First Capital BANK


# 2024 ANNUAL REPORT

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Belief comes first.

# Contents



## Navigating this report

This report is an **interactive PDF**. It is best viewed in Adobe Acrobat for desktop, mobile or tablet.

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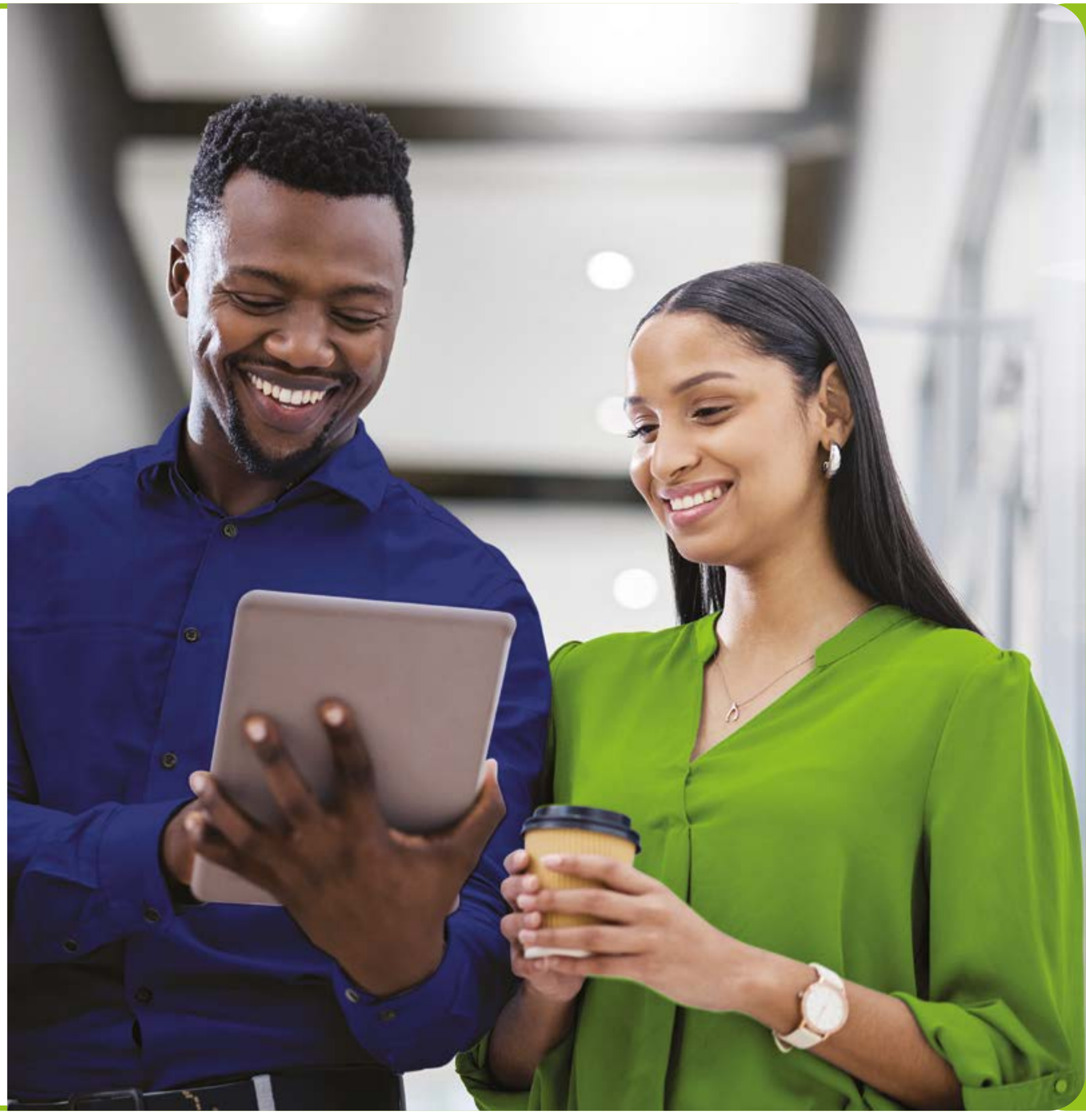


# Introduction

# About this report

This report comprises the annual report and financial statements of First Capital Bank Limited (First Capital Bank, the Company or the Bank) to its stakeholders for the financial year under review from 1 January 2024 to 31 December 2024.

## Scope and boundary

This report covers the material information about the financial and non-financial performance of First Capital Bank for the financial year ended 31 December 2024. Where applicable and relevant, information after this date and up to the date of approval by the Board of Directors (the Board) has been included.

This report provides insights into matters of importance to our stakeholders, highlighting how the Bank is governed, the material matters we identified and the risks and opportunities that could impact our business.

The report encompasses all of the Bank's activities, which comprise consumer banking, corporate and commercial banking, and treasury activities as well as digital payment platforms and other banking services.

This report demonstrates how these factors influence our business model, strategic objectives, and future plans to create and sustain value for our stakeholders in the short, medium, and long term.

## Connectivity and usability

Unless otherwise specified, all monetary values used in this report are denominated in Botswana Pula (BWP or P).

This report incorporates digital navigation capabilities to assist you in moving between sections and to improve the readability and connectivity of information across the report. Icons to navigate this report can be found on each page and within the report to refer readers to information elsewhere in this report or other reports and information online.

- Refers readers to a **page** where more information can be found in this report.
- Refers readers to information available online at **www.firstcapitalbank.co.bw**
- The annual report and previous annual reports are available for download from our website at **https://firstcapitalbank.co.bw/about/annual-reports/**

## Feedback on this report

We are committed to improving this report and welcome constructive feedback.
Please email your comments to
**customerhelpdesk@firstcapitalbank.co.bw**

## Reporting principles and frameworks

First Capital Bank is licenced by the Bank of Botswana according to the provisions of the Banking Act (Cap 46.04, section 4). The Bank is, therefore, governed by the banking laws and regulations of Botswana, which are in place to support financial stability.

The content of this report has also been informed by:

- International Financial Reporting Standards (IFRS®)
- The Botswana Companies Act, as amended (Companies Act)
- The National Code of Corporate Governance for Mauritius 2016 (Mauritius Code)
- International Integrated Reporting Framework (<IR> Framework) of the IFRS Foundation

## Materiality and time horizons

The report content focuses on matters that materially impact our ability to create and sustain value over time. The time horizons considered cover the short (up to one year), medium (two to five years) and long term (more than five years).

The Bank applies integrated thinking and a pragmatic approach in defining material matters, which form an integral part of our strategic planning activities. Our determination of materiality in integrated reporting is based on the guidelines of the <IR> Framework and IFRS.

Management is not aware of the unavailability of any reliable information or any legal prohibitions to disclosing any material information.

A dedicated process is followed in the preparation and approval of this report. Information contained in this report is derived from the Bank's own internal resources and from information available in the public domain.

## Forward-looking statements

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

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

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

## Assurance

Ernst & Young performed an independent audit of the Bank's annual financial statements and have reviewed this report.

## Board approval

The Board and its sub-committees acknowledge their responsibility for overseeing the integrity and completeness of this report. The Board confirms that it has collectively reviewed the contents, preparation and presentation of this report.

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

The Board approved the Annual Report on 15 May 2025.

On behalf of the Board,

**Richard Wright**
*Chairman*

**Reinette van der Merwe**
*Chief Executive Officer*

# Who we are

First Capital Bank is a Botswana-based bank providing a full range of financial products and services to customers in all major currencies while aiming to achieve the highest standards of customer service.

The Bank commenced commercial operations in May 2008 and currently has its headquarters and two branches in Gaborone, along with additional branches in Mogoditshane, Francistown, and Maun. In 2018, the Bank expanded into the personal loans market by establishing consumer service centers in Gaborone and Francistown. Today, it operates a total of six consumer service centers across the country.

First Capital Bank is affiliated with FMBcapital Holdings Plc (FMBCH Group), a Mauritius-based entity that holds a 38.6% stake in the bank.


## At a glance

First Capital Bank is a member of the Electronic Clearing House, Real Time Gross Settlement (RTGS) system, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and the Deposit Insurance Scheme of Botswana.

| | | |
|---|---|---|
| **Branches** 5 (2023: 5) | **Employees** 249 (2023: 229) | **ATMs**[1] 5 (2023: 5) |
| **Customers** 37 569 (2023: 28 312) | **Consumer service centres** 6 (2023: 6) | |
| **Assets of** BWP8.1 billion (2023: BWP6.4 billion) | **Capital adequacy ratio** 19.8% (Regulatory requirement: 12.5%) | |

*1 Automated teller machines.*

## Recognition

First Capital Bank has been recognised for its achievements in 2024 with the following awards:

**Leading CSR Bank Botswana 2024**
Brands Review Magazine Awards

**Best Corporate Bank Botswana 2024**
Finance Derivative Magazine II Awards Program 2024 Magazine Awards

**Best Foreign Exchange Partner – Botswana 2024**
Gazet International Annual Awards 2024

**Best Corporate Banking Provider – Botswana 2024**
Gazet International Annual Awards 2024

*CSR: Corporate Social Responsibility*

## Company structure

FMBcapital HOLDINGS plc — 38.6%

### Our investors

| | |
|---|---|
| Everglades Botswana (Pty) Ltd | 32.96% |
| Premier Capital (Mauritius) Limited | 16.32% |
| Prime Bank Limited (Kenya) | 6.62% |
| Meeta Anadkat | 2.5% |
| Shaun Anadkat | 1% |
| Sheena Anadkat | 1% |
| Dillon Anadkat | 1% |

61.4%

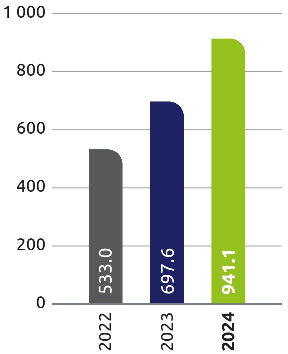
First Capital BANK

Jetwig Enterprises (Pty) Limited t/a First Capital Bank Insurance Agency — 100%

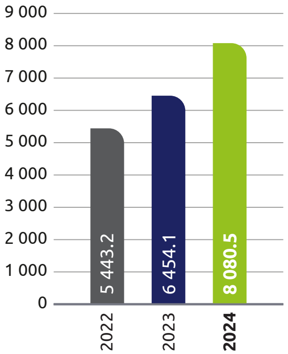
# 2024 highlights

Our performance is a testament to our drive and ambition to grow, with a singular focus on meeting the needs of our stakeholders.

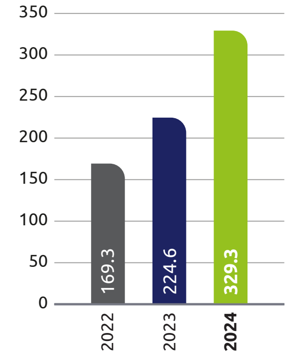
**Shareholder funds**
(BWP million)



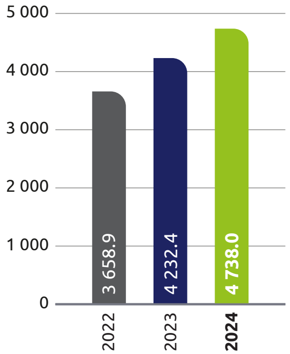

**Total assets**
(BWP million)



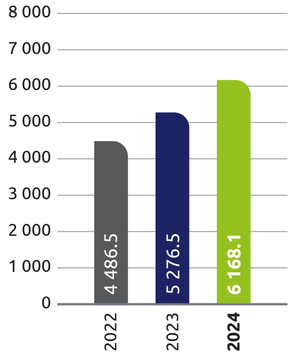

**Profit for the year**
(BWP million)




**Loans and advances to customers**
(BWP million)

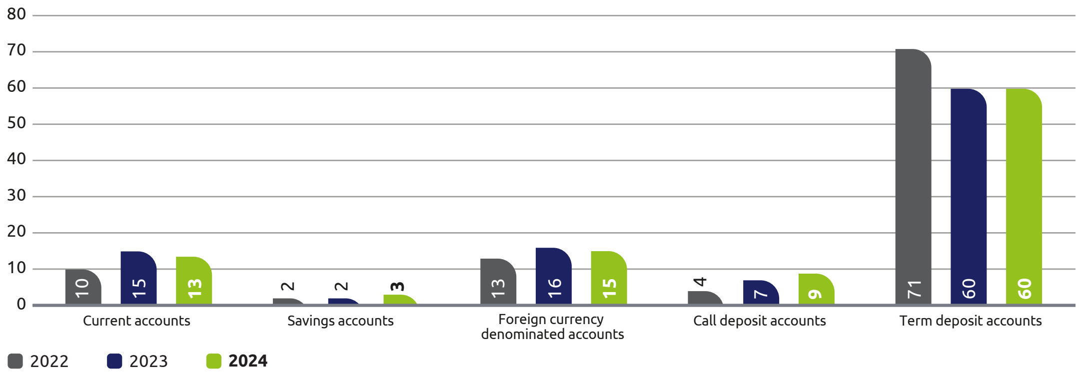



**Deposits from customers**
(BWP million)




The Bank's capital adequacy and liquidity ratios exceed the prescribed prudential minimum ratios, giving us the capacity to focus on growing our balance sheet.

**Deposits from customers**
(%)



# Our products and services

First Capital Bank provides a full suite of corporate, commercial, and personal banking services, available both in-person and through digital platforms. While we serve a diverse customer base, our primary focus is on supporting small to large-scale independent businesses.

## Retail banking

We service the needs of retail customers, ranging from first-time account holders to high-net-worth.

### Transactional accounts
- Private banking accounts
- Current accounts
- Savings accounts
- Foreign currency accounts

### Cards
- Visa debit cards

### Payments
- Electronic Funds Transfer (EFT)/ RTGS
- Bank-to-Wallet and Wallet-to-Bank (Orange Money)

### Investments
- Fixed deposits
- Call deposits

### Loans
- Personal loans
- Overdrafts

### Electronic banking
- ATMs
- Internet banking
- Mobile banking app

### Other services
- E-statements
- Transaction alerts
- Call centre

### Bancassurance
- Credit life insurance
- Life cover insurance
- Funeral cover insurance
- Personal All Risk insurance
- Motor comprehensive insurance
- Household contents insurance

## Business, corporate, and institutional banking

We provide tailored solutions to all businesses including sole proprietors, small to medium-sized enterprises (SMEs), large listed corporates, as well as institutional clients like non-governmental organisations (NGOs), embassies and public sector institutions.

### Transactional accounts
- Current accounts
- Foreign currency accounts

### Debit cards
- Visa debit cards

### Treasury and foreign exchange
- Foreign exchange services (including foreign currency accounts)
- Letters of credit and guarantees
- Remittances
- Trade finance

### Loans and overdrafts
- Overdrafts
- Term loans
- Receivables financing
- Asset finance

### Financing and investments
- Investment accounts
- Fixed deposits
- Call accounts

### Payments and cash management
- Bulk electronic payments
- Cash management services
- Payroll solutions
- RTGS/EFTs

### Electronic banking
- Point-of-sale (POS)
- Soft-POS
- Business mobile app
- ATMs
- Internet banking

### Bancassurance
- Property insurance
- Vehicle insurance
- Business All Risk insurance
- Keyman insurance

### Other services
- Relationship managers
- E-statements
- Transaction alerts
- Call centre

# Our purpose

Our strategic purpose is to grow sustainable value for the benefit of all our stakeholders.

## Our vision

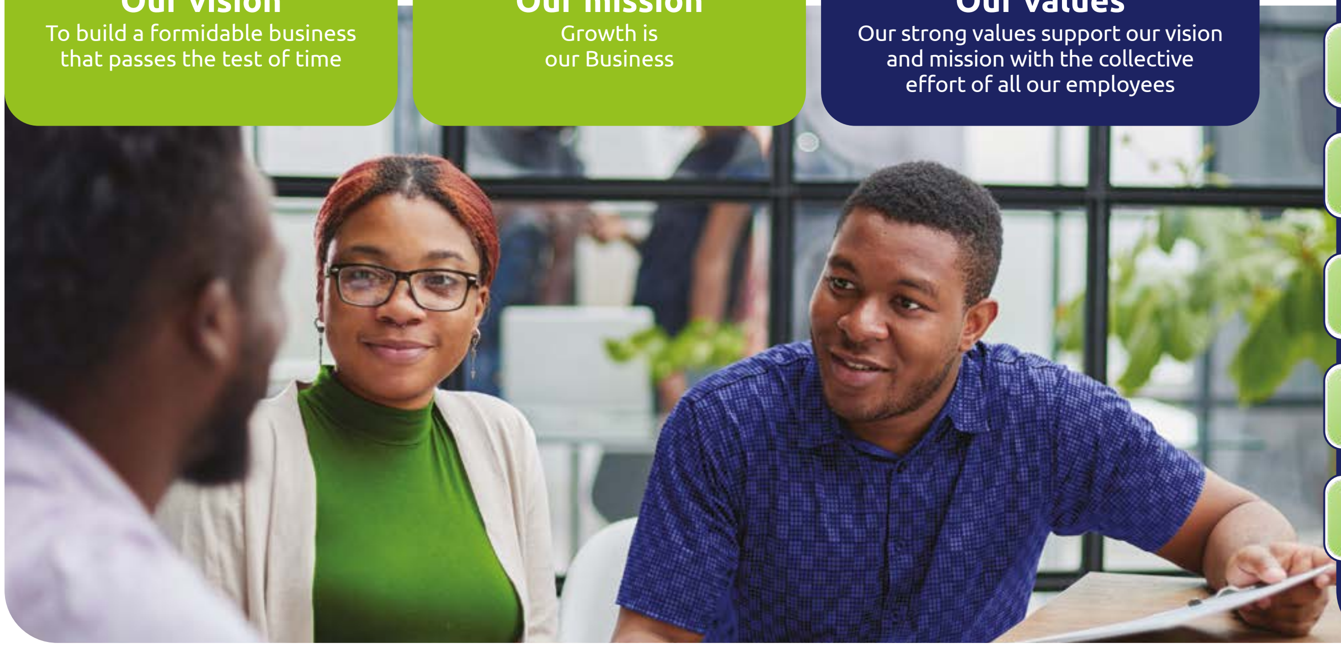
To build a formidable business that passes the test of time

## Our mission

Growth is our Business

## Our values

Our strong values support our vision and mission with the collective effort of all our employees



- Our service is our pride
- We have shared responsibility for our business
- We value time and deliver quickly
- We are open and honest, but respectful
- We find simpler ways of doing things
- Integrity and reputation are our wealth

## Strategic objectives and goals

FMBCH's strategy aims to secure a strong regional footprint that will result in growth for the Group's employees, customers, shareholders, communities and other stakeholders while remaining fully compliant and following good governance.

**Critical success factors that are underpinned by our values.**

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

# Our value-creating business model

First Capital Bank offers a comprehensive range of products and services that are both relevant and of value to the different market segments it serves.

## Capitals and resources

| | Financial | Manufactured | Human | Social and relationship | Intellectual | Natural |
|---|---|---|---|---|---|---|
| | *The pool of funds supporting business operations, including equity finance and debt* | *The facilities and general infrastructure that support business operations (tangible assets)* | *The skills and experience of our people enable us to implement our strategy and deliver our products and services* | *The key long-term relationships we have nurtured with stakeholders and service providers* | *The intangibles that sustain the quality of our offering and provide competitive advantage, including our innovations, systems and reputation* | *The natural resources that we carefully manage* |
| INPUTS | Equity: **BWP941.1 million**<br>Customer deposits: **BWP6.2 billion** | IT infrastructure<br>Physical access:<br>ATMs: **5**<br>Branches: **5**<br>Consumer service centres: **6** | Employees: **249**<br>Experienced leadership<br>Deep intellectual property | Customers serviced: **37 569**<br>Partnerships with leading financial services brands, including Visa | Intangible assets: **BWP18.8 million**<br>Internal systems, processes and procedures<br>Strong brand and reputation | Specific natural resources are not used as inputs to value creation |

## Business activities

We offer a comprehensive range of financial products and services that serve the banking needs of our customers.

| | Financial | Manufactured | Human | Social and relationship | Intellectual | Natural |
|---|---|---|---|---|---|---|
| OUTPUTS | Profit after tax: **BWP329.3 million**<br>Total operating income: **BWP693.3 million**<br>Total assets: **BWP8.1 billion**<br>ROE: **35.0%** | Premises and equipment costs: **BWP6.4 million**<br>IT costs: **BWP25 million** | Staff costs: **BWP117.7 million**<br>Graduate development training programme with a 2024 cohort of **eight trainees** | Over **BWP1 500 000** in CSR spend | Range of products and services<br>Ongoing investment to improve systems and user experience of customers and employees | Practical solutions to reduce impact |

## Desired outcomes

| Financial | Manufactured | Human | Social and relationship | Intellectual | Natural |
|---|---|---|---|---|---|
| A well-capitalised bank that delivers sustainable growth in earnings and profit distributions | Secure and productive working environments<br>Strategically located branches and electronic banking services that offer convenient customer access<br>Leading IT platforms offering affordable digital banking solutions | Skilled and experienced workforce motivated to deliver our strategy<br>Ongoing employee development and training<br>A well-organised performance management and labour relations framework that enables fair remuneration | Products and services to facilitate financial inclusion across all market sectors for broader society<br>Ongoing community support, with a focus on health, education and sport | Full legal and regulatory compliance<br>Efficient, effective delivery of products and services to customers<br>Strategic brand and marketing initiatives | Responsible use of natural resources<br>Maintain Green Star and Net Zero Carbon Rating (Level 1: Building Emissions) from the Green Building Council South Africa |

# Engaging with our stakeholders

Our ability to deliver value depends on our relationships and the contributions and activities of our stakeholders. By providing for their needs and meeting their expectations, we create value for our clients, our people, our other stakeholders as well as the Bank.

KEY STAKEHOLDERS

## Customers

**37 569**
**customers**
*(2023: 28 312)*

We strive to understand our customers so that we can speak to them in a relevant way and offer them products that suit their needs.

### Our engagement

- Customer feedback, surveys
- Communications
- Hosting events

### Their expectations

- Convenient and affordable banking solutions meeting diverse financial needs
- Efficient and effective delivery of financial products and services with ease of access to funds
- A risk-free environment in which to transact
- Reliability, trustworthiness and integrity from a financial services provider

### Our response

- Ongoing review and enhancement of banking solutions based on customer feedback
- Deploying technology to enable efficient product and service delivery

### Outcomes

- Successfully servicing customer needs
- Convenient access to banking through increasingly digital channels
- Excellent customer service supported by stable and secure IT systems
- Customers who are engaged and connected to our brand

### Related critical success factors

- We are a trusted and respected brand
- Our processes enable service excellence
- We maximise the long-term value for our stakeholders

**Engaging with our stakeholders** (continued)

KEY STAKEHOLDERS

## Our people

**249**

**employees**

*(2023: 229)*

We attract, develop and retain high-performing people and reward their contributions fairly and commensurately.

### Our engagement

- Employee surveys, training and development, formal and informal meetings and engagements
- Internal communications
- Hosting events
- Team building initiatives

### Their expectations

- Excellent employee experience
- Career, learning and development opportunities
- Strong leadership who instil trust and confidence
- Fair remuneration and incentives
- Safety (physical and psychological)

### Our response

- Positive culture driven by our values
- Training and development offerings to embrace technological changes, further employee careers and improve our services and products
- Market-related remuneration
- Culture of integrity to provide psychological safety
- Robust and engaging onboarding process

### Outcomes

- A skilled, competent and stable workforce who are enabled to meet client needs
- Culture and value alignment with our people
- Ongoing assessment and improvement of safety (physical and psychological)

### Related critical success factors

- We are a trusted and respected brand
- Our processes enable service excellence
- Our people drive the business

KEY STAKEHOLDERS

## Community and the environment

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

### Our engagement

- Continuous engagement
- Financial literacy programmes
- Robust solutions offered through digital and physical channels

### Their expectations

- Partnership and support to respond to social and environmental issues
- Simple and practical financial advice
- Easy access to financial products and solutions

### Our response

- CSR efforts that are responsive to the dynamic needs of the community
- Participation in activities that advance financial literacy

### Outcomes

- Financial product and service offering with a positive social impact
- Generating economic value within the community
- Advanced synergies with economic and social stakeholders

### Related critical success factors

- We are a trusted and respected brand
- We maximise the long-term value for our stakeholders
- Our people drive the business

**Engaging with our stakeholders** (continued)

KEY STAKEHOLDERS

## Shareholders

We engage with our shareholders to build their confidence in us and ensure access to equity and debt funding.

### Our engagement

- Publication of corporate updates and annual reports
- Annual general meeting

### Their expectations

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

### Our response

- Strong liquidity and capital ratios in all our markets
- Sound business strategies aimed at delivering growth and value
- Conservatively managed balance sheet
- Strong corporate governance structures and embedded practices

### Outcomes

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

### Related critical success factors

- We maximise the long-term value for our stakeholders

KEY STAKEHOLDERS

## Governments and regulators

*Includes:*
*Bank of Botswana*
*Tax and revenue authorities*

In the highly regulated banking sector, engagement with governments and regulatory authorities builds confidence and trust, and enhances brand reputation and ease of doing business.

### Our engagement

- Regular contact and interaction with regulators
- Participation in relevant meetings and conferences
- Provision of accurate and timely audited reports, compliance, risk and business management reports

### Their expectations

- Capital adequacy and liquidity
- Risk and cybersecurity management
- Integrity and ethics in interaction and reporting
- Adherence to minimum regulatory standards and guidelines

### Our response

- Performing above the minimum regulatory and prudential standards
- Being a better corporate citizen
- Mitigating risk across the business
- Aligning to local and international financial reporting standards

### Outcomes

- Positive approval from regulators in all markets
- Banking licences remain in force
- We enjoy a good reputation and standing in the region

### Related critical success factors

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

KEY STAKEHOLDERS

# Business partners

*Includes:*
*Technology and infrastructure*
*Fintechs*
*Data and security services*
*Corporate services*

We engage with business partners to enhance our service offering and products, accelerate our digitisation efforts and ultimately support the achievement of our strategic objectives.

## Our engagement

- Entrepreneurial engagement
- Regular business interactions and engagements
- Non-disclosure agreements

## Their expectations

- Mutual benefit
- Profitability and business growth
- Ethical business practices
- Transparency and adherence to agreements

## Our response

- Partnering with global and regional financial institutions and working closely with development institutions
- We ensure partners are aligned with our strategy and purpose through robust screening and due diligence prior to engagement
- We work with partners with whom we can maximise synergies across our countries

## Outcomes

- Enhanced product and service experience for our customers
- Mutual benefit and long-term partnership
- Value to our partners and stakeholders
- Cost-to-income ratio improvement

## Related critical success factors

- Our strategic alliances accelerate our innovation
- Our processes enable service excellence
- We maximise the long-term value for our stakeholders

# Performance and Outlook



**Richard Wright,** *Chairman*

**"First Capital Bank has maintained its momentum and has once again delivered exceptional results for the fiscal period ended 2024.** This success is driven by the dedication of our employees supported by FMBcapital Holdings Group. Their investments in technology, human capital, and management expertise have laid a solid foundation for future growth and success."

# Chairman's review

## Operating Context

The global economic recovery in 2024 remained steady but slow, constrained by ongoing geopolitical tensions and economic uncertainty. Central banks worldwide worked to balance short-term inflationary pressures with structural reforms to support long-term growth. According to the International Monetary Fund's (IMF) October 2024 World Economic Outlook, global GDP growth was projected at 3.2% for both 2024 and 2025, driven primarily by strong performances in advanced economies, particularly the United States.

In Botswana, economic conditions remained challenging, with GDP growth forecasted at 1.0% for 2024. This sluggish growth was largely due to weak activity in key sectors, compounded by lower external demand for diamonds and continued pressures in the non-mining sector.

Inflation averaged 2.9% in 2024, a notable decline from 5.2% in 2023, primarily due to lower transport costs, which helped offset rising prices in alcohol and housing. However, with economic activity expected to strengthen, inflation is projected to rise to 3.3% in 2025, driven by base effects and an anticipated GDP rebound to 5.2%.

Despite these challenges, Botswana's regulatory and monetary environment remained supportive. The Monetary Policy Rate was held at 1.9%, while the Primary Reserve Requirement was reduced to 0% to ease structural liquidity constraints. These measures aimed to stabilise the financial system and foster economic recovery into 2025.

## Focused Strategy Delivery

Management remains dedicated to enhancing customer service by leveraging off a strong foundation in online banking, intuitive mobile applications, and the seamless integration of digital solutions that drive business growth.

The Bank's ability to deliver streamlined and personalised customer experiences remains a key market differentiator, deepening engagement with existing clients while attracting new customers.

The adoption of process automation and internal efficiencies has led to a sustained reduction in operational costs, while evolving people practices ensure alignment with the changing demands of the modern workplace. With inflation remaining low in 2024, the Bank's strategic focus on cost efficiency strengthens its competitive position and prepares it for anticipated inflationary pressures in 2025.

With inflation remaining subdued in 2024, the Bank's strategic focus on cost efficiency positions it to remain competitive while effectively preparing for anticipated inflationary pressures in 2025.

## Commitment to Good Governance

The Bank is committed to upholding the highest standards of professionalism, integrity, and customer service across all its operations. Ensuring strict compliance with both existing and evolving regulations remains a top priority, strengthening our reputation as a responsible and trusted corporate institution.

## Outlook for 2025

With inflation expected to rise in 2025, the Bank will closely monitor economic developments to maintain a proactive and adaptive strategy. By prioritising customer service, operational excellence, and prudent governance, we are well-positioned to navigate the evolving landscape and continue delivering sustainable value to our stakeholders.

## Gratitude and Appreciation

I would like to express my deep appreciation to my fellow Board members for their ongoing commitment, invaluable insights, and collaborative efforts in guiding the Bank toward effective governance and long-term success.

I also extend my sincere gratitude to our CEO, Reinette van der Merwe, the management team, and employees for their steadfast dedication in executing our strategy and contributing to the Bank's continued achievements.

Finally, to our customers, regulators, and stakeholders, we are profoundly grateful for your trust and confidence in First Capital Bank Ltd. We look forward to driving sustainable growth and shared success in the years to come.

**Richard Wright**
*Chairman*

**Reinette van der Merwe,** *Chief Executive Officer*

**"First Capital Bank has deepened its position as a reputable brand known for personalised service and prompt delivery that underpins an exceptional customer experience.** This has continued to be the cornerstone of our strategic delivery, guiding our efforts and building a strong foundation for future success. Our 2024 performance continues to demonstrate the strength of our approach."

# Chief Executive Officer's review

## Key Economic Developments

Botswana's economic performance in 2024 was shaped by a complex global and domestic landscape. GDP growth slowed to an estimated 1%, primarily due to contractions in the diamond sector and subdued non-mining activity. Globally, geopolitical tensions particularly in Eastern Europe and the Middle East continued to disrupt supply chains and fragment trade flows, with regional spill-over effects.

Domestically, the economy faced fiscal and policy uncertainty alongside a shifting political landscape. The implementation of Pension Fund Investment Rule (PFR2) led to a temporary liquidity surplus in the first half, but this reversed in the second half as increased government borrowing absorbed market liquidity. The foreign exchange environment remained volatile, influenced by both global shocks and local developments.

Inflation averaged 2.9% for the year, supported by lower transport costs, and is projected to rise modestly to 3.3% in 2025. The monetary policy stance remained accommodative, with the policy rate held at 1.9% and the Primary Reserve Requirement reduced to zero. While uncertainty persists, the financial sector continues to demonstrate resilience, supported by strong governance, risk management, and operational efficiency.

## Strategy and Performance Outcomes

Our strategic focus, "Growth is Our Business", delivered strong results in 2024.

The Bank delivered a solid financial performance, with profit after tax reaching P329 million, propelling the return on equity to 35%. Net operating income increased to P693 million from P536 million, supported by strong customer activity and resilient banking operations.

Disciplined cost management led to an improved cost-to-income ratio of 39%, while prudent credit oversight ensured impairment expenses remained well-contained.

The Bank's financial position remains resilient, with loans and advances expanding by 12%, reflecting proactive lending strategies and strengthened customer confidence. Deposits also grew by 17%, underscoring the effectiveness of our customer-focused mobilisation efforts. These results highlight our commitment to balancing growth with operational efficiency and delivering long-term value to stakeholders.

## Corporate Citizenship

In 2024, First Capital Bank Botswana deepened its commitment to impactful community engagement through initiatives in health, education, and sports. In health, we partnered with organisations to provide free mammograms nationwide and supported cataract surgeries and the refurbishment of the Mochudi Resource Centre for the Visually Impaired. In sports, we proudly sponsored the ITTF Africa Youth Table Tennis Championship, highlighting our dedication to youth empowerment and strengthening community spirit.

Our employees also contributed meaningfully, taking the lead on their own group initiatives to support causes close to their hearts. These efforts, combined with our corporate programs, reflect our dedication to creating a positive and lasting impact across Botswana.

## Technology Investments

Digital innovation remained a key priority in 2024, with a focus on enhancing customer experience and operational efficiency. Key initiatives included:

- Expanding customer adoption of our upgraded internet banking platform.
- Launching a dedicated business banking mobile application.
- Rolling out Point of Sale (POS) devices alongside FCB Tap for Soft POS payments.

These advancements underscore our commitment to delivering secure, convenient, and forward-thinking financial solutions tailored to evolving customer needs.

## Outlook for 2025

The economic outlook for Botswana remains measured, with modest improvement expected in 2025. While structural challenges and global uncertainties persist, some recovery in diamond demand and ongoing policy efforts may support gradual economic stabilisation.

In this context, the Bank remains committed to navigating change with resilience and strategic focus. Our priorities for 2025 include:

- Enhancing digital banking capabilities
- Expanding our presence in the retail and SME segments
- Maintaining prudent risk and capital management
- Deepening customer engagement through personalised service.

By remaining agile and disciplined, the Bank is well-positioned to respond to shifting conditions while continuing to build long-term value for its customers and stakeholders.

## Acknowledgements

The achievements of 2024 are a testament to the dedication and expertise of our employees, the strategic leadership of our Board, and the trust and support of our customers and stakeholders. We remain committed to building on this success, driving sustainable growth, and delivering lasting value in the years ahead.

**Reinette van der Merwe**
*Chief Executive Officer*

Lebogang Seleke, *Head of Finance*

**"Our 2024 financial performance continues to demonstrate the remarkable progress made by the Bank to deliver sustained growth and stability.** Our strategic approach to prudent lending and growing customer confidence in our offerings are supported by a strong risk and compliance framework that supports the focused delivery of our strategy to ensure a resilient and sustained performance."

# Head of Finance's report

## Operating environment

The 2024 financial year unfolded in an environment of heightened uncertainty, shaped by a confluence of geopolitical, macroeconomic, and domestic challenges. On the global front, elevated geopolitical tensions particularly the ongoing conflicts in Eastern Europe and the Middle East continued to disrupt supply chains and contribute to macroeconomic fragmentation. Domestically, Botswana faced fiscal and policy uncertainty amid a changing political landscape and declining diamond prices. Liquidity conditions were polarised with the first half of the year experiencing excess liquidity driven by inflows from pension funds following the implementation of PFR2 regulations. The second half was marked by a liquidity shortage as Government borrowing activity absorbed market liquidity to fund the fiscal deficit. The foreign exchange environment remained volatile, influenced by both global uncertainties and shifting local conditions. Amidst these challenges, the Bank remained focused with a disciplined approach to risk management, capital optimisation, and strategic resource allocation. Our commitment to resilience, operational efficiency, and sustainable growth continues to position us well for the evolving macroeconomic landscape.

## Summary of 2024 financial results

The 2024 financial year was marked by commendable growth and strong financial performance for the Bank, underscoring our strategic resilience and commitment to sustainable value creation. As of December 2024, total assets surged by an impressive 25%, rising from P6.5 billion in the previous year to P8.1 billion. This growth trajectory was primarily driven by an expansion in loans and advances, which increased from P4.2 billion in 2023 to P4.7 billion in 2024, with a pronounced focus on the personal loans market. Crucially, we maintained the quality of our loan book, keeping the non-performing loan ratio within 3%, a testament to our disciplined credit risk management approach.

Our strategic focus on treasury-related instruments further reinforced the Bank's financial resilience, as investment securities grew from P366 million to P784 million in 2024. This expansion was supported by a 17% increase in customer deposits, which rose from P5.3 billion in the prior year to P6.2 billion in 2024, reflecting heightened customer confidence and trust in our banking services.

The Bank delivered a full year profit after tax of P329 million, representing a remarkable 47% year-on-year growth. This financial achievement was underpinned by a 31% rise in net interest income, aligned with the expansion of our loans and treasury portfolios. Additionally, non-interest income increased by 20%, driven by higher foreign exchange activity coupled with a volatile market and the successful rollout of our POS product. While total expenses grew by 24%, this was a strategic investment aimed at supporting our growth initiatives, with a continued emphasis on digital transformation. Impairment charges reduced from P25 million in the prior year to P1.6 million, largely due to model refinements alongside the Bank's stable credit risk profile.

These strong financial results reflect our unwavering commitment to prudent financial management, operational efficiency, and strategic execution. Our ability to navigate a dynamic market landscape while delivering sustainable growth positions us well to continue creating long-term value for our stakeholders.

## Liquidity and Capital Adequacy Ratios

At the close of the year, our Liquid Asset Ratio stood at 26.91%, above the regulatory requirement of 10%, demonstrating our ability to meet short-term obligations without compromising financial stability. Additionally, we maintained a Capital Adequacy Ratio of 19.77%, well above the regulatory benchmark of 12.5%, ensuring we are well prepared to continue operations under adverse conditions. Furthermore, our Tier 1 capital ratio closed at 16.42%, against the regulatory minimum of 7.5%, showcasing our solid capital foundation.

## Outlook and prospects

Looking ahead, the short- to medium-term outlook remains uncertain, with risks skewed to the downside. Global and regional economic headwinds, including persistent geopolitical tensions, inflationary pressures, and policy uncertainty, are expected to continue shaping the operating environment. However, the Bank is well-positioned to remain resilient.

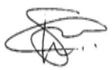
Our focus will remain on:

- Prudent balance sheet and capital management
- Strengthening digital capabilities
- Deepening customer relationships
- Enhancing operational efficiency

With a strong capital base, a diversified portfolio, and clear strategic priorities, we are confident in our ability to sustain growth and navigate evolving market conditions.

## Appreciation

I am deeply grateful to the Board, the Chief Executive Officer, our stakeholders, customers, and all team members for their support and dedication throughout the year. Their trust and commitment have been the cornerstone of our achievements, and together, we look forward to a future filled with potential and continued success. The progress and milestones highlighted in our annual report are a testament to the collaborative efforts and relentless dedication of each one of them. It is through our collective endeavours that we have navigated challenges, seized opportunities, and driven the bank towards sustained growth.



**Lebogang Seleke**
*Head of Finance*

## Five year overview – First Capital Bank Botswana at a glance

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Branches | **5** | 5 | 5 | 4 | 4 |
| Consumer Service Centres | **6** | 6 | 6 | 6 | 6 |
| ATMs | **5** | 5 | 7 | 5 | 5 |
| Employees | **249** | 229 | 222 | 205 | 188 |
| Customers | **37 569** | 28 312 | 22 537 | 17 800 | 19 046 |

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Net interest income | **584 519 888** | 444 984 526 | 343 241 176 | 252 240 598 | 202 385 413 |
| Non-interest income | **108 779 024** | 90 690 340 | 84 849 001 | 59 926 313 | 63 206 309 |
| Operating expenses | **269 425 461** | 216 849 748 | 192 778 979 | 147 874 270 | 140 318 533 |
| Profit after tax | **329 314 832** | 224 597 301 | 169 313 203 | 102 994 875 | 69 724 470 |
| Loans and advances | **4 737 989 828** | 4 232 420 496 | 3 658 943 806 | 2 884 406 349 | 2 123 331 409 |
| Total assets | **8 080 563 060** | 6 454 052 092 | 5 443 234 572 | 5 175 170 574 | 3 916 925 737 |
| Customer deposits | **6 168 088 020** | 5 276 513 605 | 4 486 475 859 | 3 713 004 433 | 3 038 484 162 |
| Shareholder funds | **941 119 830** | 697 632 586 | 533 035 285 | 410 762 785 | 342 630 144 |

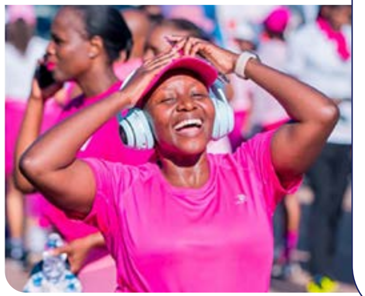
# Environmental, Social and Corporate Governance Practices

# Corporate social responsibility

At First Capital Bank, we are dedicated to being exemplary corporate citizens, recognising our responsibility to the communities we serve and our potential to enhance their wellbeing.

First Capital Bank Botswana actively supports programs that yield sustainable outcomes by collaborating with relevant stakeholders in its operational communities. The Bank's commitment to citizenship reflects its steadfast dedication to fostering shared value in the communities it serves, embedded within its corporate culture. In its corporate agenda, First Capital Bank Botswana translates belief into action by engaging in various CSR initiatives and sponsorships throughout 2024, with a total contribution exceeding P1 500 000.

## 2024 CSR initiatives – Health

### Supporting the fight against breast cancer

First Capital Bank, in partnership with Village Imaging, made a meaningful contribution to the fight against breast cancer by funding life-saving initiatives across Botswana.

With a P100 000 donation to support free mammograms and a P25 000 contribution as a Platinum Sponsor of the Pink Run – an event attended by around 5 000 supporters – the collaboration underscores a shared commitment to accessible early detection and raising awareness.

This initiative aims to bring hope and support to those affected by breast cancer, ensuring that early detection and care are within reach for all.



### Transforming lives through vision health initiatives

First Capital Bank partnered with Medlane Healthcare and Agora Club Botswana to advance impactful vision health initiatives, contributing a combined P315 000 to two critical projects.

The funding supports cataract surgeries for public sector patients, restoring sight to those in need, and the refurbishment of the Mochudi Resource Centre for the Visually Impaired, improving living conditions for children with visual impairments.

These efforts highlight First Capital Bank's dedication to enhancing community wellbeing and creating sustainable social impact through meaningful partnerships.

# 2024 CSR initiatives – Sport

## Supporting youth empowerment through sports: ITTF Africa Youth Championships

First Capital Bank Botswana proudly sponsored the ITTF Africa Youth Championships with a contribution of P50 000. Over seven exciting days, young athletes from 19 African countries showcased remarkable talent and sportsmanship in this prestigious event.

The closing ceremony, graced by the Minister of Youth, Sports, and Culture, Honourable Minister, Tumiso Rakgare, further underscored the importance of this championship.

This sponsorship reflects First Capital Bank's commitment to developing youth empowerment, promoting sports development, and contributing to community growth across the region.






## First Capital Bank supports the Diacore Marathon

The Diacore Marathon is a charitable event that has raised millions of pula for impactful causes in Botswana, including education, sports, women's safety, and hydroponic projects. First Capital Bank proudly participated, reinforcing our commitment to promoting health and wellness.

The event brought together runners, walkers, local organisations, and volunteers, highlighting the importance of collaboration and community support. By participating, First Capital Bank continues to contribute to initiatives that drive meaningful change and improve lives in Botswana.

# 2024 CSR initiatives – Sport *(continued)*

## First Capital Bank at Botho University Golf Day

First Capital Bank participated in the Botho University Golf Day, engaging with golfers and stakeholders at our dedicated tee box.

The event provided a platform for networking and collaboration, highlighting the Bank's commitment to building meaningful relationships and promoting teamwork within the community.

## Botswana Diamond Manufacturers Association Games

First Capital Bank Botswana proudly served as a Gold sponsor of the Botswana Diamond Manufacturers Association Games, which concluded on 4 May 2024, graced by the Honourable Minister, Annah Mokgethi.

The games provided a platform to develop camaraderie and goodwill within the local sporting community.

At First Capital Bank, we believe in the power of sports to build bridges, strengthen bonds, and reinforce our commitment to the communities we serve.

## Strengthening connections at the Chinese Golf Day

First Capital Bank participated in the Chinese Golf Day, engaging with the Chinese community and other participants throughout the event.

This annual event holds special significance, celebrating the Chinese community while promoting cultural exchange and developing stronger relationships.

It underscores First Capital Bank's dedication to building meaningful connections and supporting diverse communities.

# 2024 CSR initiatives – Education and Youth

## Seventh Annual Africa Youth Entrepreneurs Summit

First Capital Bank was proud to sponsor the 7th Annual Africa Youth Entrepreneurs Summit, an event dedicated to empowering young innovators and business leaders across Africa.

Held over two days in February 2024 at the University of Botswana Conference Center, the summit brought together emerging and established entrepreneurs for insightful talks, dynamic workshops, and invaluable networking opportunities.

This sponsorship reflected First Capital Bank's commitment to developing entrepreneurship and economic growth, reinforcing our role as a trusted partner in empowering Africa's future business leaders.








## First Capital Bank supports early childhood development in Bontleng

On 6 March 2024, First Capital Bank Botswana proudly hosted the Learn To Play - Ithute Go Tshameka Maatla Mamas from the Bontleng community to celebrate a P50 000 contribution. This funding supports stipends for three Maatla Mamas over the course of the year.

This initiative highlights our commitment to empowering women and developing early childhood development in local communities. By supporting the Maatla Mamas, we not only honour their dedication to shaping young minds but also contribute to their ability to provide for their families.

Through partnerships like these, we reaffirm our dedication to making a meaningful difference in the lives of women and children in Botswana.

## Empowering the next generation during Global Money Week

First Capital Bank celebrated Global Money Week by engaging with students across three schools: Thornhill Primary School, Naledi Senior Secondary School, and Moselewapula Junior Secondary School.

Guided by the theme, **"Get Money Smart with Money"**, our sessions focused on teaching students the importance of saving, safeguarding their money, and planning for future milestones.

As a bank committed to financial literacy, we are proud to empower the next generation with essential money management skills, laying the foundation for a secure and successful future.




# 2024 CSR initiatives – Education and Youth *(continued)*



## Honouring educators on National Teacher's Day

First Capital Bank participated in the 2024 National Teacher's Day Celebrations held at Big Valley Lodge, near Lobatse. It was an honour to join His Excellency, President Mokgweetsi Eric Keabetswe Masisi, and other esteemed dignitaries in celebrating the dedication and hard work of our nation's beloved teachers.

The day was filled with meaningful interactions, giveaways, and a vibrant awards ceremony recognising the invaluable contributions of educators.

Our commitment to supporting education was further demonstrated by simultaneous celebrations hosted by our teams in Ramotswa, Molepolole, and Francistown, reinforcing our dedication to learning and community development across Botswana.


## Supporting tomorrow's leaders: Legae Primary School Walk

First Capital Bank proudly served as the official sponsor of the Legae Primary School Walk, reaffirming our commitment to youth education and community relationships.

The event was a celebration of community spirit and shared dedication to supporting education. The enthusiasm and determination of the young participants were truly inspiring, showcasing the power of collective effort in achieving meaningful goals.

This initiative highlights the bank's dedication to advancing educational growth and strengthening connections within the communities we serve.


# 2024 CSR initiatives – Other initiatives

## Supporting local arts and culture: Gaborone City Council Choir

First Capital Bank proudly contributed P50 000 to the Gaborone City Council Choir for the purchase of new uniforms. This initiative reflects our commitment to developing local talent and supporting the arts within the community.

The donation aimed to enhance the choir's presentation, helping them take pride in their performances and strive for excellence. It also serves as a source of motivation, encouraging the choir to continue showcasing their exceptional talent.

As part of our broader commitment to uplifting communities, this contribution highlights our dedication to celebrating and preserving Botswana's vibrant arts and cultural heritage.

## Promoting gender diversity: Women in Engineering Panel

First Capital Bank served as a Silver Sponsor for New Era's Fourth Annual Women in Engineering Panel, contributing P20 000 to this impactful event held on 26 July 2024.

The event featured a roundtable discussion and gala dinner, showcasing panelists with exceptional engineering expertise. The evening focused on the importance of gender diversity and empowering women in engineering, aligning with First Capital Bank's commitment to education, community development, and youth empowerment.

Our participation underscores our dedication to driving inclusivity and innovation in Botswana's future.

## Empowering local businesses through innovation

First Capital Bank strengthened its commitment to economic empowerment with the launch of the FCB Tap initiative at a community event held at the First Capital Bank Sports Village.

Through this initiative, eight local vendors and small business owners were equipped with Android devices enabled with FCB Tap technology, providing them with secure and efficient payment solutions. By helping small businesses accept digital payments, manage finances more easily, and participate more fully in the economy, this project supports financial inclusion and growth for grassroots entrepreneurs.

This initiative underscores First Capital Bank's broader commitment to driving digital transformation in a way that uplifts communities, strengthens local businesses, and contributes to sustainable economic development.

# 2024 CSR initiatives – Colleague-led initiatives

## Colleague-led initiatives to support community development

**Eight** CSR teams were each allocated **P30 000** to select and implement community-focused projects that align with our organisational goals. Each team went above and beyond to make a meaningful impact, demonstrating their commitment to giving back to the communities we serve. Through thoughtful planning and dedication, these teams helped develop positive change and strengthened our connection with local communities.

### Mogoditshane Branch

**Letlhakeng Village**
Provided 100 mattresses to Lempu CJSS boarding students.



### Main Branch QCD & Commercial

**Mogoditshane Village**
Donated books to Mogoditshane Secondary School library.



### CBD East Wing

**Otse Village**
Provided office equipment and bedding to Camphill Community Trust.



### Francistown Branch & Consumer Service Centre

**Francistown City**
Donated food hampers, toiletries, and stationery to SOS.



### Consumer Service Centres

**Molepolole Village**
Provided school essentials to Botlhapatlou Primary students.



# 2024 CSR initiatives – Colleague-led initiatives *(continued)*

## Colleague-led initiatives to support community development *(continued)*

### Old Lobatse 1st & 2nd Floor

**Mochudi Village**

Provided soccer shoes to support Umlilo Academy's girls' team for the 2024–2025 season.

### CBD East Wing & Maun Branch

**Maun Village**

Supported the Run Maun 10km race, contributing financial aid for tertiary education and training.




### CBD West Wing (Kang)

**Kang Village**

Donated broiler chickens, toiletries, Jojo tanks, and upgraded a chicken coop for Motaung Junior Secondary School.



### First Capital Bank Supports Career Development at Kopong School Career Fair

First Capital Bank contributed P10,000 to the Kopong School Career Fair held on 4 October 2024, supporting initiatives that promote career for students.



# Corporate governance

First Capital Bank is committed to the highest standards of ethics and corporate governance.

The Board recognises that high ethical standards and good governance are essential to the Bank's ability to ensure the long-term sustainability of the business and create value for stakeholders.

The Board has governance structures and processes in place, within a framework of effective controls, to support its strategic orientation and meet the reasonable expectations of its stakeholders. The Board provides ethical and effective leadership and sets the example for this in the way it conducts itself and oversees the business and affairs of the Bank. It also promotes a culture in which the principles of integrity, accountability and transparency are embraced by all employees. The Board monitors and adapts its practices to reflect global developments in corporate governance principles to ensure smooth business operations and drive optimal stakeholder engagements.

The Board assumes ultimate responsibility for leading and controlling the organisation and ensuring it meets all legal and regulatory requirements. To this end, governance standards and practices include strict compliance with rules and regulations; robust risk governance and internal controls; a strong commitment to ethics and values; and continuous multi-stakeholder engagement.

## Governance structure

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

## Governance framework

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

## Key roles and responsibilities

The Board of Directors is the ultimate decision-making body and is collectively responsible and accountable for the affairs and overall performance of the Bank. It ensures that proper systems and controls are in place to protect the Bank's assets and uphold its good reputation.

The Board also determines the strategic direction, identifies key risk areas, monitors and evaluates the implementation of policies, and plans and approves the Bank's capital expenditure.

The Board ensures that business activities comply with all legal and regulatory requirements. The detailed responsibilities of the Board are set out in its charter.

The **Chairman** provides overall leadership to the Board and ensures its smooth functioning while encouraging the active participation of all members. He ensures that the Board effectively sets and monitors the Bank's policies, objectives and strategies.

The **Board committees** support the Board. These are led by experienced chairpersons who reports to the Board on committee activities or decisions and make recommendations on matters delegated to them under their respective charters.

The **Chief Executive Officer** is responsible for managing and supervising the Bank's operations and day-to-day administration. She provides leadership and direction to senior management and oversees the implementation of all plans and strategies of the business in line with the policies, guidelines, and instructions set by the Board. Her responsibilities extend across governance, audit, retail, and corporate banking, ensuring alignment with the Bank's strategic objectives.

The **Company Secretary** is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with, and has primary responsibility for guiding the Board members regarding their duties and responsibilities.

## Nomination process

The Board assumes responsibility for succession planning and the appointment and induction of new directors. It also undertakes a review of its structure, size and composition on an annual basis or whenever appointments are considered to ensure that the Board has a diverse mix of competencies, knowledge and experience.

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

Board induction is essential to ensure new Board members can assume their roles and responsibilities and become productive contributors as quickly as possible. New Board members are provided with all the information and support they need to be confident and effective in their roles.

# Board of directors

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

## Chairman

### Richard Wright

*Independent Non-executive Director*

*Appointed 09 July 2019*

*BCom (Accounting and Business Economics) (UNISA)*

Richard has worked in the banking industry for 38 years and has held various leadership roles. His experience covers compliance, credit and operations. He also provides consulting services locally.

## Non-executives

### Hemantkumar (Raj) Patel

*Non-executive Director*

*Appointed 11 May 2005*

*Diploma in Telecommunication Techniques, Principles & Practise of Radio & Television*

Raj holds directorships in a number of companies operating principally in the manufacturing sector in Botswana, Zambia and South Africa.

### Hitesh Anadkat

*Non-executive Director*

*Appointed 05 October 2005*

*MBA (Cornell University), BSc (Hons) Economics (University of London)*

Hitesh worked in corporate finance in the USA, specialising in mergers, acquisitions and valuations before returning to Malawi to establish First Capital Bank (originally FMB Malawi). He holds directorships in five commercial banks (part of FMBcapital Holdings Group) and in other sectors of the Malawi economy.

### Judy Tsonope

*Independent Non-executive Director*

*Appointed 28 September 2015*

*MBA, Master's in Library Science (MLS), BA and Associate Diploma in Banking*

Judy's work experience covers venture capital, development funding, commercial banking and a parastatal organisation (public sector). She also serves on the boards of other companies in Botswana.

### Shawn Bruwer

*Independent Non-executive Director*

*Appointed 16 November 2020*

*ACMA (CIMA), BCom (Management Accountancy), CAIB, Credit Diploma (Institute of Bankers SA)*

Shawn is an experienced executive in the financial and telecommunications sectors in Namibia and Botswana. He has held various executive positions and is experienced in business acquisitions and greenfield start-ups throughout Africa. Previous roles include Chief Information Officer and Chief Operations Officer for a Pan-African financial services group.

BOARD COMMITTEES

- Risk
- Credit
- Appointments and Remuneration
- Audit
- IT

## Non-executives *(continued)*

### Leutlwetse Tumelo

*Independent Non-executive Director*

*Appointed 12 May 2022*

*BAcc (University of Botswana)*

Leutlwetse is a member of the Botswana Institute of Chartered Accountants and the Institute of Directors of Southern Africa. He has held various leadership roles in both listed and unlisted companies in the capital markets and resources sector. He is the founder and and Managing Director of Meriting Conferences.

### Mahube Mpugwa

*Independent Non-executive Director*

*Appointed 18 August 2023*

*BA(Hons), MBA*

Mahube has worked in various leadership positions in the oil industry for over 20 years and is currently the Chairman of the Botswana Oil Industry Association. He is a Chevening scholar and an MBA graduate. Additionally, he holds a BA (Hons) degree and has completed several executive leadership programmes.

### Lynette E. Armstrong

*Independent Non-executive Director*

*Appointed 24 February 2023*

*CA, Accelerated Development Programme (London Business School), Management Development Programme (University of Stellenbosch Business School), Strategic Marketing Management Programme (University of Witwatersrand), Executive Personal Development Coaching Programme (University of Witwatersrand)*

Mrs. Armstrong is a highly accomplished Senior Mining & Finance Executive with over 24 years of financial and business experience within the Botswana Exploration and Mining Industry. Lynette is a Chartered Accountant by profession and has completed several strategic leadership development programmes globally. Lynette has solid board governance experience, having served as Chairperson of Botswana Accountancy Oversight Authority. She has also served on the boards for Debswana Mining Company, Morupule Coal Mining Company, Debswana Pension Fund and other companies in Botswana.

### Moemedi Tafa

*Independent Non-executive Director*

*Appointed 24 February 2023*

*BCom Law, LLB (University of Pretoria)*

Moemedi is a practicing attorney and a partner at leading corporate-commercial law firm, Armstrongs Attorneys. He co-heads the Armstrongs' Litigation Department and additionally oversees the Employment and Labour Law Practice. He is regularly involved in several high-end corporate litigation matters and undertakes corporate-commercial and labour litigation in the High Court, the Industrial Court and the Court of Appeal.

## Executive

### Reinette van der Merwe

*Executive Director – Chief Executive Officer*

*Appointed 04 January 2021*

*Master's in Finance and Marketing (University of North-West), Chartered Accountant (South Africa), Associate Chartered Accountant (ACA, BICA).*

Reinette is a Chartered Accountant and brings 30+ years of financial services experience in international markets and across multiple African countries, covering a number of areas, including retail and corporate banking.

BOARD COMMITTEES

- Risk
- Credit
- Appointments and Remuneration
- Audit
- IT

## Other institutions in which he/she is a Director

### Richard Wright
*Non-executive Director*

- Kwa Nokeng Oil (Pty) Ltd Group of companies (18)

### Hemantkumar (Raj) Patel
*Non-executive Director*

- Kgalagadi Plastic Industries (Pty) Ltd Botswana
- Plastech (Pty) Ltd
- Plastic Shop (Pty) Ltd
- Sun Plastics (Pty) Ltd
- Mortiner (Pty) Ltd
- Everglades Holdings(Pty) Ltd
- Mildenhill Estates (Pty) Ltd
- Woppit Development (Pty) Ltd
- Drayton (Pty) Ltd
- Unitrade 920 (Pty) Ltd (SA)
- Afillity Investment (Pty) Ltd (Zambia)
- Polythene Products Z Ltd (Zambia)

### Hitesh Anadkat
*Non-executive Director*

- First Capital Bank Malawi
- First Capital Bank Zambia (Director)
- First Capital Bank Zimbabwe (Director)
- FMBcapital Holdings Mauritius (Director)
- First Capital Bank Mozambique (Director)

### Judy Tsonope
*Non-executive Director*

- Mopipi Group Holdings (Pty) Ltd
- Something Knew (Pty) Ltd
- Dikgato (Pty) Ltd
- Isago Holdings (Pty) Ltd

### Shawn Bruwer
*Non-executive Director*

- Pro Industrial Park Properties Number Four CC
- Link-up Investments (Pty) Ltd
- Palnic Square Investments Five CC (Pty) Ltd
- Palnic Square Investments Fourteen (Pty) Ltd
- The NetCollective (Pty) Ltd
- Paratus Telecommunications (Pty) Ltd
- Hoisting Solutions (Pty) Ltd
- Blumernaus Trading Company (Pty) Ltd
- Lexior Investments (Pty) Ltd

### Leutlwetse Tumelo
*Non-Executive Director*

- Minergy (Pty) Ltd
- Minergy Coal (Pty) Ltd
- Unik Construction (Pty) Ltd
- L& K Farms (Pty) Ltd
- Meriting Conferences (Pty) Ltd
- Herrington (Pty) Ltd

### Mahube Mpugwa
*Non-Executive Director*

- Sefalana Holding Company Limited
- Granymede Holdings (Pty) Ltd
- Brandywine Investment (Pty) Ltd
- The Karoo (Pty) Ltd
- Eterne (Pty) Ltd
- Master Timber (Pty) Ltd
- Lewis Stores Botswana (Pty) Ltd
- Kwa Nokeng Oil Group of Companies

### Lynette E. Armstrong
*Non-Executive Director*

- None

### Moemedi Tafa
*Non-Executive Director*

- SDDS (Botswana) Pty Ltd
- High Ventures (Pty) Ltd
- House of Gache (Pty) Ltd

### Reinette van der Merwe
*Executive Director – Chief Executive Officer*

- Heinvest Consulting (Pty) Ltd
- Agric (Pty) Ltd
- Bridgewood Investments (Pty) Ltd
- San Vest Ventures Option No.2 CC

# Board committees

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

## Committees

| | Audit | Credit | Risk | Appointments and Remuneration | IT |
|---|---|---|---|---|---|
| **Responsibilities** | Assists the Board in evaluating the adequacy and efficiency of the internal control system, accounting practices, information systems and auditing processes applied<br>Facilitates and promotes communication with Internal Audit<br>Oversees the preparation of financial statements and reports and ensures their integrity<br>Oversees compliance with legal and regulatory requirements. | Ensure the soundness of the Bank's credit portfolio, including advances, guarantees and other facilities.<br>Specific responsibility includes:<br>▪ Ratification of terms and conditions of all credit facilities granted<br>▪ Approval of all credit facilities above discretionary limits set<br>Review of non-performing assets, recovery procedures initiated and establishment of provisioning as required. | Assists the Board in relation to assessing, controlling and mitigating business risks.<br>▪ Identifies risks facing the Bank and recommends controls to the Board. | Oversees the remuneration decisions in the Bank.<br>Specific responsibility includes:<br>▪ Determines the remuneration structures and reviews these annually<br>▪ Ensures directors receive market-related remuneration, subject to the capacity to pay<br>▪ Reviews and approves recommendations on the employee remuneration framework and remuneration policy<br>▪ Evaluates the performance of senior management<br>▪ Evaluates the performance of senior management<br>▪ Reviews incentive and share option schemes. | Oversees the technology and innovation strategies and related investments of the Bank and assesses the effectiveness of the Bank's IT-related risk management.<br>Specific responsibility includes:<br>▪ Reviewing the Bank's technology strategy and its implementation<br>▪ Reviewing and making recommendations on proposals for technology investments<br>▪ Reviewing progress and post-implementation reports for technology projects<br>▪ Reviewing assessments and reviews of technology-related risk management, governance and related internal control systems and processes. |
| **Composition and meetings** | Comprises three Non-executive Directors, all of whom are independent with the necessary skills and experience<br>Meets at least once a quarter | Comprises three Non-executive Directors<br>Meets at least once a quarter | Comprises three Non-executive Directors<br>Meets at least once a quarter | Comprises three Non-executive Directors<br>Meets at least once a quarter | Comprises three Non-executive Directors<br>Meets at least once a quarter |

# Executive management

The executive team is entrusted with the day-to-day running of the Bank.

## Reinette van der Merwe

*Chief Executive Officer*

*Master's in Finance and Marketing (University of North-West)*

*Chartered Accountant (South Africa) [CA(SA)]*

*Associate Chartered Accountant (ACA, BICA)*

## Lebogang Seleke

*Head of Finance*

*Fellow of the Association of Chartered Certified Accountants (FCCA)*

*Associate Certified Professional Accountant (BICA)*

*MSc Professional Accountancy (University of London)*

*Senior Management Development Programme (University of Stellenbosch)*

*Bachelor of Accountancy [BAcc] (University of Botswana)*

## Vijay Kumar

*Acting Head of Corporate*

*Master of Business Administration (Indian Institute of Management, Ahmedabad)*

*Bachelor's Degree in Agriculture Science (India)*

## Thatayaone Nicholas Matlapeng

*Country Manager Consumer Lending*

*Certified Professional Retail Banker (Retail Banking Academy International – RBA, UK)*

*Bachelor of Arts in Marketing (University of Botswana)*

*Management Development Programme (University of Stellenbosch)*

## Mani Neb

*Head of Treasury*

*Master of Commerce*

*Postgraduate Diploma in Financial Management*

*Master of Business Finance (Indian Institute of Finance)*

## Onalenna Motaung

*Acting Head of Credit*

*Bachelor of Accountancy (University of Botswana)*

*Associate Diploma in Banking (ABIB)*

*Standard Bank Foundation Leadership Development Program*

*Barclays Africa Leadership Program*

## Bugalo Masole

*Head of IT and Operations*

*Master of Science in Strategic Management*

*Bachelor of Science in Information Technology*

*Barclays Africa Leadership Program*

*Strathmore University Leadership Program*

*Prince 2 Practitioner Certification*

*IT Infrastructure Library (ITIL) Version 4 Foundation*

## Goitseone Moshabela

*Head of Human Resources*

*Master's in Public Administration with Specialisation in Human Resources Management*

## Hajra Mahomed-Tajbhai

*Chief of Staff and Head of Marketing & Communications*

*Master of Business Administration (University of Cape Town, Graduate School of Business)*

*Digital Marketing Certificate (University of Cape Town)*

*Bachelor of Science in Complementary Health Sciences and Bachelor of Complementary Medicine (Naturopathy) (University of the Western Cape)*

## Sandisiwe Dube

*Country Risk Manager*

*Master's in Financial Engineering*

*Bachelor of Science in Actuarial Science (National University of Science and Technology, Zimbabwe)*

## Mbakiso Masesane

*Head of Compliance*

*Bachelor of Arts in Economics (University of Botswana)*

*Postgraduate Certificate in Enterprise Risk Management (Botswana Accountancy College)*

*Certificate of Proficiency in Long-Term and Short-Term Insurance (Botswana Accountancy College & Insurance Academy of Botswana)*

*Compliance Management Certificate (University of Cape Town)*

*Data Protection & Privacy Certificate (University of Cape Town)*

*Member of the Association of Certified Anti-Money Laundering Specialists (ACAMS)*

## One Gosekwang

*Head of Internal Audit*

*Associate Chartered Accountant (ACA, BFA, Institute of Chartered Accountants in England and Wales)*

*Associate Chartered Accountant (ACA, BICA)*

*Bachelor of Accountancy (University of Botswana)*

*Member of the Institute of Internal Auditors (IIA)*

## Letlhogonolo Matlhabe

*Head of Legal and Company Secretary*

*Bachelor of Laws (LLB, University of Botswana)*

*Company Secretarial and Governance Practice (Chartered Governance Institute of Southern Africa)*

# Risk and compliance

First Capital Bank is committed to the highest standards of ethics and corporate governance.

Risk management processes are established as an integral part of the banking operations across all business operations and segments. The roll-out of a  comprehensive Enterprise-wide Risk Management Framework (EWRMF) has set the Bank on a journey of continuous improvement with a key focus towards sustainability and long-term performance. The EWRMF establishes the focus areas to improve a structured awareness of material risks in an integrated way in all day-to-day operations.

The operating environment within the banking industry continues to face a complex array of challenges. Macroeconomic conditions have remained subdued due to diminished diamond performance. Liquidity, though initially flush during the first half of the year, has become very tight during the last half of 2024, resulting in increased interest expenses. The monetary policy continues to be accommodative, resulting in lower interest rates, and a number of rate cuts were observed during the year. The Bank's strategy remains focused on clients that yield favourable risk-adjusted returns, and the EWRF supports the mitigation of operational shocks. We continue to enhance governance structures and introduce risk awareness initiatives that bolster our preparedness to address new and emerging challenges across all business lines.

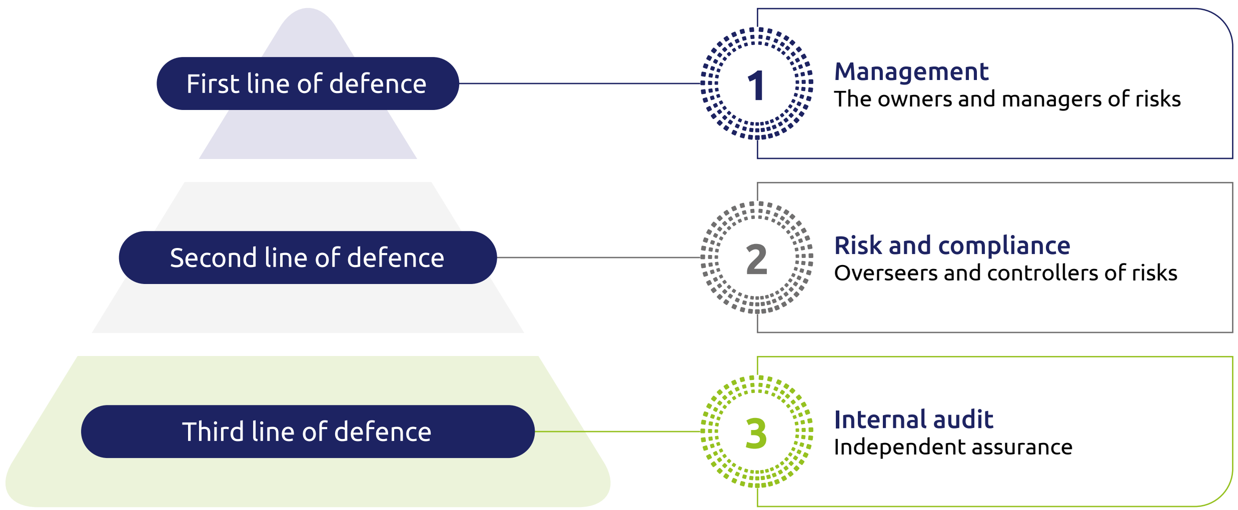
## Risk governance and the three lines of defence

The Bank uses the three lines of defence model in how it manages and governs risk on an enterprise-wide basis. It operates a model with two separate Risk and Compliance functions within the second line of defence. The second line of defence provides for the oversight and control of the enterprise-wide risk management program. The focus on enterprise-wide risk management has seen coordinated enhancements in managing risks and risk events across the business. The active engagement of the second line of defence is continually reviewed and deepened, with a proactive focus on risks and their management for a smoother operating environment.

The Bank has an independent Internal Audit team fully dedicated to ensuring continuous improvement in the control environment across all operations.

The second and third lines of defence must maintain their independence for the effective operation of the oversight responsibilities. All second line units report to Board Risk Committee, while the third line unit of Internal Audit maintains a direct reporting line to the Board Audit Committee on all operational responsibilities of the function. These governance and accountability structures enhance the robustness and independence of the second and third lines of defence.

### The Bank operates **three lines** of defence in risk management:




### Risk universe

The Bank's risk universe is aligned with that provided by FMBCH Group's risk universe.

More information can be found in the FMBCH Group Integrated report, available at **https://fmbcapitalgroup.com/investor-relations/downloads/**

# Consolidated and Separate Annual Financial Statements



# Directors' responsibility statement

The directors of First Capital Bank Limited ("the Company" or "the Bank") and its subsidiary, Jetwig Enterprises (Proprietary) Limited, together referred to as "the Group" are responsible for the preparation of the consolidated and separate financial statements comprising the statements of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended and the notes to the financial statements, including a summary of material accounting policies and other explanatory notes, in accordance with IFRS® Accounting Standards as issued by the International Standards Boards ("IFRS Accounting Standards") and in the manner required by the Banking Act (Chapter 46:04) of Botswana.

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

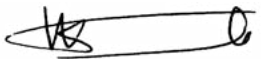
The directors have assessed the ability of the Group and Company to continue as a going concern and are satisfied that the business will remain operational in the year ahead.

The external auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with IFRS Accounting Standards.

## Approval of the annual financial statements

The consolidated and separate financial statements as identified in the first paragraph, were approved and authorised for issuance by the board of directors on 11 March 2025 and signed on their behalf by:

**Lynette E. Armstrong**
*Director*



**L. Tumelo**
*Director*

Signatures were removed for security and privacy reasons.

# Directors' report

The directors have pleasure in submitting their report together with the consolidated and separate financial statements of First Capital Bank Limited for the year ended 31 December 2024.

## Business activities

The Bank is registered as a commercial bank and officially opened in May 2008.

The Bank holds all the shares in Jetwig Enterprises Proprietary Limited trading as First Capital Bank Insurance Agency, an insurance agency that operates principally in Botswana. The insurance agency is regulated by Non-Bank Financial Institutions Regulatory Authority. The total investment in the subsidiary company is P1 000 000 (2023: P1 000 000).

## Stated capital

The bank's stated capital comprises 101 833 333 (2023: 101 833 333) issued and fully paid ordinary shares of no par value.

The shareholding at the reporting date was:

**Voting rights (including preference shares)**

| | | | |
|---|---|---|---|
| FMBcapital Holdings Plc (Mauritius) | **51.13%** | Meeta Anadkat | **1.99%** |
| Everglades Botswana (Pty) Ltd | **26.23%** | Dillon Hitesh Anadkat | **0.80%** |
| Premier Capital (Mauritius) Ltd | **12.99%** | Sheena Anadkat | **0.80%** |
| Prime Bank Ltd (Kenya) | **5.26%** | Shaun Anadkat | **0.80%** |

**Beneficial ownership (ordinary shares)**

| | | | |
|---|---|---|---|
| FMBcapital Holdings Plc (Mauritius) | **38.60%** | Meeta Anadkat | **2.50%** |
| Everglades Botswana (Pty) Ltd | **32.96%** | Dillon Hitesh Anadkat | **1.00%** |
| Premier Capital (Mauritius) Ltd | **16.32%** | Sheena Anadkat | **1.00%** |
| Prime Bank Ltd (Kenya) | **6.62%** | Shaun Anadkat | **1.00%** |

## Preference shares

Preference shares of no par value is P26 132 000 (2023: P26 132 000).

## Non-Executive Directors

Richard C. Wright (Chairman)
Hitesh N. Anadkat
Hemantkumar K. Patel
Lynette E. Armstrong
Mahube Mpugwa
Judy N. Tsonope
Shawn S. Bruwer
Leutlwetse Tumelo
Moemedi J. Tafa

## Executive Director
Reinette E. van der Merwe

## Secretary
Letlhogonolo Matlhabe

## Principal place of business
First Capital House
Plot 74768, 2nd Commercial Road, CBD
Gaborone, Botswana

## Registered address
Plot 50370
Acumen Park, Fairgrounds
Gaborone, Botswana

## Company number
UIN BW00000729396

## Auditors
Ernst & Young
Plot 22, Khama Crescent
Gaborone, Botswana

## Events after the reporting date
Other than events described in note 43, there were no other material or significant events noted that required to be disclosed or adjusted for in the financial statements.

## Statement on corporate governance
The Bank has a unitary Board of Directors, which comprise a non-executive Chairman, eight (8) non-executive Directors, and one (1) executive Director, the Chief Executive Officer. Of the nine (9) non-executive directors, seven (7) are independent. The Bank operates as a subsidiary of a Mauritius domiciled holding company and has adopted the National Code of Corporate Governance for Mauritius (2016) as its governance code.

The Board meets at least four times a year. There are adequate and efficient 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 and control over the Bank's operations.

## Board Meetings Attendance 2024

| Member | 4 Mar 24 | 14 Jun 24 | 3 Sep 24 | 19 Nov 24 |
|---|---|---|---|---|
| Mr. RC Wright – Chairman | ✓ | ✓ | ✓ | ✓ |
| Mr. HN Anadkat | ✓ | ✓ | ✓ | ✓ |
| Mr. HK Patel | ✓ | ✓ | ✓ | X |
| Mrs. JN Tsonope | ✓ | ✓ | ✓ | ✓ |
| Mr. SS Bruwer | ✓ | ✓ | ✓ | ✓ |
| Mr. L Tumelo | ✓ | ✓ | ✓ | ✓ |
| Mrs. RE van der Merwe | ✓ | ✓ | ✓ | ✓ |
| Mr. M Mpugwa | ✓ | ✓ | ✓ | ✓ |
| Mr. MJ Tafa | ✓ | ✓ | ✓ | ✓ |
| Mrs. LE Armstrong | ✓ | ✓ | X | ✓ |

***Key:*** *✓ = Attended X = Apology*

Board sub-committees that the Directors served on are as follows:

| Audit Committee | Credit Committee | Risk Committee | Appointments and Remuneration Committee | IT Committee |
|---|---|---|---|---|
| 1. Mrs. LE Armstrong (Chairperson) | 1. Mr. HK Patel (Chairperson) | 1. Mr. M Mpugwa (Chairperson) | 1. Mr. HN Anadkat (Chairperson) | 1. Mr. SS Bruwer (Chairperson) |
| 2. Mrs. JN Tsonope | 2. Mr. M Mpugwa | 2. Mr. MJ Tafa | 2. Mr. RC Wright | 2. Mr. HN Anadkat |
| 3. Mr. L Tumelo | 3. Mr. SS Bruwer | 3. Mr. HK Patel | 3. Mr. MJ Tafa | 3. Mr. M Mpugwa |

## Directors' shareholdings/interests:

1. Mr. HN Anadkat owns 33.97% of the Bank's ultimate beneficial ownership, primarily through his interest in Premier Capital (Mauritius) Limited and FMBcapital Holdings Plc (Mauritius) all of which have shares in the Bank.
2. Mr. HK Patel owns 32.96% of the Bank's ultimate beneficial ownership through his interest in Everglades Botswana Proprietary Limited.

## Election and re-election of directors:

In terms of the Constitution, directors retire every three years and are eligible for re-election up to a period of 10 years as per the Guidelines on Corporate Governance for Banks/Financial Institutions licensed and supervised by the Bank of Botswana. The non-executive Director below retired by rotation in June 2024 and was re-elected.

(i) Mr. SS Bruwer

## Directors Remuneration

| Total remuneration for the year | 2024 |
|---|---|
| **Executive director** | |
| Mrs. RE van der Merwe | 7 686 994 |
| **Non executive directors** | |
| Mr. RC Wright – Chairman | 480 571 |
| Mr. HN Anadkat | 184 874 |
| Mr. HK Patel | 304 874 |
| Mrs. JN Tsonope | 184 874 |
| Mr. SS Bruwer | 184 874 |
| Mr. L Tumelo | 184 874 |
| Mr. M Mpugwa | 184 874 |
| Mr. MJ Tafa | 184 874 |
| Mrs. LE Armstrong | 184 874 |
| **Total** | 9 766 557 |

# Independent auditors' report

## To the shareholders of First Capital Bank limited

## Opinion

We have audited the consolidated and separate financial statements of First Capital Bank Limited ("the Company") and its subsidiary, Jetwig Enterprises Proprietary Limited, (together, "the Group") set out on  pages 47 to 140 which comprise the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 December 2024, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Banking Act (Cap 46:04).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of the financial statements of the Group and the Company and in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing the audit of the Group and Company and in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

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

The key audit matter applies to both the audit of the consolidated and separate financial statements.

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| **Expected credit losses (ECLs) relating to loans and advances to customers (Group and Company)** | |
| The disclosures associated with the key audit matter are set out in the consolidated and separate financial statements in the following notes:<br>▪ Note 4(b) – Impairment of financial assets/Expected credit losses (ECLs) measurement/Expected credit loss (ECL) modelling approach/Low risk financial instruments/ Restructures/modifications of loans and advances<br>▪ Note 5 – Financial risk management (a) Credit risk<br>▪ Note 11 – Loans and advances to customers<br>▪ Note 34 – Net impairment losses on financial instruments | |
| Expected credit losses (ECLs) relating to loans and advances to customers represent management's best estimate of the losses incurred within the loan portfolios at the reporting date. The ECLs are calculated on a portfolio basis for loans and advances of a similar nature and on an individual basis for significant loans and advances.<br><br>The Group and Company recognised gross loans and advances to customers at 31 December 2024 of BWP 4 829 030 426 (2023: BWP 4 334 992 745) with a related ECL allowance of BWP 91 040 598 at the same date (2023: BWP 102 572 249). The Group and Company's net loans and advances contributed 59% (2023: 66%) of the Group and Company's total assets at the reporting date and the ECL contributed 1.9% (2023: 2.4%) of Group and Company's gross loans and advances at the reporting date.<br><br>**Modelled ECL allowance**<br>The Company's loans and advances portfolio is disaggregated into three sections - Corporate loan book, Retail loan book and unmodelled loan book. The ECL allowance for two of these sections is calculated using a modelled approach. The development and execution of these models requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters.<br><br>The ECL allowance for loans and advances not calculated using a modelled approach (Unmodelled loan book) is calculated by applying adjusted PD, EAD and LGD model parameters obtained from the modelled results. The adjustments from the modelled PD, EAD and LGD results applied to this part of the loans and advances portfolio requires significant management judgement.<br><br>Significant management judgement is also required to evaluate probability weighted recovery scenarios, collateral valuations, and time to collect.<br><br>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. | Our audit procedures included, but were not limited to:<br><br>We have obtained an understanding of the Group and Company's processes and tested the operating effectiveness of the Company's internal controls over credit origination, credit monitoring and credit remediation, as well as the governance process over the approval and review of the Company's ECL models, including management adjustments.<br><br>**Modelled ECL allowance**<br>With the assistance of our internal Quantitative and Economic Specialists:<br>▪ We assessed the conceptual soundness of the model construct and statistical/mathematical techniques applied as well as the reasonableness underpinning significant assumptions applied with reference to the requirements of IFRS 9 – *Financial instruments*, in determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters included in the models.<br>▪ We independently reperformed the model calculations as per the model documentation (model build steps) and independently recomputed the PD, EAD and LGD parameters using the model build steps and managements inputs, to assess the reasonableness of the ECL model outputs.<br>▪ Where exceptions were noted in the macroeconomic variables applied, our quantitative specialists developed a PD challenger model to assess the impact using independently computed variables (with the assistance from our internal economics specialists).<br>▪ We assessed the reasonableness of the adjustments made by management to the PD, EAD and LGD parameters applied to the unmodelled loan portfolio by comparing these adjustments to the Group and Company's historical experience and the PD, EAD and LGD parameters applied to similar loans and advances.<br>▪ We performed a sensitivity analysis of the model outputs using the forward-looking information provided by our economic advisory specialists.<br>▪ We assessed the data inputs used in the ECL models by reconciling the data inputs to the core banking system, customer agreements and collateral valuation reports.<br>▪ We tested the Group and Company's legal right to the collateral for a sample of accounts by inspecting legal agreements and valuation reports supporting the collateral valuations included in the Group and Company's ECL models. |

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| **Macro-economic forecasts incorporated in impairment models**<br>The Group and Company incorporates forward looking information through a scenario matrix which comprises macroeconomic variables such as gross domestic product (GDP) and foreign exchange rates. These require management judgement, given the uncertain macroeconomic environment and the complexity of incorporating these scenario forecasts and probability weightings into the estimation of ECL.<br><br>The calculation of ECLs relating to loans and advances to customers was identified as a key audit matter considering the significance to the consolidated and separate financial statements and the high degree of estimation uncertainty due to significant judgements and assumptions applied in the calculation which required increased audit effort and the use of specialists. | ▪ We also assessed, on a sample basis, the competency and independence of specialists appointed by the Company to determine the value of the collateral by reviewing the specialists' qualifications and registrations to professional bodies and the engagement contracts agreed with these specialists. For independence, we verified that the valuers have no interest in or loans with the Company.<br>▪ We reviewed, on a sample basis, the valuation reports obtained from these specialists and benchmarked the discount rates and asset valuations reported by these specialists against discount rates and asset valuations for similar assets obtained from our own internal valuation specialists and other valuation specialists for similar assets in the same geographical areas.<br>▪ We assessed the appropriateness of the Group and Company's SICR methodologies and tested the stage allocations of loans and advances to customers to stage 1, 2 or 3 in accordance with the requirements of IFRS 9 – *Financial instruments*. Our procedures included obtaining and testing loan arrears reports, ensuring balances are classified in the appropriate stage based on the days past due and credit risk assessments performed and risk ratings determined for individual accounts. We assessed the risk ratings for a sample of accounts by reviewing the financial statements received from customers, comparing the risk ratings to the Company's credit watchlist, and reviewing the payment behaviour for the selected accounts. We compared the risk ratings for these selected accounts to management's SICR assessment.<br><br>**Macro-economic forecasts**<br>With the assistance from our economic advisory specialists, we:<br>▪ Obtained an understanding of how the economic forecasts, as part of forward-looking information, are derived and incorporated in the models.<br>▪ Evaluated the adequacy and completeness of economic assumptions used in the models by benchmarking these forecasts for a sample of macroeconomic variables to external sources.<br><br>We assessed the adequacy and completeness of the financial statement disclosures included in the Group and Company's financial statements relating to the expected credit losses as noted in the notes above to determine compliance with IFRS 9 – *Financial instruments*. |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the 144-page document titled "First Capital Bank 2024 Annual Report" which includes the Directors' responsibility statement, Directors' report, and the information on capital risk management disclosed in Note 5(d) on page 103, obtained prior to the date of this report and the First Capital Bank Limited Annual Report which is expected to be made available to us after that date. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

## Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Banking Act (Cap 46:04) and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group 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/or the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

Ernst + Young

**Ernst & Young**
Practicing member: Francois Roos (Partner)
Certified Auditor
Membership number: CAP 0013 2025
Gaborone

1 April 2025

# Statements of financial position

as at 31 December 2024

| | | Group | | Company | |
|---|---|---|---|---|---|
| Amounts in Pula | Note | 2024 | 2023 | 2024 | 2023 |
| **ASSETS** | | | | | |
| Cash and cash equivalents | 6 | **2 303 732 161** | 1 666 621 978 | **2 303 732 161** | 1 666 621 978 |
| Derivative financial assets | 7 | **56 516 630** | 30 370 142 | **56 516 630** | 30 370 142 |
| Investment securities | 8 | **784 165 321** | 365 558 494 | **784 165 321** | 365 558 494 |
| Taxation refundable | 35 | **12 229 847** | 10 427 563 | **11 034 447** | 9 319 827 |
| Other assets | 9 | **43 055 834** | 31 950 741 | **41 706 924** | 30 757 645 |
| Deferred tax assets | 20 | **27 309** | 47 704 | **–** | – |
| Right-of-use assets | 10 | **5 069 781** | 7 694 694 | **5 069 781** | 7 694 694 |
| Loans and advances to customers | 11 | **4 737 989 828** | 4 232 420 496 | **4 737 989 828** | 4 232 420 496 |
| Investment in subsidiary company | 12 | **–** | – | **1 000 000** | 1 000 000 |
| Intangible assets* | 13 | **18 801 454** | 4 358 749 | **18 801 454** | 4 358 749 |
| Investment property | 14 | **23 570 000** | – | **23 570 000** | – |
| Property and equipment* | 15 | **95 404 895** | 104 601 531 | **95 404 895** | 104 601 531 |
| **Total assets** | | **8 080 563 060** | 6 454 052 092 | **8 078 991 441** | 6 452 703 556 |
| **LIABILITIES** | | | | | |
| Deposits from customers | 16 | **6 168 088 020** | 5 276 513 605 | **6 186 686 716** | 5 288 468 390 |
| Balances due to other banks | 17 | **635 098 408** | 175 601 273 | **635 098 408** | 175 601 273 |
| Derivative financial liabilities | 7 | **23 092 168** | 12 047 176 | **23 092 168** | 12 047 176 |
| Lease liabilities | 18 | **6 469 818** | 8 861 153 | **6 469 818** | 8 861 153 |
| Other liabilities | 19 | **87 160 452** | 78 058 773 | **86 686 498** | 77 684 981 |
| Deferred tax liabilities | 20 | **34 962 810** | 20 742 590 | **34 962 810** | 20 742 590 |
| Subordinated debt | 21 | **158 439 554** | 158 462 936 | **158 439 554** | 158 462 936 |
| Preference shares | 22 | **26 132 000** | 26 132 000 | **26 132 000** | 26 132 000 |
| **Total liabilities** | | **7 139 443 230** | 5 756 419 506 | **7 157 567 972** | 5 768 000 499 |
| **EQUITY** | | | | | |
| Stated capital | 23 | **140 000 000** | 140 000 000 | **140 000 000** | 140 000 000 |
| Credit loss reserve | 24 | **15 289 391** | 15 289 391 | **15 289 391** | 15 289 391 |
| Property revaluation reserve | 15 | **9 104 947** | 4 932 535 | **9 104 947** | 4 932 535 |
| Retained earnings | | **776 725 492** | 537 410 660 | **757 029 131** | 524 481 131 |
| **Total equity** | | **941 119 830** | 697 632 586 | **921 423 469** | 684 703 057 |
| **Total liabilities and equity** | | **8 080 563 060** | 6 454 052 092 | **8 078 991 441** | 6 452 703 556 |

* *In the current year, the "Property, equipment and intangible assets" line item, as presented in the prior year, has been disaggregated into two separate line items, "Property and equipment" and "Intangible assets" to enhance transparency of financial reporting and align with best practice. The comparatives have been updated accordingly for comparability.*

# Statements of profit or loss and other comprehensive income

for the year ended 31 December 2024

| | | Group | | Company | |
|---|---|---|---|---|---|
| Amounts in Pula | Note | 2024 | 2023 | 2024 | 2023 |
| Interest income at effective interest rate | 25 | **827 230 604** | 705 285 836 | **827 230 604** | 705 285 836 |
| Interest expense at effective interest rate | 26 | **(242 710 716)** | (260 301 310) | **(243 378 143)** | (260 471 322) |
| **Net interest income** | | **584 519 888** | 444 984 526 | **583 852 461** | 444 814 514 |
| Fee and commission income | 27 | **43 355 110** | 32 875 924 | **32 006 512** | 24 150 244 |
| Fee and commission expense | 27 | **(10 154 431)** | (4 558 973) | **(10 154 431)** | (4 558 973) |
| **Net fee and commission income*** | | **33 200 679** | 28 316 951 | **21 852 081** | 19 591 271 |
| Net (losses)/gains on foreign exchange transactions | 28 | **(19 379 374)** | 32 289 840 | **(19 379 374)** | 32 289 840 |
| Net gains on derivative financial instruments | 7 | **94 829 655** | 27 519 018 | **94 829 655** | 27 519 018 |
| Fair value loss on investment property | 13 | **(2 152 584)** | – | **(2 152 584)** | – |
| Other operating income | 29 | **2 280 648** | 2 564 531 | **4 337 101** | 3 297 935 |
| **Total non-interest income** | | **108 779 024** | 90 690 340 | **99 486 879** | 82 698 064 |
| **Total operating income** | | **693 298 912** | 535 674 866 | **683 339 340** | 527 512 578 |
| Staff costs | 30 | **(117 743 556)** | (102 241 074) | **(116 765 849)** | (101 618 852) |
| Premises and equipment costs | 31 | **(6 355 657)** | (5 948 958) | **(6 355 657)** | (5 948 958) |
| Information technology costs | 32 | **(25 002 385)** | (13 623 129) | **(25 002 385)** | (13 623 129) |
| Depreciation and amortisation | | **(14 433 487)** | (12 696 309) | **(14 433 487)** | (12 696 309) |
| Administration and general expenses | 33 | **(61 929 030)** | (44 689 273) | **(61 651 746)** | (44 551 150) |
| Shared services costs | | **(43 961 346)** | (37 651 005) | **(43 961 346)** | (37 651 005) |
| **Total operating expenses** | | **(269 425 461)** | (216 849 748) | **(268 170 470)** | (216 089 403) |
| **Profit before impairment losses on financial assets** | | **423 873 451** | 318 825 118 | **415 168 870** | 311 423 175 |
| Net impairment losses on financial assets | 34 | **(1 616 723)** | (25 499 563) | **(1 616 723)** | (25 499 563) |
| **Profit before income tax expense** | | **422 256 728** | 293 325 555 | **413 552 147** | 285 923 612 |
| Income tax expense | 35 | **(92 941 896)** | (68 728 254) | **(91 004 147)** | (67 093 723) |
| **Profit for the year** | | **329 314 832** | 224 597 301 | **322 548 000** | 218 829 889 |
| **Other comprehensive income** | | | | | |
| ***Items that will not be reclassified to profit or loss*** | | | | | |
| Revaluation surplus on fixed assets | | **5 349 246** | – | **5 349 246** | – |
| Deferred tax on revaluation of property | | **(1 176 834)** | – | **(1 176 834)** | – |
| **Total other comprehensive income for the year** | | **4 172 412** | – | **4 172 412** | – |
| **Total comprehensive income for the year** | | **333 487 244** | 224 597 301 | **326 720 412** | 218 829 889 |
| Basic earnings per share in Pula | 36 | **3.2339** | 2.2055 | | |

* *Net fee and commission was previously presented as a single line in the financial statements. In the current year, this has been disaggregated into two financial statement line items, "Fee and commission income" and "Fee and commission expense" to enhance the transparency. The comparatives have been updated for comparability.*

# Statements of changes in equity

for the year ended 31 December 2024

## Group

| Amounts in Pula | Stated capital | Property revaluation reserve | Credit loss reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Balance as at 1 January 2023** | 140 000 000 | 4 932 535 | 15 289 391 | 372 813 359 | 533 035 285 |
| Profit for the year | – | – | – | 224 597 301 | 224 597 301 |
| **Transactions with owners of the Bank** | | | | | |
| Dividends paid | – | – | – | (60 000 000) | (60 000 000) |
| **Balance as at 31 December 2023** | **140 000 000** | **4 932 535** | **15 289 391** | **537 410 660** | **697 632 586** |
| Profit for the year | **–** | **–** | **–** | **329 314 832** | **329 314 832** |
| **Other comprehensive income** | | | | | |
| Revaluation surplus on buildings, net of tax | **–** | **4 172 412** | **–** | **–** | **4 172 412** |
| **Transactions with owners of the Bank** | | | | | |
| Dividends paid | **–** | **–** | **–** | **(90 000 000)** | **(90 000 000)** |
| **Balance as at 31 December 2024** | **140 000 000** | **9 104 947** | **15 289 391** | **776 725 492** | **941 119 830** |

## Company

| Amounts in Pula | Stated capital | Property revaluation reserve | Credit loss reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Balance as at 1 January 2023** | 140 000 000 | 4 932 535 | 15 289 391 | 365 651 242 | 525 873 168 |
| Profit for the year | – | – | – | 218 829 889 | 218 829 889 |
| **Transactions with owners of the Bank** | | | | | |
| Dividends paid | – | – | – | (60 000 000) | (60 000 000) |
| **Balance as at 31 December 2023** | **140 000 000** | **4 932 535** | **15 289 391** | **524 481 131** | **684 703 057** |
| Profit for the year | **–** | **–** | **–** | **322 548 000** | **322 548 000** |
| **Other comprehensive income** | | | | | |
| Revaluation surplus on buildings, net of tax | **–** | **4 172 412** | **–** | **–** | **4 172 412** |
| **Transactions with owners of the Bank** | | | | | |
| Dividends paid | **–** | **–** | **–** | **(90 000 000)** | **(90 000 000)** |
| **Balance as at 31 December 2024** | **140 000 000** | **9 104 947** | **15 289 391** | **757 029 131** | **921 423 469** |

# Statements of cash flows

for the year ended 31 December 2024

| Amounts in Pula | Note | Group 2024 | Group 2023* | Company 2024 | Company 2023* |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Interest and non-interest income | 37 | **915 714 591** | 749 239 572 | **906 422 446** | 741 247 296 |
| Interest paid | 38 | **(269 306 565)** | (234 497 626) | **(269 973 992)** | (234 667 638) |
| Cash paid to suppliers and employees | 39 | **(246 339 950)** | (194 842 406) | **(245 029 307)** | (193 436 896) |
| Income taxes paid | 35 | **(81 680 398)** | (74 833 617) | **(79 675 380)** | (71 200 000) |
| | | **318 387 678** | 245 065 923 | **311 743 767** | 241 942 762 |
| Net movement in loans and advances to customers | 40 | **(537 335 923)** | (584 494 440) | **(537 335 923)** | (584 494 440) |
| Net movement in deposit balances | 40 | **918 964 098** | 766 027 168 | **925 608 009** | 769 150 329 |
| Net movement in balances due to other banks | | **459 303 699** | 46 711 714 | **459 303 699** | 46 711 714 |
| **Net cash flows from operating activities** | | **1 159 319 552** | 473 310 365 | **1 159 319 552** | 473 310 365 |
| **Cash flows from investing activities** | | | | | |
| Net acquisition of investment securities | | **(408 206 753)** | (219 549 205) | **(408 206 753)** | (219 549 205) |
| Proceeds from sale of equipment | | **102 892** | 86 647 | **102 892** | 86 647 |
| Acquisition of intangible assets* | 13 | **(17 339 381)** | (2 199 609) | **(17 339 381)** | (2 199 609) |
| Acquisition of property and equipment* | 15 | **(20 011 102)** | (38 988 955) | **(20 011 102)** | (38 988 955) |
| **Net cash flows from investing activities** | | **(445 454 344)** | (260 651 122) | **(445 454 344)** | (260 651 122) |
| **Cash flows from financing activities** | | | | | |
| Dividends paid | 36 | **(90 000 000)** | (60 000 000) | **(90 000 000)** | (60 000 000) |
| Principal payments for lease liabilities* | 17 | **(2 558 713)** | (2 275 969) | **(2 558 713)** | (2 275 969) |
| Interest payments on lease liabilities* | 17 | **(623 779)** | (749 153) | **(623 779)** | (749 153) |
| **Net cash flows from financing activities** | | **(93 182 492)** | (63 025 122) | **(93 182 492)** | (63 025 122) |
| **Net increase in cash and cash equivalents** | | **620 682 716** | 149 634 121 | **620 682 716** | 149 634 121 |
| Cash and cash equivalents at beginning of the year | | **1 666 621 978** | 1 489 385 521 | **1 666 621 978** | 1 489 385 521 |
| Effect of changes in exchange rates | | **16 427 467** | 27 602 336 | **16 427 467** | 27 602 336 |
| **Cash and cash equivalents at end of the year** | 6 | **2 303 732 161** | 1 666 621 978 | **2 303 732 161** | 1 666 621 978 |

* *In the current year, the following presentation changes have been made to enhance transparency and align with best practices:*

*(i) Disaggregation of Acquisition of property, equipment, and intangible assets: Previously, cash flows related to property, equipment, and intangible assets were presented as a single line item. In the current year, this has been disaggregated into two separate line items namely, Acquisition of property and equipment as well as Acquisition of intangible assets.*

*(ii) Disaggregation of Payments for lease liabilities: Payments related to lease liabilities, previously presented as a single line item, have now been separated into Principal Payments on Lease Liabilities.*

# Notes to the financial statements

for the year ended 31 December 2024

## 1. Reporting entity

Capital Bank Limited is a limited liability public company incorporated in Botswana. The Bank is licensed to operate as a commercial bank and is regulated by the Bank of Botswana.

These consolidated financial statements comprise the statutory financial statements of First Capital Bank Limited ("the Company" or "the Bank") and its subsidiary, Jetwig Enterprises (Proprietary) Limited, together referred to as "the Group".

The Bank's subsidiary Jetwig Enterprises (Proprietary) Limited operates as an insurance agency.

## 2. Basis of preparation

The Group presents its statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement is presented in Note 5 (b).

### (i) Statement of compliance

The financial statements have been prepared on a going concern basis and in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Boards ("IFRS Accounting Standards") and in the manner required by the Banking Act (Chapter 46:04) of Botswana. The consolidated and separate financial statements were approved and authorised for issuance by the directors on 11 March 2025.

### (ii) Basis of measurement

The financial statements are prepared on the historical cost basis except where otherwise stated. The financial statements have been prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

### (iii) Functional and presentation currency

The financial statements are presented in Botswana Pula, which is the Group and Company's functional and presentation currency. Financial information has been rounded to the nearest Pula, except where otherwise stated.

## 2. Basis of preparation (continued)

### (iv) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, 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 recognised in the period in which the estimate is revised and in any future periods affected.

The following estimates and underlying assumptions are significant to the Group:

- **Expected credit losses relating to financial assets** – refer to note 4(b) and 5(a);
- **Fair value of property** – refer to note 4(g) and 15;
- **Residual values and useful lives of property and equipment** – refer to note 4(g) and 15;
- **Fair values of derivative assets and liabilities** – refer to note 4(b) and 7;
- **Fair value of investment property** – refer to note 4(h) and 14;
- **Taxation** – refer to note 4(t), 20 and 35.

### (vi) Consolidated financial statements

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and Jetwig Enterprises (Proprietary) Limited. Subsidiaries are entities which are controlled by the Group. Generally, there is a presumption majority of voting rights result in control. Also refer to the paragraph below for definition of control. The Group measures investments in these entities in its separate financial statements at cost less impairment.

#### 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.

#### Subsidiaries

Jetwig Enterprises (Proprietary) Limited is controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The financial statements of Jetwig Enterprises (Proprietary) Limited are included in the consolidated financial statements.

#### 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.

Changes in the Group’s interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions.

## 3. New IFRS Accounting Standards and interpretations

### 3.1 New IFRS Accounting Standards and interpretations which became effective during the year

The following standards, amendments to standards and interpretations became effective for the year ended 31 December 2024:

**IFRS 17 – Insurance Contracts**

**Amendments to IAS 1 - Classification of Liabilities as Current or Non-current and Liabilities with Covenants**

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

The amendments did not have a significant impact on the Group and Company's financial statements.

**Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback**

In September 2022, the Board issued Lease Liability in a Sale and Leaseback. The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. However, the requirements do not prevent the seller-lessee from recognizing any gain or loss arising from the partial or full termination of a lease.

The amendments did not have an impact on the Group and Company's financial statements.

**Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements**

In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments. The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or later than that on which the finance providers pay the entity's suppliers.

The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements. The information on those arrangements is required to be aggregated unless the individual arrangements have dissimilar or unique terms and conditions.

The amendments did not have an impact on the Group and Company's financial statements.

### 3.2 New IFRS Accounting Standards and interpretations not yet effective

The following new standards, amendments and interpretations have been issued but are not effective for the financial year ended 31 December 2024:

**Amendments to IAS 21 - Lack of Exchangeability**

The amendments in Lack of Exchangeability (Amendments to IAS 21) amend IAS 21 to:

- Specify when a currency is exchangeable into another currency and when it is not.
- A currency is exchangeable when an entity can exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable.

When a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing. Require the disclosure of additional information when a currency is not exchangeable when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The amendments are effective 1 January 2025 and are not expected to have material impact on the Group and Company's financial statements.

# 3. New IFRS Accounting Standards and interpretations (continued)

## 3.2 New IFRS Accounting Standards and interpretations not yet effective (continued)

### Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitutes a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognize the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognized by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

The effective date of these amendments is not determined. These amendments are not expected to have material impact on the Group and Company's financial statements.

### IFRS 18 – Presentation and disclosure in Financial Statements

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation in Financial Statements. The standard introduces three key new requirements:

(a) Defined Subtotals in the Statement of Profit or Loss

IFRS 18 introduces two new defined subtotals to be presented in the statement of profit or loss: operating profit or loss and profit or loss before financing and income tax. Income and expenses will be classified into three new defined categories namely: operating, investing, and financing, providing a consistent structure to the statement of profit or loss.

(b) Disclosure of Management-Defined Performance Measures (MPMs)

Additional disclosures on specified alternative performance measures, termed MPMs, are required. MPMs are subtotals of income and expenses used in public communications to convey management's view of financial performance. A single disclosure note is required to explain why the MPM is reported, how it is calculated, any changes, and a reconciliation to the most directly comparable IFRS-defined subtotal. This information will be subject to audit as part of the financial statements.

(c) Enhanced Requirements on Grouping of Information

IFRS 18 includes enhanced requirements on the grouping of information in the financial statements, including aggregation and disaggregation. This involves presenting and disclosing operating expenses and determining if information should be included in the primary financial statements or disclosed in the notes. Additionally, it provides guidance on determining meaningful labels and information about items in the statement of profit or loss labelled as 'other'.

The standard is effective 1 January 2027. The standard is expected to have an impact in the presentation and disclosures in the Group and Company's financial statements. Management is still working to identify all impacts that the amendment will have on the primary financial statements and notes to the financial statements.

## 3. New IFRS Accounting Standards and interpretations (continued)

### 3.2 New IFRS Accounting Standards and interpretations not yet effective (continued)

**Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments**

In May 2024, the Board issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), which:

- Clarifies that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.
- Clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.
- Clarifies the treatment of non-recourse assets and contractually linked instruments.
- Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

The amendments are effective 1 January 2026 and may have an impact on the Group and Company's financial statements. Management is still working to identify all impacts that the amendment will have on the primary financial statements and notes to the financial statements.

**IFRS 19 – Subsidiaries without Public Accountability: Disclosures**

In May 2024, the Board issued IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19), which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS Accounting Standards. An entity applying IFRS 19 is required to disclose that fact as part of its general IFRS Accounting Standards compliance statement. IFRS 19 requires an entity whose financial statements comply with IFRS Accounting Standards including IFRS 19 to make an explicit and unreserved statement of such compliance.

#### Eligible entities

An entity may elect to apply IFRS 19 if at the end of the reporting period:

- It is a subsidiary as defined in IFRS 10 Consolidated Financial Statements;
- It does not have public accountability; and
- It has a parent (either ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS Accounting Standards.

#### Public accountability

An entity has public accountability if:

- Its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market; or
- It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (i.e., not for reasons incidental to its primary business).

#### Disclosure requirements and references to other IFRS Accounting Standards

The disclosure requirements in IFRS 19 are organised into subheadings per IFRS Accounting Standards and where disclosure requirements in other IFRS Accounting Standards remain applicable, these are specified under the subheading of each IFRS Accounting Standard. IFRS 19 disclosures exclude IFRS 8 Operating Segments, IFRS 17 Insurance Contracts and IAS 33 Earnings per Share. Therefore, if an entity that applies IFRS 19 is required to apply IFRS 17 or elects to apply IFRS 8 and/or IAS 33, that entity would be required to apply all the relevant disclosure requirements in those standards.

The standard is effective 1 January 2027, with earlier application permitted. The standard is expected to have an impact in the presentation and disclosures in the subsidiary's financial statements.

## 3. New IFRS Accounting Standards and interpretations (continued)

### 3.2 New IFRS Accounting Standards and interpretations not yet effective (continued)

**Amendments to IFRS 9 and IFRS 7 - Power Purchase Agreements**

In December 2024, the Board issued amendments to enhance the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, often linked to renewable energy sources like wind and solar, are influenced by uncontrollable factors such as weather conditions, which may not have been adequately captured under existing accounting requirements.

The amendments clarify the 'own use' requirements, allow for hedge accounting when these contracts are used as hedging instruments, and introduce new disclosure requirements to improve transparency on their impact on financial performance and cash flows.

The amendments are effective 1 January 2026. These amendments are not expected to have material impact on the Group and Company's financial statements.

## 4. Material accounting policies

The accounting policies applied by the Group are consistent with those used in the previous year except where otherwise stated.

### (a) Foreign currency transactions

Transactions in foreign currencies are translated to Botswana Pula at the foreign exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Botswana Pula at the foreign exchange rate (mid-rate) ruling at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non–monetary items that are measured at historical cost in a foreign currency are translated to Botswana Pula using the spot exchange rates as at the date of recognition.

### (b) Financial assets and liabilities

The Bank initially recognises loans, debt securities issued and subordinated 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 Bank 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 fair value of the asset and the consideration received is recognised in profit or loss.

Subsequent to initial recognition, a financial asset is measured at:

(i) Amortised cost.

(ii) Fair value through profit and loss (FVTPL).

**Classification of financial instruments**

On initial recognition, a financial asset is classified as measured at:

(i) Amortised cost.

(ii) Fair value through profit and loss (FVTPL).

## 4. Material accounting policies (continued)

### (b) Financial assets and liabilities (continued)

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.

The business models are explained as follows:

#### i) Hold to collect contractual cash-flow - 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 sell - (FVTPL)

- This includes all derivative financial instruments.
- 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 measured at fair value through profit and loss are expensed in profit and loss.

#### Impairment of financial assets

First Capital Bank classifies and measures financial instruments at amortised cost, except where otherwise stated. The financial assets at amortised cost consist of loans and advances, cash and cash equivalents and debt securities. 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 which are not credit impaired on initial recognition and are performing;
- Stage 2 – If significant increase in credit risk 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 Losses (ECLs) measurement

ECLs are measured on either a 12 month or Lifetime basis depending on whether a significant increase in credit risk (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 Bank expects to receive).

ECLs are discounted at the effective interest rate of the portfolio. The maximum period considered when estimating ECLs is the maximum contractual period (including extensions) over which the Group is exposed to credit risk.

The Group uses a combination of a portfolio-based approach and individual assessment to the calculation of ECLs. Portfolio assessment is performed by way of the ECL Model to support the modelling of probability of default, loss given default and exposure at default. Individual assessment is performed on all customer loans and advances after having defined a minimum exposure threshold.

## 4. Material accounting policies (continued)

### (b) Financial assets and liabilities (continued)

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

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.
- Debt securities, loans to banks and bank balances which are performing assets.

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).
- Debt securities, loans to banks and bank 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.
- Debt securities, loans to banks, bank balances in default.

Note 5 (a) provides more detail of how the ECL allowance is measured.

For Stage 3 assets, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwinding of the discount of the expected cash flows, including the principal due on non-accrual loans. The income is however not recognised on statement of profit or loss but rather suspended within the balance sheet and referred to as interest in suspense.

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 profit or loss.

**Expected Credit Loss (ECL) Modelling Approach**

Customer portfolios are segmented into consumer lending, and corporate, and further into overdrafts, loans and non-funded/off-balance sheet products. Consumer Lending loans are run into a portfolio-based model, while corporate exposures are run into a facility-based model.

Portfolio assessment is performed by way of a collective assessment semi-empirical IFRS 9 models ("the ECL Models") developed in consultation with external consultants supported by available historic information to support the modelling of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Individual assessment is performed on all corporate loans, as well as customer loans and advances after having defined a minimum exposure threshold. The Group elected to use a country rating by sovereign debt approach, which forms the basis of calculating the PDs of some financials assets within scope of IFRS 9 guidelines. The sovereign debt PD is adjusted by individual corporate PD rates based on external rating provider Standard & Poor's (S&P) information.

LGDs of individually assessed customer loans and advances, have been determined in terms of:

- Stages 1 and 2: An internal benchmark applied to a net exposure after application of future realisable cash flows, predominantly collateral held.
- Stage 3: Net exposure after application of future realisable cash flows, predominantly collateral held.

# 4. Material accounting policies (continued)

## (b) Financial assets and liabilities (continued)

### Expected Credit Loss (ECL) Modelling Approach (continued)

EAD is determined by considering as below:

- For customer loans and advances: Outstanding exposures.
- For Overdrafts: Outstanding exposures plus undrawn limits.

#### Low risk financial instruments

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

LGDs on various financial assets/low risk financial instruments, except for customer loans and advances, have been determined in terms of:

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

EAD is determined as outstanding exposures for low-risk financial instruments.

#### Restructures/modification of loans and advances

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans and advances to customers. When this happens, the Bank assesses whether the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.

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

The Bank's policy is that any restructure of an account, even if not yet in Stage 3, where the obligor has not settled all arrears prior to the restructure, shall have the effect that the account shall be/continue to be classified as Stage 3 until a minimum applicable curing period provides confirmation that the account may be reclassified to Stage 2 in which a further minimum curing period shall apply prior to reclassification to Stage 1.

Restructured accounts are flagged and provided for at Stage 3 for at least a minimum period post restructure date subject to local regulations.

If there is a restructure, which does not result in a derecognition (write off the asset/creation of a new account), then the Bank considers whether there is a modification gain or loss. The Bank considers the new restructured cash flow and discounts this back using the original effective interest rate and if that gives a higher carrying value than the Bank currently holds, the Bank will reflect this as a gain or if it gives a lower carrying value then as a loss.

The Bank will write off the difference between the previous and the restructured carrying amount in the event of a lower carrying amount for the restructured credit facility.

# 4. Material accounting policies (continued)

## (b) 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.

### 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 Bank 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 Bank may retain an interest in it (continuing involvement) requiring the Bank to repurchase it in certain circumstances for other than its fair value on that date.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. Refer to note 5(a) on write-offs policy.

### Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions within the Group's trading activity.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method applied to the difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access. 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.

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.

Fair values are based on discounted cash flows using a discount rate based on the borrowing rate that the directors expect would be available to the Bank at the reporting date. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, equity and equity index prices and expected price volatilities and correlations.

# 4. Material accounting policies (continued)

## (b) Financial assets and liabilities (continued)

### Fair value measurement (continued)

#### Valuation models for fair values of financial instruments

The Bank measures fair values using the following fair value hierarchy, which 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.

Inputs used for valuation of derivatives comprise foreign exchange rates, forward rates and appropriate discount factor from Bloomberg Terminal and Refinitiv or Thomson Reuters.

- Level 3: Inputs that are unobservable. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of the financial period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2024** | | | | |
| Derivative financial assets | **–** | **56 516 630** | **–** | **56 516 630** |
| Derivative financial liabilities | **–** | **23 092 168** | **–** | **23 092 168** |
| **2023** | | | | |
| Derivative financial assets | – | 30 370 142 | – | 30 370 142 |
| Derivative financial liabilities | – | 12 047 176 | – | 12 047 176 |

# 4. Material accounting policies (continued)

## (b) Financial assets and liabilities (continued)

### Fair value measurement (continued)

In the opinion of directors, the fair values of the Group and Company's financial assets and liabilities measured at amortised cost approximate the respective carrying amount due to the generally short period of most of the contractual repricing dates. The table below sets out carrying amounts and fair value of the Group's financial assets and financial liabilities.

| | | Group | | |
|---|---|---|---|---|
| Amounts in Pula | Note | At amortised cost | Fair value | Total carrying amount |
| **2024** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 6 | 2 303 732 161 | – | 2 303 732 161 |
| Investment securities | 8 | 784 165 321 | – | 784 165 321 |
| Derivative assets | 7 | – | 56 516 630 | 56 516 630 |
| Loans and advances to customers | 11 | 4 737 989 828 | – | 4 737 989 828 |
| Other assets | 9 | 17 363 062 | – | 17 363 062 |
| | | 7 843 250 372 | 56 516 630 | 7 899 767 002 |
| **Financial liabilities** | | | | |
| Deposits from customers | 16 | 6 168 088 020 | – | 6 168 088 020 |
| Balances due to other banks | 17 | 635 098 408 | – | 635 098 408 |
| Derivative liabilities | 7 | – | 23 092 168 | 23 092 168 |
| Lease liabilities | 18 | 6 469 818 | – | 6 469 818 |
| Other liabilities | 19 | 50 560 311 | – | 50 560 311 |
| Subordinated debt | 21 | 158 439 554 | – | 158 439 554 |
| Preference shares | 22 | 26 132 000 | – | 26 132 000 |
| | | 7 044 788 111 | 23 092 168 | 7 067 880 279 |

# 4. Material accounting policies (continued)

## (b) Financial assets and liabilities (continued)

### Fair value measurement (continued)

| Amounts in Pula | Note | Group At amortised cost | Group Fair value | Group Total carrying amount |
|---|---|---|---|---|
| **2023** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 6 | 1 666 621 978 | – | 1 666 621 978 |
| Investment securities | 8 | 365 558 494 | – | 365 558 494 |
| Derivative assets | 7 | – | 30 370 142 | 30 370 142 |
| Loans and advances to customers | 11 | 4 232 420 496 | – | 4 232 420 496 |
| Other assets | 9 | 15 350 758 | – | 15 350 758 |
| | | 6 279 951 726 | 30 370 142 | 6 310 321 868 |
| **Financial liabilities** | | | | |
| Deposits from customers | 16 | 5 276 513 605 | – | 5 276 513 605 |
| Balances due to other banks | 17 | 175 601 273 | – | 175 601 273 |
| Derivative liabilities | 7 | – | 12 047 176 | 12 047 176 |
| Lease liabilities | 18 | 8 861 153 | – | 8 861 153 |
| Other liabilities | 19 | 51 426 147 | – | 51 426 147 |
| Subordinated debt | 21 | 158 462 936 | – | 158 462 936 |
| Preference shares | 22 | 26 132 000 | – | 26 132 000 |
| | | 5 696 997 114 | 12 047 176 | 5 709 044 290 |

# 4. Material accounting policies (continued)

## (b) Financial assets and liabilities (continued)

### Fair value measurement (continued)

| | | Company | | |
|---|---|---|---|---|
| Amounts in Pula | Note | At amortised cost | Fair value | Total carrying amount |
| **2024** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 6 | 2 303 732 161 | – | 2 303 732 161 |
| Investment securities | 8 | 784 165 321 | – | 784 165 321 |
| Derivative assets | 7 | – | 56 516 630 | 56 516 630 |
| Loans and advances to customers | 11 | 4 737 989 828 | – | 4 737 989 828 |
| Other assets | 9 | 16 513 957 | – | 16 513 957 |
| | | 7 842 401 267 | 56 516 630 | 7 898 917 897 |
| **Financial liabilities** | | | | |
| Deposits from customers | 16 | 6 186 686 716 | – | 6 186 686 716 |
| Balances due to other banks | 17 | 635 098 408 | – | 635 098 408 |
| Derivative liabilities | 7 | – | 23 092 168 | 23 092 168 |
| Lease liabilities | 18 | 6 469 818 | – | 6 469 818 |
| Other liabilities | 19 | 50 508 311 | – | 50 508 311 |
| Subordinated debt | 21 | 158 439 554 | – | 158 439 554 |
| Preference shares | 22 | 26 132 000 | – | 26 132 000 |
| | | 7 063 334 807 | 23 092 168 | 7 086 426 975 |

# 4. Material accounting policies (continued)

## (b) Financial assets and liabilities (continued)

### Fair value measurement (continued)

| | | Company | | |
|---|---|---|---|---|
| Amounts in Pula | Note | At amortised cost | Total carrying amount | Fair value |
| **2023** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 6 | 1 666 621 978 | – | 1 666 621 978 |
| Investment securities | 8 | 365 558 494 | – | 365 558 494 |
| Derivative assets | 7 | – | 30 370 142 | 30 370 142 |
| Loans and advances to customers | 11 | 4 232 420 496 | – | 4 232 420 496 |
| Other assets | 9 | 14 556 476 | – | 14 556 476 |
| | | 6 279 157 444 | 30 370 142 | 6 309 527 586 |
| **Financial liabilities** | | | | |
| Deposits from customers | 16 | 5 288 468 390 | – | 5 288 468 390 |
| Balances due to other banks | 17 | 175 601 273 | – | 175 601 273 |
| Derivative liabilities | 7 | – | 12 047 176 | 12 047 176 |
| Lease liabilities | 18 | 8 861 153 | – | 8 861 153 |
| Other liabilities | 19 | 51 245 654 | – | 51 245 654 |
| Subordinated debt | 21 | 158 462 936 | – | 158 462 936 |
| Preference shares | 22 | 26 132 000 | – | 26 132 000 |
| | | 5 708 771 406 | 12 047 176 | 5 720 818 582 |

# 4. Material accounting policies (continued)

## (c) 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 (with original maturities of three months or less) and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost less expected credit losses in the statement of financial position.

## (d) Other assets

Other assets, initially measured at fair value, are subsequently measured at amortised cost using the effective interest method less impairment losses.

Other assets comprise EFT retail accounts, deferred commission expenses, interest accrued on bonds, collections accounts, prepayments, and staff advances.

## (e) Loans and advances to customers

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

When the Bank 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 borrowing from or a loan to the other party.

Loans and advances are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit losses.

## (f) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest rate method, less expected credit losses. Investment securities comprise bonds and placements with maturities greater than 3 months.

## (g) Property and equipment

### (i) Initial recognition and measurement

Items of property and equipment are initially recognised at cost and are subsequently measured at historical cost less accumulated depreciation and impairment losses except for freehold and leasehold property as well as leasehold improvements which are measured at revalued amount less accumulated depreciation and impairment losses.

Cost includes borrowing costs of qualifying assets and expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the 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.

### (ii) Derecognition

The carrying amount of an item of property and equipment shall be derecognised:

(a) on disposal; or

(b) when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognised net within other income in profit or loss.

# 4. Material accounting policies (continued)

## (g) Property and equipment (continued)

### (iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in profit or loss as incurred.

### (iv) Depreciation

Property and equipment items are depreciated on the straight-line basis at rates that would reduce book amounts to residual values, estimated at purchase except for freehold and leasehold property as well as leasehold improvements which are measured at revalued amount less accumulated depreciation and impairment losses. The Bank re-assesses both the useful lives and the residual values of the assets at each reporting date. Any changes in either useful lives or estimated residual values are accounted for prospectively as a change in accounting estimate.

Depreciation is recognised in profit or loss. The depreciation rates per annum are as follows:

| | |
|---|---|
| ▪ Motor vehicles | 20.00% |
| ▪ Furniture and fittings | 20.00% |
| ▪ Computer hardware | 20.00% |
| ▪ Freehold properties | 2.50% |
| ▪ Leasehold properties | Lease term |
| ▪ Leasehold improvements | Lease term |

### (v) Revaluation

Freehold and leasehold properties as well as leasehold improvements are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value. Revaluation takes place 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.

When the freehold and leasehold properties and leasehold improvements are revalued, the carrying amount of the asset is adjusted to the revalued amount. At the date of the revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset.

The revaluation surplus included in equity in respect of property and equipment is transferred directly to retained earnings when the asset is sold or disposed.

### (vi) Capital work in progress

Capital work in progress represents gross amounts spent to date in carrying out work of a capital nature. Capital work in progress is measured at cost recognised to date, less impairment.

Capital work in progress is presented as part of property and equipment in the statement of financial position. When the project is completed, the expenditure is capitalised and transferred to the relevant items of property and equipment. Capital work in progress is not depreciated until such time the expenditure is capitalised and the asset is ready for its intended use.

## 4. Material accounting policies (continued)

### (h) Investment property

Investment property relates to a section of the building on Plot 74768 (section 4) held under a sectional title deed with a fixed-period state grant which is held to earn rentals and is not occupied by the Group or Company.

#### i) Recognition and measurement

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Any gain or loss resulting from either a change in the fair value or the sale of investment property is immediately recognised in profit or loss under non-interest income in the period in which they arise. Fair values are determined annually based on a valuation performed by external independent valuers.

#### ii) Derecognition

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected to from their disposal. The difference between net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration and consideration payable to the buyer (if any).

#### iii) Transfers

Transfers to or from investment properties are made only when there is a change in use, evidenced by:

- Commencement of owner-occupation, for a transfer from investment property to owner-occupied property.
- End of owner-occupation, for a transfer from owner-occupied property to investment property.

For a transfer from investment property to owner-occupied property or inventories, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

In instances where classification between investment property and owner-occupied property is challenging, the Group applies the following criteria:

- Properties held primarily to earn rental income or for capital appreciation are classified as investment property.
- Properties used for supply of services or for administrative purposes are classified as owner-occupied property.

### (i) Impairment of non-financial assets

The carrying amounts of the Group's non-financial 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 are largely 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, excluding impairment losses recognised in respect of goodwill, recognised in prior periods are assessed at each reporting date for any indication 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.

## 4. Material accounting policies (continued)

### (i) Impairment of non-financial assets (continued)

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 and related reversals are recognised in profit or loss unless it concerns property measured 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 measured 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.

### (j) Deposits and subordinated liabilities

Deposits from customers and other banks and subordinated liabilities are the Bank's principal sources of funding. When the Bank sells a financial asset and simultaneously enters 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 Bank's financial statements. Deposits and subordinated liabilities are initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.

### (k) Stated capital

Ordinary shares are of no par value and are classified as stated capital.

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

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

### (l) Preference shares

Preference shares are classified as financial liabilities in accordance with the substance of the contractual terms of the instruments. The Bank's preference shares are redeemable at the option of the Bank but not within five years from issuance and bear non-discretionary coupons that are cumulative.

### (m) Other liabilities

Other liabilities are initially measured at fair value less incremental direct transactions costs and subsequently measured at amortised cost, using the effective interest method.

### (n) Employee benefits

#### (i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. 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.

#### (ii) Other long-term employee benefits

Employees on contract receive gratuities in accordance with their contracts of employment. An accrual is recognised for the estimated liability towards such employees for services rendered up to expiration of the employment contract.

# 4. Material accounting policies (continued)

## (n) Employee benefits (continued)

### (iii) 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 Bank has a present legal or constructive obligation to pay this amount because of past service provided by employees and the obligation can be estimated reliably.

## (o) Interest income and expense

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

When calculating the effective interest, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest includes all fees paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in profit or loss include interest on financial assets and liabilities at amortised cost on an effective interest basis.

## (p) Leases

### The Group as a lessee

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

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 lessee 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).
- 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.

# 4. Material accounting policies (continued)

## (p) Leases (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group 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 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 Group has used this practical expedient.

### The Group as lessor

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

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

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

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

## (q) Fee and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

The Group applies IFRS 15 – Revenue from Contracts with Customers. IFRS 15, contains a single model that establishes a five-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

# 4. Material accounting policies (continued)

## (q) Fee and commission income and expenses (continued)

The Group 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. Fees and commission 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 insurance commission, account activity fees, card-based transaction fees, cash deposit and withdrawal fees. Commission earned on bank guarantees and letters of credit relates to fees received over time as collection is made periodically over the life of the instruments.

## (r) Net (losses)/gains on foreign exchange transactions

The income comprises gains and losses relating to trading assets and liabilities and include realised and foreign exchange differences.

## (s) 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. Derivative financial instruments consist of foreign currency forward and swap contracts which have intended settlement dates of less than 6 months. Foreign currency forward contracts are valued at fair value with reference to data obtained from credible sources such as Bloomberg.

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.

## (t) Income tax expense

Income tax expense comprises current and deferred tax. Taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the year and any adjustments to the tax refundable or payable in respect of previous years, using tax rates enacted or substantively enacted at the reporting date.

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 difference 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 to the extent that 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 the assets can be utilised. 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. 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 reporting date.

## (u) Earnings per share

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

## 4. Material accounting policies (continued)

### (v) Financial guarantees

The Bank issues financial guarantee contracts in return for fees. Under a financial guarantee contract, the Bank undertakes to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. Financial guarantee contracts issued at below market interest rates are initially recognised as liabilities at fair value, while financial guarantees issued at market rates are recorded off-balance sheet.

Subsequently, these instruments are measured at the higher of the expected credit loss provision, and the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

### (w) Intangible assets

All intangible assets held by the bank consist of systems/software used by the bank, as well as some used by customers.

Intangible assets acquired separately are initially recognised at cost, less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on intangible assets is capitalised only when it enhances the future economic benefits of the asset to which it relates. All other expenditures are expensed as incurred.

Amortisation of intangible assets is recognised in profit or loss on a straight-line basis over the estimated useful lives, beginning from the date the asset is available for use. The amortisation period for intangible assets is typically up to six years.

The amortisation methods, useful lives, and residual values of intangible assets are reviewed at each reporting date and adjusted prospectively if necessary. Changes in estimates are accounted for on a prospective basis.

Computer software is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of these intangible asset items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

## 5. Financial risk management

### (a) Credit risk

Credit risk is the risk of financial loss should the Group's customers, 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 Group faces arise mainly from consumer lending loans, corporate loans and advances and counterparty credit risk arising from derivative contracts entered with counterparties.

Other sources of credit risk arise from treasury bills, government bonds, settlement balances with counterparties and balances with Central Bank and other related banks. The Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country, and sector risk).

#### Management of credit risk

The Board of Directors of the Bank and its subsidiary have delegated responsibility for the management of credit risk to the Credit Committee. A separate credit department, reporting to the Credit Committee is responsible for oversight of the credit risk, including:

- *Formulating credit policies:* This covers collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure for the approval and renewal of credit facilities:* Authorisation limits are allocated to Head of Credit, Chief Executive Officer, and Management Credit Committee. Larger facilities require approval by the Management Credit Committee. The Board Credit Committee through Group Credit approves the related party, as well as PEP facilities that require Board approval as and when it is appropriate.
- *Reviewing and assessing credit risk:* The Credit Department assesses all credit exposures more than designated limits, prior to facilities being committed to customers by the branches concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies, and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Reviewing compliance of business units with specified exposure limits

Credit risk management objectives are:

- Supporting the achievement of sustainable asset and revenue growth in line with the Group's 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.
- Continually improving collection and recovery.

### 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.

### Credit risk grading

#### Corporate Exposures

First Capital Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counter parties.

**Application**

First Capital Bank uses internal rating models tailored to the various categories of counter party. Borrower and loan specific information collected at the time of application such as borrower profile, business activity, financial position and performance, account conduct, facility type, tenor, and collateral are fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

Originators and underwriters will incorporate any updated or new information/credit assessments into the credit assessment process on an ongoing basis. In addition, the Group officials 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 to identify those customers who are believed to be facing a Significant Increase in Credit Risk (SICR).

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Credit risk grading (continued)

Corporate exposures (continued)

Group and Company
2024

**Loans and advances**

| Internal rating grade | 12-month Basel PD range | Gross carrying amount Stage 1 | Gross carrying amount Stage 2 | Gross carrying amount Stage 3 | Gross carrying amount Total | ECL Stage 1 | ECL Stage 2 | ECL Stage 3 | ECL Total |
|---|---|---|---|---|---|---|---|---|---|
| **Performing** | | | | | | | | | |
| High grade | 0.00% – 0.50% | 168 531 084 | 7 885 755 | – | 176 416 839 | (121 050) | (15 947) | – | (136 997) |
| Standard grade | 0.50% – 11.70% | 1 655 058 167 | 160 196 046 | 26 054 355 | 1 841 308 568 | (8 301 793) | (1 582 823) | (6 016 780) | (15 901 396) |
| Sub-standard grade | 11.70% – 29.50% | 10 655 888 | 15 976 257 | 22 686 403 | 49 318 548 | (141 185) | (607 222) | (6 699 129) | (7 447 536) |
| Low grade | 29.50% – 100.00% | – | – | 19 183 592 | 19 183 592 | – | – | (5 146 474) | (5 146 474) |
| **Non-performing** | | | | | | | | | |
| Individually impaired | 100.00% | – | – | – | – | – | – | – | – |
| **Total** | | 1 834 245 139 | 184 058 058 | 67 924 350 | 2 086 227 547 | (8 564 028) | (2 205 992) | (17 862 383) | (28 632 403) |

Group and Company
2024

**Off-balance sheet exposures**

| Internal rating grade | 12-month Basel PD range | Gross carrying amount Stage 1 | Gross carrying amount Stage 2 | Gross carrying amount Stage 3 | Gross carrying amount Total | ECL Stage 1 | ECL Stage 2 | ECL Stage 3 | ECL Total |
|---|---|---|---|---|---|---|---|---|---|
| **Performing** | | | | | | | | | |
| High grade | 0.00% – 0.50% | 28 768 399 | 20 000 000 | – | 48 768 399 | (42 692) | (53 565) | – | (96 257) |
| Standard grade | 0.50% – 11.70% | 483 480 772 | 2 572 257 | 230 000 | 486 283 029 | (4 619 824) | (64 523) | (23 757) | (4 708 104) |
| Sub-standard grade | 11.70% – 29.50% | 231 375 | 4 075 000 | 57 500 | 4 363 875 | (7 081) | (341 402) | (40 308) | (388 791) |
| Low grade | 29.50% – 100.00% | – | – | 97 231 | 97 231 | – | – | (64 448) | (64 448) |
| **Non-performing** | | | | | | | | | |
| Individually impaired | 100.00% | – | – | – | – | – | – | – | – |
| **Total** | | 512 480 546 | 26 647 257 | 384 731 | 539 512 534 | (4 669 597) | (459 490) | (128 513) | (5 257 600) |

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Credit risk grading (continued)

Corporate exposures (continued)

### Group and Company
### 2023

**Loans and advances**

| Internal rating grade | 12-month Basel PD range | Gross carrying amount Stage 1 | Gross carrying amount Stage 2 | Gross carrying amount Stage 3 | Gross carrying amount Total | ECL Stage 1 | ECL Stage 2 | ECL Stage 3 | ECL Total |
|---|---|---|---|---|---|---|---|---|---|
| **Performing** | | | | | | | | | |
| High grade | 0.00% – 0.50% | 181 675 157 | 5 744 461 | – | 187 419 618 | (62 554) | (483) | – | (63 037) |
| Standard grade | 0.50% – 11.70% | 1 566 984 387 | 131 070 620 | 7 080 104 | 1 705 135 111 | (7 837 448) | (793 177) | (2 920 639) | (11 551 264) |
| Sub-standard grade | 11.70% – 29.50% | 188 617 904 | 14 792 500 | 29 262 343 | 232 672 747 | (211 023) | (720 883) | (7 084 451) | (8 016 357) |
| Low grade | 29.50% – 100.00% | – | 6 046 322 | 18 443 770 | 24 490 092 | – | (1 100 078) | (5 230 588) | (6 330 666) |
| **Non-performing** | | | | | | | | | |
| Individually impaired | 100.00% | – | – | – | – | – | – | – | – |
| **Total** | | 1 937 277 448 | 157 653 903 | 54 786 217 | 2 149 717 568 | (8 111 025) | (2 614 621) | (15 235 678) | (25 961 324) |

### Group and Company
### 2023

**Off-balance sheet exposures**

| Internal rating grade | 12-month Basel PD range | Gross carrying amount Stage 1 | Gross carrying amount Stage 2 | Gross carrying amount Stage 3 | Gross carrying amount Total | ECL Stage 1 | ECL Stage 2 | ECL Stage 3 | ECL Total |
|---|---|---|---|---|---|---|---|---|---|
| **Performing** | | | | | | | | | |
| High grade | 0.00% – 0.50% | 40 640 081 | – | – | 40 640 081 | (85 251) | – | – | (85 251) |
| Standard grade | 0.50% – 11.70% | 293 097 816 | 144 492 398 | – | 437 590 214 | (897 920) | (3 986 268) | – | (4 884 188) |
| Sub-standard grade | 11.70% – 29.50% | 111 819 968 | 3 175 000 | 389 038 | 115 384 006 | (2 203 578) | (201 947) | (205 527) | (2 611 052) |
| Low grade | 29.50% – 100.00% | – | – | – | – | – | – | – | – |
| **Non-performing** | | | | | | | | | |
| Individually impaired | 100.00% | – | – | – | – | – | – | – | – |
| **Total** | | 445 557 865 | 147 667 398 | 389 038 | 593 614 301 | (3 186 749) | (4 188 215) | (205 527) | (7 580 491) |

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Credit risk grading (continued)

#### Consumer lending exposures

After the date of initial recognition, for the Consumer Lending business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural internal credit rating. Any other known information about the borrower which impacts their creditworthiness such as unemployment and previous delinquency history can also be incorporated into the behavioural internal credit rating. These ratings are reflected on the following delinquency buckets; Performing loans (CD 0); 1day to 30 days past due (CD 1); 31 days to 60 days past due (CD 2); 61 days to 89 days past due (CD 3) and 90 days+ past due (default, CD 4).

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month Basel PD range and year-end stage classification. The amounts presented are gross of allowance for ECL for Consumer Lending exposures.

Group and Company
2024

**Off-balance sheet exposures**

| | | Gross carrying amount | | | | ECL | | | |
|---|---|---|---|---|---|---|---|---|---|
| Internal rating grade | 12-month Basel PD range | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| **Performing** | | | | | | | | | |
| High grade | 0.00% – 0.50% | – | – | – | – | – | – | – | – |
| Standard grade | 0.50% – 11.70% | 2 622 750 014 | – | – | 2 622 750 014 | (24 237 716) | – | – | (24 237 716) |
| Sub-standard grade | 11.70% – 29.50% | – | 61 615 094 | – | 61 615 094 | – | (6 228 357) | – | (6 228 357) |
| Low grade | 29.50% – 100.00% | – | 14 571 687 | 43 866 084 | 58 437 771 | – | (4 466 272) | (27 475 850) | (31 942 122) |
| **Non-performing** | | | | | | | | | |
| Individually impaired | 100.00% | – | – | – | – | – | – | – | – |
| **Total** | | 2 622 750 014 | 76 186 781 | 43 866 084 | 2 742 802 879 | (24 237 716) | (10 694 629) | (27 475 850) | (62 408 195) |

Group and Company
2023

**Off-balance sheet exposures**

| | | Gross carrying amount | | | | ECL | | | |
|---|---|---|---|---|---|---|---|---|---|
| Internal rating grade | 12-month Basel PD range | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| **Performing** | | | | | | | | | |
| High grade | 0.00%-0.50% | – | – | – | – | – | – | – | – |
| Standard grade | 0.50%- 11.7% | 2 089 117 062 | – | – | 2 089 117 062 | (35 972 170) | – | – | (35 972 170) |
| Sub-standard grade | 11.70%-29.50% | – | 47 624 020 | – | 47 624 020 | – | (4 975 149) | – | (4 975 149) |
| Low grade | 29.50%-100.00% | – | 19 725 905 | 28 808 190 | 48 534 095 | – | (7 571 165) | (28 092 441) | (35 663 606) |
| **Non-performing** | | | | | | | | | |
| Individually impaired | 100.00% | – | – | – | – | – | – | – | – |
| **Total** | | 2 089 117 062 | 67 349 925 | 28 808 190 | 2 185 275 177 | (35 972 170) | (12 546 314) | (28 092 441) | (76 610 925) |

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Credit risk grading (continued)

#### Treasury exposures

For debt securities in the treasury portfolio and interbank exposures, performance of the counter party is monitored for any indication of default. PDs for such exposures are determined based on benchmarked national ratings mapped to external credit rating agencies grade. For other bank balances where there are external credit ratings PDs are derived using those external credit ratings.

#### Exposures not provisioned through the Corporate, Consumer Lending and Treasury Models

The Bank has a portfolio of exposures whose expected credit losses are not calculated through the various approaches mentioned above for Corporate, Retail and Treasury models (unmodelled portfolio). This book forms approximately 3.06%, and 3.13% of the total loans and advances for 2024 and 2023 respectively, and comprises staff loans, retail loans and overdrafts which fall outside of the payroll lending segment. The expected credit losses for this portfolio are calculated using the coverage ratios coming from the Retail Model as an approximation of the expected credit losses, and the Staging is as follows:

**Stage 3**

The criteria for Stage 3 are as follows:

- Payment delays by 90 days or more.

**Stage 2**

The criteria for Stage 2 are as follows:

- Payment delays 30 days up to 89 days.

**Stage 1**

The criteria for Stage 1 are as follows:

- Performing loans, and payment delays up to 29 days.

### Staging definition

The ECL tools makes use of internal grades, external grades, days past due and qualitative staging flags to determine the facility's stage. The staging criteria is described below. The assessment starts looking for Stage 3 criteria and stops if met and proceeds to Stage 2 and then Stage 1 if criteria not met, stopping at Stage 2 if criteria for Stage 2 is met.

**Stage 3**

The criteria for Stage 3 are as follows:

- Payment delays by 90 days or more.
- Internal Rating is D.

The above criteria are assessed as part of the ECL calculation as days past due and internal rating grade is provided in the model facility data. These are configured in the Model. If any other criteria are identified, management may also use their judgement to classify into stage 3, aligning to ongoing credit risk monitoring.

**Stage 2**

The criteria for Stage 2 are as follows:

- Payment delays 30 days and up to 89 days.

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Staging definition (continued)

**Stage 1**

The criteria for Stage 2 are as follows:

- Performing loans, and payment delays up to 29 days.
- Risk grade drops by 8 notches if was investment grade at inception or drops by 4 notches if non-investment grade.

As with Stage 3, the above criteria are assessed as part of the ECL calculation as days past due and internal rating grade is provided in the model facility data. These are configured in the Model. If any other criteria are identified, management may also use their judgement to classify into stage 2, aligning to ongoing credit risk monitoring.

### Scenario analysis and key macroeconomic assumptions

IFRS 9 requires that ECLs are calculated in a way that considers a range of possible scenarios which are considered in a consistent manner.

#### Corporate

**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.

The Group considered the composition of its customer loans and advances portfolio, limited number of defaults experienced and the unique causes of defaults in concluding that defaults did not strongly correlate to specific macroeconomic factors.

**Determination of the Cyclicality Index (CI)**

The scenario framework uses a Cyclicality Index (CI), which can be considered as a measure of where the economy sits in the credit cycle at any time. The model uses publicly available data on default rates as a basis for the CI. All scenarios used for the ECL calculation are linked with a CI forecast which directly impacts the ECL calculation through the adjustment of PDs.

The CI is used as a proxy for the credit state in the economy and is based off credible external data which reasonably represents the level of defaults in an economy. It provides an indication of where we currently are in the credit cycle and is a proxy for the level of systematic credit risk.

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Scenario analysis and key macroeconomic assumptions (continued)

#### Corporate (continued)

**Scenario Analysis**

The scenarios are found using a distribution of the CI based on historical data, from which different levels of CI are selected based on certain confidence intervals or severities. Forecasted CI value and historical CI distribution are used to generate positive and negative CIs given selected severities conditional on the base case scenario. Each scenario is then assigned a probability of occurring relative to each other.

The IFRS 9 model considers the following scenarios;

- Best Case – CI level based on least severe level relative to the base case.
- Good Case – CI level based on less severe level relative to the base case.
- Base Case – CI level based on the base case macro inputs.
- Bad Case – CI level based on more severe level relative to the base case.
- Worse Case – CI level based on most severe level relative to the base case.

This section describes how the CI distribution is used to generate probabilities for the base case, positive and negative scenarios.

The distribution is split into two on either side of the base case (upside and downside scenarios) to determine CI values for the scenarios, where the upside scenarios will scenarios will have a CI lower than the base case and vice versa for the downside scenarios (conditional scenarios).

### Macroeconomic assumptions

Botswana uses country specific default rates in the regression analysis. Management deliberated on the macroeconomic variables believed to influence the default rates in their corporate loan book, the expected relationship of those variables on the NPL rates (directionality) and the variables competitor banks were using. The following are the two macroeconomic variables employed in the model;

| 2024 Drivers | Rationale |
|---|---|
| **Gross Domestic Product (GDP)** | Also referred to as Real GDP Growth, annual percentages of constant price GDP are year-on-year changes; the base year is country-specific. Expenditure-based GDP is total final expenditures at purchasers' prices (including the value of exports of goods and services less the value of imports of goods and services.<br><br>Botswana's economy started 2024 poorly: mining output declined sharply in Q1, mainly due to an 18.6% q/q drop in diamond production. GDP is therefore expected to decline in proportion to the declining diamond sales which form the largest GDP portion. |
| **Total investment** | Expressed as a ratio of total investment in current local currency and GDP in current local currency. Investment or gross capital formation is measured by the total value of the gross fixed capital formation and changes in inventories and acquisitions less disposals of valuables for a unit or sector.<br><br>Total investment is likely to reduce in the medium term due to lower GDP, and poor diamond sales. As such this will likely impact the performance of various sectors in the market. |

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Scenario Analysis and Key Macroeconomic Assumptions (continued)

#### Corporate (continued)

In 2024, the macroeconomic variables were changed to the above primarily because the below proved not to produce models which had sufficient predictive accuracy (as reflected by a low R-squared value- a statistical measure which reflects the predictive power of a model), and which had an acceptable statistical significance when compared to the Bank's credit experience, and the forecasted macroeconomic variables. The previous drivers for 2023, and their rationale are as below.

| 2023 Drivers | Rationale |
|---|---|
| **Inflation** | This variable affects the spending power in the economy. As goods become expensive then demand goes down. The ripple effect is then on the business performance of our clients which then goes down. We are currently in a high inflation environment which we expect to persist in the medium term due the current global economic environment. |
| **General Government Net Debt** | The level of government debt for Botswana is expected to be low, and as such, government spending is expected to continue especially into the election year. The effect would be improved business performance for customers reliant on government projects, and general improved economic performance of a country. |

The table below summarises the principal macroeconomic indicators included in the economic scenarios used as at 31 December 2024 for the years 2024 to 2028, for Botswana that has a material impact in ECLs.

| | | | Actual | Forecast (%) | | | | |
|---|---|---|---|---|---|---|---|---|
| Macro economic factors | ECL scenario | Assigned weightings (average) | 2024 | 2025 | 2026 | 2027 | 2028 | Long term rate |
| **Group and Company 2024** | | | | | | | | |
| Gross Domestic Product (GDP)-constant prices (expressed as Percentage change) | Base case | 58.33% | 2.73 | 4.21 | 5.08 | 5.47 | 5.43 | 6.17 |
| | Good case | 9.66% | 2.73 | 6.52 | 7.04 | 7.3 | 7.3 | 7.78 |
| | Better case | 4.14% | 2.73 | 7.69 | 8.08 | 8.3 | 8.26 | 8.65 |
| | Bad case | 19.51% | 2.73 | (2.05) | (1.62) | (1.44) | (1.49) | (1.23) |
| | Worse case | 8.36% | 2.73 | (5.79) | (5.40) | (5.23) | (5.23) | (5.01) |
| Total investment (expressed as a Percentage of GDP) | Base case | 58.33% | 30.32 | 33.42 | 34.25 | 34.63 | 34.59 | 35.3 |
| | Good case | 9.66% | 30.32 | 35.63 | 36.13 | 36.38 | 36.38 | 36.84 |
| | Better case | 4.14% | 30.32 | 36.76 | 37.13 | 37.34 | 37.3 | 37.68 |
| | Bad case | 19.51% | 30.32 | 27.41 | 27.82 | 27.99 | 27.95 | 28.2 |
| | Worse case | 8.36% | 30.32 | 23.82 | 24.19 | 24.36 | 24.36 | 24.57 |

Management was unable to disclose comparative sensitivity analyses for 2023 due to insufficient available information.

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Scenario Analysis and Key Macroeconomic Assumptions (continued)

Corporate (continued)

As noted on page 81, the macroeconomic indicators were updated in the current year. The prior year disclosure was as follows:

| Key drivers | ECL scenario | Assigned weightings (%) | Actual (%) 2022 | Actual (%) 2023 | Forecast (%) 2024 | Forecast (%) 2025 | Forecast (%) 2026 | Forecast (%) 2027 |
|---|---|---|---|---|---|---|---|---|
| **Group and Company 2023** | | | | | | | | |
| **Inflation average consumer prices** | | | | | | | | |
| IMF: Inflation, average consumer prices, percentage change | Base case | 58.33% | 12.50 | 6.50 | 5.99 | 5.83 | 5.85 | (0.20) |
| | Good case | 0.00% | 12.50 | 6.50 | 6.01 | 5.85 | 5.88 | 2.46 |
| | Better case | 0.00% | 12.50 | 6.50 | 6.04 | 5.88 | 5.91 | 3.03 |
| | Bad case | 29.17% | 12.50 | 6.50 | 1.36 | 1.36 | 1.36 | (1.36) |
| | Worse case | 12.50% | 12.50 | 6.50 | 0.33 | 0.33 | 0.33 | (2.25) |
| **General government net debt** | | | | | | | | |
| IMF: General government net debt, Billions, National Currency | Base case | 58.33% | 34.00 | 40.60 | 40.47 | 39.45 | 39.62 | 1.05 |
| | Good case | 0.00% | 34.00 | 40.60 | 40.65 | 39.62 | 39.79 | 18.02 |
| | Better case | 0.00% | 34.00 | 40.60 | 40.82 | 39.79 | 39.96 | 21.62 |
| | Bad case | 29.17% | 34.00 | 40.60 | 10.99 | 10.99 | 10.99 | (6.32) |
| | Worse case | 12.50% | 34.00 | 40.60 | 4.48 | 4.48 | 4.48 | (11.98) |

The table below shows the sensitivity of the ECL to changes in the weights assigned in the model to each ECL scenario. Included in the table is the sensitivity of the ECL for off-balance sheet exposures, which form part of Corporate exposures.

| Scenario Weights: Worse | Bad | Base | Good | Better | ECL | ECL impact |
|---|---|---|---|---|---|---|
| **Group and Company 2024** | | | | | | |
| **20.00%** | **20.00%** | **20.00%** | **20.00%** | **20.00%** | **31 880 711** | **0.39%** |
| **40.00%** | **20.00%** | **20.00%** | **10.00%** | **10.00%** | **33 031 469** | **4.02%** |
| **60.00%** | **30.00%** | **10.00%** | **0.00%** | **0.00%** | **34 433 349** | **8.43%** |
| **10.00%** | **10.00%** | **20.00%** | **20.00%** | **40.00%** | **30 866 632** | **(2.80%)** |
| **0.00%** | **0.00%** | **25.00%** | **25.00%** | **50.00%** | **29 958 331** | **(5.66%)** |

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Scenario Analysis and Key Macroeconomic Assumptions (continued)

Corporate (continued)

| Scenario Weights | | | | | | |
|---|---|---|---|---|---|---|
| **Worse** | Bad | Base | Good | Better | ECL | ECL impact |
| **Group and Company** | | | | | | |
| **2023** | | | | | | |
| 20.00% | 20.00% | 20.00% | 20.00% | 20.00% | 22 631 108 | (18%) |
| 40.00% | 20.00% | 20.00% | 10.00% | 10.00% | 26 442 492 | (5%) |
| 60.00% | 30.00% | 10.00% | 0.00% | 0.00% | 30 747 955 | 11% |
| 10.00% | 10.00% | 20.00% | 20.00% | 40.00% | 16 409 787 | (41%) |
| 0.00% | 0.00% | 25.00% | 25.00% | 50.00% | 12 735 581 | (54%) |

Consumer Lending

Three scenarios have been used for the Consumer Lending framework:

- Base Case
- Up Case
- Down Case.

Once a relationship is established between a loan book's behaviour and one or more macroeconomic factors, forecasted macroeconomic factors can be incorporated into the model. This is by comparing historic and future macroeconomic data together with the loan book behaviour to identify quantitative relationships. If a correlation structure exists between historic macroeconomic data and the loan book behaviour, then this provides a good basis for incorporating Forward Looking Information (FLI) by means of forecasted macroeconomic data. The base case forecast is derived for the relevant macroeconomic factors. and is used as is. The Up and Down scenarios are created from the base scenario, scenarios by building a statistical tolerance interval around the base scenario.

In the current year, two macroeconomic variables were applied in the ECL model, namely foreign exchange rate (BWP/USD) and Gross Domestic Product (GDP). In the prior year, three macroeconomic variables were used, namely foreign exchange rate, unemployment rate, and lending rate. Consistent with adjustments made to the Corporate model, the macroeconomic variables were revised in 2024 to address model deficiencies, particularly the issue of directionality. The previous model exhibited instances where changes in macroeconomic variables resulted in movements in ECL contrary to expectations, despite an established correlation structure between historical macroeconomic data and loan book behavior. The revision aims to enhance the model's predictive accuracy and ensure a more reliable estimation of credit risk.

| 2023 Drivers | Rationale |
|---|---|
| **Gross Domestic Product (GDP)** | Also referred to as Real GDP Growth, annual percentages of constant price GDP are year-on-year changes; the base year is country-specific. The Consumer Lending model uses GDP expressed as a Transformed state, using annual percentage differences. Expenditure-based GDP is total final expenditures at purchasers' prices (including the value of exports of goods and services less the value of imports of goods and services. Botswana's economy started 2024 poorly: mining output declined sharply in Q1, mainly due to an 18.6% q/q drop in diamond production. GDP is therefore expected to decline in proportion to the declining diamond sales which form the largest GDP portion. |
| **Foreign Exchange Rate**<br><br>**BWP/USD** | Measures changes in the LCY exchange rate to the USD.<br><br>Botswana is a net importer country and as such movements in exchange rate, particularly against the ZAR and the USD affect economic performance and purchasing power in the country. Exchange rate movements can directly impact the prices of goods and services. For individuals, a weakening currency can make imported goods more expensive, affecting consumers' purchasing power. |

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Scenario Analysis and Key macroeconomic Assumptions (continued)

Consumer Lending (continued)

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2024 for the years 2024 to 2028, for Botswana that has a material impact in ECLs.

| Macro economic factors | ECL scenario | Assigned weightings (average) | Actual 2024 | Forecast (%) 2025 | 2026 | 2027 | 2028 | Long term rate |
|---|---|---|---|---|---|---|---|---|
| **Group and Company 2024** | | | | | | | | |
| Gross Domestic Product (expressed as a transformed state, using percentage differences) | Down | **20%** | **(2.03)** | **0.77** | **1.56** | **1.42** | **1.47** | **0.99** |
| | Base case | **60%** | **1.15** | **1.52** | **2.11** | **1.87** | **1.87** | **1.25** |
| | Up | **20%** | **4.33** | **2.27** | **2.65** | **2.32** | **2.26** | **1.52** |
| Exchange Rate - BWP/USD (untransformed state) | Down | **20%** | **13.42** | **13.97** | **12.31** | **13.20** | **13.14** | **13.00** |
| | Base case | **60%** | **13.42** | **13.21** | **11.76** | **12.74** | **12.74** | **12.74** |
| | Up | **20%** | **13.42** | **12.45** | **11.21** | **12.28** | **12.34** | **12.48** |

Management was unable to disclose comparative sensitivity analyses for 2023 due to insufficient available information.

As noted on page 83, the macroeconomic indicators were updated in the current year. For comparison, the prior year disclosure was as follows:

| Key drivers | ECL scenario | Assigned weightings | Actual 2023 | Forecast (%) 2024 | 2025 | 2026 | 2027 | Long term rate |
|---|---|---|---|---|---|---|---|---|
| **Group and Company 2023** | | | | | | | | |
| Lending rate (%) | Down | 20% | 6.76 | 6.55 | 8.15 | 9.54 | 10.87 | 9.28 |
| | Base | 60% | 6.76 | 7.91 | 9.08 | 10.29 | 11.52 | 9.69 |
| | Up | 20% | 6.76 | 9.27 | 10.01 | 11.04 | 12.16 | 10.09 |
| Unemployment rate (%) | Down | 20% | 32.94 | 32.20 | 34.06 | 37.13 | 38.04 | 39.52 |
| | Base | 60% | 28.86 | 31.11 | 33.31 | 36.53 | 37.52 | 39.20 |
| | Up | 20% | 24.78 | 30.02 | 32.57 | 35.93 | 37.00 | 38.88 |
| Exchange Rate – BWP/USD | Down | 20% | 13.49 | 14.14 | 13.40 | 15.20 | 16.96 | 13.36 |
| | Base | 60% | 13.49 | 14.94 | 13.94 | 15.64 | 17.34 | 13.60 |
| | Up | 20% | 13.49 | 15.74 | 14.48 | 16.08 | 17.72 | 13.84 |

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Scenario Analysis and Key Macroeconomic Assumptions (continued)

Consumer Lending (continued)

The table below shows the sensitivity of the ECL to changes in the weights assigned in the model to each ECL scenario.

Included in the table is also the sensitivity of the ECL for unmodelled retail exposures. These exposures are provisioned using coverage ratios from the Consumer Lending model and as such are sensitive to the same scenarios as those under Consumer Lending.

| Weights | | | | |
|---|---|---|---|---|
| **Base Case** | **Up Case** | **Down Case** | **ECL Amount** | **ECL impact (%)** |
| **Group and Company 2024** | | | | |
| **70%** | **15%** | **15%** | **64 819 910** | **(0.28)** |
| **80%** | **10%** | **10%** | **64 635 568** | **(0.57)** |
| **90%** | **5%** | **5%** | **64 451 226** | **(0.85)** |
| **100%** | **0%** | **0%** | **64 266 883** | **(1.13)** |
| **Group and Company 2023** | | | | |
| 70% | 15% | 15% | 67 969 188 | (4.47) |
| 80% | 10% | 10% | 64 789 347 | (8.94) |
| 90% | 5% | 5% | 61 609 507 | (13.41) |
| 100% | 0% | 0% | 58 429 666 | (17.88) |

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Probability of default (PD)

The PD definition for Consumer Lending is the same as for the Corporate segment. The PDs are also modelled using historic data into 12-month PD and lifetime PDs.

Where data is not available, proxies which resemble the risk of default characteristics of the exposure are used. The PDs are determined individually or below threshold at portfolio level (below internal thresholds for customer exposures) and segmented into various categories using tenure, currency, product, or low risk classification.

PDs modelled using historical data may then be adjusted for forward looking factors.

PDs are mapped into regulatory grades as follows:

#### (i) Customer loans and advances

| | | |
|---|---|---|
| **Stage 1** | 12-month PD | Bank of Botswana classification Standard/internal category 0 and 1 |
| **Stage 2** | Lifetime PD | Bank of Botswana classification Special mention/internal category 2 |
| **Stage 3** | Default PD | Bank of Botswana classification Substandard, Doubtful, Loss/internal category 3 |

#### (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 reporting date exposure.

EAD is determined by considering as below:

- For customer loans and advances: Outstanding exposures.
- For overdrafts: Outstanding exposures plus undrawn limits.

**Loss given default (LGD):** LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD1 is calculated on a discounted lifetime basis for accounts in Stages 1 and 2 where LGD is the percentage of loss expected to be made if the default occurs. LGD2 is individually determined or modelled based on historical data. LGD for low-risk financial instruments exposure is based on observed recovery rates and:

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

LGDs of individually assessed customer loans and advances have been determined in terms of:

- Stages 1 and 2: An internal benchmark applied to a net exposure after application of future realisable cash flows, predominantly collateral held.
- Stage 3: Net exposure after application of future realisable cash flows, predominantly collateral held.

LGDs on various financial assets/low risk financial instruments, except for customer loans and advances, have been determined in terms of:

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

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

#### 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 Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The use of the rebuttable presumption of significant increase in risk means that an account is categorised as Stage 2 when the days past due are greater than 30 days and less than 90 days. In addition to the rebuttable presumption, the Group also considers the output of its multi-factor early warning/risk monitoring analysis as a qualitative measure, which include but are not limited to:

Consumer lending, and other individual exposures:

- Extension of credit terms.
- Retrenchment/ dismissal/incapacitation of employee.
- Diversion of salary payments.
- Employer facing financial difficulties.

Corporate and low risk financial instruments:

- 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.
- 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 monthly 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 Board Credit Committee.

#### Default

The Group considers a financial asset to be in default when based on the rebuttable presumption a customer loan and/or advance is categorised as substandard/doubtful/loss on the central bank asset classification when the days past due are 90 days or more.

In addition to the rebuttable presumption, the Group also considers 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.
- The borrower or its executives commit an act of fraud.

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### 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 are not unduly delayed. An asset is not written off earlier than:

- Unsecured asset – 6 months after default.
- Secured asset – 18 months after default.

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

### ECL Model governance

Oversight of the ECL model parameters is done primarily by the Head of Risk and the Management Credit Committee comprising senior managers in Credit, Treasury and the business.

The Head of Risk and the Management Credit Committee are responsible for decisions and key judgments pertaining to impairments and model overrides and ensure that all relevant determinations are presented to the Board Risk Committee, and the Board Credit Committee as deemed necessary. As of December 31, 2024, given the persistent challenges in the economic environment, including the underperformance of diamond sales, management maintained an overlay of P1 320 680 (2023: Nil).

### Exposure to credit risk

The Group's exposure to credit risk has been represented alongside the Bank's two main segments when it comes to loans and advances, namely:

i) Consumer Lending
   - Comprises of deduction at source payroll-based lending. These are also unsecured loan offerings.

ii) Corporate and Other Banking includes the following:
   - Corporate comprises Corporate, Commercial segments, and this includes term loans, mortgage loans, and overdrafts.
   - Other Banking includes lending to SME (Small and Medium-sized Enterprise) and individuals which also covers mortgages, secured and unsecured lending.

Off-balance sheet exposures include letters of credit, bank guarantees and undrawn loan commitments.

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Exposure to credit risk (continued)

| Amounts in Pula | Consumer lending loans | Corporate and other loans | Total loans and advances | Off-balance sheet exposures | Cash and cash equivalents | Investment securities | Other assets | Total |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2024** | | | | | | | | |
| Personal and term loans | 2 742 802 879 | 1 508 874 919 | 4 251 677 798 | – | – | – | – | 4 251 677 798 |
| Mortgage loans | – | 107 064 304 | 107 064 304 | – | – | – | – | 107 064 304 |
| Overdrafts | – | 470 288 324 | 470 288 324 | – | – | – | – | 470 288 324 |
| Other | – | – | – | 539 512 534 | 2 205 349 880 | 784 600 122 | 17 363 062 | 3 546 825 598 |
| **Gross exposures** | 2 742 802 879 | 2 086 227 547 | 4 829 030 426 | 539 512 534 | 2 205 349 880 | 784 600 122 | 17 363 062 | 8 375 856 024 |
| *Reconciliation of ECL by exposure* | | | | | | | | |
| Balance at the beginning of the year | (76 610 925) | (25 961 324) | (102 572 249) | (7 580 491) | (72 558) | (2 875 096) | – | (113 100 394) |
| Charge to profit or loss | (6 779 544) | (5 182 489) | (11 962 033) | 2 322 891 | 44 968 | 2 440 295 | – | (7 153 879) |
| Net movement on interest in suspense | (558 264) | (1 262 153) | (1 820 417) | – | – | – | – | (1 820 417) |
| Write offs | 21 540 538 | 3 773 563 | 25 314 101 | – | – | – | – | 25 314 101 |
| **Total impairment** | (62 408 195) | (28 632 403) | (91 040 598) | (5 257 600) | (27 590) | (434 801) | – | (96 760 589) |
| **Net exposures** | 2 680 394 684 | 2 057 595 144 | 4 737 989 828 | 534 254 934 | 2 205 322 290 | 784 165 321 | 17 363 062 | 8 279 095 435 |

No separate Company-specific table has been included as the difference with Group is only on other assets which do not have ECLs. Also, the variance from the Group balance is not material.

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Exposure to credit risk (continued)

| Amounts in Pula | Consumer lending loans | Corporate and other loans | Total loans and advances | Off-balance sheet exposures | Cash and cash equivalents | Investment securities | Other assets | Total |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2023** | | | | | | | | |
| Personal and term loans | 2 185 275 177 | 1 585 642 643 | 3 770 917 820 | – | – | – | – | 3 770 917 820 |
| Mortgage loans | – | 120 240 687 | 120 240 687 | – | – | – | – | 120 240 687 |
| Overdrafts | – | 443 834 238 | 443 834 238 | – | – | – | – | 443 834 238 |
| Other | – | – | – | 593 614 301 | 1 600 271 454 | 368 433 590 | 15 350 758 | 2 577 670 103 |
| **Gross exposures** | 2 185 275 177 | 2 149 717 568 | 4 334 992 745 | 593 614 301 | 1 600 271 454 | 368 433 590 | 15 350 758 | 6 912 662 848 |
| *Reconciliation of ECL by exposure* | | | | | | | | |
| Balance at the beginning of the year | (52 296 240) | (42 062 298) | (94 358 538) | (4 366 056) | (18 642) | (33 673) | – | (98 776 909) |
| Charge to profit or loss | (35 679 434) | 13 819 738 | (21 859 696) | (3 214 435) | (53 916) | (2 841 423) | – | (27 969 470) |
| Net movement on interest in suspense | (2 701 625) | 1 623 940 | (1 077 685) | – | – | – | – | (1 077 685) |
| Write offs | 14 066 374 | 657 296 | 14 723 670 | – | – | – | – | 14 723 670 |
| **Total impairment** | (76 610 925) | (25 961 324) | (102 572 249) | (7 580 491) | (72 558) | (2 875 096) | – | (113 100 394) |
| **Net exposures** | 2 108 664 252 | 2 123 756 244 | 4 232 420 496 | 586 033 810 | 1 600 198 896 | 365 558 494 | 15 350 758 | 6 799 562 454 |

In the prior year, the disclosure did not include other assets. In the current year, the disclosure has been updated to include them with comparatives updated for comparability.

No separate Company-specific table has been included as the difference with Group is only on other assets which do not have ECLs. Also, the variance from the Group balance is not material.

The Bank's loan portfolio expanded by approximately P494 million during the year, primarily driven by a P558 million increase in the Consumer Lending segment, partially offset by a P63 million decline in the Corporate book. The reduction in the Corporate book reflects increased market competition and the impact of broader economic performance in 2024.

Within Consumer Lending, credit quality remained stable, as evidenced by Stage 2 gross exposure, expressed as a percentage of total exposures reducing from 3.08% in 2023 to 2.78% in 2024, despite Stage 2 gross exposures increasing by P9 million during 2024. However, Stage 3 metrics moderated, with the Non-Performing Loan ratio rising from 1.32% to 1.60%, driven by a net increase of Stage 3 gross exposures by P15 million, largely attributable to increased resignations and retirements within the Government and Parastatal sector.

Provisions for Consumer Lending experienced a net write-back of P14 million following adjustments to model assumptions and methodologies, addressing deficiencies related to macroeconomic inputs that had previously overstated provisions. Write-offs totalling P22 million were recorded on this book, reflecting standard losses from events such as deaths, dismissals, and resignations. These write-offs, consistent with historical levels, represented 0.79% of the Consumer Lending book.

Corporate credit quality moderated during the year, with Stage 2 exposures increasing from 7.33% in 2023 to 8.82% in 2024, while Stage 3 exposures rose by P13 million, largely due to the default of a single facility. Despite this, the impact was mitigated by collateral held, as considered in provisioning. Net corporate provisions reflected a reduction of approximately P3 million due to the incorporation of collateral for unmodelled exposures.

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

**Economic sector risk concentrations within the customer loan portfolio:**

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is summarised as follows:

| | Group and Company | | | |
|---|---|---|---|---|
| Amounts in Pula | 2024 | % | 2023 | % |
| Agriculture | 85 787 724 | 1.8% | 92 231 028 | 2.1% |
| Mining | 235 274 165 | 4.9% | 71 836 310 | 1.6% |
| Financial Services | 86 757 573 | 1.8% | 162 558 076 | 3.7% |
| Construction | 219 182 212 | 4.5% | 249 662 298 | 5.8% |
| Energy/Electricity/Gas/Water | 13 406 907 | 0.3% | 17 271 561 | 0.4% |
| Manufacturing | 151 870 790 | 3.1% | 185 444 155 | 4.3% |
| Wholesale and Retail | 350 277 779 | 7.3% | 275 137 996 | 6.4% |
| Individual/Households | 3 162 611 659 | 65.5% | 2 469 236 000 | 57.0% |
| Real Estate | 237 886 274 | 4.9% | 415 151 118 | 9.6% |
| Tourism & Leisure | 4 792 208 | 0.1% | 5 543 486 | 0.1% |
| Transport & Communication | 43 477 461 | 0.9% | 121 507 647 | 2.8% |
| Others | 237 705 674 | 4.9% | 269 413 070 | 6.2% |
| **Total credit risk exposure** | **4 829 030 426** | **100%** | 4 334 992 745 | 100% |

Top 20 large exposures make up 22.0% (2023: 24.6%) of the total credit risk exposure. Tourism and leisure sector has been disaggregated to separately present the wholesale and retail trade sector. Previously, exposures to entities engaged in wholesale and retail activities were reported under tourism and leisure. This change enhances the granularity of sectoral reporting and better reflects the distinct risk profiles and economic drivers of these sectors. Prior year comparatives have been updated accordingly for comparability.

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Credit quality per class of financial assets before credit enhancements

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset for credit risk related items, based on the Group's credit rating system.

| Amounts in Pula | Loans and advances to customers | Off-balance sheet exposures | Investment securities | Cash and cash equivalents | Other assets | Total |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2024** | | | | | | |
| **Reconciliation of ECL by exposure** | | | | | | |
| Stage 1 | 4 456 995 153 | 512 480 546 | 784 600 122 | 2 205 349 880 | 17 363 062 | 7 976 788 763 |
| Stage 2 | 260 244 839 | 26 647 257 | - | - | - | 286 892 096 |
| Stage 3 | 111 790 434 | 384 731 | - | - | - | 112 175 165 |
| **Gross exposure** | 4 829 030 426 | 539 512 534 | 784 600 122 | 2 205 349 880 | 17 363 062 | 8 375 856 024 |
| **Contribution by stage** | | | | | | |
| Stage 1 – 12 months ECL | (32 801 744) | (4 669 597) | (434 801) | (27 590) | - | (37 933 732) |
| Stage 2 – Lifetime ECL not credit impaired | (12 900 621) | (459 490) | - | - | - | (13 360 111) |
| Stage 3 – Lifetime ECL credit impaired | (45 338 233) | (128 513) | - | - | - | (45 466 746) |
| **Total impairment** | (91 040 598) | (5 257 600) | (434 801) | (27 590) | - | (96 760 589) |
| **Net exposure** | 4 737 989 828 | 534 254 934 | 784 165 321 | 2 205 322 290 | 17 363 062 | 8 279 095 435 |

No separate Company-specific table has been included as the difference with Group is only on other assets which do not have ECLs, also, variance with Group not material.

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Credit quality per class of financial assets before credit enhancements (continued)

| Amounts in Pula | Loans and advances to customers | Off-balance sheet exposures | Investment securities | Cash and cash equivalents | Other assets | Total |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2023** | | | | | | |
| **Reconciliation of ECL by exposure** | | | | | | |
| Stage 1 | 4 026 394 510 | 445 557 865 | 368 433 590 | 1 600 271 454 | 15 350 758 | 6 456 008 177 |
| Stage 2 | 225 003 828 | 147 667 398 | - | - | | 372 671 226 |
| Stage 3 | 83 594 407 | 389 038 | - | - | | 83 983 445 |
| **Gross exposure** | 4 334 992 745 | 593 614 301 | 368 433 590 | 1 600 271 454 | 15 350 758 | 6 912 662 848 |
| **Contribution by stage** | | | | | | |
| Stage 1 – 12 months ECL | (44 083 195) | (3 186 749) | (2 875 096) | (72 558) | - | (50 217 598) |
| Stage 2 – Lifetime ECL not credit impaired | (15 160 935) | (4 188 215) | - | - | - | (19 349 150) |
| Stage 3 – Lifetime ECL credit impaired | (43 328 119) | (205 527) | - | - | - | (43 533 646) |
| **Total impairment** | (102 572 249) | (7 580 491) | (2 875 096) | (72 558) | - | (113 100 394) |
| **Net amount** | 4 232 420 496 | 586 033 810 | 365 558 494 | 1 600 198 896 | 15 350 758 | 6 799 562 454 |

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

**Analysis of Stage 2 loans and advances reflecting the criteria for inclusion in Stage 2**

The table below presents an analysis of stage 2 balances as at the reporting date reflecting the reasons for inclusion in Stage 2 for loans and advances. The indicators of significant increase in credit risk (SICR) are explained in Significant increase in credit section above.

Other qualitative reasons on the table below include:

- 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.
- Significant change in the quality of the guarantee or financial support provided by the shareholder.

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| Amounts in Pula | Gross carrying amount | ECL | Coverage Ratio | Gross carrying amount | ECL | Coverage Ratio |
| **Less than 30 DPD:** | 211 448 248 | (8 153 096) | 3.86% | 168 634 241 | (6 311 618) | 3.74% |
| Rating movement | 90 296 037 | (1 457 236) | 1.61% | 31 065 895 | (813 362) | 2.62% |
| No longer impaired but in curing period | 59 537 117 | (467 502) | 0.79% | 89 944 327 | (523 107) | 0.58% |
| Other qualitative reasons | 61 615 094 | (6 228 358) | 10.11% | 47 624 019 | (4 975 149) | 10.45% |
| **More than 30 DPD** | 48 796 591 | (4 747 525) | 9.73% | 56 369 587 | (8 849 317) | 15.70% |
| **Total** | 260 244 839 | (12 900 621) | 4.96% | 225 003 828 | (15 160 935) | 6.74% |

**Analysis of Stage 3 loans and advances reflecting the criteria for inclusion in Stage 3**

The table below presents an analysis of stage 3 balances. The table shows loans and advances less than 90 DPD and loans and advances greater than 90 DPD by Stage. This presents the loans and advances classified as Stage 3 due to ageing and those identified at an earlier stage due to other criteria. Stage 3 exposures also show loans in cure period that precedes transfer to Stage 2.

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| Amounts in Pula | Gross carrying amount | ECL | Coverage Ratio | Gross carrying amount | ECL | Coverage Ratio |
| **Less than 90 DPD:** | 39 633 110 | (6 046 507) | 15.26% | 21 408 307 | (3 677 725) | 17.18% |
| No longer impaired but in curing period | 15 212 855 | (2 488 710) | 16.36% | 16 299 874 | (2 968 146) | 18.21% |
| Restructures | 24 420 255 | (3 557 797) | 14.57% | 5 108 433 | (709 579) | 13.89% |
| **More than 90 DPD** | 72 157 324 | (39 291 726) | 54.45% | 62 186 100 | (39 650 394) | 63.76% |
| **Total Stage 3** | 111 790 434 | (45 338 233) | 40.56% | 83 594 407 | (43 328 119) | 51.83% |

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Modified/Forborne loans and advances

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Group. 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.

#### Financial assets modified during the period

| | Group and Company | |
|---|---|---|
| | **2024** | 2023 |
| Amortised cost before modification | | |
| Stage 2 | **350 000** | 1 650 000 |
| Stage 3 | **24 222 372** | 13 101 591 |
| | **24 572 372** | 14 751 591 |
| Net modification (loss)/gain | **1 268 416** | (66 188) |

#### Previously modified financial assets that have transitioned to 12-month ECL measurement during the period

The table below presents the gross carrying amount of previously modified financial assets that have transitioned to 12-month ECL measurement during the period, along with the corresponding ECL. All such assets are classified as Stage 1, indicating that there has been no significant increase in credit risk since modification.

| | | Group and Company | |
|---|---|---|---|
| | | **2024** | 2023 |
| **Pre modification** | Gross carrying amount | **197 357** | 32 195 032 |
| | Corresponding ECL | **154 116** | 2 536 034 |
| **Post modification** | Gross carrying amount | **79 637** | 22 829 522 |
| | Corresponding ECL | **–** | 87 830 |

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Description of collateral held as security and other credit enhancements

The table below shows maximum exposure to credit risk by class of financial asset. It also indicates the total fair value of collateral, any surplus collateral (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.

| | | Fair value of collateral and credit enhancements held | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Amounts in Pula | Maximum exposure to credit risk | Cash | Property | Other | Total collateral | Net exposure | % of exposure subject to collateral requirements | Associated ECL |
| **Group and Company 2024** | | | | | | | | |
| **Loans and advances to customers** | | | | | | | | |
| Term loans | 4 251 677 798 | 128 425 571 | 939 856 480 | 90 021 273 | 1 158 303 324 | 3 093 374 474 | 27% | (80 414 741) |
| Mortgage loans | 107 064 304 | 27 194 | 175 376 636 | – | 175 403 830 | (68 339 526) | 164% | (1 303 364) |
| Overdraft | 470 288 324 | 185 758 873 | 384 418 851 | 713 900 | 570 891 624 | (100 603 300) | 121% | (9 322 493) |
| **Total** | 4 829 030 426 | 314 211 638 | 1 499 651 967 | 90 735 173 | 1 904 598 778 | 2 924 431 648 | 39% | (91 040 598) |
| **Off- balance sheet exposures** | 539 512 534 | 73 786 757 | – | – | 73 786 757 | 465 725 777 | 14% | (5 257 600) |

Uncollateralised exposures for mortgage loans and overdrafts amounted to P10 363 036 and P130 278 737 respectively.

There is no collateral held against investment securities as well as cash and cash equivalents as at the current and previous reporting dates.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding balances. In general, the Bank does not occupy repossessed properties for business use. As at the current and previous reporting dates, the Group did not hold any properties that were repossessed.

# 5. Financial risk management (continued)

## (a) Credit risk (continued)

### Description of collateral held as security and other credit enhancements (continued)

| Amounts in Pula | Maximum exposure to credit risk | Fair value of collateral and credit enhancements held: Cash | Property | Other | Total collateral | Net exposure | % of exposure subject to collateral requirements | Associated ECL |
|---|---|---|---|---|---|---|---|---|
| **Group and Company 2023** | | | | | | | | |
| **Loans and advances to customers** | | | | | | | | |
| Term loans | 3 770 917 820 | 183 171 207 | 1 142 945 335 | 110 064 909 | 1 436 181 451 | 2 334 736 369 | 38% | (88 384 692) |
| Mortgage loans | 120 240 687 | – | 128 142 087 | – | 128 142 087 | (7 901 400) | 107% | (5 437 550) |
| Overdraft | 443 834 238 | 157 536 503 | 360 030 646 | 865 000 | 518 432 149 | (74 597 911) | 117% | (8 750 007) |
| **Total** | 4 334 992 745 | 340 707 710 | 1 631 118 068 | 110 929 909 | 2 082 755 687 | 2 252 237 058 | 48% | (102 572 249) |
| **Off- balance sheet exposures** | 593 614 301 | 24 933 239 | 662 616 | – | 25 595 855 | 568 018 446 | 4% | (7 580 491) |

Uncollateralised exposures for mortgage loans and overdrafts amounted to P1 204 796 and P164 736 264 respectively.

There is no collateral held against investment securities as well as cash and cash equivalents as at the current and previous reporting dates.

# 5. Financial risk management (continued)

## (b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

### Management of liquidity risk

The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, both under stressed and normal conditions, without causing damage to the Group's reputation.

The Group is required to maintain a minimum liquid asset ratio of 10% by Bank of Botswana. The daily liquidity position is monitored, and regular stress testing is performed under normal and severe market conditions. However, it is assumed that under normal circumstances customer demand deposits will remain stable or increase in value and unrecognised loan/overdraft commitments are not expected to be immediately drawn down in their entirety.

The Group is required to maintain a primary reserve requirement ratio as prescribed by the Bank of Botswana. This ratio is calculated monthly as a percentage of the preceding month's total local currency deposits. The central bank may adjust the ratio in response to structural liquidity conditions, reducing it during periods of liquidity shortages and increasing it when excess liquidity prevails. In prior year, the primary reserve requirement ratio was maintained at 2.5%. However, effective 5 December 2024, the Bank of Botswana revised the ratio to 0%, reflecting changes in monetary policy and liquidity management.

All the bank's liquidity policies and procedures are subject to review and approval by the Asset Liability Committee (ALCO). This is a management committee which meets once a month or more often if necessary. The daily monitoring of liquidity is the responsibility of the treasury department which monitors the level of mismatches in the maturity positions of assets and liabilities.

The maturity gap analysis as at the reporting date is based on undiscounted contractual cash flows. The disclosure is intended to provide focus on absolute cash flow amounts rather than present value considerations by showing the full cash flow effect of each line.

No separate Company-specific table has been included as the difference with Group is only between other assets, other liabilities which are not material and deposits which relate to the subsidiary's bank accounts with First Capital Bank Limited (refer to note 41).

# 5. Financial risk management (continued)

## (b) Liquidity risk (continued)

| Amounts in Pula | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2024** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 2 234 399 280 | 70 716 395 | – | – | – | – | 2 305 115 675 |
| Investment securities | 236 654 009 | 211 221 916 | 30 689 293 | 9 478 811 | 255 629 142 | 140 332 500 | 884 005 671 |
| Loans and advances to customers | 304 406 160 | 276 648 369 | 450 491 962 | 804 613 344 | 3 657 877 115 | 1 364 455 794 | 6 858 492 744 |
| Other assets | 17 363 062 | – | – | – | – | – | 17 363 062 |
| **Total assets** | 2 792 822 511 | 558 586 680 | 481 181 255 | 814 092 155 | 3 913 506 257 | 1 504 788 294 | 10 064 977 152 |
| **Liabilities** | | | | | | | |
| Customer deposits | (2 999 690 974) | (717 430 046) | (1 148 818 837) | (1 059 533 224) | (306 618 870) | – | (6 232 091 951) |
| Balances due to other banks | (494 166 599) | – | (143 961 150) | – | – | – | (638 127 749) |
| Subordinated debt | (1 357 466) | (294 411) | (4 920 827) | (6 589 996) | (194 358 861) | (5 250 637) | (212 772 198) |
| Preference shares | – | – | (1 070 381) | (1 088 122) | (3 234 798) | (26 132 000) | (31 525 301) |
| Lease liabilities | (287 585) | (579 863) | (885 081) | (1 760 131) | (4 604 929) | – | (8 117 589) |
| Other liabilities | (50 560 311) | – | – | – | – | – | (50 560 311) |
| **Total liabilities** | (3 546 062 935) | (718 304 320) | (1 299 656 276) | (1 068 971 473) | (508 817 458) | (31 382 637) | (7 173 195 099) |
| Net liquidity gap | (753 240 424) | (159 717 640) | (818 475 021) | (254 879 318) | 3 404 688 799 | 1 473 405 657 | 2 891 782 053 |
| **Cumulative liquidity gap** | (753 240 424) | (912 958 064) | (1 731 433 085) | (1 986 312 403) | 1 418 376 396 | 2 891 782 053 | 2 891 782 053 |

The negative gaps up to 12 months are primarily due to the short-term nature of the Group's deposits based on contractual maturities. Management continues to manage this gap by monitoring and analysing liquidity requirements, ensuring intraday and day-to-day anticipated obligations can be met, and maintaining contingency funding lines to draw upon where necessary. The Group also performs and monitors a behavioural analysis on liquidity and conducts stress testing which is in line with Bank liquidity management framework.

# 5. Financial risk management (continued)

## (b) Liquidity risk (continued)

| Amounts in Pula | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2023** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 1 514 437 246 | 153 907 554 | – | – | – | – | 1 668 344 800 |
| Investment securities | 21 483 286 | 2 162 808 | 141 589 149 | 7 232 599 | 184 957 324 | 83 212 500 | 440 637 666 |
| Loans and advances to customers | 150 656 117 | 305 682 003 | 422 914 890 | 767 759 756 | 3 211 159 934 | 1 154 552 182 | 6 012 724 882 |
| Other assets | 15 350 758 | – | – | – | – | – | 15 350 758 |
| **Total assets** | 1 701 927 407 | 461 752 365 | 564 504 039 | 774 992 355 | 3 396 117 258 | 1 237 764 682 | 8 137 058 106 |
| **Liabilities** | | | | | | | |
| Customer deposits | (2 631 878 377) | (771 551 537) | (774 659 228) | (825 447 250) | (386 375 942) | – | (5 389 912 334) |
| Balances due to other banks | (40 306 617) | – | (137 957 253) | – | – | – | (178 263 870) |
| Subordinated debt | (1 357 466) | (297 682) | (4 946 241) | (6 597 373) | (98 890 955) | (113 881 243) | (225 970 960) |
| Preference shares | – | – | (1 076 295) | (1 088 122) | (31 525 301) | – | (33 689 718) |
| Lease liabilities | (265 098) | (472 328) | (683 645) | (1 402 821) | (7 499 234) | – | (10 323 126) |
| Other liabilities | (51 426 147) | – | – | – | – | – | (51 426 147) |
| **Total liabilities** | (2 725 233 705) | (772 321 547) | (919 322 662) | (834 535 566) | (524 291 432) | (113 881 243) | (5 889 586 155) |
| Net liquidity gap | (1 023 306 298) | (310 569 182) | (354 818 623) | (59 543 211) | 2 871 825 826 | 1 123 883 439 | 2 247 471 951 |
| **Cumulative liquidity gap** | (1 023 306 298) | (1 333 875 480) | (1 688 694 103) | (1 748 237 314) | 1 123 588 512 | 2 247 471 951 | 2 247 471 951 |

# 5. Financial risk management (continued)

## (b) Liquidity risk (continued)

Derivatives instruments are presented at gross payable and receivable for both assets and liabilities.

| Amounts in Pula | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | Total |
|---|---|---|---|---|---|
| **Group and Company** | | | | | |
| **2024** | | | | | |
| **Assets** | | | | | |
| Contractual amounts receivable | 1 372 397 649 | 726 932 332 | 90 226 401 | 209 335 703 | 2 398 892 085 |
| Contractual amounts payable | (1 355 563 078) | (700 452 479) | (86 988 490) | (198 482 138) | (2 341 486 185) |
| **Total** | 16 834 571 | 26 479 853 | 3 237 911 | 10 853 565 | 57 405 900 |
| **Liabilities** | | | | | |
| Contractual amounts receivable | 853 405 920 | 291 744 660 | 113 641 656 | 65 114 188 | 1 323 906 424 |
| Contractual amounts payable | (865 255 881) | (298 942 276) | (117 092 990) | (65 934 671) | (1 347 225 818) |
| **Total** | (11 849 961) | (7 197 616) | (3 451 334) | (820 483) | (23 319 394) |
| **Group and Company** | | | | | |
| **2023** | | | | | |
| **Assets** | | | | | |
| Contractual amounts receivable | 425 193 299 | 341 057 034 | 459 679 532 | – | 1 225 929 865 |
| Contractual amounts payable | (420 394 061) | (336 021 925) | (438 732 272) | – | (1 195 148 258) |
| **Total** | 4 799 238 | 5 035 109 | 20 947 260 | – | 30 781 607 |
| **Liabilities** | | | | | |
| Contractual amounts receivable | 609 583 880 | 280 594 678 | 253 438 518 | – | 1 143 617 076 |
| Contractual amounts payable | (614 174 168) | (284 563 034) | (257 037 850) | – | (1 155 775 052) |
| **Total** | (4 590 288) | (3 968 356) | (3 599 332) | – | (12 157 976) |

# 5. Financial risk management (continued)

## (b) Liquidity risk (continued)

The table below shows the contractual expiry by maturity of the Group's off-balance sheet exposures namely financial guarantees, letters of credit and loan commitments.

| Amounts in Pula | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| **Group and Company** | | | | | | | |
| **2024** | | | | | | | |
| Financial guarantees | **6 142 747** | **143 896 150** | **839 753** | **83 774 625** | **82 111 283** | **39 190 359** | **355 954 917** |
| Letters of credit | **58 348 917** | **–** | **42 366 326** | **–** | **–** | **–** | **100 715 243** |
| Loan commitments | **82 842 374** | **–** | **–** | **–** | **–** | **–** | **82 842 374** |
| **Total commitments and guarantees** | **147 334 038** | **143 896 150** | **43 206 079** | **83 774 625** | **82 111 283** | **39 190 359** | **539 512 534** |
| **Group and Company** | | | | | | | |
| **2023** | | | | | | | |
| Financial guarantees | 17 467 783 | 159 414 584 | 104 004 654 | 64 005 002 | 62 901 441 | 38 422 863 | 446 216 327 |
| Letters of credit | 61 997 319 | 8 478 552 | – | – | – | – | 70 475 871 |
| Loan commitments | 76 922 103 | – | – | – | – | – | 76 922 103 |
| **Total commitments and guarantees** | 156 387 205 | 167 893 136 | 104 004 654 | 64 005 002 | 62 901 441 | 38 422 863 | 593 614 301 |

In the maturity gap analysis for off-balance sheet exposures, the time bucket designated as "up to 1 month" encompasses instruments payable on demand.

## (c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology, and infrastructure and from external factors other than credit, liquidity, interest rate and market risks such as those arising from legal and regulatory requirements and the requirement to observe generally accepted standards of corporate behaviour. Operational risks arise from all the Group's operations.

The objective of the Group is to manage operational risks to balance the avoidance of financial losses and damages to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each branch. The responsibility is supported by the development of overall standards in the Group for the management of operational risks in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with management of the business unit to which they relate, with summaries submitted to the Board Audit Committee.

# 5. Financial risk management (continued)

## (d) Capital risk management

Bank of Botswana sets and monitors the capital requirements for the Group. The revised capital directive, which is based on Basel II, became effective 1 January 2016. It requires the Group to maintain a minimum of 12.5 percent (2023: 12.5 percent) of risk weighted assets covering operational, market and credit risks. The Group's regulatory capital is analysed into two parts:

- Tier I capital, which includes paid-up stated capital, retained earnings and other reserves less goodwill or any intangible asset.
- Tier II capital, which includes property revaluation reserve, loan loss reserve, general provisions, and subordinated debt.

The following table shows the capital adequacy for the Group based on Basel II:

| | Group | |
|---|---|---|
| Amounts in Pula | **2024** | 2023 |
| *Tier 1 capital* | | |
| Stated capital | **140 000 000** | 140 000 000 |
| Retained income | **776 725 489** | 537 410 660 |
| Less: Intangible asset and right-of-use assets | **(23 871 235)** | (11 182 986) |
| Credit loss reserve | **15 289 391** | 15 289 391 |
| | **908 143 645** | 681 517 065 |
| *Tier 2 capital* | | |
| General provision – ECL | **45 586 638** | 57 485 811 |
| Subordinated debt | **114 000 000** | 144 400 000 |
| Preference shares | **26 132 000** | 26 132 000 |
| | **185 718 638** | 228 017 811 |
| **Total regulatory capital** | **1 093 862 283** | 909 534 876 |
| TOTAL RISK WEIGHTED ASSETS | | |
| Credit risk weighted assets | **4 937 378 511** | 4 598 864 872 |
| Market risk weighted assets | **11 621 978** | 3 519 550 |
| Operational risk weighted assets | **582 841 412** | 425 898 192 |
| | **5 531 841 901** | 5 028 282 614 |
| Capital adequacy ratio | **19.77%** | 18.09% |
| Regulatory requirement | **12.50%** | 12.50% |

## 5. Financial risk management (continued)

### (e) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holding of financial instruments. The objective of the Group's market risk management policy is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

#### Interest rate risk

Interest rate risk is the exposure of Bank's financial condition to adverse movements in interest rates. It arises from timing differences in the maturity or re-pricing of the Group's assets and liabilities. Changes in interest rates can have adverse effects on the Group's earnings and its economic value. The Asset and Liability Committee (ALCO) monitors interest rate risk in the Group.

For interest rate gap position, each line is individually classified within the repricing time bucketing approach based on its repricing date and structure. This methodology provides granular analysis of the repricing characteristics of each instrument.

Interest rate gap position

| Amounts in Pula | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2024** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 2 145 648 122 | 70 385 286 | – | – | – | – | 87 698 753 | 2 303 732 161 |
| Investment securities | 232 671 811 | 207 574 076 | 31 670 468 | – | 192 894 466 | 119 789 301 | (434 801) | 784 165 321 |
| Loans and advances to customers | 2 126 488 734 | 79 754 962 | 118 260 100 | 231 110 187 | 1 498 815 996 | 774 600 447 | (91 040 598) | 4 737 989 828 |
| Derivative assets | – | – | – | – | – | – | 56 516 630 | 56 516 630 |
| Other assets | – | – | – | – | – | – | 17 363 062 | 17 363 062 |
| **Total assets** | **4 504 808 667** | **357 714 324** | **149 930 568** | **231 110 187** | **1 691 710 462** | **894 389 748** | **70 103 046** | **7 899 767 002** |
| **Liabilities** | | | | | | | | |
| Customer deposits | (2 992 095 822) | (698 591 858) | (1 086 153 938) | (1 001 792 322) | (327 432 575) | – | (62 021 505) | (6 168 088 020) |
| Balances due to other banks | (493 949 256) | – | (141 149 152) | – | – | – | – | (635 098 408) |
| Other liabilities | – | – | – | – | – | – | (50 560 311) | (50 560 311) |
| Derivative liabilities | – | – | – | – | – | – | (23 092 168) | (23 092 168) |
| Lease liabilities | (244 714) | (488 686) | (735 350) | (1 419 879) | (3 581 189) | – | – | (6 469 818) |
| Preference shares | – | – | (26 132 000) | – | – | – | – | (26 132 000) |
| Subordinated debt | (34 090 675) | (15 000 000) | (109 718 385) | – | – | – | 369 506 | (158 439 554) |
| **Total liabilities** | **(3 520 380 467)** | **(714 080 544)** | **(1 363 888 825)** | **(1 003 212 201)** | **(331 013 764)** | **–** | **(135 304 478)** | **(7 067 880 279)** |
| **Net interest rate gap** | **984 428 200** | **(356 366 220)** | **(1 213 958 257)** | **(772 102 014)** | **1 360 696 698** | **894 389 748** | **(65 201 432)** | **831 886 723** |
| **Cumulative interest rate gap** | **984 428 200** | **628 061 980** | **(585 896 277)** | **(1 357 998 291)** | **2 698 407** | **897 088 155** | **831 886 723** | **831 886 723** |

The interest rate gap analysis reflects an asset-sensitive balance sheet, where assets reprice faster than liabilities. This results in positive gaps in the immediate time buckets and negative gaps in the medium-term time buckets. The negative pricing gaps are actively managed through ongoing monitoring and analysis of the contractual interest rate gap. This ensures that the exposure remains within the Group's risk appetite, aligning with the Group's overall interest rate risk management strategy.

# 5. Financial risk management (continued)

## (e) Market risk (continued)

### Interest rate gap position (continued)

| Amounts in Pula | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2023** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 1 446 777 967 | 152 735 536 | – | – | – | – | 67 108 475 | 1 666 621 978 |
| Investments securities | 19 365 000 | – | 134 048 257 | – | 133 148 330 | 73 649 672 | 5 347 235 | 365 558 494 |
| Loans and advances to customers | 2 139 470 064 | 1 313 607 | 3 909 892 | 14 454 185 | 375 540 547 | 1 732 692 987 | (34 960 786) | 4 232 420 496 |
| Derivative assets | – | – | – | – | – | – | 30 370 142 | 30 370 142 |
| Other assets | – | – | – | – | – | – | 15 350 758 | 15 350 758 |
| **Total assets** | 3 605 613 031 | 154 049 143 | 137 958 149 | 14 454 185 | 508 688 877 | 1 806 342 659 | 83 215 824 | 6 310 321 868 |
| **Liabilities** | | | | | | | | |
| Customer deposits | (1 837 303 792) | (741 530 236) | (721 508 768) | (772 041 611) | (315 627 568) | – | (888 501 630) | (5 276 513 605) |
| Balances due to other banks | (40 214 478) | – | (134 048 257) | – | – | – | (1 338 538) | (175 601 273) |
| Other liabilities | – | – | – | – | – | – | (51 426 147) | (51 426 147) |
| Derivative liabilities | – | – | – | – | – | – | (12 047 176) | (12 047 176) |
| Lease liabilities | (263 376) | (464 916) | (662 365) | (1 321 113) | (6 149 383) | – | – | (8 861 153) |
| Preference shares | – | – | (26 132 000) | – | – | – | – | (26 132 000) |
| Subordinated debt | (33 000 000) | (15 000 000) | (109 000 001) | – | – | – | (1 462 935) | (158 462 936) |
| **Total liabilities** | (1 910 781 646) | (756 995 152) | (991 351 391) | (773 362 724) | (321 776 951) | – | (954 776 426) | (5 709 044 290) |
| **Net interest rate gap** | 1 694 831 385 | (602 946 009) | (853 393 242) | (758 908 539) | 186 911 926 | 1 806 342 659 | (871 560 602) | 601 277 578 |
| **Cumulative interest rate gap** | 1 694 831 385 | 1 091 885 376 | 238 492 134 | (520 416 405) | (333 504 479) | 1 472 838 180 | 601 277 578 | 601 277 578 |

Borrowings have been disaggregated into Preference shares and Subordinated debt to enhance transparency. Prior year comparatives have been updated for comparability.

# 5. Financial risk management (continued)

## (e) Market risk (continued)

### Interest rate gap position (continued)

| Amounts in Pula | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | | |
| **2024** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 2 145 648 122 | 70 385 286 | – | – | – | – | 87 698 753 | 2 303 732 161 |
| Investment securities | 232 671 811 | 207 574 076 | 31 670 468 | – | 192 894 466 | 119 789 301 | (434 801) | 784 165 321 |
| Loans and advances to customers | 2 126 488 734 | 79 754 962 | 118 260 100 | 231 110 187 | 1 498 815 996 | 774 600 447 | (91 040 598) | 4 737 989 828 |
| Derivative assets | – | – | – | – | – | – | 56 516 630 | 56 516 630 |
| Other assets | – | – | – | – | – | – | 16 513 957 | 16 513 957 |
| **Total assets** | **4 504 808 667** | **357 714 324** | **149 930 568** | **231 110 187** | **1 691 710 462** | **894 389 748** | **69 253 941** | **7 898 917 897** |
| **Liabilities** | | | | | | | | |
| Customer deposits | (3 007 095 822) | (698 591 858) | (1 086 153 938) | (1 001 792 322) | (327 432 575) | – | (65 620 201) | (6 186 686 716) |
| Balances due to other banks | (493 949 256) | – | (141 149 152) | – | – | – | – | (635 098 408) |
| Other liabilities | – | – | – | – | – | – | (50 508 311) | (50 508 311) |
| Derivative liabilities | – | – | – | – | – | – | (23 092 168) | (23 092 168) |
| Lease liabilities | (244 714) | (488 686) | (735 350) | (1 419 879) | (3 581 189) | – | – | (6 469 818) |
| Preference shares | – | – | (26 132 000) | – | – | – | – | (26 132 000) |
| Subordinated debt | (34 090 675) | (15 000 000) | (109 718 385) | – | – | – | 369 506 | (158 439 554) |
| **Total liabilities** | **(3 535 380 467)** | **(714 080 544)** | **(1 363 888 825)** | **(1 003 212 201)** | **(331 013 764)** | **–** | **(138 851 174)** | **(7 086 426 975)** |
| **Net interest rate gap** | **969 428 200** | **(356 366 220)** | **(1 213 958 257)** | **(772 102 014)** | **1 360 696 698** | **894 389 748** | **(69 597 233)** | **812 490 922** |
| **Cumulative interest rate gap** | **969 428 200** | **613 061 980** | **(600 896 277)** | **(1 372 998 291)** | **(12 301 593)** | **882 088 155** | **812 490 922** | **812 490 922** |

# 5. Financial risk management (continued)

## (e) Market risk (continued)

### Interest rate gap position (continued)

| Amounts in Pula | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | | |
| **2023** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 1 446 777 967 | 152 735 536 | – | – | – | – | 67 108 475 | 1 666 621 978 |
| Investment securities | 19 365 000 | – | 134 048 257 | – | 133 148 330 | 73 649 672 | 5 347 235 | 365 558 494 |
| Loans and advances to customers | 2 139 470 064 | 1 313 607 | 3 909 892 | 14 454 185 | 375 540 547 | 1 732 692 987 | (34 960 786) | 4 232 420 496 |
| Derivative assets | – | – | – | – | – | – | 30 370 142 | 30 370 142 |
| Other assets | – | – | – | – | – | – | 14 556 476 | 14 556 476 |
| **Total assets** | 3 605 613 031 | 154 049 143 | 137 958 149 | 14 454 185 | 508 688 877 | 1 806 342 659 | 82 421 542 | 6 309 527 586 |
| **Liabilities** | | | | | | | | |
| Customer deposits | (1 846 603 793) | (741 530 236) | (721 508 768) | (772 041 611) | (315 627 568) | – | (891 156 414) | (5 288 468 390) |
| Balances due to other banks | (40 214 478) | – | (134 048 257) | – | – | – | (1 338 538) | (175 601 273) |
| Other liabilities | – | – | – | – | – | – | (51 245 654) | (51 245 654) |
| Derivative liabilities | – | – | – | – | – | – | (12 047 176) | (12 047 176) |
| Lease liabilities | (263 376) | (464 916) | (662 365) | (1 321 113) | (6 149 383) | – | – | (8 861 153) |
| Preference shares | – | – | (26 132 000) | – | – | – | – | (26 132 000) |
| Subordinated debt | (33 000 000) | (15 000 000) | (109 000 001) | – | – | – | (1 462 935) | (158 462 936) |
| **Total liabilities** | (1 920 081 647) | (756 995 152) | (991 351 391) | (773 362 724) | (321 776 951) | – | (957 250 717) | (5 720 818 582) |
| **Net interest rate gap** | 1 685 531 384 | (602 946 009) | (853 393 242) | (758 908 539) | 186 911 926 | 1 806 342 659 | (874 829 175) | 588 709 004 |
| **Cumulative interest rate gap** | 1 685 531 384 | 1 082 585 375 | 229 192 133 | (529 716 406) | (342 804 480) | 1 463 538 179 | 588 709 004 | 588 709 004 |

Borrowings have been disaggregated into Preference shares and Subordinated debt to enhance transparency. Prior year comparatives have been updated for comparability.

# 5. Financial risk management (continued)

## (e) Market risk (continued)

### Interest rate sensitivity analysis

Interest rate sensitivity analysis as at the reporting date are set out below:

| Amounts in Pula | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Over 5 years | Non-interest Bearing | Total |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2024** | | | | | | | | |
| Total Assets | **4 504 808 667** | **357 714 324** | **149 930 568** | **231 110 187** | **1 691 710 462** | **894 389 748** | **70 103 046** | **7 899 767 002** |
| Total Liabilities | **(3 520 380 467)** | **(714 080 544)** | **(1 363 888 825)** | **(1 003 212 201)** | **(331 013 764)** | **–** | **(135 304 478)** | **(7 067 880 279)** |
| **Interest sensitivity gap** | **984 428 200** | **(356 366 220)** | **(1 213 958 257)** | **(772 102 014)** | **1 360 696 698** | **894 389 748** | **(65 201 432)** | **831 886 723** |

Increase/(decrease) in profit or loss and equity due to an increase in average interest rate.

| | |
|---|---|
| 1% | 8 970 882 |
| 2% | 17 941 763 |
| 3% | 26 912 645 |

A corresponding average decrease in interest rates would have the same, but opposite effect.

No separate Company-specific table has been included as the difference with Group is only between on other assets and other liabilities with no material difference.

| Amounts in Pula | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-5 years | Over 5 years | Non-interest Bearing | Total |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **2023** | | | | | | | | |
| Total Assets | 3 605 613 031 | 154 049 143 | 137 958 149 | 14 454 185 | 508 688 877 | 1 806 342 659 | 83 215 824 | 6 310 321 868 |
| Total Liabilities | (1 910 781 646) | (756 995 152) | (991 351 391) | (773 362 724) | (321 776 951) | - | (954 776 426) | (5 709 044 290) |
| **Interest sensitivity gap** | 1 694 831 385 | (602 946 009) | (853 393 242) | (758 908 539) | 186 911 926 | 1 806 342 659 | (871 560 602) | 601 277 578 |

Increase/(decrease) in profit or loss due to an increase in average interest rate.

| | |
|---|---|
| 1% | 14 728 382 |
| 2% | 29 456 764 |
| 3% | 44 185 145 |

A corresponding average decrease in interest rates would have the same, but opposite effect.

No separate Company-specific table has been included as the difference with Group is only between on other assets and other liabilities with no material difference.

# 5. Financial risk management (continued)

## (e) Market risk (continued)

### Contractual interest rates of financial assets and liabilities

The contractual interest rates for the principal financial assets and liabilities at reporting date were as follows:

| | Group and Company | |
|---|---|---|
| Amounts in Pula | 2024 % | 2023 % |
| **Assets:** | | |
| Standing deposit facility | **0.90** | 1.40 |
| Deposits with banking institutions | **3.90** | 3.90 |
| Loans and advances to customers – Consumer Lending | **23.00** | 25.00 |
| Loans and advances to customers – Corporate | **8.95** | 8.51 |
| **Liabilities:** | | |
| Customer deposits (average rate) | **3.59** | 3.92 |
| Subordinated debt (average rate) | **8.03** | 8.33 |

### Foreign Exchange Rate Risk Management

The responsibilities of the Integrated Treasury Department include monitoring of foreign exchange risk. Foreign exchange rate risk is the potential impact of adverse currency rates movements on earnings and economic value. This involves the risk of the Group incurring financial loss on settlement of foreign exchange positions taken in both the trading and banking books. The foreign exchange positions arise from the following activities:

- Trading in foreign currencies through spot, forward and option transactions as a market maker or position taker, including the unhedged position arising from customer driven foreign exchange transactions.
- Holding foreign currency position in the Bank books (e.g., in the form of loans, deposits, cross border investments, etc.).
- Engaging in derivative transactions that are denominated in foreign currency for trading or hedging purposes.

The Treasury Department is responsible for:

- Setting the foreign exchange risk management strategy and tolerance levels.
- Ensuring that effective risk management systems and internal controls are in place.
- Monitoring significant foreign exchange exposure.
- Ensuring that foreign exchange operations are supported by adequate management information systems which complement the risk management strategy.
- Reviewing the policies, procedures, and currency limits regularly in line with changes in the economic environment.

# 5. Financial risk management (continued)

## (e) Market risk (continued)

The ALCO regularly monitors the controls put in place by the treasury department, which are approved and reviewed by the Board from time to time.

The Group's foreign exchange exposures in Botswana Pula at the reporting date were as follows:

| | Group and Company | | | | | | |
|---|---|---|---|---|---|---|---|
| **Amounts in Pula** | **Assets** | **Liabilities** | **Forward/Spot** | **Net** | **Long** | **Short** | **Sensitivity** |
| **2024** | | | | | | | |
| USD | **2 198 300 656** | **2 572 886 907** | **393 159 622** | **18 573 371** | **18 573 371** | **–** | **185 734** |
| GBP | **29 036 640** | **30 713 307** | **1 557 208** | **(119 459)** | **–** | **(119 459)** | **(1 195)** |
| EUR | **490 485 731** | **130 049 282** | **(360 039 305)** | **397 144** | **397 144** | **–** | **3 971** |
| ZAR | **353 781 996** | **85 347 636** | **(269 861 016)** | **(1 426 656)** | **–** | **(1 426 656)** | **(14 267)** |
| INR | **1 455 108** | **–** | **(294 847)** | **1 160 261** | **1 160 261** | **–** | **11 603** |
| JPY | **901 152** | **–** | **(333 953)** | **567 199** | **567 199** | **–** | **5 672** |
| ZMW | **984 820** | **–** | **–** | **984 820** | **984 820** | **–** | **9 848** |
| | **3 074 946 103** | **2 818 997 132** | **(235 812 291)** | **20 136 680** | **21 682 795** | **(1 546 115)** | **201 366** |

A 1% strengthening of the Botswana Pula against the foreign currencies above at the reporting date will (increase)/decrease profit or loss and equity by the amounts disclosed in the sensitivity column above. The analysis assumes that all other variables in particular, interest rates, remain constant.

A 1% weakening of the Botswana Pula against these currencies at the reporting date would have the equal but opposite effect.

The ALCO regularly monitors the controls put in place by the treasury department, which are approved and reviewed by the Board from time to time.

The Group's foreign exchange exposures in Botswana Pula at the reporting date were as follows:

| | Group and Company | | | | | | |
|---|---|---|---|---|---|---|---|
| Amounts in Pula | Assets | Liabilities | Forward/Spot | Net | Long | Short | Sensitivity |
| **2023** | | | | | | | |
| USD | 1 013 947 240 | 1 074 978 962 | 63 604 064 | 2 572 342 | 2 572 342 | – | 25 723 |
| GBP | 40 014 558 | 64 092 129 | 24 055 913 | (21 658) | – | (21 658) | (217) |
| EUR | 490 971 161 | 161 430 189 | (329 961 375) | (420 403) | – | (420 403) | (4 204) |
| ZAR | 285 295 152 | 160 198 314 | (128 871 357) | (3 774 519) | – | (3 774 519) | (37 745) |
| INR | 2 169 841 | – | (78 697) | 2 091 144 | 2 091 144 | – | 20 911 |
| JPY | 2 003 864 | 107 202 | (474) | 1 896 188 | 1 896 188 | – | 18 962 |
| ZMW | 6 651 | – | – | 6 651 | 6 651 | – | 67 |
| | 1 834 408 467 | 1 460 806 796 | (371 251 926) | 2 349 745 | 6 566 325 | (4 216 580) | 23 497 |

A 1% strengthening of the Botswana Pula against the foreign currencies above at the reporting date will (increase)/decrease profit or loss and equity by the amounts disclosed in the sensitivity column above. The analysis assumes that all other variables in particular, interest rates, remain constant.

A 1% weakening of the Botswana Pula against these currencies at the reporting date would have the equal but opposite effect.

# 5. Financial risk management (continued)

## (f) Compliance risk

Compliance is an independent core risk management function. The Head of Compliance has unrestricted access to the Chief Executive Officer and the Chairman of the Board. The Group is subject to extensive supervisory and regulatory regimes, and the executive management remains responsible for overseeing the management of the Group's compliance risk.

Money laundering control and occupational health and safety (including aspects of environmental risk management) are managed within the compliance function and there are legislative requirements in both these areas. The Group has adopted anti-money laundering policies including Know-Your-Customer (KYC) policies and procedures and adheres to the country's anti-money laundering (AML) legislation and regulations as well as combating terrorist financing.

The management of compliance risk has become a distinct discipline within the Group's overall risk management framework. Ultimate responsibility for this risk lies with the Board of Directors. A combination of key activities is undertaken to manage the risk such as identifying the regulatory universe and developing compliance management plans, training staff and other stakeholders on relevant regulatory requirements, and monitoring compliance. Compliance with the Know-Your-Customer and Anti-money Laundering procedures and legislation is an area of major focus for the Group. The Group has a dedicated Anti- Money Laundering Officer.

# 6. Cash and cash equivalents

| | Group and Company | |
|---|---|---|
| Amounts in Pula | 2024 | 2023 |
| Balances with the Central Bank | 313 195 521 | 347 348 710 |
| Balances with local banks | 975 075 263 | 725 848 135 |
| Balances with foreign banks | 917 079 096 | 527 074 609 |
| Cash balances | 98 409 871 | 66 423 082 |
| **Gross cash and cash equivalents** | 2 303 759 751 | 1 666 694 536 |
| Expected credit losses | (27 590) | (72 558) |
| **Total cash and cash equivalents** | 2 303 732 161 | 1 666 621 978 |

Included in balances with foreign banks is P984 820 (2023: P67 226 768) held with related parties.

Balances with the Central Bank relates to cash held in the Group's current account and primary reserve requirement which is determined through "reserves averaging". The Group does not have the primary reserve requirement daily but, rather, fulfil this statutory requirement on an average basis. This makes them available for use hence classified as cash and cash equivalents.

Balances with local and foreign banks relate to operating account balances domiciled at the various correspondent banking institutions as well as placements with other banks for a period of 1 day up to 3 months from the date of placement.

## 7. Derivative financial instruments

| | Group and Company | |
|---|---|---|
| Amounts in Pula | 2024 | 2023 |
| **Derivative assets** | | |
| Foreign currency forward contracts | **55 522 891** | 30 370 142 |
| Foreign currency swaps | **993 739** | – |
| | **56 516 630** | 30 370 142 |
| **Derivative liabilities** | | |
| Foreign currency forward contracts | **23 092 168** | 12 047 176 |
| **Net (losses)/gains on derivative instruments** | | |
| Net losses on foreign currency swaps | **(2 841 381)** | (2 988 938) |
| Net gains on foreign currency forward contracts | **97 671 036** | 30 507 956 |
| | **94 829 655** | 27 519 018 |

As at the reporting date, the notional amount of the foreign currency swap asset is P450 000 000 (2023: Nil). The notional amounts of the foreign currency forward contracts classified as an asset and a liability are P1 924 674 671 (2023: P1 247 983 546) and P1 338 460 678 (2023: P1 103 245 137), respectively.

The derivative financial assets and liabilities are measured at fair value through profit and loss. The valuation technique and fair value hierarchy is disclosed in note 4 (b) for financial assets and liabilities.

## 8. Investment securities

| | Group and Company | |
|---|---|---|
| Amounts in Pula | 2024 | 2023 |
| Local registered government bonds | **247 071 154** | 168 364 109 |
| Bonds with foreign banks | **69 305 122** | 64 731 010 |
| Placements with related parties | **–** | 135 338 471 |
| Placements with other banks | **468 223 846** | – |
| **Gross investment securities** | **784 600 122** | 368 433 590 |
| Expected credit losses | **(434 801)** | (2 875 096) |
| **Net investment securities** | **784 165 321** | 365 558 494 |

As at the reporting date, pledges have been made with the Bank of Botswana against bonds, with a combined par value of P190 000 000 (2023: P170 000 000).

Refer to note 5(b) on financial risk management for undiscounted maturity analysis disclosure.

## 9. Other assets

| Amounts in Pula | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---|---|---|---|---|
| Clearing accounts | **147 612** | 5 109 951 | **147 612** | 5 109 951 |
| Prepaid expenses | **6 637 528** | 3 826 229 | **6 626 661** | 3 813 514 |
| Prepaid staff benefit | **18 192 115** | 11 878 484 | **18 192 115** | 11 878 484 |
| Security deposit | **374 191** | 509 171 | **374 191** | 509 171 |
| Visa settlement and collateral | **11 110 382** | 7 838 381 | **11 110 382** | 7 838 381 |
| POS settlement | **4 189 066** | – | **4 189 066** | – |
| Other | **2 404 940** | 2 788 525 | **1 066 897** | 1 608 144 |
| | **43 055 834** | 31 950 741 | **41 706 924** | 30 757 645 |
| **Movement in other assets (per statement of cash flows) note 39** | | | | |
| Movement in other assets | **11 105 093** | 1 430 639 | **10 949 279** | 592 740 |
| Non-cash movement | **(5 852 992)** | (802 398) | **(5 852 992)** | (641 809) |
| | **5 252 101** | 628 241 | **5 096 287** | (49 069) |
| **Reconciliation of other assets to other financial assets (Note 4 (b))** | | | | |
| Other assets (total) | **43 055 834** | 31 950 741 | **41 706 924** | 30 757 645 |
| Prepaid expense | **(6 637 528)** | (3 826 229) | **(6 626 661)** | (3 813 514) |
| Withholding tax receivable | **(488 938)** | (386 099) | **–** | – |
| Prepaid staff benefit | **(18 192 115)** | (11 878 484) | **(18 192 115)** | (11 878 484) |
| Security deposit | **(374 191)** | (509 171) | **(374 191)** | (509 171) |
| | **17 363 062** | 15 350 758 | **16 513 957** | 14 556 476 |

The Group's "Other" category includes a receivable of P208 962 (2023: P157 168) from related parties. Refer to Note 41 for details on related party transactions.

## 10. Right-of-use assets

| | Group and Company | |
|---|---|---|
| Amounts in Pula | **2024** | 2023 |
| **Right-of-use assets (Bank as lessee)** | | |
| **Cost** | | |
| Opening balance | **11 459 696** | 9 884 033 |
| Additions | **1 148 022** | 3 754 760 |
| Terminated during the year | **(1 834 169)** | (2 179 097) |
| **At end of year** | **10 773 549** | 11 459 696 |
| **Accumulated depreciation** | | |
| Opening balance | **3 765 002** | 2 699 155 |
| Charge for the year | **2 831 478** | 2 879 180 |
| Expired and terminated during the year | **(892 712)** | (1 813 333) |
| **Closing balance** | **5 703 768** | 3 765 002 |
| **Carrying amount** | **5 069 781** | 7 694 694 |
| **Amounts recognised in profit/loss** | | |
| Interest expense paid on lease liabilities | **623 779** | 749 153 |
| Expenses (cash paid during the year) – short term and low value leases | **481 921** | 617 838 |
| Depreciation charge for the year | **2 831 478** | 2 879 180 |
| | **3 937 178** | 4 246 171 |

The Group's right-of-use assets comprise office buildings and residential properties leased for staff accommodation, which are essential for the business's operations. These leases provide the Group with secure office space for its activities and housing for employees where required.

Refer to note 5(b) on financial risk management for undiscounted maturity analysis disclosure.

## 11. Loans and advances to customers

| | Group and Company 2024 | Group and Company 2023 |
|---|---|---|
| Gross loans and advances are receivable as follows: | | |
| Gross loans and advances | **4 829 030 426** | 4 334 992 745 |
| Expected credit losses | **(91 040 598)** | (102 572 249) |
| | **4 737 989 828** | 4 232 420 496 |

Loans and advances are issued at market related interest rates. The directors consider that the carrying amount of loans and advances approximates their fair values.

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Group and company** | | | | |
| **2024** | | | | |
| Opening impairment as at 1 January 2024 | (44 083 195) | (15 160 935) | (43 328 119) | (102 572 249) |
| **Transfer between stages:** | (4 224 695) | 4 870 471 | (645 776) | – |
| Net transfer (to)/from stage 1 | 1 396 039 | (1 084 114) | (311 925) | – |
| Net transfer (to)/from stage 2 | (3 942 639) | 5 954 310 | (2 011 671) | – |
| Net transfer (to)/from stage 3 | (1 678 095) | 275 | 1 677 820 | – |
| **Net impairments (recognised)/released** | 5 355 595 | (5 572 390) | (11 745 238) | (11 962 033) |
| Net impairment movement during the year | 5 355 595 | (5 572 390) | (11 745 238) | (11 962 033) |
| Impaired accounts written off | 10 150 551 | 2 962 233 | 12 201 317 | 25 314 101 |
| Net movement on interest in suspense | – | – | (1 820 417) | (1 820 417) |
| **Balance as at 31 December 2024** | (32 801 744) | (12 900 621) | (45 338 233) | (91 040 598) |

## 11. Loans and advances to customers (continued)

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Group and company** | | | | |
| **2023** | | | | |
| Opening impairment as at 1 January 2023 | (32 940 610) | (27 248 933) | (34 168 995) | (94 358 538) |
| **Transfer between stages:** | (9 831 528) | 17 582 170 | (7 750 642) | – |
| Net transfer (to)/from stage 1 | 586 176 | (380 221) | (205 955) | – |
| Net transfer (to)/from stage 2 | (9 073 531) | 13 753 532 | (4 680 001) | – |
| Net transfer (to)/from stage 3 | (1 344 173) | 4 208 859 | (2 864 686) | – |
| **Net impairments (recognised)/released** | (5 076 195) | (9 002 211) | (7 781 290) | (21 859 696) |
| Net impairment movement during the year | (5 076 195) | (9 002 211) | (7 781 290) | (21 859 696) |
| Impaired accounts written off | 3 765 138 | 3 508 039 | 7 450 493 | 14 723 670 |
| Net movement on interest in suspense | – | – | (1 077 685) | (1 077 685) |
| **Balance as at 31 December 2023** | (44 083 195) | (15 160 935) | (43 328 119) | (102 572 249) |

## 12. Investment in subsidiary company

The Bank holds all the shares in Jetwig Enterprises Proprietary Limited trading as First Capital Bank Insurance Agency, an insurance agency that operates principally in Botswana. The insurance agency is regulated by Non-Bank Financial Institutions Regulatory Authority.

The total investment in the subsidiary company is P1 000 000 (2023: P1 000 000).

## 13. Intangible assets

| | Group and Company | | |
|---|---|---|---|
| | 2024 | | |
| | Software | Capital work in progress | Total |
| **Cost** | | | |
| Opening Balance | 24 895 207 | 816 483 | 25 711 690 |
| Additions | 14 281 029 | 3 058 352 | 17 339 381 |
| Transfers from CWIP | 816 483 | (816 483) | – |
| **As at 31 December** | 39 992 719 | 3 058 352 | 43 051 071 |
| **Accumulated amortisation** | | | |
| Balance at 1 January | 21 352 941 | – | 21 352 941 |
| Charge for the year | 2 896 676 | – | 2 896 676 |
| **At end of the year** | 24 249 617 | – | 24 249 617 |
| **Carrying amount** | 15 743 102 | 3 058 352 | 18 801 454 |

## 13. Intangible assets (continued)

The closing balance of work-in-progress represents software that is still under development as at the reporting date. This amount will be capitalized upon completion and when the software is available for use in accordance with the Group's accounting policies.

| | Group and Company | | |
|---|---|---|---|
| | 2023 | | |
| | Software | Capital work in progress | Total |
| **Cost** | | | |
| Opening Balance | 23 512 081 | – | 23 512 081 |
| Additions | 1 383 126 | 816 483 | 2 199 609 |
| Transfers from CWIP | – | – | – |
| **As at 31 December** | 24 895 207 | 816 483 | 25 711 690 |
| **Accumulated amortisation** | | | |
| Balance at 1 January | 19 741 821 | – | 19 741 821 |
| Charge for the year | 1 611 120 | – | 1 611 120 |
| **At end of the year** | 21 352 941 | – | 21 352 941 |
| **Carrying amount** | 3 542 266 | 816 483 | 4 358 749 |

## 14. Investment property

| | Opening balance | Transfer from property and equipment | Movements in fair value adjustments | Total |
|---|---|---|---|---|
| Plot 74768, Section 4, CBD | **–** | **25 722 584** | **(2 152 584)** | **23 570 000** |

During the year, the bank transferred a building which was previously recognised under property and equipment to investment property. The transfer was made following a change in the use of the property, whereby it is now held to earn rental income or for capital appreciation rather than for use in the supply of goods or services or for administrative purposes.

These properties were revalued as of 11 September 2024 by Ms. Jane Kitheka, BA (Hons), MREIB, REAC, of Property World Pty (Ltd), an independent registered valuer. The valuations were conducted on an open market value basis. The independent valuers provide the fair value of the investment property portfolio annually. The fair value measurement of the investment property has been categorised as Level 3 in the fair value hierarchy based on the inputs to the valuation approach.

# 14. Investment property (continued)

## Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used and impact on fair value measurement.

| | Fair value | Valuation technique | Significant unobservable inputs | Range (weighted average) |
|---|---|---|---|---|
| **Property description**<br>Plot 74768, Section 4, 2nd Commercial Road, New CBD, Gaborone | **23 570 000** | **Income approach** | **Rental per sqm (BWP)** | **120 – 260 (162)** |

## Fair value sensitivity analysis

| | Open market value | Total square metres |
|---|---|---|
| Plot 74768, Section 4, CBD | **23 570 000** | **1 579** |

Increase in the fair value due to an increase in rental per square metre.

| | |
|---|---|
| 1% | 235 700 |
| 2% | 471 400 |
| 3% | 707 100 |

The fair value of the investment property has been determined using the income approach, considering prevailing market rental income per square metre and the applicable capitalisation rate. Adjustments were made for vacancy rates and maintenance costs, to determine the net annual rent used in the valuation model. The rental income rate was benchmarked against comparable properties to ensure reasonability.

## 14. Investment property (continued)

### Income and expenses related to the property

| | 2024 | 2023 |
|---|---|---|
| Rental income from investment property | 2 211 990 | – |
| Direct operating expenses from rental generating property | (351 147) | – |
| | 1 860 843 | – |

The investment property is held under an operating lease. Rental income and expenses from investment property are reported within other operating income and operating expenses respectively and are recognised in the statement of Profit or Loss and Other Comprehensive Income.

Key terms of lease agreements include:

Lease terms up to 5 years

- Renewal options exercisable at the discretion of the lessee.
- Escalation clauses tied to Customer Price Index rates.

### Risk management for the underlying asset

The Group retains significant rights in the leased asset, and risks associated with these assets are managed through the following strategies:

- Residual value risks are mitigated by obtaining independent valuations to ensure that the fair value of underlying assets remains aligned with expectations.
- The Group requires lessees to comply with maintenance standards to preserve the value of underlying assets.

### Restrictions on realisability

There are no material restrictions on the realisability of investment properties or the remittance of income and proceeds of disposal.

### Contractual obligations

The Group has no contractual obligations as at the reporting date.

## 15. Property and equipment

| Amounts in Pula | Motor vehicles | Furniture and fittings | Computer hardware | Freehold and leasehold land and buildings | Leasehold improvements | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|
| **Group and Company** | | | | | | | |
| **2024** | | | | | | | |
| **Cost or valuation** | | | | | | | |
| At beginning of year | 4 326 433 | 38 574 013 | 10 593 912 | 84 447 077 | 6 126 883 | 3 007 757 | 147 076 075 |
| Additions | 546 877 | 12 236 164 | 1 227 250 | 776 043 | 5 224 768 | – | 20 011 102 |
| Transfers from CWIP | – | 1 220 508 | 848 973 | 938 276 | – | (3 007 757) | – |
| Transfer to investment property | – | – | – | (25 770 829) | – | – | (25 770 829) |
| Elimination of cost on revaluation | – | – | – | (60 390 567) | – | – | (60 390 567) |
| Revaluation during the year | – | – | – | 63 270 000 | – | – | 63 270 000 |
| Disposals and write offs | – | (299 363) | (25 560) | – | – | – | (324 923) |
| **At end of year** | 4 873 310 | 51 731 288 | 12 644 575 | 63 270 000 | 11 351 651 | – | 143 870 858 |
| **Accumulated depreciation** | | | | | | | |
| At beginning of year | 2 642 792 | 29 496 178 | 6 920 400 | 1 511 352 | 1 903 822 | – | 42 474 544 |
| Charge for the year | 460 192 | 4 190 979 | 1 336 384 | 1 355 425 | 1 362 319 | – | 8 705 333 |
| Disposals and write offs | – | (186 697) | (9 159) | – | – | – | (195 856) |
| Transfer to investment property | – | – | – | (48 245) | – | – | (48 245) |
| Elimination of accumulated depreciation on revaluation | – | – | – | (2 469 813) | – | – | (2 469 813) |
| **At end of year** | 3 102 984 | 33 500 460 | 8 247 625 | 348 719 | 3 266 141 | – | 48 465 963 |
| **Carrying amount** | 1 770 326 | 18 230 828 | 4 396 950 | 62 921 281 | 8 085 510 | – | 95 404 895 |

In prior year, intangible assets were presented under “Property, equipment and intangible assets”. In the current year, intangible assets have been disaggregated and presented as a separate disclosure to enhance transparency and for alignment with IFRS Accounting Standards requirements. Prior year comparatives have been updated for comparability.

## 15. Property and equipment (continued)

| Amounts in Pula | Motor vehicles | Furniture and fittings | Computer hardware | Freehold and leasehold land and buildings | Leasehold improvements | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|
| **Group and Company** | | | | | | | |
| **2023** | | | | | | | |
| **Cost or valuation** | | | | | | | |
| At beginning of year | 3 752 725 | 33 387 122 | 8 986 455 | 55 800 000 | 5 365 026 | 2 628 513 | 109 919 841 |
| Additions | 881 430 | 6 212 545 | 2 106 802 | 25 222 545 | 377 122 | 4 188 511 | 38 988 955 |
| Transfers from CWIP | – | – | – | 3 424 532 | 384 735 | (3 809 267) | – |
| Disposals and write offs | (307 722) | (1 025 654) | (499 345) | – | – | – | (1 832 721) |
| **At end of year** | 4 326 433 | 38 574 013 | 10 593 912 | 84 447 077 | 6 126 883 | 3 007 757 | 147 076 075 |
| **Accumulated depreciation** | | | | | | | |
| At beginning of year | 2 327 043 | 26 242 049 | 6 321 365 | 201 092 | 731 999 | – | 35 823 548 |
| Charge for the year | 537 896 | 4 087 719 | 1 098 311 | 1 310 260 | 1 171 823 | – | 8 206 009 |
| Disposals and write offs | (222 147) | (833 590) | (499 276) | – | – | – | (1 555 013) |
| **At end of year** | 2 642 792 | 29 496 178 | 6 920 400 | 1 511 352 | 1 903 822 | – | 42 474 544 |
| **Carrying amount** | 1 683 641 | 9 077 835 | 3 673 512 | 82 935 725 | 4 223 061 | 3 007 757 | 104 601 531 |

Freehold and leasehold land and buildings comprise:

(1) A commercial freehold property occupied by the Bank, located on Plot 17954, Old Lobatse Road, Gaborone, with a land area of 2 380 square metres.

(2) The Bank's head office located on Plot 74768 (section 2&3), 2nd Commercial Road, New CBD, Gaborone, with a land area of 2 731 square metres. This is a sectional title deed with a fixed-period state grant.

These properties were revalued as of 11 September 2024 by Ms. Jane Kitheka, BA (Hons), MREIB, REAC, of Property World Pty (Ltd), an independent registered valuer. The valuations were conducted on an open market value basis. The revaluation resulted in a surplus that was credited to the property revaluation reserve. This reserve is not available for distribution to shareholders until such time as it is realised.

The fair value measurement of these properties has been categorised as Level 3 within the fair value hierarchy due to the use of significant unobservable inputs in the valuation techniques applied. The Bank's policy is to revalue freehold and leasehold land and buildings every two years to ensure that the carrying amounts do not differ materially from their fair values.

## 15. Property and equipment (continued)

### Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used and impact on fair value measurement.

| | Fair value | Valuation technique | Significant unobservable inputs | Range (weighted average) |
|---|---|---|---|---|
| **Property description**<br>Plot 17954, Old Lobatse Road, Gaborone | 20 260 000 | Market comparable approach | Price per sqm (BWP) | 4 249 – 17 059 (8 118) |
| Plot 74768 (section 2&3), 2nd Commercial Road, New CBD, Gaborone | 43 010 000 | Income approach | Rental rate per sqm (BWP) | 120 – 260 (162) |

| | Group and Company | |
|---|---|---|
| Amounts in Pula | **2024** | 2023 |
| **Property revaluation reserve** | | |
| Opening balance | **4 932 535** | 4 932 535 |
| Revaluation gain | **5 349 246** | – |
| Deferred tax on revaluation gain (Note 20) | **(1 176 834)** | – |
| Closing balance | **9 104 947** | 4 932 535 |
| **Reconciliation of net carrying amount** | | |
| Opening balance | **82 935 725** | 55 598 908 |
| Additions | **776 043** | 25 222 545 |
| Transfers from CWIP | **938 276** | 3 424 532 |
| Revaluation gain | **5 349 246** | – |
| Transfer to investment property (Note 14) | **(25 722 584)** | – |
| Depreciation charge for the year | **(1 355 425)** | (1 310 260) |
| **Closing balance** | **62 921 281** | 82 935 725 |

## 15. Property and equipment (continued)

### Carrying amount under cost model

Had the freehold and leasehold property been carried under the cost model, the carrying amount as of the reporting date would have been as follows:

| Amounts in Pula | Group and Company 2024 | 2023 |
|---|---|---|
| Cost | **63 205 466** | 87 365 929 |
| Accumulated depreciation | **(13 620 562)** | (12 098 735) |
| **Carrying amount** | **49 584 904** | 75 267 194 |

### Fair value sensitivity analysis

| Amounts in Pula | | Open Market Value | Total Square Metres | Value per Square Metre |
|---|---|---|---|---|
| **Group and Company** | | | | |
| **2024** | | | | |
| Old Lobatse Road Plot 17954 | | **20 260 000** | **2 380** | **8 513** |
| New CBD Plot 74768 | | **43 010 000** | **2 731** | **Not Applicable** |
| | | **63 270 000** | **5 111** | |
| Increase in the fair value due to an increase in value per square metre or rental per square metre. | | | | |
| | 1% | | **632 700** | |
| | 2% | | **1 265 400** | |
| | 3% | | **1 898 100** | |

The fair value of the New CBD property has been determined using the income approach, considering prevailing market rental income per square metre and the applicable capitalisation rate. Adjustments were made for vacancy rates and maintenance costs, to determine the net annual rent used in the valuation model. The rental income rate was benchmarked against comparable properties to ensure reasonability.

In the prior year, the total square meterage for New CBD Plot 74768 was incorrectly disclosed as 5 889 square metres instead of 6 690 square metres. This has been adjusted for in 2024.

| Amounts in Pula | | Open Market Value | Total Square Metres | Value per Square Metre |
|---|---|---|---|---|
| **Group and Company** | | | | |
| **2023** | | | | |
| Old Lobatse Road Plot 17954 | | 16 350 000 | 2 380 | 6 870 |
| New CBD Plot 74768 | | 68 097 077 | 5 889 | 11 563 |
| | | 84 447 077 | 8 269 | |
| Increase in other comprehensive income due to an increase in value per square meter. | | | | |
| | 1% | | 1 524 240 | |
| | 2% | | 3 048 480 | |
| | 3% | | 4 572 720 | |

## 16. Deposits from customers

| | Group | | Company | |
|---|---|---|---|---|
| Amounts in Pula | **2024** | 2023 | **2024** | 2023 |
| Current accounts | **801 813 029** | 782 433 923 | **805 411 725** | 784 918 696 |
| Savings accounts | **156 129 346** | 119 645 056 | **156 129 346** | 119 645 056 |
| Foreign currency denominated accounts | **934 885 855** | 867 111 621 | **934 885 855** | 867 111 621 |
| Call deposit accounts | **546 687 876** | 368 299 562 | **546 687 876** | 368 299 562 |
| Term deposit accounts | **3 728 571 914** | 3 139 023 443 | **3 743 571 914** | 3 148 493 455 |
| | **6 168 088 020** | 5 276 513 605 | **6 186 686 716** | 5 288 468 390 |

## 17. Balances due to other banks

| | Group and Company | |
|---|---|---|
| Amounts in Pula | **2024** | 2023 |
| Due to local banks | **523 185 484** | 135 366 111 |
| Due to related parties | **111 912 924** | 40 235 162 |
| | **635 098 408** | 175 601 273 |

## 18. Lease liabilities

| | Group and Company | |
|---|---|---|
| Amounts in Pula | **2024** | 2023 |
| **Carrying amount** | **6 469 818** | 8 861 153 |
| Opening balance | **8 861 153** | 7 811 713 |
| Additions | **1 148 022** | 3 754 760 |
| Expired and terminated | **(980 644)** | (429 351) |
| Finance cost | **623 779** | 749 153 |
| Lease payments | **(3 182 492)** | (3 025 122) |
| **Closing balance** | **6 469 818** | 8 861 153 |

Refer to note 5(b) on financial risk management for undiscounted maturity analysis disclosure.

## 19. Other liabilities

| | Group | | Company | |
|---|---|---|---|---|
| Amounts in Pula | 2024 | 2023 | 2024 | 2023 |
| Accrued expenses | 11 373 037 | 5 863 745 | 11 373 037 | 5 863 745 |
| Banker's cheques issued and uncleared | – | 38 041 | – | 38 041 |
| Clearing accounts | 12 981 837 | 22 356 392 | 12 981 837 | 22 356 392 |
| ECLs on guarantees and letters of credit | 5 257 600 | 7 580 491 | 5 257 600 | 7 580 491 |
| Payroll accruals | 27 001 636 | 20 136 108 | 26 957 539 | 20 050 781 |
| VAT and withholding taxes | 8 488 615 | 4 877 329 | 8 110 758 | 4 769 357 |
| Visa settlement | 4 912 773 | 4 280 506 | 4 912 773 | 4 280 506 |
| Related party payables | 4 361 182 | 2 608 758 | 4 361 182 | 2 608 758 |
| Unclaimed balances | 6 389 198 | 5 505 704 | 6 389 198 | 5 505 704 |
| Insurance premiums payable | 4 077 461 | 3 012 017 | 4 077 461 | 3 012 017 |
| Others | 2 317 113 | 1 799 682 | 2 265 113 | 1 619 189 |
| | 87 160 452 | 78 058 773 | 86 686 498 | 77 684 981 |
| **Movement in other liabilities per statement of cash flows (note 39)** | | | | |
| Movement in other liabilities | 9 101 679 | 8 881 336 | 9 001 517 | 8 643 205 |
| Non-cash items | 2 322 891 | (3 420 422) | 2 322 891 | (3 214 436) |
| | 11 424 570 | 5 460 914 | 11 324 408 | 5 428 769 |
| **Reconciliation of total liabilities to financial liabilities per note 4 (b)** | | | | |
| Total other liabilities | 87 160 452 | 78 058 773 | 86 686 498 | 77 684 981 |
| Less: VAT and withholding taxes | (8 488 615) | (4 877 329) | (8 110 758) | (4 769 357) |
| Less: PAYE | (1 109 890) | (1 619 189) | (1 109 890) | (1 619 189) |
| Less: Payroll accruals | (27 001 636) | (20 136 108) | (26 957 539) | (20 050 781) |
| | 50 560 311 | 51 426 147 | 50 508 311 | 51 245 654 |

## 20. Deferred tax assets and liabilities

| Amounts in Pula | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---|---|---|---|---|
| Deferred tax assets | 27 309 | 47 704 | – | – |
| Deferred tax liabilities | 34 962 810 | 20 742 590 | 34 962 810 | 20 742 590 |

### Analysis of deferred tax asset

| Amounts in Pula | Group 2024 | Group 2023 |
|---|---|---|
| Deferred income | – | 31 729 |
| Prepayments | (2 391) | (2 797) |
| Other temporary differences | 29 700 | 18 772 |
| **Balance as at 31 December** | 27 309 | 47 704 |

### Analysis of deferred tax liability

| Amounts in Pula | Group and Company Opening balance | Charge/(Credit) to P/L | Charge/(Credit) to OCL | Closing balance |
|---|---|---|---|---|
| Property and equipment | 1 907 567 | 2 502 264 | – | 4 409 831 |
| Accrued income | (9 092 971) | (1 498 157) | – | (10 591 128) |
| Deferred commission expense | 23 504 992 | 10 400 925 | – | 33 905 917 |
| Unrealised gain on mark-to-market | 4 031 054 | 3 103 705 | – | 7 134 759 |
| Revaluation of investment property | – | (473 568) | – | (473 568) |
| Revaluation of property | 1 391 228 | – | 1 176 834 | 2 568 062 |
| Other temporary differences | (999 280) | (991 783) | – | (1 991 063) |
| **Balance as at 31 December** | 20 742 590 | 13 043 386 | 1 176 834 | 34 962 810 |

## 21. Subordinated debt

| | Group and Company | |
|---|---|---|
| | 2024 | 2023 |
| Opening balance | 158 462 936 | 158 757 521 |
| Interest charged during the year | 12 880 048 | 12 692 366 |
| Interest paid during the year | (12 533 925) | (12 569 446) |
| Unamortised issue costs | (369 505) | (417 505) |
| **Closing balance** | 158 439 554 | 158 462 936 |

Subordinated debt comprises:

- P15 million floating rate notes of P1.00 each maturing on 1 July 2027, which earned interest at a cumulative rate of 7.21%.
- P33 million floating rate notes of P1.00 each maturing on 25 July 2028, which earned interest at a cumulative rate of 8.16% following introduction of the MOPR by the Bank of Botswana in April 2022. The Bank has an early optional redemption date of 25 January 2023 subject to prior written consent from Bank of Botswana.
- P100 million floating rate notes of P1.00 each maturing on 31 July 2029, which earned interest at a cumulative rate of 8.51% following introduction of the MOPR by the Bank of Botswana in April 2022. The Bank has an early optional redemption date of 30 April 2024 subject to prior written consent from Bank of Botswana.
- P4 million floating rate notes of P1.00 each maturing on 31 July 2029, which earned interest at a cumulative rate of 8.51% following introduction of the MOPR by the Bank of Botswana in April 2022. The Bank has an early optional redemption date of 30 April 2024 subject to prior written consent from Bank of Botswana.
- P5 million floating rate notes of P1.00 each maturing on 31 January 2030, which earned interest at a cumulative rate of 8.51% following introduction of the MOPR by the Bank of Botswana in April 2022. The Bank has an early optional redemption date of 16 January 2025 subject to prior written consent from Bank of Botswana.

Currently, there are no plans by management to exercise the call option pertaining to subordinated debt.

Refer to Note 5 (b) on financial risk management for undiscounted maturity analysis disclosure.

## 22. Preference shares

| | Group and Company | |
|---|---|---|
| | 2024 | 2023 |
| **Redeemable preference shares of no-par value** | | |
| Opening balance | 26 132 000 | 26 132 000 |
| Interest charged during the year | 2 058 574 | 2 158 503 |
| Interest paid during the year | (2 058 574) | (2 158 503) |
| **Closing balance** | 26 132 000 | 26 132 000 |

Preference shares earned dividends at a cumulative rate of 8.26%. Dividends are paid semi-annually.

The shares have no fixed repayment terms and are redeemable at the Bank's option. These shares are unsecured and subordinate to the claims of depositors and general creditors of the Bank. On winding up, preference shares are paid in priority to ordinary shares. Currently, management has no plans to exercise the call option.

## 23. Stated capital

| | Group and Company | |
|---|---|---|
| Amounts in Pula | 2024 | 2023 |
| **Ordinary shares of no-par value** | | |
| Balance at beginning and end of the year | **140 000 000** | 140 000 000 |

Stated capital comprises 101 833 333 (2023: 101 833 333) issued and fully paid ordinary shares of no par value. There are no unissued shares under the control of the directors. The holders of issued shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All shares rank equally with regard to the Bank's residual assets.

## 24. Credit loss reserve

| | Group and Company | |
|---|---|---|
| Amounts in Pula | 2024 | 2023 |
| Balance at beginning and end of year | **15 289 391** | 15 289 391 |

The credit loss reserve was previously a regulatory requirement prior to adoption of IFRS 9, with the amount determined at 1.25% on the Banks credit risk weighted assets. The balance has remained the same pending directive from Bank of Botswana.

## 25. Interest income at effective interest rate

| | Group | | Company | |
|---|---|---|---|---|
| Amounts in Pula | 2024 | 2023 | 2024 | 2023 |
| Loans and advances | **742 158 598** | 642 291 926 | **742 158 598** | 642 291 926 |
| Bonds | **18 759 128** | 13 017 201 | **18 759 128** | 13 017 201 |
| Treasury bills | **3 334 926** | 2 708 162 | **3 334 926** | 2 708 162 |
| Placement with other banks | **62 977 952** | 47 268 547 | **62 977 952** | 47 268 547 |
| | **827 230 604** | 705 285 836 | **827 230 604** | 705 285 836 |

In the current year, interest income from investment securities has been disaggregated into interest income from treasury bills and bonds to clarify the nature of the underlying investment securities. The comparatives, previously disclosed as a single line "Investment securities", have been updated accordingly for comparability.

## 26. Interest expense at effective interest rate

| Amounts in Pula | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---|---|---|---|---|
| Current accounts | **1 548 898** | 1 216 476 | **1 548 898** | 1 216 476 |
| Savings accounts | **2 179 446** | 2 538 871 | **2 179 446** | 2 538 871 |
| Call deposits | **14 841 279** | 7 351 170 | **14 841 279** | 7 351 170 |
| Fixed deposits | **195 113 797** | 223 671 357 | **195 781 224** | 223 841 369 |
| Balances due to other banks | **13 464 895** | 9 923 414 | **13 464 895** | 9 923 414 |
| Subordinated debt | **12 880 048** | 12 692 366 | **12 880 048** | 12 692 366 |
| Preference shares | **2 058 574** | 2 158 503 | **2 058 574** | 2 158 503 |
| Lease liabilities | **623 779** | 749 153 | **623 779** | 749 153 |
| | **242 710 716** | 260 301 310 | **243 378 143** | 260 471 322 |

## 27. Net fee and commission income

| Amounts in Pula | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---|---|---|---|---|
| **Fees received at a point in time** | | | | |
| Insurance commission | **11 349 217** | 8 728 343 | **–** | – |
| Account activity fees | **3 226 866** | 3 643 157 | **3 226 866** | 3 645 820 |
| Card-based transaction fees including Point-Of-Sale | **10 309 880** | 4 923 470 | **10 309 880** | 4 923 470 |
| Cash deposit and withdrawal fees | **7 322 768** | 7 297 237 | **7 322 768** | 7 297 237 |
| Other fees and commission | **5 151 962** | 3 278 882 | **5 152 581** | 3 278 882 |
| | **37 360 693** | 27 871 089 | **26 012 095** | 19 145 409 |
| **Fees received over time** | | | | |
| Commission on bank guarantees and letters of credit | **5 994 417** | 5 004 835 | **5 994 417** | 5 004 835 |
| **Total fee and commission income** | **43 355 110** | 32 875 924 | **32 006 512** | 24 150 244 |
| **Fee and commission expense** | | | | |
| VISA | **(8 674 417)** | (4 558 973) | **(8 674 417)** | (4 558 973) |
| Point-of-sale | **(1 480 014)** | – | **(1 480 014)** | – |
| **Total fee and commission expense** | **(10 154 431)** | (4 558 973) | **(10 154 431)** | (4 558 973) |
| **Net fee and commission income** | **33 200 679** | 28 316 951 | **21 852 081** | 19 591 271 |

## 28. Net (losses)/gains on foreign exchange transactions

| Amounts in Pula | Group and Company 2024 | Group and Company 2023 |
|---|---|---|
| Net (losses)/gains on foreign currency | **(25 518 539)** | 28 163 648 |
| Commission on foreign currency transactions | **6 139 165** | 4 126 192 |
| | **(19 379 374)** | 32 289 840 |

## 29. Other operating income

| Amounts in Pula | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---|---|---|---|---|
| Net (loss)/gain on termination of lease contracts and disposal of property and equipment | **(24 029)** | 5 887 | **(24 029)** | 5 887 |
| Management fees | **–** | – | **2 056 453** | 733 404 |
| Rental income | **2 211 990** | – | **2 211 990** | – |
| Other income | **92 687** | 2 558 644 | **92 687** | 2 558 644 |
| **Total other operating income** | **2 280 648** | 2 564 531 | **4 337 101** | 3 297 935 |

Mobile banking and orange money have been aggregated into other income in the current year in consideration of materiality of the amounts.

## 30. Staff costs

| Amounts in Pula | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---|---|---|---|---|
| Salaries and wages | **71 447 689** | 61 347 122 | **70 824 318** | 60 724 900 |
| Contributions to staff defined contribution plan | **7 868 747** | 6 428 956 | **7 787 299** | 6 428 956 |
| Post employment benefits other than pension | **928 385** | 805 285 | **928 385** | 805 285 |
| Training costs | **1 402 683** | 1 069 522 | **1 392 183** | 1 069 522 |
| Staff incentives | **27 862 759** | 25 919 379 | **27 727 759** | 25 919 379 |
| Medical expenses | **5 478 517** | 4 730 943 | **5 420 816** | 4 730 943 |
| Leave pay | **2 093 355** | 1 324 393 | **2 023 668** | 1 324 393 |
| Recruitment and settlement | **661 421** | 615 474 | **661 421** | 615 474 |
| | **117 743 556** | 102 241 074 | **116 765 849** | 101 618 852 |

In the current financial year, the classification of “Other Staff Costs” has been refined to enhance transparency. This line item has been disaggregated into the following components: staff incentives, medical expenses, leave pay, and recruitment and settlement costs. Comparative figures have been updated accordingly to ensure consistency and comparability.

## 31. Premises and equipment costs

| Amounts in Pula | Group and Company 2024 | 2023 |
|---|---|---|
| Equipment hires | **1 612 819** | 1 589 251 |
| Rates and utilities | **1 965 056** | 1 690 138 |
| Premises and equipment repair and maintenance | **701 651** | 1 248 708 |
| Security costs | **2 076 131** | 1 420 861 |
| | **6 355 657** | 5 948 958 |

Equipment hire under premises and equipment costs includes leases that meet the criteria for low value asset leases in accordance with IFRS 16 – Leases.

## 32. Information technology costs

| Amounts in Pula | Group and Company 2024 | 2023 |
|---|---|---|
| Computer repairs and maintenance | **179 532** | 27 996 |
| Software licensing costs | **23 599 132** | 13 066 845 |
| Internet connectivity | **1 223 721** | 528 288 |
| | **25 002 385** | 13 623 129 |

## 33. Administration and general expenses

| | Group | | Company | |
|---|---|---|---|---|
| Amounts in Pula | **2024** | 2023 | **2024** | 2023 |
| Auditor's remuneration | **2 286 071** | 2 033 308 | **2 234 071** | 1 977 308 |
| Bank charges | **8 241 102** | 5 738 814 | **8 241 102** | 5 738 814 |
| Non-executive directors' fees and expenses | **3 018 653** | 3 203 835 | **3 018 653** | 3 203 835 |
| Fuel | **322 319** | 306 930 | **322 319** | 306 930 |
| Insurance | **1 651 435** | 1 569 374 | **1 642 086** | 1 559 470 |
| Legal and professional fees, fines, litigation and penalties | **7 385 060** | 3 930 498 | **7 360 947** | 3 907 425 |
| Marketing costs | **5 945 138** | 4 357 067 | **5 945 138** | 4 357 067 |
| Motor vehicle running costs | **122 084** | 114 446 | **122 084** | 114 446 |
| Operational losses | **3 132 979** | 159 005 | **3 132 979** | 159 005 |
| Other payroll lending costs | **8 640 417** | 4 662 656 | **8 640 417** | 4 662 656 |
| Staff welfare costs | **1 481 498** | 1 679 640 | **1 481 498** | 1 679 640 |
| Cash transportation expenses | **1 703 837** | 1 455 443 | **1 703 837** | 1 455 443 |
| Cleaning costs | **1 377 804** | 1 275 580 | **1 377 804** | 1 275 580 |
| Corporate subscriptions | **2 555 559** | 1 052 040 | **2 555 559** | 1 052 040 |
| Irrecoverable indirect taxes | **3 868 697** | 3 768 834 | **3 868 697** | 3 768 834 |
| Corporate social responsibility | **1 575 599** | 1 134 245 | **1 575 599** | 1 134 245 |
| Other administration costs | **2 359 329** | 3 559 075 | **2 167 507** | 3 509 929 |
| Postage | **1 184 361** | 1 058 445 | **1 184 361** | 1 058 445 |
| Printing and stationery | **593 203** | 597 151 | **593 203** | 597 151 |
| Professional subscriptions | **87 118** | 49 851 | **87 118** | 49 851 |
| Communication costs | **1 856 405** | 1 567 896 | **1 856 405** | 1 567 896 |
| Travel expenses | **2 540 362** | 1 415 140 | **2 540 362** | 1 415 140 |
| | **61 929 030** | 44 689 273 | **61 651 746** | 44 551 150 |

To enhance transparency and clarity, “Other administration costs” have been further disaggregated to separately present irrecoverable indirect taxes and corporate social responsibility expenses as distinct line items. Prior year comparatives updated accordingly for comparability.

## 34. Net impairment losses on financial instruments

| Amounts in Pula | Group and Company 2024 | 2023 |
|---|---|---|
| **Net expected credit loss recognised/(released):** | | |
| – Investment securities and cash equivalents | **(2 485 263)** | 2 895 339 |
| – Loans and advances to customers | **11 962 033** | 21 859 696 |
| – Guarantees and letters of credit | **(2 322 891)** | 3 214 435 |
| | **7 153 879** | 27 969 470 |
| Recoveries on loans and advance to customers previously written off | **(5 537 156)** | (2 469 907) |
| | **1 616 723** | 25 499 563 |

## 35. Income tax expense

| Amounts in Pula | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---|---|---|---|---|
| Current tax expense | **79 878 114** | 59 945 304 | **77 960 760** | 58 264 670 |
| Deferred tax expense | **13 063 782** | 8 782 950 | **13 043 387** | 8 829 053 |
| **Income tax expense** | **92 941 896** | 68 728 254 | **91 004 147** | 67 093 723 |
| **Tax reconciliation** | | | | |
| Profit before taxation | **422 256 728** | 293 325 555 | **413 552 147** | 285 923 612 |
| Taxation at statutory rate of 22% (2023: 22%) | **92 896 480** | 64 531 622 | **90 981 472** | 62 903 195 |
| Disallowable expenses | **1 096 454** | 1 091 448 | **1 073 713** | 1 088 546 |
| Prior year (over)/under-provision | **(1 051 038)** | 3 105 184 | **(1 051 038)** | 3 101 982 |
| **Taxation per profit or loss** | **92 941 896** | 68 728 254 | **91 004 147** | 67 093 723 |
| **Taxation refundable** | | | | |
| Balance at 1 January | **10 427 563** | (4 460 750) | **9 319 827** | (3 615 503) |
| Charges for the year | **(79 878 114)** | (59 945 304) | **(77 960 760)** | (58 264 670) |
| Paid during the year | **81 680 398** | 74 833 617 | **79 675 380** | 71 200 000 |
| **Balance as at 31 December** | **12 229 847** | 10 427 563 | **11 034 447** | 9 319 827 |

## 36. Earnings and dividend per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares.

| | Group | | Company | |
|---|---|---|---|---|
| Amounts in Pula | 2024 | 2023 | 2024 | 2023 |
| Profit attributable to ordinary shareholders | **329 314 832** | 224 597 301 | **322 548 000** | 218 829 889 |
| Weighted average number of ordinary shares in issue | **101 833 333** | 101 833 333 | **101 833 333** | 101 833 333 |
| Basic and diluted earnings per share (Pula) | **3.2339** | 2.2055 | | |
| Dividend paid | **90 000 000** | 60 000 000 | **90 000 000** | 60 000 000 |
| Dividend per share (Pula) | **0.8838** | 0.5892 | **0.8838** | 0.5892 |

## 37. Interest and non-interest income received

| | Group | | Company | |
|---|---|---|---|---|
| Amounts in Pula | 2024 | 2023 | 2024 | 2023 |
| Interest income | **827 230 604** | 705 285 836 | **827 230 604** | 705 285 836 |
| Non-interest income | **108 779 024** | 90 690 340 | **99 486 879** | 82 698 064 |
| Non-cash items | **(20 517 507)** | (41 527 429) | **(20 517 507)** | (41 527 429) |
| Movement in accrued interest income | **222 470** | (5 209 175) | **222 470** | (5 209 175) |
| | **915 714 591** | 749 239 572 | **906 422 446** | 741 247 296 |

## 38. Interest paid

| | Group | | Company | |
|---|---|---|---|---|
| Amounts in Pula | 2024 | 2023 | 2024 | 2023 |
| Interest expense | **242 710 716** | 260 301 310 | **243 378 143** | 260 471 322 |
| Borrowing cost – IFRS 16 | **(623 779)** | (749 153) | **(623 779)** | (749 153) |
| Movement in accrued interest | **27 219 628** | (25 054 531) | **27 219 628** | (25 054 531) |
| | **269 306 565** | 234 497 626 | **269 973 992** | 234 667 638 |

## 39. Cash paid to suppliers and employees

| Amounts in Pula | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---|---|---|---|---|
| Staff costs (note 30) | **117 743 556** | 102 241 074 | **116 765 849** | 101 618 852 |
| Prepaid staff benefit expense | **(2 002 257)** | (4 319 355) | **(2 002 257)** | (4 319 355) |
| Premises and equipment costs | **6 355 657** | 5 948 958 | **6 355 657** | 5 948 958 |
| Information technology costs | **25 002 385** | 13 623 129 | **25 002 385** | 13 623 129 |
| Operational losses | **(477 298)** | (159 005) | **(477 298)** | (159 005) |
| Administration and general expenses | **61 929 030** | 44 689 273 | **61 651 746** | 44 551 150 |
| Shared services costs | **43 961 346** | 37 651 005 | **43 961 346** | 37 651 005 |
| | **252 512 419** | 199 675 079 | **251 257 428** | 198 914 734 |
| Movement in other assets (Note 9) | **5 252 101** | 628 241 | **5 096 287** | (49 069) |
| Movement in other liabilities (Note 19) | **(11 424 570)** | (5 460 914) | **(11 324 408)** | (5 428 769) |
| | **246 339 950** | 194 842 406 | **245 029 307** | 193 436 896 |

## 40. Net movement in customer balances

### Liabilities to customers:

| Amounts in Pula | Group 2024 | Group 2023 | Company 2024 | Company 2023 |
|---|---|---|---|---|
| **Total deposits (Note 16)** | **6 168 088 020** | 5 276 513 605 | **6 186 686 716** | 5 288 468 390 |
| Total interest accrued | **(80 628 720)** | (108 018 403) | **(80 628 720)** | (108 018 403) |
| Deposits excluding accrued interest | **6 087 459 300** | 5 168 495 202 | **6 106 057 996** | 5 180 449 987 |
| Less prior year net deposits excluding accrued interest | **(5 168 495 202)** | (4 402 468 034) | **(5 180 449 987)** | (4 411 299 658) |
| **Movement in deposit balances** | **918 964 098** | 766 027 168 | **925 608 009** | 769 150 329 |

### Loans and advances to customers:

| Amounts in Pula | Group and Company 2024 | Group and Company 2023 |
|---|---|---|
| **Loans and advances to customers:** | | |
| Gross loans and advances (Note 11) | **4 829 030 426** | 4 334 992 745 |
| Total interest accrued | **(4 840 959)** | (13 023 208) |
| Non-cash items | **55 389 342** | 20 273 349 |
| **Adjusted loans and advances** | **4 879 578 809** | 4 342 242 886 |
| Less prior year net loans and advances | **(4 342 242 886)** | (3 757 748 446) |
| **Net movement in loans and advances to customers** | **537 335 923** | 584 494 440 |

## 41. Related party transactions

Related parties of the Group, include:

- subsidiaries of the Group and entities that have significant influence over the Group; and
- key management personnel, entities controlled, jointly controlled or significantly influenced by key management personnel or their close family members.

Key management personnel of the Group are the First Capital Bank Limited board of Directors and prescribed officers, including those of any entities which provide key management personnel services to the Group.

The related party relationships with First Capital Bank Limited (Botswana) are outlined below:

| Related party | Relationship |
|---|---|
| FMBcapital Holdings Plc | Ultimate shareholder |
| Everglades Botswana (Pty) Ltd | Shareholder |
| First Capital Bank (Malawi) Plc | Fellow subsidiary |
| First Capital Bank Holdings Limited | Fellow subsidiary |
| First Capital Bank (Mozambique), S.A. | Fellow subsidiary |
| First Capital Shared Services Limited | Fellow subsidiary |
| First Capital Bank Zimbabwe | Fellow subsidiary |
| Jetwig Enterprises Proprietary Limited T/A First Capital Bank Insurance Agency | Wholly owned subsidiary (registered in Botswana) |

### Compensation of key management personnel

| | Group | | Company | |
|---|---|---|---|---|
| Amounts in Pula | **2024** | 2023 | **2024** | 2023 |
| Short-term employee benefits | **30 679 998** | 26 408 700 | **30 041 023** | 26 011 150 |
| Post-employment benefits | **1 409 842** | 2 441 968 | **1 342 491** | 2 393 368 |
| | **32 089 840** | 28 850 668 | **31 383 514** | 28 404 518 |

| | Group and Company | |
|---|---|---|
| Amounts in Pula | **2024** | 2023 |
| Non-executive directors' emoluments and expenses | **3 018 653** | 3 203 835 |

The Group and Company engage in certain transactions with related parties, which encompass management, directors, and entities associated with or under the control of the directors. These transactions may include loans, deposits, foreign currency dealings, and other services provided. All transactions with related parties are conducted on terms and conditions that are agreed upon in the normal course of business.

Amounts owed to and from related parties are payable on demand. The Group and Company maintains appropriate controls and procedures to ensure that transactions with related parties are conducted on an arm's length basis and in compliance with regulatory requirements.

As of the reporting date, an expected credit loss provision totalling P1 198 588 (2023: P3 220 190) has been recognized for loans and advances extended to related parties. These allowances were established in accordance with the Group and Company's accounting policies and practices, reflecting management's assessment of credit risk associated with related party exposures.

## 41. Related party transactions (continued)

### Expected credit loss provisions

| | Group and Company | |
|---|---|---|
| Amounts in Pula | **2024** | 2023 |
| Loans and advances | **548 514** | 686 763 |
| Cash and cash equivalents | **982** | 47 677 |
| Investment securities | **–** | 2 484 439 |
| Off balance sheet exposures | **649 092** | 1 311 |
| | **1 198 588** | 3 220 190 |

Related party transactions, outstanding balances at reporting date, and the related interest expense and income for the year are as follows:

| Amounts in Pula | | Interest expense | Management fee income | Non-interest income | Investment in subsidiary | Balances receivable | Deposits |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| Jetwig Enterprises (Proprietary) Limited | **2024** | **667 427** | **2 056 453** | **619** | **1 000 000** | **268 527** | **18 598 696** |
| | 2023 | 170 012 | 733 404 | 2 663 | 1 000 000 | 135 603 | 11 784 773 |

## 41. Related party transactions (continued)

| Amounts in Pula | | Net gains on swaps | Interest income | Dividend paid on ordinary Shares | Dividend paid on preference Shares | Management fees | Interest expense | Aircraft cost | Non-interest income |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| FMBcapital Holdings Plc | **2024** | **–** | **–** | **34 740 000** | **2 058 574** | **32 207 121** | **669 635** | **–** | **–** |
| | 2023 | – | – | 23 160 000 | 2 158 503 | 28 589 456 | – | – | – |
| First Capital Shared Services Limited | **2024** | **–** | **–** | **–** | **–** | **11 754 225** | **–** | **–** | **–** |
| | 2023 | – | – | – | – | 9 041 212 | – | – | – |
| First Capital Bank (Malawi) Plc | **2024** | **–** | **22 424** | **–** | **–** | **–** | **254 720** | **387 798** | **–** |
| | 2023 | 3 376 | 15 196 | – | – | – | 1 959 942 | 1 184 692 | – |
| First Capital Bank Mozambique | **2024** | **–** | **1 274 362** | **–** | **–** | **–** | **608 198** | **–** | **1 152 464** |
| | 2023 | – | 4 417 559 | – | – | – | 434 664 | – | 23 582 |
| First Capital Bank Zambia | **2024** | **2 437 339** | **3 528 779** | **–** | **–** | **–** | **–** | **–** | **–** |
| | 2023 | – | 1 658 813 | – | – | – | – | – | – |
| First Capital Bank Zimbabwe | **2024** | **–** | **256 428** | **–** | **–** | **–** | **1 948 285** | **–** | **–** |
| | 2023 | – | 423 245 | – | – | – | 913 616 | – | – |
| Everglades Botswana (Pty) Ltd | **2024** | **–** | **–** | **29 664 000** | **–** | **–** | **–** | **–** | **–** |
| | 2023 | – | – | 19 776 000 | – | – | – | – | – |
| Management | **2024** | **–** | **386 209** | **–** | **–** | **–** | **16 619** | **–** | **–** |
| | 2023 | – | 361 246 | – | – | – | 25 136 | – | – |
| Directors | **2024** | **–** | **52 679** | **–** | **–** | **–** | **117 882** | **–** | **–** |
| | 2023 | – | 82 111 | – | – | – | 121 579 | – | – |
| Director related entities | **2024** | **–** | **1 171 475** | **25 596 000** | **–** | **–** | **1 971 294** | **–** | **–** |
| | 2023 | – | 3 106 678 | 17 064 000 | – | – | 638 182 | – | – |

In the prior year, dividend disclosures covered only the holding company. This year, they have been expanded to include payouts to shareholders with a significant influence (20% or more) as well as director related entities, with prior-year comparatives updated for comparability.

Included in total property and equipment additions for the current year is an amount of P11 599 158, which relates to software costs which were paid for on behalf of First Capital Bank Botswana by FMBcapital Holdings Plc.

## 41. Related party transactions (continued)

### Related party balances as at the reporting date

| Amounts in Pula | | Cash and cash equivalents | Loans and advances | Deposits | Investment securities | Preference shares | Balances due to other banks | Balances due from related party | Balances due to related party | Bank guarantees & letters of credit |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | | |
| FMBcapital Holdings Plc | **2024** | **–** | **–** | **57 755 574** | **–** | **26 132 000** | **–** | **–** | **3 055 322** | **–** |
| | 2023 | – | – | 61 693 059 | – | 26 132 000 | – | – | 2 003 382 | – |
| First Capital Shared Services Limited | **2024** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1 224 741** | **–** |
| | 2023 | – | – | – | – | – | – | – | 603 874 | – |
| First Capital Bank (Malawi) Plc | **2024** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | 2023 | 48 321 | – | – | – | – | – | – | – | – |
| First Capital Bank Mozambique | **2024** | **–** | **–** | **–** | **–** | **–** | **111 912 976** | **–** | **–** | **42 366 326** |
| | 2023 | 67 173 070 | – | – | – | – | – | – | – | 123 911 738 |
| First Capital Bank Zambia | **2024** | **984 820** | **–** | **–** | **–** | **–** | **–** | **–** | **81 119** | **–** |
| | 2023 | 5 377 | – | – | 135 338 471 | – | – | 33 516 | – | – |
| First Capital Bank Zimbabwe | **2024** | **–** | **17 540 395** | **4 016 684** | **–** | **–** | **–** | **208 962** | **–** | **–** |
| | 2023 | – | 33 623 003 | 2 028 066 | – | – | 40 229 517 | 123 652 | – | – |
| Everglades Botswana Pty Ltd | **2024** | **–** | **–** | **370** | **–** | **–** | **–** | **–** | **–** | **–** |
| | 2023 | – | – | – | – | – | – | – | – | – |
| Management | **2024** | **–** | **8 383 732** | **3 203 845** | **–** | **–** | **–** | **–** | **–** | **–** |
| | 2023 | – | 7 686 390 | 4 284 916 | – | – | – | – | – | – |
| Directors | **2024** | **–** | **559 848** | **50 751 403** | **–** | **–** | **–** | **–** | **–** | **–** |
| | 2023 | – | 947 873 | 46 838 660 | – | – | – | – | – | – |
| Director related entity's | **2024** | **–** | **17 573 441** | **149 454 423** | **–** | **–** | **–** | **–** | **–** | **39 960 601** |
| | 2023 | – | 43 012 624 | 20 966 300 | – | – | – | – | – | 4 600 000 |

The loan to First Capital Bank Zimbabwe (FCB Zimbabwe) relates to a syndicated loan for which FCB Zimbabwe was the original lender in favour of Zimbabwe Electricity Transmission & Distribution Company. First Capital Botswana agreed to participate by lending total P69 930 070 (USD 5 million equivalent) to FCB Zimbabwe.

## 42. Contingencies and commitments

| | Group and Company | |
|---|---|---|
| Amounts in Pula | **2024** | 2023 |
| Bank guarantees | **355 954 917** | 446 216 327 |
| Loan commitments | **82 842 374** | 76 922 103 |
| Capital commitments | **16 221 096** | 32 379 266 |
| Letters of credit | **100 715 243** | 70 475 871 |
| | **555 733 630** | 625 993 567 |

Contingencies in respect of bank guarantees issued will only crystallise into a liability in the event of default by the relevant counterparty. Loan commitments represent approved facilities with signed offer letters but not yet disbursed at year end.

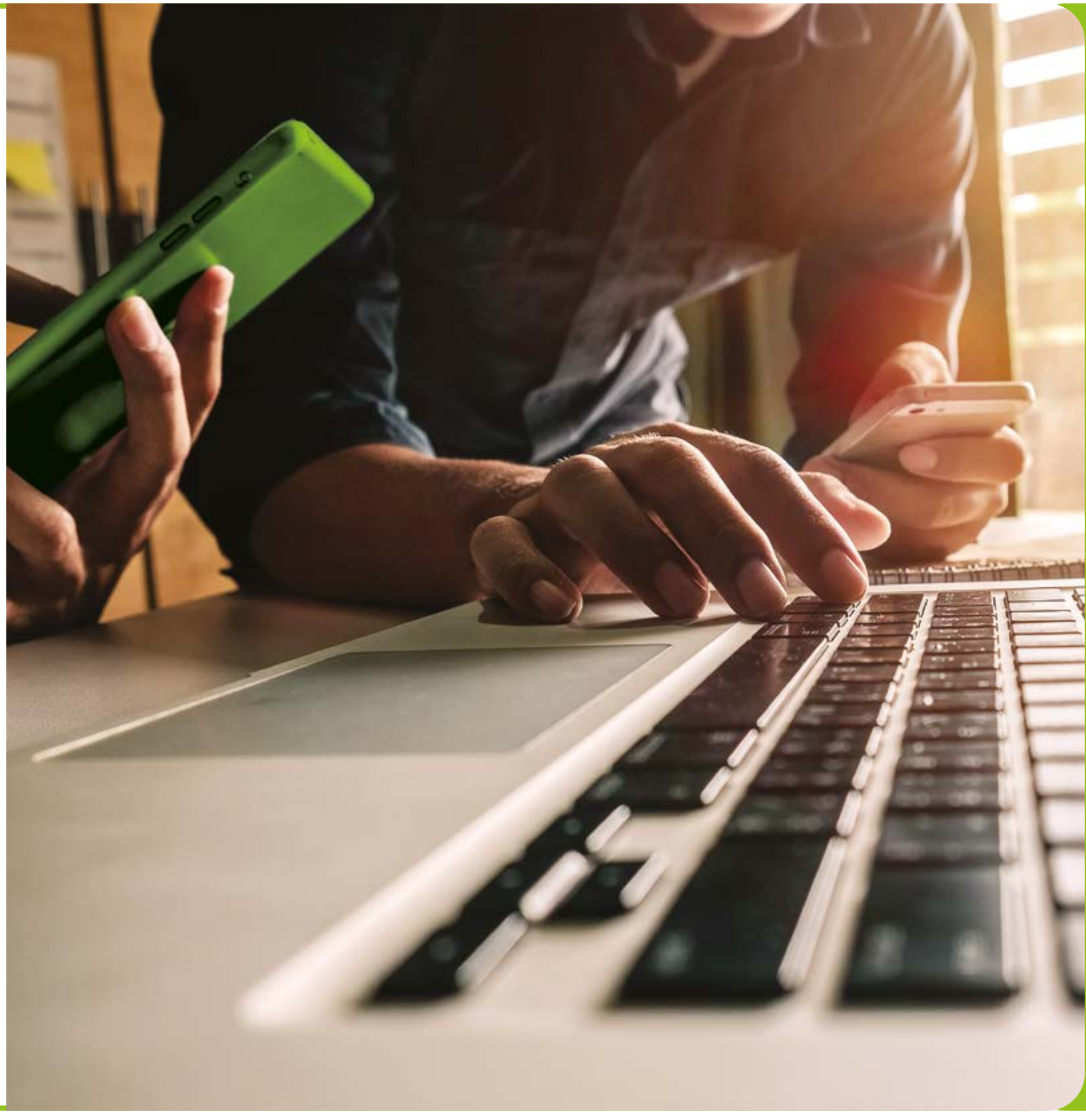
## 43. Events after the reporting date

On 11 March 2025, the Board approved an ordinary dividend of P1.62 per share amounting to P164 657 416 for the financial year ending 31 December 2024 (2023: P90 000 000) subject to regulatory approval.

There are no other material or significant events or contingencies after the reporting date, which require disclosure or adjustment in the financial statements.

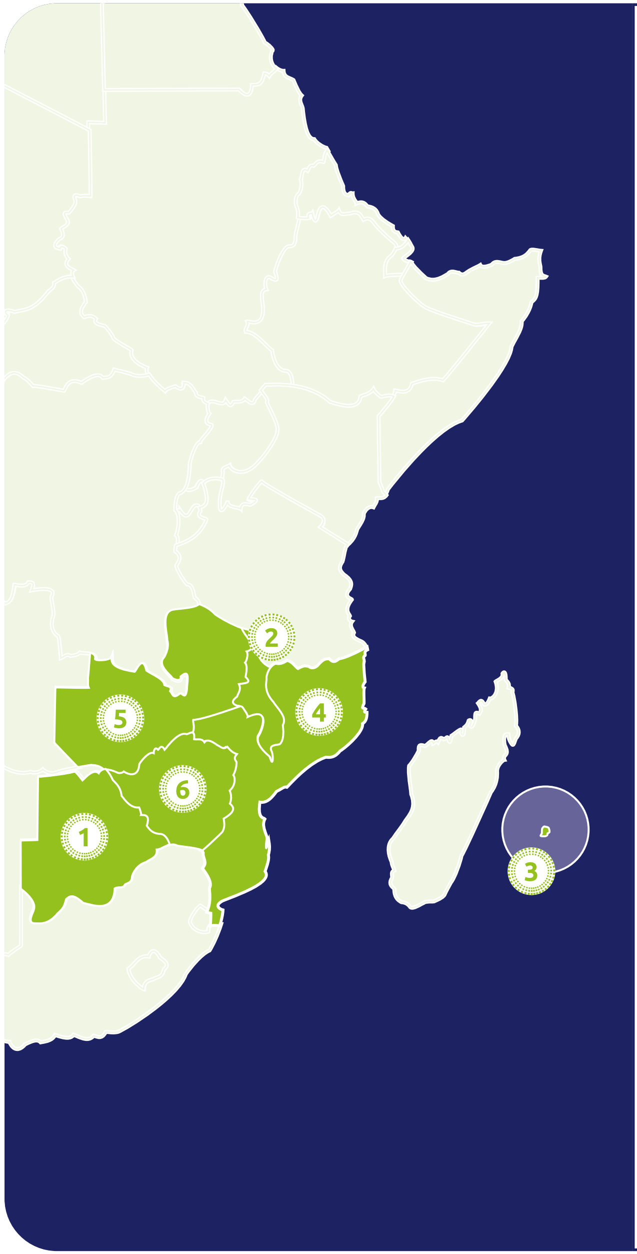
# Other Information





# Abbreviations and acronyms

| | |
|---|---|
| **First Capital Bank/ Company/the Bank** | First Capital Bank Limited |
| **FCSSL** | First Capital Shared Services Limited |
| **FMBCH Group** | FMBcapital Holdings plc |
| **the Group** | First Capital Bank Limited (Botswana) and its subsidiary, Jetwig Enterprises Proprietary Limited |
| **ATM** | Automated Teller Machine |
| **ALCO** | Asset and Liability Committee |
| **AML** | Anti-money laundering |
| **Board** | The Board of Directors of First Capital Bank Limited |
| **CEO** | Chief Executive Officer |
| **CI** | Cyclicality Index |
| **Companies Act** | The Botswana Companies Act, as amended |
| **CSR** | Corporate Social Responsibility |
| **EAD** | Exposure at default |
| **ECL** | Expected Credit Losses |
| **EFT** | Electronic Funds Transfer |
| **EPS** | Earnings Per Share |
| **ESG** | Environmental, social and governance |
| **FVTPL** | Fair Value through Profit or Loss |
| **GDP** | Gross Domestic Product |
| **IASB** | International Accounting Standards Board |
| **IFRS** | International Financial Reporting Standards |
| **IMF** | International Monetary Fund |
| **IRB** | Internal Rating Based |
| **<IR> Framework** | Integrated Reporting Framework |
| **IT** | Information Technology |
| **KYC** | Know-Your-Customer |
| **LGD** | Loss given default |
| **Mauritius Code** | National Code of Corporate Governance Mauritius, 2016 |
| **MPM** | Management-Defined Performance Measures |
| **MOPR** | Monetary Policy Rate |
| **NGO** | Non-governmental organisation |
| **PAYE** | Pay as you earn |
| **PD** | Probability of Default |
| **POS** | Point-of-sale |
| **RWA** | Risk Weighted Assets |
| **RTGS** | Real-Time Gross Settlement |
| **SICR** | Significant Increase in Credit Risk |
| **SME** | Small and Medium-sized Enterprises |
| **SWIFT** | Society for Worldwide Interbank Financial Telecommunication |
| **S&P** | Standard & Poor's |
| **USA** | United States of America |
| **VAT** | Value Added Tax |

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## 5 Zambia

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Stand no. 30078, Corner Chilubi Road and
Church Road, Fairview Area, Lusaka, **Zambia**

+260 211 368750
info@firstcapitalbank.co.zm
www.firstcapitalbank.co.zm

## 6 Zimbabwe

**First Capital Bank Limited**
Barclay House, PO Box 1279,
Corner First Street and Jason Moyo Avenue,
Harare, **Zimbabwe**

customer-service@firstcapitalbank.co.zw
www.firstcapitalbank.co.zw

# Key corporate information

## Registered office

Plot 50370
Acumen Park
Fairgrounds
Gaborone, **Botswana**

## Company secretary

**Letlhogonolo Matlhabe**
letlhogonolo.matlhabe@firstcapitalbank.co.bw

## Auditors

**Ernst & Young**
Plot 22, Khama Crescent
Gaborone, **Botswana**

## First Capital Bank

**First Capital House**
Plot 74768
2nd Commercial Road
**New CBD**

PO Box 5548
Gaborone

+(267) 390 7801
feedback@firstcapitalbank.co.bw
www.firstcapitalbank.co.bw/

## Company registration number

UIN BW00000729396

First Capital
BANK

Belief comes first.

www.firstcapitalbank.co.bw