year Budget Review. The amendments removed the exemption for gains on shares held for more than one year, meaning that capital gains tax is now applicable to all disposals of shares regardless of the holding period.

In accordance with IAS 12, the Group remeasured its deferred tax assets and liabilities using the revised tax treatment because the law was substantively enacted by the reporting date. The remeasurement resulted in a net deferred tax charge of MK1.6Bn, presented separately in the effective tax rate reconciliation as "Effect of change in capital gains tax law."

Previously, gains on long-held shares were classified as tax-exempt income, reducing the Group's effective tax rate. Following the law change, these items no longer qualify as exempt, and the related deferred tax effects now increase the Group's effective tax rate.

**28. Group subsidiaries**

**List of subsidiaries**

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

Company name	Principal place of business	Ownership interest	
		2025	2024
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%

## 29. Dividends

In 2025, the Bank paid, to its shareholders, cash dividend amounting to K40.20 billion (2024: K14.50 billion). K15.20 billion was paid in May 2025 as 2024 final dividend, K15.00 billion was paid in August 2025 as first interim dividend and K10.00 billion was paid in October 2025 as second interim dividends for 2025.

## 30. 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	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
<b>Corporate bodies directly or indirectly related to Directors:</b>				
Balance at the beginning of the year	1 469 908	3 455 449	1 469 908	3 455 449
Loans granted during the year	12 197 992	-	12 197 992	-
Repayments	<u>(10 488 483)</u>	<u>(1 985 541)</u>	<u>(10 488 483)</u>	<u>(1 985 541)</u>
<b>Balance at the end of the year</b>	<u><b>3 179 417</b></u>	<u><b>1 469 908</b></u>	<u><b>3 179 417</b></u>	<u><b>1 469 908</b></u>
<b>Senior management:</b>				
Balance at the beginning of the year	536 826	983 775	536 826	983 775
Loans granted during the year	434 834	-	434 834	-
Repayments	<u>(95 558)</u>	<u>(446 949)</u>	<u>(95 558)</u>	<u>(446 949)</u>
<b>Balance at the end of the year</b>	<u><b>876 102</b></u>	<u><b>536 826</b></u>	<u><b>876 102</b></u>	<u><b>536 826</b></u>

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 the Chief Executive Officer, Group Managing Director and the Group Chief Risk Officer. Advances to employees include K47.4 million (2024: K16.3 million) of interest free advances and K2.9 billion (2024: K2.6 billion) of advances which carry interest at 12.7% per annum (2024:12.7%). 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.

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

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

<b>Counter party</b>	<b>Name of related parties</b>	<b>Relationship</b>	<b>Nature of balances</b>	<b>2025 (K'000)</b>	<b>2024 (K'000)</b>
First Capital Bank Plc (Malawi)	FMBcapital Holdings Plc (Mauritius)	Ultimate shareholder	Deposit account	128 566	2 153
First Capital Bank Plc (Malawi)	First Capital Shared Services Limited (Mauritius)	Subsidiary of FMBCH	Intercompany payable	387 717	2 499 652
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Zimbabwe)	Subsidiary of FMBCH	Deposit account	139 589	142 916
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Zimbabwe)	Subsidiary of FMBCH	Intercompany receivable	286 158	226 331
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Zambia)	Subsidiary of FMBCH	Intercompany receivable	277 763	206 479
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Botswana)	Subsidiary of FMBCH	Intercompany receivable	-	67 019
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Botswana)	Subsidiary of FMBCH	Intercompany payable	79 564	-
First Capital Bank Plc (Malawi)	First Capital Bank S.A (Mozambique)	Subsidiary of FMBCH	Intercompany receivable	13 402	64 404
First Capital Bank Plc (Malawi)	FMBcapital Holdings Plc (Mauritius)	Ultimate shareholder	Intercompany payable	393 252	1 028 386
First Capital Bank Plc (Malawi)	First Capital Bank Directors	Directors	Reimbursements	48 864	44 211

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:

	<b>2025 K'000</b>	<b>2024 K'000</b>
Deposits	<u>317 829</u>	<u>317 829</u>

FIRST CAPITAL BANK PLC  
**NOTES TO THE FINANCIAL STATEMENTS** (Continued)  
For the year ended 31 December 2025

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

The following transactions were conducted with related parties:

Counter party	Name of related parties	Relationship	Nature of transactions	2025	2024
				(K'000)	(K'000)
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Botswana)	Subsidiary of FMBCH	Interest Income (Placement with Affiliated)	12 590	26 237
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Botswana)	Subsidiary of FMBCH	Interest Income (Placement with Affiliated)	24 430	-
First Capital Bank Plc (Malawi)	First Capital Bank S.A (Mozambique)	Subsidiary of FMBCH	Interest Income (Placement with Affiliated)	-	488 887
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Zambia)	Subsidiary of FMBCH	Interest Income (Placement with Affiliated)	13 148	552 182
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Zambia)	Subsidiary of FMBCH	commission on FCY	-	52 319
First Capital Bank Plc (Malawi)	First Capital Bank S.A (Mozambique)	Subsidiary of FMBCH	Cash buy expense	1 011 403	70 193
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Zambia)	Subsidiary of FMBCH	LCs Establishment Commission	1 926	-
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Zambia)	Subsidiary of FMBCH	Other expense (cash swap expense)	819	-
First Capital Bank Plc (Malawi)	First Capital Bank S.A (Mozambique)	Subsidiary of FMBCH	Interest expense from borrowing	-	2 651
First Capital Bank Plc (Malawi)	First Capital Bank Ltd (Botswana)	Subsidiary of FMBCH	Other expense (currency swap interest expense)	6 013 218	5 583 845
First Capital Bank Plc (Malawi)	FMBcapital Holdings Plc (Mauritius)	Ultimate shareholder	Group shares services	3 960 492	3 237 650
First Capital Bank Plc (Malawi)	First Capital Shared Services Limited (Mauritius)	Subsidiary of FMBCH	Group shares services		

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

	Consolidated		Separate	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
<b>Non-executive directors</b>				
<b>Directors' fees and expenses</b>	<u>858 542</u>	<u>760 897</u>	<u>858 542</u>	<u>760 897</u>
<b>Compensation of key management personnel</b>				
<b>Salaries, bonuses, and benefits</b>	<u>4 185 804</u>	<u>2 958 996</u>	<u>4 185 804</u>	<u>2 958 996</u>

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	2025	2024	
	K'000	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	<u>151 774</u>	<u>151 774</u>
		<u>240 774</u>	<u>240 774</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

For the year ended 31 December 2025

**30. 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 2025, 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:

	<b>Ordinary shares</b>	
	<b>2025</b>	<b>2024</b>
H. N. Anadkat	1 114 939 081	1 117 695 155
T. Kadantot	1 587 600	1 587 600

**31. 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:

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

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

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Contingent liabilities</b>				
Acceptances and letters of credit	39 651 140	28 371 501	39 651 140	28 371 501
Financial guarantees	<u>139 889 658</u>	<u>168 274 363</u>	<u>139 889 658</u>	<u>168 274 363</u>
	<u>179 540 798</u>	<u>196 645 864</u>	<u>179 540 798</u>	<u>196 645 864</u>
<b>Other contingent liabilities</b>				
Tax claims	2 403 268	368 487	2 403 268	368 487
Legal claims	<u>2 542 816</u>	<u>456 283</u>	<u>2 542 816</u>	<u>456 283</u>
	<u>4 946 084</u>	<u>824 770</u>	<u>4 946 084</u>	<u>824 770</u>

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 and 2025 for a combined claim of K2.40 billion (principal plus penalties) relating to Value Added Tax (VAT) and Corporate Income Tax. The Bank contends that MRA's claim is not in line with the provisions of the VAT Act and Taxation Act and appropriate taxes were settled.

Legal claims represent outstanding legal cases against the Bank as at 31 December 2025, the outcome of which is uncertain. The amount disclosed of MK2.54 billion (2024: MK0.46 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	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
<b>Capital expenditure (authorized but not contracted for)</b>				
Property and equipment	1 905 355	3 190 528	1 905 355	3 190 528
Intangible Assets	<u>2 891 419</u>	<u>2 395 181</u>	<u>2 891 419</u>	<u>2 395 181</u>
<b>Total</b>	<u>4 796 774</u>	<u>5 585 709</u>	<u>4 796 774</u>	<u>5 585 709</u>

**32. Statutory requirements**

In accordance with Liquidity Reserve Requirement Directive 2015, (No. LRR 1-25 FM) and the Financial Services (Capital Adequacy for Banks) Directive 2012 and the Financial Services (Capital Adequacy for Banks) Directive, 2018, 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% (2024: 10.00%) for LCY and not less than 3.75% (2024: 3.75%) for FCY of the preceding weeks total deposit liabilities. In December 2025 the liquidity reserve was 10.07% (2024: 10.00%) and 3.78% (2024: 3.75%) of total customer deposits for LCY and FCY respectively.

**32. Statutory requirements** (Continued)**(ii) Capital Adequacy Requirement**

Reserve Bank of Malawi in alignment with Basel III requires the bank to maintain a minimum Tier 1 capital, which is further subdivided into Common Equity Tier 1 (CET 1) Capital and Additional Tier 1 (AT1) Capital. The minimum percentage of total risk-weighted assets for Tier 1 Capital and Common Equity Tier 1 Capital are **10%** and **8.5%**, respectively. The Reserve bank of Malawi also require the bank to maintain a minimum Total Capital which is **15%** of total risk-weighted assets

The total capital is made up of the following:

- (1) Common Equity Tier 1 (CET 1) Capital, which includes paid-up share capital, share premium, retained earnings, general reserves, less regulatory adjustments applicable to CET1 capital. These adjustments include goodwill, other intangible assets, Deferred tax assets, investment in unconsolidated financial institutions and Underwriting positions held for longer than 21 days.
- (2) Tier 1 capital, which includes CET 1 Capital and AT1 Capital. AT1 Capital includes Instruments issued by the bank that are eligible as AT1 Capital, share premium resulting from issue of instruments included in AT1 Capital, less regulatory adjustments applicable to AT1 capital; and
- (3) Tier 2 capital, which includes subordinated debt, general loan loss reserves, Instruments issued by the bank that are eligible as Tier 2 capital, less regulatory adjustments applied to Tier 2 Capital.

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

	Consolidated		Separate	
	2025 K'000	2024 K'000	2025 K'000	2024 K'000
CET 1 risk-based capital ratio (minimum 8.5%)	22.74%	-	22.68%	-
Tier 1 risk-based capital ratio (minimum 10%)	22.74%	17.01%	22.68%	16.93%
Total risk-weighted capital ratio (minimum 15%)	22.81%	19.12%	22.75%	19.01%

**33. Repurchase agreements****Consolidated and Separate**

	2025 K'000	2024 K'000
Repurchase agreements	-	8 714 531
<b>Movement during the year was as follows:</b>		
As at 1 January	8 714 531	8 383 221
Purchases	-	8 749 652
Maturities	(8 749 652)	(8 416 667)
Expected credit losses	35 121	(1 675)
As at 31 December	-	8 714 531

Funds under repurchase agreement	Trade date	Maturity date	K'000	Spot/ Forward Rate
<b>31-Dec-25</b>	-	-	-	-
<b>31-Dec-24</b>				
US\$ 5.0 million	1-Oct-24	1-Apr-25	8 749 652	1734.01/1733.09

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**.

**34. Impairment loss on financial assets**

	Consolidated		Separate	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
<b>Impairment allowance on loans and advances</b>				
Impairment charge	1 635 019	1 377 051	1 635 019	1 377 051
Recoveries	<u>(1 271 049)</u>	<u>(1 145 224)</u>	<u>(1 271 049)</u>	<u>(1 145 224)</u>
	<u>363 970</u>	<u>231 827</u>	<u>363 970</u>	<u>231 827</u>
<b>Impairment allowance on Guarantees and Letters of Credit</b>				
Impairment charge	(1 035 958)	698 905	(1 035 958)	698 905
Recoveries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(1 035 958)</u>	<u>698 905</u>	<u>(1 035 958)</u>	<u>698 905</u>
<b>Impairment allowance on money market investments, cash equivalents and repurchase agreements</b>				
Impairment charge	3 843 171	1 128 732	3 843 171	1 128 732
Recoveries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3 843 171</u>	<u>1 128 732</u>	<u>3 843 171</u>	<u>1 128 732</u>
<b>Total impairment loss on money market investments and cash equivalents</b>	<u>3 171 183</u>	<u>2 059 464</u>	<u>3 171 183</u>	<u>2 059 464</u>
<b>Comprising</b>				
<b>Impairment allowance on loans and advances</b>				
Specific impairment charges	471 284	651 772	471 284	651 772
Collective impairment charges	<u>(107 314)</u>	<u>(419 945)</u>	<u>(107 314)</u>	<u>(419 945)</u>
	<u>363 970</u>	<u>231 827</u>	<u>363 970</u>	<u>231 827</u>
<b>Impairment allowance on Guarantees and Letters of Credit</b>				
Specific impairment charges	(512 569)	698 905	(512 569)	698 905
Collective impairment charges	<u>(523 389)</u>	<u>-</u>	<u>(523 389)</u>	<u>-</u>
	<u>(1 035 958)</u>	<u>698 905</u>	<u>(1 035 958)</u>	<u>698 905</u>
<b>Impairment allowance on money market investments and cash equivalents</b>				
Collective impairment charges/(recoveries)	<u>3 843 171</u>	<u>1 128 732</u>	<u>3 843 171</u>	<u>1 128 732</u>
	<u>3 843 171</u>	<u>1 128 732</u>	<u>3 843 171</u>	<u>1 128 732</u>
<b>Total impairment loss on financial assets</b>	<u>3 171 183</u>	<u>2 059 464</u>	<u>3 171 183</u>	<u>2 059 464</u>

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

### 35. 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.

<b><u>Exchange rates</u></b>	<b>2025</b>	<b>2024</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Malawi Kwacha/GBP	2 416.04	2 243.20
Malawi Kwacha/Rand	107.26	95.38
Malawi Kwacha/US Dollar	1 749.00	1 733.83
Malawi Kwacha/Euro	2 107.54	1 859.78
Malawi Kwacha/Pula	126.08	126.80
Malawi Kwacha/Meticais	27.41	27.41
Malawi Kwacha/Zambia Kwacha	80.44	64.30
<b><u>Inflation rate %</u></b>	<u>26.00</u>	<u>28.10</u>

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

	<b>2026</b>
	<b>Kwacha</b>
Malawi Kwacha/GBP	2 416.04
Malawi Kwacha/Rand	107.26
Malawi Kwacha/US Dollar	1 749.00
Malawi Kwacha/Euro	2 107.54
Malawi Kwacha/Pula	126.08
Malawi Kwacha/Meticais	27.41
Malawi Kwacha/Zambia Kwacha	80.44
Inflation rate % (February 2026)	<u>24.1</u>

### 36. 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:

	<b>2025</b>	<b>2024</b>
<b>Assets</b>		
Government securities	16.00 - 35.00 %	16.00 - 35.00 %
Deposits with banking institutions	20.00 - 25.00 %	20.00 - 25.00 %
Loans and advances to customers (base rate)	25.10 - 25.30 %	23.60 - 25.20 %
<b>Liabilities</b>		
Customer deposits	0 - 20.00 %	0 - 22.75 %

**37. Leases**

The Bank leases several building assets for its operations. The average lease term is 4.0 years (2024: 4.1 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**

	<b>Consolidated and Separate</b>	
	<b>2025</b>	<b>2024</b>
	<b>K'000</b>	<b>K'000</b>
<b>Cost</b>		
At 1 January	1 198 003	1 117 246
Additions	162 628	725 088
Remeasurement adjustment	32 594	19 991
Disposals	<u>(170 537)</u>	<u>(664 322)</u>
	<u>1 222 688</u>	<u>1 198 003</u>
<b>Accumulated depreciation</b>		
At 1 January	464 346	784 682
Charge for the year	312 493	323 995
Remeasurement adjustment	32 595	19 991
Disposals	<u>(140 435)</u>	<u>(664 322)</u>
At 31 December	<u>668 999</u>	<u>464 346</u>
<b>Carrying amount</b>		
At 31 December	<u>553 689</u>	<u>733 657</u>
Average lease term (years)	4.0	4.1

**(b). Lease liabilities**

	<b>Consolidated and separate</b>	
	<b>2025</b>	<b>2024</b>
	<b>K'000</b>	<b>K'000</b>
Opening liability at 1 January	901 415	448 338
Additions	162 628	725 087
Interest on lease liabilities	209 622	178 523
Lease payments during the year	(505 523)	(379 756)
Lease liability adjustment	<u>32 594</u>	<u>(70 777)</u>
Carrying amount of lease liabilities	<u>800 736</u>	<u>901 415</u>
<b>Analyzed as:</b>		
Non-current	548 467	272 109
Current	<u>252 269</u>	<u>629 306</u>
	<u>800 736</u>	<u>901 415</u>

**37. Leases** (Continued)

(b). **Lease liabilities** (Continued)

	<b>Consolidated and separate</b>	
	<b>2025</b>	<b>2024</b>
	<b>K'000</b>	<b>K'000</b>
<b>Maturity analysis</b>		
Year 1	512 318	437 589
Year 2	264 972	384 812
Year 3	171 703	210 493
Year 4	57 443	128 931
Year 5	41 295	33 443
After 5 years	<u>40 850</u>	<u>86 307</u>
	1 088 581	1 281 575
Less: unearned interest	<u>(287 845)</u>	<u>(380 160)</u>
	<u>800 736</u>	<u>901 415</u>
<b>Amounts recognized in profit and loss</b>		
Depreciation expense on right-of-use assets (Note 26(c))	312 493	323 995
Interest expense on lease liabilities (Note 23(b))	209 622	178 523

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).

**38. 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 K2.2 billion (2024: K241.7 million). All other revenues are attributable to the country in which the respective operating segment is domiciled.

During the year, the Bank earned 35.1 billion (2024: K8.0 billion) interest on Government of Malawi treasury bills; K68.0 billion (2024: K46.9 billion) interest on Government of Malawi Treasury Notes and K124.4 million (2024: K411.0 million) interest on loans and advances to enterprises controlled by Government of Malawi.

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**38. 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
<b>2025</b>						
Interest income	161 377 680	-	161 377 680	161 377 680	-	161 377 680
Interest expense	(24 564 386)	-	(24 564 386)	(24 564 386)	-	(24 564 386)
<b>Net interest income</b>	<b><u>136 813 294</u></b>	<b><u>-</u></b>	<b><u>136 813 294</u></b>	<b><u>136 813 294</u></b>	<b><u>-</u></b>	<b><u>136 813 294</u></b>
Fees and commissions	95 904 402	-	95 904 402	95 904 402	-	95 904 402
Fees and commission expense	(3 952 804)	-	(3 952 804)	(3 952 804)	-	(3 952 804)
Income from investments	34 835 977	-	34 835 977	34 835 977	-	34 835 977
Gain on foreign exchange transactions	(13 079 774)	-	(13 079 774)	(13 079 774)	-	(13 079 774)
Other operating income	680 625	-	680 625	680 625	-	680 625
<b>Non-interest income</b>	<b><u>114 388 426</u></b>	<b><u>-</u></b>	<b><u>114 388 426</u></b>	<b><u>114 388 426</u></b>	<b><u>-</u></b>	<b><u>114 388 426</u></b>
<b>Total operating income</b>	<b><u>251 201 720</u></b>	<b><u>-</u></b>	<b><u>251 201 720</u></b>	<b><u>251 201 720</u></b>	<b><u>-</u></b>	<b><u>251 201 720</u></b>
Staff and training costs	(24 797 199)	-	(24 797 199)	(24 797 199)	-	(24 797 199)
Premises and equipment	(7 889 992)	-	(7 889 992)	(7 889 992)	-	(7 889 992)
Depreciation	(3 517 808)	-	(3 517 808)	(3 517 808)	-	(3 517 808)
Administration and general expenses	(28 977 030)	-	(28 977 030)	(28 977 030)	-	(28 977 030)
Impairment of financial assets	(3 171 183)	-	(3 171 183)	(3 171 183)	-	(3 171 183)
<b>Total expenditure</b>	<b><u>(68 353 212)</u></b>	<b><u>-</u></b>	<b><u>(68 353 212)</u></b>	<b><u>(68 353 212)</u></b>	<b><u>-</u></b>	<b><u>(68 353 212)</u></b>
<b>Profit before income tax expense</b>	<b>182 848 508</b>	<b>-</b>	<b>182 848 508</b>	<b>182 848 508</b>	<b>-</b>	<b>182 848 508</b>
Income tax expense	(75 352 275)	-	(75 352 275)	(75 352 275)	-	(75 352 275)
<b>Profit for the year</b>	<b><u>107 496 233</u></b>	<b><u>-</u></b>	<b><u>107 496 233</u></b>	<b><u>107 496 233</u></b>	<b><u>-</u></b>	<b><u>107 496 233</u></b>
<b>Other comprehensive income</b>						
Revaluation surplus on property	(417 528)	-	(417 528)	(417 528)	-	(417 528)
Deferred tax on revalued property	167 011	-	167 011	167 011	-	167 011
<b>Total other comprehensive income for the period</b>	<b><u>(250 517)</u></b>	<b><u>-</u></b>	<b><u>(250 517)</u></b>	<b><u>(250 517)</u></b>	<b><u>-</u></b>	<b><u>(250 517)</u></b>
<b>Total comprehensive income for the period</b>	<b><u>107 245 716</u></b>	<b><u>-</u></b>	<b><u>107 245 716</u></b>	<b><u>107 245 716</u></b>	<b><u>-</u></b>	<b><u>107 245 716</u></b>
<b>Total segment assets</b>	<b>982 058 049</b>	<b>1 047 016</b>	<b>983 105 065</b>	<b>983 105 065</b>	<b>(1 184 708)</b>	<b>981 920 357</b>
<b>Total segment liabilities</b>	<b>807 395 363</b>	<b>41 726</b>	<b>807 437 089</b>	<b>807 437 089</b>	<b>(536 700)</b>	<b>806 900 389</b>

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**38. Segmental Reporting** (Continued)

	<b>Corporate &amp; Retail Banking</b>	<b>Others</b>	<b>Malawi Subtotal</b>	<b>Total before adjustments</b>	<b>Consolidation adjustments</b>	<b>TOTAL</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
<b>2024</b>						
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)
<b>Net interest income</b>	<u>75 907 226</u>	-	<u>75 907 226</u>	<u>75 907 226</u>	-	<u>75 907 226</u>
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
<b>Non-interest income</b>	<u>57 640 727</u>	-	<u>57 640 727</u>	<u>57 640 727</u>	-	<u>57 640 727</u>
<b>Total operating income</b>	<u>133 547 953</u>	-	<u>133 547 953</u>	<u>133 547 953</u>	-	<u>133 547 953</u>
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)
<b>Total expenditure</b>	<u>(56 210 718)</u>	-	<u>(56 210 718)</u>	<u>(56 210 718)</u>	-	<u>(56 210 718)</u>
<b>Profit before income tax expense</b>	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)
<b>Profit for the year</b>	<u>47 119 525</u>	-	<u>47 119 525</u>	<u>47 119 525</u>	-	<u>47 119 525</u>
<b>Other comprehensive income</b>						
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)
<b>Total other comprehensive income for the period</b>	<u>(2 198 284)</u>	-	<u>(2 198 284)</u>	<u>(2 198 284)</u>	-	<u>(2 198 284)</u>
<b>Total comprehensive income for the period</b>	<u>44 921 241</u>	-	<u>44 921 241</u>	<u>44 921 241</u>	-	<u>44 921 241</u>
<b>Total segment assets</b>	688 343 473	1 051 505	689 394 978	689 394 978	(1 185 775)	688 209 203
<b>Total segment liabilities</b>	580 726 503	46 215	580 772 718	580 772 718	(537 767)	580 234 951

**39. Subsequent events****a) Capital gains tax on listed shares**

Subsequent to the reporting date, on 27 February 2026, the Government of Malawi, following consultations with key stakeholders in the financial and capital markets industry, resolved to simplify the Capital Gains Tax regime introduced in December 2025 on the sale of listed shares. Previously, Capital Gains Tax was calculated on the net gain arising from the disposal of listed shares, being the difference between the sale proceeds and the inflation-indexed original cost of acquisition, and taxed at the applicable rate under the previous regime.

Under the new regime, the existing Capital Gains Tax has been replaced with a final withholding tax of 2% on the gross proceeds from the sale of such shares. The withholding tax will be deducted at source by the broker, the Malawi Stock Exchange, or any other person designated under the law. The change will be effective from 1 April 2026 after parliament passes the amendment to the existing law.

This represents a non-adjusting event under IAS 10 – Events after the Reporting Period, as the change was enacted after 31 December 2025. Accordingly, no adjustment has been made to the amount recognised in the 2025 financial statements. Deferred tax liability on fair value gains on listed shares of K15.4bn recognised in the 2025 financial statements, as disclosed in Note 15, will be derecognised in the 2026 financial statements as a result of this change.

**b) Policy rate**

On 5 March 2026, the Monetary Policy Committee reduced the Policy Rate by 200 basis points from 26% to 24%. This change will impact on results for the year ending 31 December 2026.

**c) Geopolitical developments in the Middle East****Event and timing**

Subsequent to 31 December 2025, geopolitical tensions in the Middle East escalated significantly following the commencement of an armed conflict in the region on 28 February 2026. The conflict remains ongoing at the date of authorisation of these consolidated financial statements.

**Market impact**

The outbreak of hostilities resulted in heightened volatility in global financial and commodity markets, particularly in energy markets. Concerns over potential disruptions to global supply routes, including the strategic Strait of Hormuz, led to a sharp increase in international crude oil prices. Brent crude oil prices rose from approximately USD 72 per barrel prior to the outbreak of hostilities to levels exceeding USD 80 per barrel in early March 2026, an increase of roughly 10–15% within a short period following the escalation of the conflict.

These developments have contributed to elevated inflation expectations, foreign exchange volatility and uncertainty in emerging and frontier markets. The immediate near-term risks to African economies are primarily associated with increases in global oil prices and potential weakening of local currencies amid heightened demand for safe-haven assets in global financial markets. These factors may contribute to higher short-term inflationary pressures and could prompt more cautious monetary policy responses by central banks across the continent. The extent of the impact on African economies will largely depend on the duration of the conflict and the degree to which global energy supply chains and maritime trade routes, particularly shipping through the Strait of Hormuz, are disrupted.

**Impact on the Group**

The Group does not have direct operations, investments or credit exposures in the immediate conflict zone. However, sustained increases in crude oil prices and broader geopolitical uncertainty could indirectly affect the Group through:

- Increased inflationary pressures and operating costs in the Group's operating markets;
- Foreign exchange volatility in import-dependent economies;
- Increased market volatility affecting the valuation of financial assets; and
- Potential pressure on borrower affordability and credit quality, particularly for corporate and retail clients exposed to higher input and energy costs.

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2025

**39. Subsequent events** (Continued)

**b) Geopolitical developments in the Middle East** (Continued)

**Assessment under IFRS 9**

Management has considered whether these developments represent indicators of impairment for financial assets measured under *IFRS 9 Financial Instruments*. Based on information available at the date of authorisation of these consolidated financial statements:

- No evidence has been identified indicating a material deterioration in credit quality as at 31 December 2025;
- Forward-looking information and macroeconomic assumptions used in the measurement of expected credit losses (ECLs) will continue to be monitored, and any necessary updates will be reflected in future reporting periods; and
- The Group remains vigilant to potential stress in borrower portfolios arising from inflation, foreign exchange volatility and higher energy costs.

**Non-adjusting event conclusion**

In accordance with IAS 10 – *Events after the Reporting Period*, these developments are classified as a non-adjusting event, and no adjustments have been made to the amounts recognised in these consolidated financial statements.

**Going concern**

Based on the assessments performed, management has concluded that these developments do not cast significant doubt on the Group's ability to continue as a going concern. The Group continues to monitor developments closely and will reflect any material impacts in future reporting periods as appropriate.