

2025

**ANNUAL
REPORT**



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Belief comes first.

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Summary of icons used in this report

Our capitals:

- | | |
|--------------|-------------------------|
| Financial | Social and relationship |
| Manufactured | Intellectual |
| Human | Natural |

Key stakeholders:

- | | |
|-------------------------------|---------------------------|
| Customers | Shareholders |
| Our people | Government and regulators |
| Community and the environment | Business partners |

Our five critical success factors:

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

Navigating this report

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

Icons to navigate in this report can be found on each page and within the report.

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 Interactive content



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 2025 to 31 December 2025.

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 2025. 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, 2023. 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:

- IFRS Accounting Standards® as issued by the International Accounting Standards Board (IFRS Accounting Standards)
- 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
- Banking Act, 2023
- Guidelines for Banks and Financial Institutions Licensed and Supervised by the Bank of Botswana
- Corporate Governance Principles for Banks through the Basel Committee on Banking Supervision.

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 term (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.

Report preparation process

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.

About this report (continued)

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 First Capital Bank Group's annual financial statements.

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 8 May 2026.

On behalf of the Board,

Richard Wright
Chairman

Lebogang Seleke
Acting Chief Executive Officer & Head of Finance

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 centres in Gaborone and Francistown. Today, it operates a total of six consumer service centres 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 (2024: 5)	Employees 263 (2024: 249)	Automated teller machines (ATMs) 5 (2024: 5)	Customers 37 756 (2024: 37 569)
Consumer service centres 6 (2024: 6)	Assets of BWP9.0 billion (2024: BWP8.1 billion)	Capital adequacy ratio 18.64% (Regulatory requirement: 12.5%)	

Awards and recognition

During 2025, First Capital Bank Botswana received several industry recognitions, including:



Best Corporate Bank Botswana
Finance Derivative Magazine

Most Reliable Banking Solutions provider
Pan Finance Awards

Best Commercial Bank Botswana
Business Pinnacle Awards

Commercial Bank of the Year
Pan Finance Awards

Second Runner-Up
Botswana Customer Service Excellence Awards

These awards reflect continued recognition of the Bank's service delivery, banking solutions and commitment to customer experience.

Company structure



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%



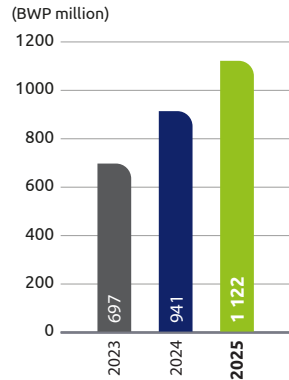
Jetwig Enterprises (Pty) Limited t/a
First Capital Bank Insurance Agency

100%

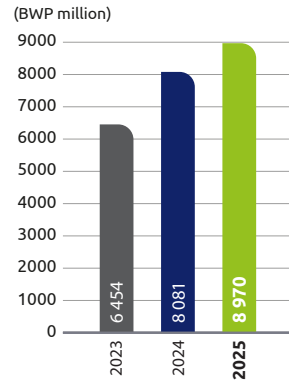
2025 highlights

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

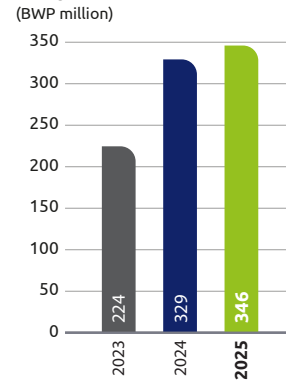
Shareholder funds



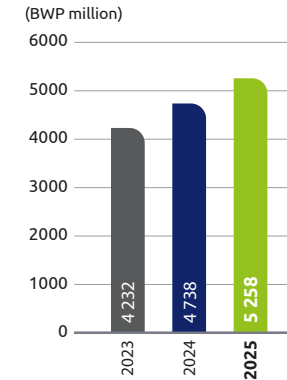
Total assets



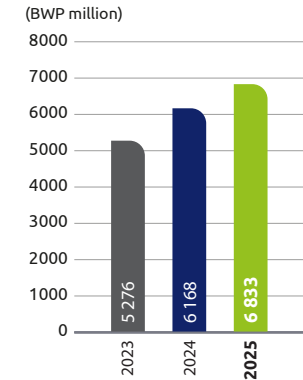
Profit for the year



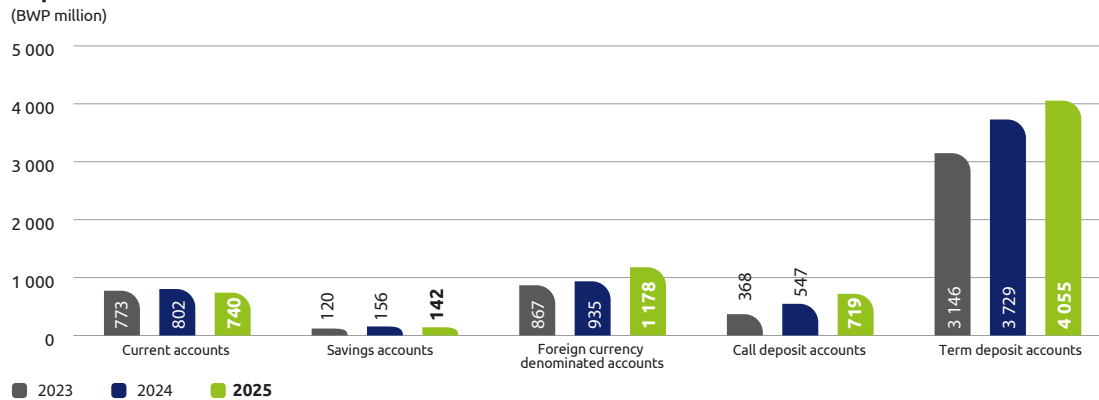
Loans and advances to customers



Deposits from customers



Deposits from customers breakdown



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.

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 & Payments

- Visa debit cards (BWP & USD)
- Electronic funds transfer
- Bank-to-Wallet and Wallet-to-Bank (Orange Money)

Investments

- Fixed deposits
- Call deposits

Rewards

- Belief Cashback Rewards

Loans and overdrafts

- 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

Trade Finance

- Letters of credit
- Bonds, Guarantees & Indemnities

Treasury and forex

- Foreign exchange services
- Forward contract & swaps
- Remittances

Loans and overdrafts

- Term loans
- Receivables financing
- Asset finance

Investments

- Fixed deposits
- Call accounts

Cards & Payments

- Bulk electronic payments
- Visa debit cards BWP & USD
- 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

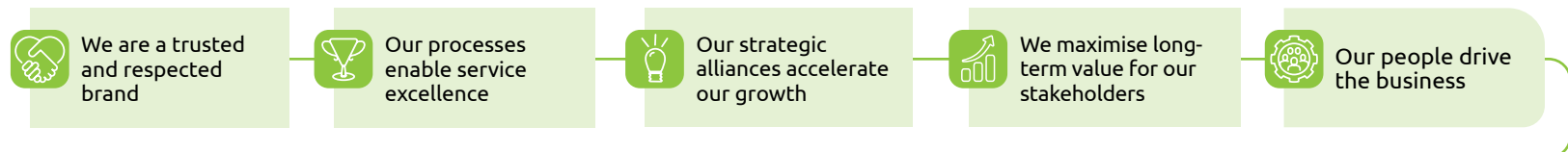
Our values
Our strong values support our vision and mission delivered through the collective efforts of all our employees

- 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.



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





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.

- 

We are a trusted and respected brand
- 

Our processes enable service excellence
- 

Our strategic alliances accelerate our growth
- 

We maximise long-term value for our stakeholders
- 

Our people drive the business

Critical success factors that are underpinned by our values.

KEY STAKEHOLDERS



Customers

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.

37 756

customers

(2024: 37 569)

How we engage

- 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

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

263

Employees

(2024: 249)

How we engage

- 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 that instils 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

- Successfully servicing customer needs
- 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



We maximise the long-term value for our stakeholders



Our people drive the business



Engaging with our stakeholders (continued)

KEY STAKEHOLDERS



Community and the environment

Our success as a business is influenced and supported by the communities around us where we maintain a visible presence.

How we engage

- 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

- Corporate social responsibility (CSR) efforts that are responsive to the dynamic needs of the community
- Physical 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.

How we engage

- Publication of corporate updates and annual reports
- Annual general meeting (AGM)

► **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

Their expectations

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

► **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 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



Government and regulators

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

How we engage

- 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 growth



Our processes enable service excellence



We maximise the long-term value for our stakeholders



Our people drive the business



Engaging with our stakeholders (continued)

KEY STAKEHOLDERS



Business partners

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.

Includes: Technology and infrastructure fintechs, data and security services, and corporate services providers

How we engage

- 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 before 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 growth



Our processes enable service excellence



We maximise the long-term value for our stakeholders



Our performance and outlook

- 16 Chairman's review
- 18 Acting Chief Executive Officer
& Head of Finance's statement



Interactive content



Richard Wright
Chairman

“Amid a complex operating environment, the Bank focused on strengthening its core banking capabilities while investing in digital transformation and operational efficiencies to improve service delivery and create value for all stakeholders. The Bank’s strategic priorities remain clear - to deliver sustainable growth, enhance customer experience and build a future-ready institution in a dynamic context.”

Chairman’s review

Operating Context

The global economy in 2025 expanded at a moderate pace against a backdrop of ongoing geopolitical tensions, trade uncertainties, and evolving monetary policy conditions. While inflationary pressures eased across several major economies, growth remained uneven, reflecting persistent structural constraints and subdued global trade dynamics. Central banks across both advanced and emerging markets continued to balance the imperative of supporting economic activity with the need to maintain price stability.

According to the International Monetary Fund’s World Economic Outlook Update, global GDP growth is estimated at 3.2% in 2025, following growth of 3.3% in 2024, with a modest improvement to approximately 3.3% anticipated in 2026, supported by continued technological investment and adaptive private sector activity.

Against this global backdrop, Botswana’s economic environment remained challenging during 2025, following the contraction recorded in 2024. Real GDP is estimated to have declined by 0.4%, largely reflecting sustained weakness in the diamond sector and limited diversification across non-mining industries. Subdued global demand, declining prices, and increasing competition from lab-grown diamonds continued to weigh on export revenues, with broader spillover effects across the domestic economy.

Economic activity remained volatile throughout the year, although early indicators in 2026 suggest a gradual stabilisation and the prospect of a modest recovery. Fiscal pressures, coupled with reduced diamond revenues, continued to influence liquidity conditions and overall market activity.

Inflation remained within the Central Bank’s target range of 3–6%, averaging 3.9% in December 2025 compared to 1.7% in December 2024. This increase was primarily driven by higher utility tariffs, fuel price adjustments, and exchange rate movements. Inflation is expected to rise temporarily in 2026 before moderating within the target range. Monetary policy remained accommodative, with the Monetary Policy Rate maintained at 3.5%.

The external position remained under pressure, with a cumulative merchandise trade deficit of approximately P15.3 billion and foreign exchange reserves declining to around five months of import cover. While Botswana retains its investment-grade sovereign credit rating, both foreign and local currency ratings were downgraded by one notch, with negative outlooks reflecting ongoing fiscal and external vulnerabilities.

Notwithstanding these challenges, the financial sector has continued to demonstrate resilience, underpinned by sound regulatory oversight and prudent risk management practices.



Chairman's review (continued)

Strategy and outlook

The Bank's strategic priorities remain clear, to deliver sustainable growth, enhance customer experience, and build a future-ready institution. During the year, the Bank continued to strengthen its core banking capabilities while investing in digital transformation and operational efficiencies to improve service delivery.

As customer expectations evolve, particularly in relation to speed, convenience, and reliability, these investments position the Bank to respond effectively while maintaining disciplined cost management.

The Board is encouraged by the progress made in enhancing operational resilience and expanding access through improved digital platforms and streamlined processes.

These initiatives support the Bank's ability to deepen relationships with existing customers while expanding into new market segments.

Looking ahead, the operating environment is expected to remain dynamic, shaped by domestic macroeconomic pressures, rapid technological change, and increasing competition within the financial services sector.

The Board remains confident that First Capital Bank Limited's disciplined strategy, supported by strong governance and a prudent risk culture, provides a solid foundation to navigate uncertainty while pursuing selective and sustainable growth opportunities.

Governance and oversight

The Board continues to play an active and constructive role in overseeing strategy, performance, and risk. Strong governance remains central to the Bank's operations, and we are committed to upholding the highest standards of integrity, accountability, and transparency.

During the year, the Board and its committees maintained focus on key priorities, including risk management, regulatory compliance, capital adequacy, succession planning, and long-term sustainability. The Board is satisfied that the Bank continues to operate in full compliance with applicable laws, regulations, and governance frameworks.

Outlook for 2026

The outlook for 2026 remains cautiously optimistic, albeit within a challenging and evolving environment. Global economic uncertainty, regulatory developments, and shifting customer expectations will continue to shape the operating landscape.

The Board will continue to closely monitor both domestic and international developments to ensure that the Bank's strategy remains responsive, resilient, and aligned to long-term value creation.

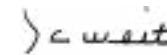
By maintaining a strong focus on customer service, operational excellence, and prudent governance, First Capital Bank Limited is well positioned to navigate potential challenges while delivering sustainable value to its customers, shareholders, and broader stakeholders.

Continued investment in digital capabilities and operational improvements will further enhance the accessibility, efficiency, and reliability of the Bank's services.

Appreciation and closing

On behalf of the Board, I extend my sincere appreciation to my fellow Directors for their guidance and stewardship during the year. I also thank the Acting Chief Executive Officer, Ms. Lebogang Seleke, the management team, and all employees for their commitment and resilience.

Finally, I express our gratitude to our customers, regulators, shareholders, and partners for their continued trust and support of First Capital Bank Limited.



Richard Wright
Chairman



Lebogang Seleke
Acting Chief Executive Officer & Head of Finance

“The Bank delivered a resilient performance for 2025 by remaining focused on executing its strategic priorities of sustainable growth, transactional banking expansion and operational efficiency. This continues to demonstrate the Bank’s ability to deliver sustainable returns in a challenging environment.”

Acting Chief Executive Officer & Head of Finance’s Statement

Operating environment

The 2025 financial year was characterised by a challenging macroeconomic environment in Botswana. Economic activity remained subdued, with real GDP estimated to have contracted by 0.4%, largely reflecting continued weakness in the diamond sector and constrained government spending.

Liquidity conditions tightened during the year, driven by lower mineral revenues and reduced fiscal expenditure. This placed pressure on businesses particularly within the SME segment, while credit demand remained measured as both corporates and households adopted a more cautious stance. Competition for deposits also intensified across the banking sector, reinforcing the importance of strong funding and customer retention strategies.

Inflation remained within the Bank of Botswana’s target range, closing the year at 3.9%, supported by prudent monetary policy. Overall, the operating environment required disciplined balance sheet management, strong risk oversight, and a continued focus on supporting customers through a more constrained economic cycle.

Strategy and Performance

The Bank remained focused on its strategic priorities of sustainable growth, transactional banking expansion, and operational efficiency.

During the year, we expanded our Point-of-Sale footprint, strengthening our presence within the payments ecosystem and improving convenience for customers. In parallel, we accelerated the adoption of

digital banking channels, enhancing accessibility and delivering a more seamless customer experience.

We also continued to strengthen our private banking proposition, while maintaining a disciplined approach to cost management and investing in systems and processes to improve operational efficiency and scalability.

Against this backdrop, the Bank delivered a resilient financial performance for the year ended 31 December 2025.

Total assets grew by 11% to P9.0 billion, supported by an 11% increase in loans and advances to P5.3 billion. This growth was achieved within a prudent risk framework aligned to prevailing market conditions. Customer deposits increased by 11% to P6.8 billion, maintaining a predominantly deposit-funded balance sheet.

Profit after tax increased by 5% to P346 million. Net interest income grew modestly by 3% to P569 million, reflecting margin pressure from elevated funding costs. Non-funded income increased significantly by 81% to P197 million, driven by higher foreign exchange activity and increased transactional volumes also supported by the widening of the bid-ask spread implemented in July by Bank of Botswana.

Operating expenses increased by 6% to P285 million, reflecting continued cost discipline alongside targeted strategic investments. The cost-to-income ratio remained well contained at 37.2%.

The impairment charge increased to P36 million, largely in line with loan book growth. Asset quality remained strong, with a non-performing loan ratio of 2.1%, supported by sound credit underwriting and proactive risk management.

Return on equity remained robust at 33.5%, demonstrating the Bank’s ability to deliver sustainable returns in a challenging environment.

Acting Chief Executive Officer & Head of Finance's Statement (continued)

Liquidity and Capital

The Bank maintained strong liquidity and capital positions throughout the year.

The Liquid Assets Ratio closed at 18.0%, comfortably above the regulatory requirement of 10%. The Capital Adequacy Ratio stood at 18.6%, exceeding the regulatory benchmark of 12.5%, while Tier 1 capital remained strong at 16.3%.

These levels provide a solid foundation to support continued growth while maintaining resilience under stressed conditions.

People and Culture

Our customers remain central to our strategy. We continue to focus on delivering consistent, reliable service while enhancing accessibility through digital channels and personalised engagement.

Our people are fundamental to our success. The performance delivered during the year reflects the professionalism, resilience, and collaboration of our employees across the organisation. We remain committed to fostering a culture of accountability, service excellence, and continuous development.

Corporate Citizenship

The Bank continued to support community and national priorities, with a focus on healthcare initiatives during the year. These included contributions to healthcare facility improvements, medical equipment, and awareness programmes such as breast cancer screening and blood donation drives.

These initiatives, many of which were employee-led, reflect the Bank's commitment to responsible corporate citizenship and meaningful community impact.

Outlook

The outlook for 2026 remains cautious, with macroeconomic conditions expected to remain constrained in the near term. However, opportunities within transactional banking, digital adoption, and SME support continue to evolve.

The Bank remains focused on disciplined growth, strong financial stewardship, and continued investment in digital capability and operational efficiency. With a robust balance sheet and clear strategic direction, we are well positioned to navigate the operating environment and pursue sustainable growth opportunities.

Appreciation

I extend my sincere appreciation to the Board for its continued guidance and support, and to our employees for their commitment and professionalism. I also thank our customers, regulators, and stakeholders for their continued trust in First Capital Bank Botswana.



Lebogang Seleke
Acting Chief Executive Officer & Head of Finance

Five year overview – First Capital Bank Botswana at a glance

	2025	2024	2023	2022	2021
Branches	5	5	5	5	4
Consumer Service Centres	6	6	6	6	6
ATMs	5	5	5	7	5
Employees	263	249	229	222	205
Customers	37 756	37 569	28 312	22 537	17 800

	2025	2024	2023	2022	2021
Net interest income	568 806 802	584 519 888	444 984 526	343 241 176	252 240 598
Non-interest income	196 849 229	108 779 024	90 690 340	84 849 001	59 926 313
Operating expenses	284 797 621	269 425 461	216 849 748	192 778 979	147 874 270
Profit after tax	345 907 127	329 314 832	224 597 301	169 313 203	102 994 875
Loans and advances	5 258 098 343	4 737 989 828	4 232 420 496	3 658 943 806	3 713 004 433
Total assets	8 969 686 604	8 080 563 060	6 454 052 092	5 443 234 572	5 175 170 574
Customer deposits	6 833 474 622	6 168 088 020	5 276 513 605	4 486 475 859	2 884 406 349
Shareholder funds	1 122 369 541	941 119 830	697 632 586	533 035 285	410 762 785



Social and Corporate Governance Practices

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 Interactive content

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 2025, with a total contribution exceeding P1 600 000.



Community impact at a glance

During 2025, First Capital Bank Botswana supported a range of initiatives aimed at strengthening healthcare access, supporting youth development and contributing to community wellbeing across Botswana.

Area of impact	Key outcomes
Community investment	<ul style="list-style-type: none"> ▪ P1.6 million invested in community initiatives
Disaster response	<ul style="list-style-type: none"> ▪ P500 000 contributed to the Private Sector Disaster Response Fund
Healthcare infrastructure	<ul style="list-style-type: none"> ▪ P700 000 committed to refurbishment of Bamalete Lutheran Hospital wards
Breast cancer screening	<ul style="list-style-type: none"> ▪ Approximately 200 women screened through mammogram outreach initiatives
Blood donation	<ul style="list-style-type: none"> ▪ 218 pints of blood collected, potentially supporting up to 654 lives
Employee participation	<ul style="list-style-type: none"> ▪ 156 employees participated in the Diacore Gaborone Marathon
Colleague-led initiatives	<ul style="list-style-type: none"> ▪ 10 community health projects implemented nationwide
Geographic reach	<ul style="list-style-type: none"> ▪ Initiatives implemented across Gaborone, Francistown, Tutume, Palapye, Thamaga, Bokaa, Mogoditshane, Maun and Chobe District



Corporate social responsibility (continued)

Health and Community Wellbeing

Improving access to healthcare and supporting community wellness remained a key focus of the Bank's community investment activities during the year.



BLOOD FOR LIFE BOTSWANA

First Capital Bank Botswana partnered with **Blood for Life Botswana** to support regular blood donation drives across the country. Through this partnership, the Bank committed **P50 000** towards monthly donation campaigns. These efforts resulted in the collection of **218 pints of blood**, with each pint estimated to support up to three lives.



PUBLIC HEALTH AWARENESS INITIATIVES

The Bank also supported several public health awareness initiatives during the year. Contributions included **P3 000** towards the **World Haemophilia Day** commemoration in Francistown, as well as **P10 000** towards a cataract surgery fundraising initiative organised by **Kerala Samajam Botswana**, which supports specialised medical outreach programmes aimed at restoring sight for visually impaired individuals.

TEBELOPELE WELLNESS CENTRE'S 25TH ANNIVERSARY FUN RUN

In addition, **First Capital Bank Botswana** served as a Gold Sponsor of the **Tebelopele Wellness Centre's 25th Anniversary Fun Run**, contributing **P50 000** towards Tebelopele's ongoing community wellness initiatives, including HIV/AIDS awareness, prevention and testing services.



Corporate social responsibility (continued)

Breast Cancer Awareness and Screening

The Bank continued its support of breast cancer awareness and early detection through a partnership with Journey of Hope Botswana and Village Imaging.



During 2025, **First Capital Bank Botswana** contributed **P125 000** towards mammogram screening programmes aimed at improving access to early detection services for women who may otherwise face financial or geographic barriers to screening.

Through this collaboration, a mobile mammogram unit conducted outreach in the **Chobe District**, reaching communities in **Kazungula, Kachikau, Pandamatenga, Plateau, Lesoma, Parakarungu and Mabele**. The outreach represented the **furthest distance travelled by the unit within Botswana** and enabled access to screening services for women in remote and underserved areas.

A total of **139 women were screened** during the outreach programme, with **13 women identified for further medical intervention** and referred for advanced care, enabling timely diagnosis and access to potentially life-saving treatment.



Additional screenings were conducted through the **Journey of Hope Gaborone Clinic**, with women travelling from different regions of the country to access services. Through related initiatives, approximately **200 women** in underserved communities were screened during 2025, further strengthening early detection efforts nationwide.

Corporate social responsibility (continued)

Strengthening Healthcare Infrastructure



First Capital Bank Botswana also entered into a two-year partnership with Bamalete Lutheran Hospital, committing P700 000 towards improvements in healthcare infrastructure.



The partnership supports the refurbishment of the hospital's TB and maternity wards, together with upgrades to other priority areas of the facility. These improvements aim to enhance patient comfort, safety and care delivery while strengthening healthcare services available to surrounding communities.



Corporate social responsibility (continued)

Colleague-Led Community Initiatives

The Bank continued to promote employee participation in community initiatives through its colleague-led programme, which empowers employees across branches and departments to identify and address community needs within their local areas.

The programme reflects the Bank’s values and reinforces the principle that colleagues across the organisation share a collective responsibility in contributing to the wellbeing of the communities the Bank serves.

During 2025, participating teams were allocated **P40 000** per initiative to implement health-focused community projects. These initiatives supported improvements to healthcare facilities, patient comfort, caregiver wellbeing and access to basic medical resources across Botswana.

These initiatives demonstrate the impact that employee engagement can have in strengthening communities while reinforcing a culture of shared responsibility across the organisation.



PRINCESS MARINA HOSPITAL, GABORONE

Donation of essential infant and patient-care items to neonatal and paediatric wards.

- Improved care resources for newborns and young patients



TUTUME

Support for Fighters Support Group and sponsorship of Pink Power Rally.

- Promoted cancer awareness and community support



PALAPYE

Construction of weather-protected shelter with benches at Kediretswe Clinic.

- Improved patient waiting conditions



THAMAGA PRIMARY HOSPITAL

Refurbishment of maternity ward including mattresses, cots and seating.

- Improved maternity care environment



Corporate social responsibility (continued)

BOKAA CLINIC

Construction of shaded waiting area and installation of benches.

- Improved patient experience

NYANGABGWE REFERRAL HOSPITAL

Donation of caregiver support packages.

- Strengthened caregiver wellbeing

MMANOKO HEALTH POST

Construction of a water system toilet facility.

- Improving sanitation, hygiene and dignity for patients



Corporate social responsibility (continued)

MAUN COMMUNITY

Donation of wheelchairs in partnership with Letsholathebe II Memorial Hospital.

- Improved mobility for beneficiaries

KUDUMATSE VILLAGE

Donation of medical equipment including BP meter and wheelchairs.

- Strengthened local healthcare services

TEBELOPELE CENTRE, GABORONE

Refurbishment of reception area and donation of office furniture.

- Improved patient experience



Corporate social responsibility (continued)

Financial Literacy and Youth Development

Supporting financial literacy and youth empowerment remains an important priority for the Bank.



GLOBAL MONEY WEEK 2025

First Capital Bank Botswana participated in Global Money Week 2025, **delivering financial literacy sessions to students across several schools** and institutions nationwide. These interactive workshops **focused on budgeting, saving and responsible financial decision-making.**

Institutions engaged during the programme included:

- Ledumang Senior Secondary School
- St Joseph's College
- Botswana International University of Science and Technology (BIUST)
- Boitshoko Junior Secondary School
- Maun Senior Secondary School
- Francistown Senior Secondary School



The Bank also supported the **BIUST Innovation and Entrepreneurial Bootcamp**, where the Palapye team delivered a presentation on investment opportunities and business sustainability. In addition, First Capital Bank contributed to the **Botho University International Research Conference**, supporting knowledge sharing and research-driven development initiatives.



Corporate social responsibility (continued)

Supporting Vulnerable Communities

First Capital Bank Botswana continued to support initiatives aimed at assisting vulnerable members of society.

During the year, the Bank contributed **P5 000** towards a fundraising initiative hosted by **The Children's Trust**, supporting SOS Children's Villages in Francistown, Serowe and Gaborone. The funds contributed towards the provision of essential items including clothing, school materials and basic care for children in residential care.

Promoting Sport and Community Participation

Sport and wellness initiatives form an important part of the Bank's community engagement activities.



First Capital Bank Botswana partnered with the **Okavango Bream Classic**, an annual fishing tournament held in Shakawe that promotes tourism, environmental appreciation and community participation.

The Bank also supported the **Pandamatenga Kids Cricket Camp**, organised by Cubs Cricket Academy, which provided young participants with access to structured cricket coaching, sporting equipment and team-building activities.

In addition, **156 employees** represented the Bank in the **Diacore Gaborone Marathon**, reflecting strong employee participation in community initiatives. The marathon supports several charitable organisations that provide services to vulnerable communities across Botswana.



Corporate social responsibility (continued)

Cultural and Community Engagement

The Bank continued to support a range of cultural and community initiatives during the year, reflecting its commitment to inclusive community engagement.

Support was provided to initiatives organised by community organisations including **Kerala Samajam Botswana, Botswana Gujarati Samaj, Tagore Society, Bharat Association, ISKCON Botswana and the Indian Association in Botswana.** These initiatives promote cultural heritage, community participation and social cohesion.



Supporting Key Economic Sectors

First Capital Bank Botswana continued to support Botswana’s economic development through participation in key industry platforms.

The Bank participated in the **2025 HATAB Annual Conference** in Maun, engaging with stakeholders across the tourism and hospitality sector. Participation reinforced the Bank’s positioning as a financial partner supporting the growth of Botswana’s tourism industry.

The Bank also participated in the **Botswana Mining Show**, engaging with industry stakeholders and strengthening relationships within one of Botswana’s most significant economic sectors.

Conclusion

First Capital Bank Botswana remains committed to strengthening its community partnerships and expanding initiatives that contribute to improved wellbeing and economic participation across Botswana.

The Bank will continue to support programmes that deliver measurable social impact while encouraging employee participation and collaboration with community organisations.



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 report 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. He provides leadership and direction to senior management and oversees the implementation of all plans and strategies of the business in line with the policies, guidelines and instructions set by the Board.

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 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 contributes to the Board’s activities by drawing from their professional background and expertise to positively contribute.

BOARD COMMITTEES

- Risk and Compliance
- Appointments, Remuneration and Nomination
- Audit
- Technology
- Credit

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. He was Vice-Chairman of Telekom Networks Ltd, a publicly listed mobile phone operating company, for a number of years.



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 of directors (continued)

BOARD COMMITTEES

- Risk and Compliance
- Appointments, Remuneration and Nomination
- Audit ● Technology ● Credit

Non-executives



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 Managing Director of Meriting Conferences.



Lynette Armstrong

*Independent
Non-executive Director
Appointed 24 February 2024*

CA, FCCA

Lynette 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, various executive leadership programmes has also served on the boards for Debswana Mining Company, Morupule Coal Mining Company, Debswana Pension Fund and other companies in Botswana.



Mahube Mpugwa

*Independent
Non-executive Director
Appointed 18 August 2024*

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.



Moemedi Tafa

*Independent
Non-executive Director
Appointed 24 February 2024*

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.



Board of directors (continued)

Other institutions in which he/she is a Director



Richard Wright
Non-executive Director

- Kwa Nokeng Oil Group of Companies



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
- First Capital Bank Zimbabwe
- FMBcapital Holdings Mauritius
- First Capital Bank Mozambique



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



Lynette Armstrong
Non-executive Director

- None



Leutlwtse Tumelo
Non-executive Director

- Minergy (Pty) Ltd
- Minergy Coal (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
- Kwa Nokeng Oil Group of Companies



Moemedi Tafa
Non-executive Director

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

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.



Executive management

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



Lebogang Seleke

Acting Chief Executive Officer & Head of Finance



Madhukar Mohite

Head of Corporate



Thatayaone Nicholas Matlapeng

Country Manager Consumer Lending



Mani Neb

Head of Treasury



Vijay Kumar

Head of Credit



Bugalo Masole

Head of IT and Operations

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 (University of Botswana)

Master of Business Administration (Symbiosis Institute of Business Management, Pune)

Bachelor of Arts – English Honours (Pune University)

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

Bachelor of Business Administration – Marketing (University of Botswana)

Management Development Programme (University of Stellenbosch)

Master of Commerce Postgraduate Diploma in Financial Management

Master of Business Finance (Indian Institute of Finance)

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

Bachelor's Degree in Agriculture Science (India)

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

Executive management (continued)



Goitseone Moshabela

Head of Human Resources

Master's in Public Administration with Specialisation in Human Resources (University of Botswana)



Hajra Mahomed-Tajbhai

Chief of Staff and Head of Marketing & Communications

Master of Business Administration (University of Cape Town, Graduate School of Business)
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)
Data Protection & Privacy Certificate (University of Cape Town)
Advanced Certified Anti-Money Laundering Specialist - Audit (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)

Remuneration Governance and Reward Framework

First Capital Bank Botswana is committed to rewarding employees fairly and responsibly in a manner that supports the Bank’s strategy, long-term sustainability, prudent risk management and the creation of value for customers, shareholders and other stakeholders.

The Bank’s remuneration framework is designed to attract, retain and motivate employees with the skills and capabilities required to deliver strong and sustainable performance, while promoting behaviours consistent with the Bank’s Values, Code of Conduct and risk standards.

Governance

Oversight of remuneration matters is provided through the appropriate Board governance structures, supported by Management and Group governance frameworks where relevant. Regular review is undertaken to ensure remuneration practices remain aligned to business needs, market conditions, affordability, regulatory expectations and sound governance principles.

Reward Principles

The Bank’s approach to remuneration is guided by the following principles:

Performance Orientation

Reward outcomes reflect individual, team and business performance over time.

Risk Alignment

Incentive arrangements are designed to support prudent decision-making and discourage excessive risk-taking.

Fairness and Consistency

Pay decisions consider role scope, capability, performance, internal equity and market competitiveness.

Affordability and Sustainability

Reward outcomes are considered in the context of the Bank’s overall financial performance and long-term sustainability.

Values and Conduct

Behaviour, leadership standards, compliance and conduct are important considerations in remuneration decisions.

Components of Remuneration

Employee remuneration may comprise a combination of:

- Fixed pay.
- Benefits and allowances in line with policy.
- Short-term performance incentives, where applicable.

Ongoing Review

The Bank continues to review and enhance its remuneration practices in line with evolving business priorities, regulatory developments and Group governance standards.



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 (ERMF) has set the Bank on a journey of continuous improvement with a key focus towards sustainability and long-term performance. The ERMF establishes the focus areas to improve a structured awareness of material risks in an integrated way in all day-to-day operations.

The banking industry continues to operate in a complex and challenging environment. At the same time, increasing regulatory requirements and rapid technological advancements continue to elevate operational, strategic, and reputational risks for financial institutions. The Bank remains focused on serving clients that deliver sustainable, favourable risk-adjusted returns, supported by the Enterprise-Wide Risk Framework, which strengthens resilience against operational shocks. The Bank continues to enhance governance processes and embed risk-awareness initiatives across all business areas, ensuring preparedness for emerging challenges in an increasingly dynamic operating landscape.

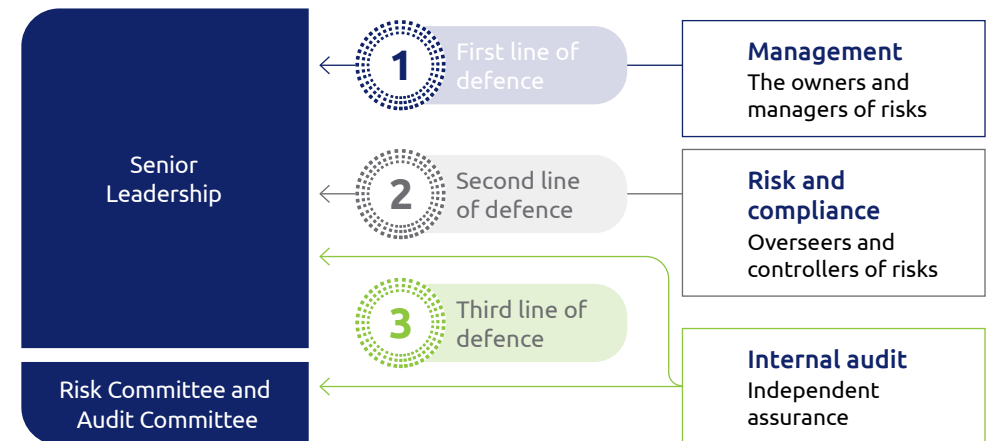
Risk governance and the three lines of defence

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 programme. 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

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Interactive content

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 2025, 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 Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Banking Act, 2023 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 Consolidated and Separate 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 10 March 2026 and signed on their behalf by:



Lynette Armstrong
Director



Leutlwetse Tumelo
Director

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 2025.

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 (2024: P1 000 000).

Stated capital

The Bank's stated capital comprises 101 833 333 (2024: 101 833 333) issued and fully paid ordinary shares of no par value.

The shareholding at the reporting date was:

Voting rights

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

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 are 26 132 000 (2024: 26 132 000).

Non-Executive Directors

Richard Wright (Chairman)
Hemantkumar Patel
Hitesh Anadkat
Shawn Bruwer
Leutlwetse Tumelo
Lynette Armstrong
Mahube Mpugwa
Moemedi Tafa
Judy Tsonope
(Retired on
30 September 2025)

Executive Director

Reinette E. van der Merwe
(Resigned on 30 September 2025)

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

Auditor

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

Events after the reporting date

Other than events described in note 44, there were no material or significant events noted that required adjustment of or disclosure in the financial statements.

Statement on corporate governance

The Bank has a unitary Board of Directors, which comprises 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.

Director's report (continued)

Board Meetings Attendance 2025

Member	11-Mar-25	29-May-25	02-Jun-25	19-Aug-25	05-Nov-25
Mr. RC Wright – Chairman	✓	✓	✓	✓	✓
Mr. HN Anadkat	✓	✓	✓	✓	✓
Mr. HK Patel	✓	✓	✓	✓	✓
Mrs. JN Tsonope	✓	✓	✓	✓	N/A
Mr. SS Bruwer	✓	✓	✓	✓	✓
Mr. L Tumelo	✓	✓	✓	✓	✓
Mrs. RE Van der Merwe	✓	✓	✓	✓	N/A
Mr. M Mpugwa	✓	✓	✓	✓	✓
Mr. M Tafa	✓	X	✓	✓	✓
Mrs. L Armstrong	✓	✓	✓	✓	✓

Key: ✓ = Attended X = Apology N/A = Not Applicable

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

Audit Committee	Credit Committee	Risk and Compliance Committee	Appointments, Remuneration and Nomination 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. M Tafa	3. Mr. M Mpugwa

Directors' shareholdings/interests

- 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.
- 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, Mrs. JN Tsonope, retired by rotation in June 2025 and was re-elected but only up to 30 September 2025.

Directors Remuneration

Total remuneration for the year

	2025	2024
Executive director		
Mrs. RE van der Merwe (Retired on 30 September 2025)	7 466 736	7 686 994
Non executive directors		
Mr. RC Wright – Chairman	497 122	480 571
Mr. HN Anadkat	201 429	184 874
Mr. HK Patel	321 429	304 874
Mrs. JN Tsonope	151 395	184 874
Mr. SS Bruwer	201 429	184 874
Mr. L Tumelo	201 429	184 874
Mr. M Mpugwa	201 429	184 874
Mr. MJ Tafa	201 429	184 874
Mrs. LE Armstrong	201 429	184 874
Total	9 645 254	9 766 557

Independent auditor's report

To the shareholders of First Capital Bank limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of First Capital Bank Limited ("the Company") and its subsidiary (together, "the Group") set out on pages 49 to 156 which comprise the consolidated and separate statements of financial position as at 31 December 2025, and the consolidated and separate statements of profit or loss and other comprehensive income, 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 2025, 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, 2023.

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) as applicable to audits of financial statements of public interest entities, 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.

Independent auditor's report (continued)

Key Audit Matter	How the matter was addressed in the audit
<p>Expected credit losses (ECLs) relating to loans and advances to customers (Group and Company)</p> <p>The disclosures associated with the key audit matter are set out in the consolidated and separate financial statements in the following notes:</p> <ul style="list-style-type: none"> ▪ Note 4(b) – Financial assets and liabilities (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/Curing ▪ Note 5 – Financial risk management (a) Credit risk ▪ Note 11 – Loans and advances ▪ Note 35 – Net impairment losses on financial assets <p>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.</p> <p>The Group and Company recognised gross loans and advances to customers at 31 December 2025 of BWP 5 363 268 195 (2024: BWP 4 829 030 426) with a related ECL allowance of BWP 105 169 852 at the same date (2024: BWP 91 040 598). The Group and Company's net loans and advances contributed 59% (2024: 59%) of the Group and Company's total assets at the reporting date and the ECL amounted to 2.0% (2024: 1.9%) of Group and Company's gross loans and advances at the reporting date.</p> <p>Modelled ECL allowance</p> <p>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.</p> <p>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.</p> <p>Significant management judgement is also required to evaluate probability weighted recovery scenarios, collateral valuations, and time to collect.</p> <p>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.</p>	<p>Our audit procedures included but were not limited to:</p> <p>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.</p> <p>Modelled ECL allowance</p> <p>With the assistance of our internal Quantitative and Economic Specialists:</p> <ul style="list-style-type: none"> ▪ 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 <i>IFRS 9 – Financial instruments, in determining the probability of default (PD)</i>, exposure at default (EAD) and loss given default (LGD) parameters included in the models. ▪ 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 management's inputs, to assess the reasonableness of the ECL model outputs. ▪ 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). ▪ 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. ▪ We performed a sensitivity analysis of the model outputs using the forward-looking information provided by our economic advisory specialists. ▪ We assessed the data inputs used in the ECL models by reconciling the data inputs to the core banking system, customer agreements and collateral valuation reports. ▪ We tested the Group 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.

Independent auditor's report (continued)

Key Audit Matter	How the matter was addressed in the audit
<p>Macro-economic forecasts incorporated in impairment models</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> ▪ 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. ▪ 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. ▪ 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 <i>IFRS 9 – Financial instruments</i>. 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. <p>Macro-economic forecasts</p> <p>With the assistance from our economic advisory specialists we:</p> <ul style="list-style-type: none"> ▪ Obtained an understanding of how the economic forecasts, as part of forward-looking information, are derived and incorporated in the models. ▪ 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. <p>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 <i>IFRS 9 – Financial instruments</i>.</p>

Independent auditor's report (continued)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 160-page document titled "First Capital Bank 2025 Annual Report" which includes the Directors' responsibility statement, Directors' report, the Statement of Corporate Governance and the information on capital risk management disclosed in Note 5(d) on page 112, 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, 2023 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.

Independent auditor's report (continued)

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

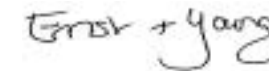
- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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

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

31 March 2026

Statements of financial position

as at 31 December 2025

Amounts in BWP	Note	Group		Company	
		2025	2024	2025	2024
ASSETS					
Cash and cash equivalents	6	2 629 686 626	2 303 732 161	2 629 686 626	2 303 732 161
Derivative financial assets	7	61 241 372	56 516 630	61 241 372	56 516 630
Investment securities	8	823 091 049	784 165 321	823 091 049	784 165 321
Taxation refundable	36	1 267 680	12 229 847	–	11 034 447
Other assets	9	67 141 905	43 055 834	65 584 579	41 706 924
Deferred tax assets	21	37 147	27 309	–	–
Right-of-use assets	10	2 352 010	5 069 781	2 352 010	5 069 781
Loans and advances to customers	11	5 258 098 343	4 737 989 828	5 258 098 343	4 737 989 828
Investment in subsidiary company	12	–	–	1 000 000	1 000 000
Intangible assets	13	14 207 122	18 801 454	14 207 122	18 801 454
Investment property	14	24 550 000	23 570 000	24 550 000	23 570 000
Property and equipment	15	88 013 350	95 404 895	88 013 350	95 404 895
Total assets		8 969 686 604	8 080 563 060	8 967 824 451	8 078 991 441
LIABILITIES					
Deposits from customers	16	6 833 474 622	6 168 088 020	6 860 527 532	6 186 686 716
Deposits - other	17	57 382 888	–	57 382 888	–
Balances due to other banks	18	564 251 156	635 098 408	564 251 156	635 098 408
Derivative financial liabilities	7	65 748 903	23 092 168	65 748 903	23 092 168
Lease liabilities	19	3 830 459	6 469 818	3 830 459	6 469 818
Other liabilities	20	106 072 753	87 160 452	105 725 201	86 686 498
Taxation payable	36	2 164 645	–	2 164 645	–
Deferred tax liabilities	21	29 645 207	34 962 810	29 645 207	34 962 810
Subordinated debt	22	158 614 430	158 439 554	158 614 430	158 439 554
Preference shares	23	26 132 000	26 132 000	26 132 000	26 132 000
Total liabilities		7 847 317 063	7 139 443 230	7 874 022 421	7 157 567 972
EQUITY					
Stated capital	24	140 000 000	140 000 000	140 000 000	140 000 000
Credit loss reserve	25	15 289 391	15 289 391	15 289 391	15 289 391
Property revaluation reserve	15	9 104 947	9 104 947	9 104 947	9 104 947
Retained earnings		957 975 203	776 725 492	929 407 692	757 029 131
Total equity		1 122 369 541	941 119 830	1 093 802 030	921 423 469
Total liabilities and equity		8 969 686 604	8 080 563 060	8 967 824 451	8 078 991 441

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2025

Amounts in BWP	Note	Group		Company	
		2025	2024	2025	2024
Interest income at effective interest rate	26	970 947 016	827 230 604	970 947 016	827 230 604
Interest expense at effective interest rate	27	(402 140 214)	(242 710 716)	(402 737 317)	(243 378 143)
Net interest income		568 806 802	584 519 888	568 209 699	583 852 461
Fee and commission income	28	60 838 594	43 355 110	46 431 346	32 006 512
Fee and commission expense	28	(19 723 467)	(10 154 431)	(19 723 467)	(10 154 431)
Net fee and commission income		41 115 127	33 200 679	26 707 879	21 852 081
Net gain/(loss) on foreign exchange transactions	29	104 421 701	(19 379 374)	104 421 701	(19 379 374)
Net gain on derivative financial instruments	7	47 067 789	94 829 655	47 067 789	94 829 655
Fair value gain/(loss) on investment property	14	980 000	(2 152 584)	980 000	(2 152 584)
Other operating income	30	3 264 612	2 280 648	5 321 065	4 337 101
Total non-interest income		196 849 229	108 779 024	184 498 434	99 486 879
Total operating income		765 656 031	693 298 912	752 708 133	683 339 340
Staff costs	31	(135 998 693)	(117 743 556)	(134 766 231)	(116 765 849)
Premises and equipment costs	32	(6 871 357)	(6 355 657)	(6 871 357)	(6 355 657)
Information technology costs	33	(27 961 979)	(25 002 385)	(27 961 979)	(25 002 385)
Depreciation and amortisation	10, 13, 15	(17 224 282)	(14 433 487)	(17 224 282)	(14 433 487)
Administration and general expenses	34	(52 243 236)	(61 929 030)	(51 901 833)	(61 651 746)
Shared services costs		(44 498 074)	(43 961 346)	(44 498 074)	(43 961 346)
Total operating expenses		(284 797 621)	(269 425 461)	(283 223 756)	(268 170 470)
Profit before impairment losses on financial assets		480 858 410	423 873 451	469 484 377	415 168 870
Net impairment losses on financial assets	35	(35 908 302)	(1 616 723)	(35 908 302)	(1 616 723)
Profit before income tax expense		444 950 108	422 256 728	433 576 075	413 552 147
Income tax expense	36	(99 042 981)	(92 941 896)	(96 540 098)	(91 004 147)
Profit for the year		345 907 127	329 314 832	337 035 977	322 548 000
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation surplus on property		-	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		345 907 127	333 487 244	337 035 977	326 720 412
Basic and diluted earnings per share in BWP	37	3.3968	3.2339		

Statements of changes in equity

for the year ended 31 December 2025

Amounts in BWP	Group				
	Stated capital	Property revaluation reserve	Credit loss reserve	Retained earnings	Total equity
Balance as at 1 January 2024	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
Revaluation surplus on buildings, net of tax	–	4 172 412	–	–	4 172 412
Total comprehensive income	–	4 172 412	–	329 314 832	333 487 244
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
Profit for the year	–	–	–	345 907 127	345 907 127
Total comprehensive income	–	–	–	345 907 127	345 907 127
Transactions with owners of the bank					
Dividends paid	–	–	–	(164 657 416)	(164 657 416)
Balance as at 31 December 2025	140 000 000	9 104 947	15 289 391	957 975 203	1 122 369 541

Amounts in BWP	Company				
	Stated capital	Property revaluation reserve	Credit loss reserve	Retained earnings	Total equity
Balance as at 1 January 2024	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
Revaluation surplus on buildings, net of tax	–	4 172 412	–	–	4 172 412
Total comprehensive income	–	4 172 412	–	322 548 000	326 720 412
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
Profit for the year	–	–	–	337 035 977	337 035 977
Total comprehensive income	–	–	–	337 035 977	337 035 977
Transactions with owners of the bank					
Dividends paid	–	–	–	(164 657 416)	(164 657 416)
Balance as at 31 December 2025	140 000 000	9 104 947	15 289 391	929 407 692	1 093 802 030

Statements of cash flows

for the year ended 31 December 2025

Amounts in BWP	Note	Group		Company	
		2025	2024 Restated	2025	2024 Restated
Operating activities					
Interest and non-interest income	38	1 294 314 571	915 714 591	1 281 963 776	906 422 446
Interest paid	39	(322 248 385)	(269 306 565)	(322 845 488)	(269 973 992)
Cash paid to suppliers and employees	40	(260 131 400)	(246 339 950)	(258 222 717)	(245 029 307)
Income taxes paid	36	(91 243 610)	(81 680 398)	(88 658 609)	(79 675 380)
		620 691 176	318 387 678	612 236 962	311 743 767
Net movement in loans and advances to customers	41	(590 713 765)	(537 335 923)	(590 713 765)	(537 335 923)
Net movement in deposit balances	41	585 082 840	918 964 098	593 537 054	925 608 009
Net movement in deposits – other		57 382 888	–	57 382 888	–
Net movement in balances due to other banks		(69 496 813)	459 303 699	(69 496 813)	459 303 699
Net cash flows from operating activities		602 946 326	1 159 319 552	602 946 326	1 159 319 552
Investing activities					
Net disposal/(acquisition) of placements*		38 436 921	(312 730 463)	38 436 921	(312 730 463)
Purchases of bonds*		(77 748 801)	(95 476 290)	(77 748 801)	(95 476 290)
Proceeds from sale of equipment		–	102 892	–	102 892
Acquisition of intangible assets	13	(2 235 958)	(17 339 381)	(2 235 958)	(17 339 381)
Acquisition of property and equipment	15	(3 407 028)	(20 011 102)	(3 407 028)	(20 011 102)
Net cash flows used in investing activities		(44 954 866)	(445 454 344)	(44 954 866)	(445 454 344)
Financing activities					
Dividends paid	37	(164 657 416)	(90 000 000)	(164 657 416)	(90 000 000)
Principal payments for lease liabilities	19	(2 818 756)	(2 558 713)	(2 818 756)	(2 558 713)
Interest payments on lease liabilities	19	(486 090)	(623 779)	(486 090)	(623 779)
Net cash flows used in financing activities		(167 962 262)	(93 182 492)	(167 962 262)	(93 182 492)
Net increase in cash and cash equivalents		390 029 198	620 682 716	390 029 198	620 682 716
Cash and cash equivalents at 1 January		2 303 732 161	1 666 621 978	2 303 732 161	1 666 621 978
Effect of changes in exchange rates		(64 074 733)	16 427 467	(64 074 733)	16 427 467
Cash and cash equivalents at 31 December	6	2 629 686 626	2 303 732 161	2 629 686 626	2 303 732 161

* In accordance with IAS 7: Statement of Cash Flows, cash flows from investing activities should be presented on a gross basis with the exception of cash receipts and payments for which the turnover is quick, the amounts are large, and the maturities are short. In the prior year, cashflows from investment securities which include bonds and placements, were presented on a net basis, with cash flows relating to short term placements appropriately presented. However, cash flows from bonds which have long maturity periods were presented on a net basis instead of on a gross basis. The statement of cash flows was updated to reflect the correct presentation of cash flows from investment securities, with comparatives accordingly restated to reflect the appropriate presentation of the cash flows. The restatement only affects presentation of items with investing activities and does not impact the net cash flows from investing activities or the rest of the statement of cash flows or other primary statements.

Notes to the Consolidated and Separate financial statements

for the year ended 31 December 2025

1. Reporting entity

First 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 4(x) classification of assets and liabilities.

(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 Board ("IFRS Accounting Standards") and in the manner required by the Banking Act, 2023 of Botswana. The consolidated and separate financial statements were approved and authorised for issuance by the Directors on 10 March 2026.

(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 (BWP), which is the Group and Company's functional and presentation currency. Financial information has been rounded to the nearest BWP, except where otherwise stated.

Notes to the Consolidated and Separate financial statements (continued)

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 notes 4 (b) and 5 (a);
- Fair value of land and buildings and leasehold improvements – refer to notes 4 (g) and 15;
- Residual values and useful lives of land and buildings and leasehold improvements and equipment – refer to notes 4 (g) and 15;
- Fair values of derivative assets and liabilities – refer to notes 4 (b) and 7;
- Fair value of investment property – refer to notes 4 (h) and 14;
- Taxation – refer to notes 4 (t), 21 and 36.

(v) 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 that 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 do not lead to a loss of control are treated 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 amendment became effective for the year ended 31 December 2025:

Lack of exchangeability – Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments became effective 1 January 2025. When applying the amendments, an entity cannot restate comparative information.

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 standards, amendments and interpretations have been issued but were not effective for the financial year ended 31 December 2025:

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

This is a new standard which may be applied by subsidiaries which do not have public accountability. It is a disclosure only standard and provides for reduced disclosures for qualifying subsidiaries to apply, while still remaining compliant with the recognition, measurement and presentation requirements of IFRS accounting standards. The reduced disclosures provided in IFRS 19 may be applied by the subsidiary in their consolidated, separate or individual financial statements, provided that the ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS accounting standards. A subsidiary has public accountability, and may not apply IFRS 19, 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 if it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

The effective date of the amendment is for years beginning on or after 1 January 2027.

The Group and the Company concluded that they are not eligible to apply this Standard, as the Company is a publicly accountable financial institution. Accordingly, IFRS 19 will not have any impact on the Group's consolidated financial statements or on the Company's separate financial statements.

3. New IFRS Accounting Standards and interpretations (continued)

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

IFRS 18– Presentation and Disclosure in Financial Statements

This is a new standard which replaces IAS 1 Presentation of Financial Statements and introduces several new presentation requirements. The first relates to categories and subtotals in the statement of financial performance. Income and expenses will be categorised into operating, investing, financing, income taxes and discontinued operations categories, with two new subtotals, namely “operating profit” and “profit before financing and income taxes” also being required. These categories and subtotals are defined in IFRS 18 for comparability and consistency across entities. The next set of changes requires disclosures about management-defined performance measures in a single note to the financial statements. These include reconciliations of the performance measures to the IFRS defined subtotals, as well as a description of how they are calculated, their purpose and any changes. The third set of requirements enhance the guidance on grouping of information (aggregation and disaggregation) to prevent the obscuring of information.

The effective date of the amendment is for years beginning on or after 1 January 2027.

The Group and Company expect to adopt the amendment for the first time in the 2027 financial statements.

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.

Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments

The amendments clarify the classification of financial assets with environmental, social and corporate governance (ESG) and similar features, as such features could affect whether the assets are measured at amortised cost or fair value. The amendment also clarifies when a financial liability is derecognised including where liabilities are settled through electronic payment systems.

The effective date of the amendment is for years beginning on or after 1 January 2026.

The Group and Company expect to adopt the amendment for the first time in the 2026 financial statements.

The amendments are expected to impact the derecognition of financial liabilities settled through electronic payment platforms. At the reporting date, management was still assessing the processes in place to ensure financial liabilities are derecognised when the payment has reached the beneficiary, which is when the obligation is discharged.

Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity

The amendments are to the own-use requirements, and hedge accounting requirements, together with related disclosures. The scope of the amendments is narrow, and only if contracts meet the specified scoping characteristics will they be in the scope of the amendments. This publication outlines the amendments, together with a summary of the rationale behind the proposals, and considerations for entities when implementing the amendments.

The effective date of the amendments is for annual reporting periods beginning on or after 1 January 2026, with early application permitted.

The Group and Company expect to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the Group and Company 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

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the International Accounting Standards Board (IASB).

It is unlikely that the amendment will have a material impact on the Group and Company financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11

IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards – Volume 11. The following is a summary of the amendments from the Annual Improvements to IFRS Accounting Standards – Volume 11:

IFRS 1 First-time Adoption of IFRS Accounting Standards

Hedge Accounting by a First-time Adopter: Paragraphs B5 and B6 of IFRS 1 have been amended to include cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of IFRS 9. These amendments are intended to address potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9.

IFRS 7 Financial Instruments: Disclosures

Gain or Loss on Derecognition: The amendments update the language on unobservable inputs in paragraph B38 of IFRS 7 and include a cross reference to paragraphs 72 and 73 of IFRS 13 Fair Value Measurement.

Guidance on implementing IFRS 7 Financial Instruments: Disclosures

Introduction: The amendments to paragraph IG1 of the Guidance on implementing IFRS 7 clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7, nor does it create additional requirements.

Disclosure of Deferred Difference between Fair Value and Transaction Price: Paragraph IG14 of the Guidance on implementing IFRS 7 has been amended mainly to make the wording consistent with the requirements in paragraph 28 of IFRS 7 and with the concepts and terminology used in IFRS 9 and IFRS 13.

Credit Risk Disclosures: Paragraph IG20B of the Guidance on implementing IFRS 7 has been amended to simplify the explanation of which aspects of the IFRS requirements are not illustrated in the example.

Notes to the Consolidated and Separate financial statements (continued)

3. New IFRS Accounting Standards and interpretations (continued)

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

IFRS 9 Financial Instruments

Lessee Derecognition of Lease Liabilities: Paragraph 2.1 of IFRS 9 has been amended to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognise any resulting gain or loss in profit or loss. However, the amendment does not address how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment of a lease liability in accordance with IFRS 9.

Transaction Price: Paragraph 5.1.3 of IFRS 9 has been amended to replace the reference to 'transaction price as defined by IFRS 15 Revenue from Contracts with Customers' with 'the amount determined by applying IFRS 15'. The use of the term 'transaction price' in relation to IFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of IFRS 9.

IFRS 10 Consolidated Financial Statements

Determination of a 'De Facto Agent': Paragraph B74 of IFRS 10 has been amended to clarify that the relationship described in paragraph B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor. The amendments are intended to remove the inconsistency with the requirement in paragraph B73 for an entity to use judgement to determine whether other parties are acting as de facto agents.

IAS 7 Statement of Cash Flows

Cost Method: Paragraph 37 of IAS 7 has been amended to replace the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

The amendments from the annual improvement process are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted.

The Group and Company expect to adopt the amendments from the annual improvement process for the first time in the 2026 consolidated and separate financial statements.

It is unlikely that the amendments will have a material impact on the Group and Company 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 instruments

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).

Notes to the Consolidated and Separate financial statements (continued)

4. Material accounting policies (continued)

(b) Financial instruments (continued)

Classification of financial instruments

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

- (i) Amortised cost;
- (ii) Fair value through profit and loss (FVTPL).

The classification of financial instruments under IFRS 9 is generally based on the business model in which a financial instrument 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 instrument 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 instrument is initially measured at fair value plus transaction costs that are directly attributable to its acquisition. 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 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.

Notes to the Consolidated and Separate financial statements (continued)

4. Material accounting policies (continued)

(b) Financial instruments (continued)

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.

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.

Notes to the Consolidated and Separate financial statements (continued)

4. Material accounting policies (continued)

(b) Financial assets and liabilities (continued)

Expected Credit Losses (ECLs) measurement (continued)

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 and Retail loans are run in a portfolio-based model, while Corporate exposures are run in a facility based model.

Portfolio assessment is performed by way of a collective assessment and 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 the scope of IFRS 9. 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:

- Stage 3: Net exposure after application of future realisable cash flows, predominantly collateral held.

EAD is determined by considering the 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 & III 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.

Notes to the Consolidated and Separate financial statements (continued)

4. Material accounting policies (continued)

(b) Financial assets and liabilities (continued)

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 offer financial relief and rehabilitation to the borrower.

The Bank's policy is that any restructure of an account, 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 twelve months applicable curing period provides confirmation that the account may be reclassified to Stage 2 in which a further three months curing period shall apply prior to reclassification to Stage 1.

Restructured accounts are flagged and provided for at Stage 3 for at least a twelve months 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.

Curing

Where a customer is in default, the facility shall remain in Stage 3 until a twelve month curing period has elapsed and sufficient evidence demonstrates that credit risk has improved to warrant migration to Stage 2.

Once reclassified to Stage 2, the exposure is subject to an additional three-month curing period before it may be considered for reclassification to Stage 1, provided that all relevant credit risk indicators continue to support such improvement.

Notes to the Consolidated and Separate financial statements (continued)

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

De-recognition of a financial asset only occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the Group transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. When an asset is transferred, in some circumstances, the Group may retain an interest in it (continuing involvement) requiring the Group to repurchase it in certain circumstances for other than its fair value on that date.

Refer to note 5 (a) on write-offs policy.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

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.

- (i) Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- (ii) 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.

- (iii) 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:

Amounts in BWP	Level 1	Level 2	Level 3	Total
2025				
Derivative financial assets	–	61 241 372	–	61 241 372
Derivative financial liabilities	–	65 748 903	–	65 748 903
2024				
Derivative financial assets	–	56 516 630	–	56 516 630
Derivative financial liabilities	–	23 092 168	–	23 092 168

4. Material accounting policies (continued)

(b) Financial assets and liabilities (continued)

Fair value measurement (continued)

In the opinion of the directors, the fair values of the Group's and Company's financial assets and liabilities measured at amortised cost approximate the respective carrying amounts due to the generally short period of most of the contractual repricing dates, and the variability of the interest rates for longer term facilities. The table below sets out carrying amounts of the Group's financial assets and financial liabilities which approximate their fair values:

Amounts in BWP	Note	Group		Total carrying amount
		At amortised cost	Fair value through profit or loss	
2025				
Financial assets				
Cash and cash equivalents	6	2 629 686 626	–	2 629 686 626
Derivative financial assets	7	–	61 241 372	61 241 372
Investment securities	8	823 091 049	–	823 091 049
Loans and advances to customers	11	5 258 098 343	–	5 258 098 343
Other assets	9	24 597 867	–	24 597 867
		8 735 473 885	61 241 372	8 796 715 257
Financial liabilities				
Deposits from customers	16	6 833 474 622	–	6 833 474 622
Deposits - other	17	57 382 888	–	57 382 888
Balances due to other banks	18	564 251 156	–	564 251 156
Derivative liabilities	7	–	65 748 903	65 748 903
Lease liabilities	19	3 830 459	–	3 830 459
Other liabilities	20	67 827 379	–	67 827 379
Subordinated debt	22	158 614 430	–	158 614 430
Preference shares	23	26 132 000	–	26 132 000
		7 711 512 934	65 748 903	7 777 261 837

Notes to the Consolidated and Separate financial statements (continued)

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4. Material accounting policies (continued)

(b) Financial assets and liabilities (continued)

Fair value measurement (continued)

Amounts in BWP	Note	Group		Total carrying amount
		At amortised cost	Fair value through profit or loss	
2024				
Financial assets				
Cash and cash equivalents	6	2 303 732 161	–	2 303 732 161
Derivative assets	7	–	56 516 630	56 516 630
Investment securities	8	784 165 321	–	784 165 321
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	18	635 098 408	–	635 098 408
Derivative liabilities	7	–	23 092 168	23 092 168
Lease liabilities	19	6 469 818	–	6 469 818
Other liabilities	20	50 560 311	–	50 560 311
Subordinated debt	22	158 439 554	–	158 439 554
Preference shares	23	26 132 000	–	26 132 000
		7 044 788 111	23 092 168	7 067 880 279

Notes to the Consolidated and Separate financial statements (continued)

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4. Material accounting policies (continued)

(b) Financial assets and liabilities (continued)

Fair value measurement (continued)

Amounts in BWP	Note	Company		Total carrying amount
		At amortised cost	Fair value through profit or loss	
2025				
Financial assets				
Cash and cash equivalents	6	2 629 686 626	–	2 629 686 626
Derivative financial assets	7	–	61 241 372	61 241 372
Investment securities	8	823 091 049	–	823 091 049
Loans and advances to customers	11	5 258 098 343	–	5 258 098 343
Other assets	9	23 447 518	–	23 447 518
		8 734 323 536	61 241 372	8 795 564 908
Financial liabilities				
Deposits from customers	16	6 860 527 532	–	6 860 527 532
Deposits - other	17	57 382 888	–	57 382 888
Balances due to other banks	18	564 251 156	–	564 251 156
Derivative liabilities	7	–	65 748 903	65 748 903
Lease liabilities	19	3 830 459	–	3 830 459
Other liabilities	20	67 931 336	–	67 931 336
Subordinated debt	22	158 614 430	–	158 614 430
Preference shares	23	26 132 000	–	26 132 000
		7 738 669 801	65 748 903	7 804 418 704

Notes to the Consolidated and Separate financial statements (continued)

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4. Material accounting policies (continued)

(b) Financial assets and liabilities (continued)

Fair value measurement (continued)

Amounts in BWP	Note	Company		Total carrying amount
		At amortised cost	Fair value through profit or loss	
2024				
Financial assets				
Cash and cash equivalents	6	2 303 732 161	–	2 303 732 161
Derivative assets	8	–	56 516 630	56 516 630
Investment securities	7	784 165 321	–	784 165 321
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	18	635 098 408	–	635 098 408
Derivative liabilities	7	–	23 092 168	23 092 168
Lease liabilities	19	6 469 818	–	6 469 818
Other liabilities	20	50 508 311	–	50 508 311
Subordinated debt	22	158 439 554	–	158 439 554
Preference shares	23	26 132 000	–	26 132 000
		7 063 334 807	23 092 168	7 086 426 975

Notes to the Consolidated and Separate financial statements (continued)**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 comprise Visa and Mastercard settlement clearing accounts, Visa and Mastercard collateral accounts, staff advances, other deposits, collections accounts and prepayments.

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

Non-financial assets are measured at cost, and expensed or utilised over the period of benefit or capitalised when control of the related assets transfers to the Group.

(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.

Notes to the Consolidated and Separate financial statements (continued)

4. Material accounting policies (continued)

(g) Property and equipment (continued)

(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.

(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 or useful lives are as follows:

▪ Motor vehicles	20.00%
▪ Furniture and fittings and computer hardware	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.

Notes to the Consolidated and Separate financial statements (continued)

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 other operating 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.

Notes to the Consolidated and Separate financial statements (continued)**4. Material accounting policies (continued)****(i) Impairment of non-financial assets (continued)**

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.

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

Other non-financial liabilities are recognised when the Group has an obligation from past events, it is likely that resources will be needed to settle it, and the amount can be estimated reliably. These liabilities are measured in line with IAS 37 or the relevant IFRS standard, usually based on the best estimate of the cost required to settle the obligation. Other non-financial liabilities comprise payroll accruals (note 4 (n) Employee benefits), and ECL on off-balance sheet exposures (note 4 (b) Financial assets and liabilities).

Notes to the Consolidated and Separate financial statements (continued)

4. Material accounting policies (continued)

(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.

(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.

Notes to the Consolidated and Separate financial statements (continued)

4. Material accounting policies (continued)

(p) Leases (continued)

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.

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 as per impairment of non-financial assets policy, note 4 (i).

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.

4. Material accounting policies (continued)

(p) Leases (continued)

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.

The Group does not carry finance leases.

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

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 Bank satisfies a performance obligation.

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 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 including point-of-sale, cash deposit and withdrawal fees. Fees received over time relates to commission earned on bank guarantees and letters of credit as collection is made periodically over the life of the instruments.

Notes to the Consolidated and Separate financial statements (continued)

4. Material accounting policies (continued)

(r) Net gain on foreign exchange transactions

Net foreign exchange gains and losses include gains and losses arising from foreign currency trading activities and exchange differences from translation of monetary assets and liabilities denominated in foreign currencies.

Refer to note 4 (a) Foreign currency transactions accounting policy for monetary items denominated in foreign currencies.

(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:

- (i) 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;
- (ii) temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- (iii) 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.

Notes to the Consolidated and Separate financial statements (continued)

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.

Notes to the Consolidated and Separate financial statements (continued)

4. Material accounting policies (continued)

(x) Classification of assets and liabilities

The table below shows the classification of assets and liabilities (current or non-current) presented according to when they are expected to be recovered or settled. With regard to loans and advances to customers, the Group uses the same basis of expected repayment behaviour that was used for estimating the EIR. Issued debt reflects the contractual coupon amortisation.

Group	As at 31 December 2025			As at 31 December 2024		
	Current	Non-current	Total carrying amount	Current	Non-current	Total carrying amount
ASSETS						
Cash and cash equivalents	2 629 686 626	–	2 629 686 626	2 303 732 161	–	2 303 732 161
Derivative financial assets	61 241 372	–	61 241 372	56 516 630	–	56 516 630
Investment securities	435 502 500	387 588 549	823 091 049	473 971 045	310 194 276	784 165 321
Taxation refundable	1 267 680	–	1 267 680	12 229 847	–	12 229 847
Other assets	33 200 408	33 941 497	67 141 905	24 863 719	18 192 115	43 055 834
Deferred tax assets	–	37 147	37 147	–	27 309	27 309
Right-of-use assets	–	2 352 010	2 352 010	–	5 069 781	5 069 781
Loans and advances to customers	1 686 579 250	3 571 519 093	5 258 098 343	1 537 189 815	3 200 800 013	4 737 989 828
Intangible assets	–	14 207 122	14 207 122	–	18 801 454	18 801 454
Investment property	–	24 550 000	24 550 000	–	23 570 000	23 570 000
Property and equipment	–	88 013 350	88 013 350	–	95 404 895	95 404 895
Total assets	4 847 477 836	4 122 208 768	8 969 686 604	4 408 503 217	3 672 059 843	8 080 563 060
LIABILITIES						
Deposits from customers	6 650 886 481	182 588 141	6 833 474 622	5 835 412 808	332 675 212	6 168 088 020
Deposits - other	57 382 888	–	57 382 888	–	–	–
Balances due to other banks	564 251 156	–	564 251 156	635 098 408	–	635 098 408
Derivative financial liabilities	65 748 903	–	65 748 903	23 092 168	–	23 092 168
Lease liabilities	2 413 877	1 416 582	3 830 459	2 843 475	3 626 343	6 469 818
Other liabilities	106 072 753	–	106 072 753	87 160 452	–	87 160 452
Taxation payable	2 164 645	–	2 164 645	–	–	–
Deferred tax liabilities	–	29 645 207	29 645 207	–	34 962 810	34 962 810
Subordinated debt	1 614 430	157 000 000	158 614 430	1 439 554	157 000 000	158 439 554
Preference shares	–	26 132 000	26 132 000	–	26 132 000	26 132 000
Total liabilities	7 450 535 133	396 781 930	7 847 317 063	6 585 046 865	554 396 365	7 139 443 230

4. Material accounting policies (continued)

(x) Classification of assets and liabilities (continued)

Company	As at 31 December 2025			As at 31 December 2024		
	Current	Non-current	Total carrying amount	Current	Non-current	Total carrying amount
ASSETS						
Cash and cash equivalents	2 629 686 626	–	2 629 686 626	2 303 732 161	–	2 303 732 161
Derivative financial assets	61 241 372	–	61 241 372	56 516 630	–	56 516 630
Investment securities	435 502 500	387 588 549	823 091 049	473 971 045	310 194 276	784 165 321
Taxation refundable	–	–	–	11 034 447	–	11 034 447
Other assets	31 643 082	33 941 497	65 584 579	23 514 809	18 192 115	41 706 924
Right-of-use assets	–	2 352 010	2 352 010	–	5 069 781	5 069 781
Loans and advances to customers	1 686 579 250	3 571 519 093	5 258 098 343	1 537 189 815	3 200 800 013	4 737 989 828
Investment in subsidiary company	–	1 000 000	1 000 000	–	1 000 000	1 000 000
Intangible assets	–	14 207 122	14 207 122	–	18 801 454	18 801 454
Investment property	–	24 550 000	24 550 000	–	23 570 000	23 570 000
Property and equipment	–	88 013 350	88 013 350	–	95 404 895	95 404 895
Total assets	4 844 652 830	4 123 171 621	8 967 824 451	4 405 958 907	3 673 032 534	8 078 991 441
LIABILITIES						
Deposits from customers	6 677 939 391	182 588 141	6 860 527 532	5 854 011 504	332 675 212	6 186 686 716
Deposits - other	57 382 888	–	57 382 888	–	–	–
Balances due to other banks	564 251 156	–	564 251 156	635 098 408	–	635 098 408
Derivative financial liabilities	65 748 903	–	65 748 903	23 092 168	–	23 092 168
Lease liabilities	2 413 877	1 416 582	3 830 459	2 843 475	3 626 343	6 469 818
Other liabilities	105 725 201	–	105 725 201	86 686 498	–	86 686 498
Taxation payable	2 164 645	–	2 164 645	–	–	–
Deferred tax liabilities	–	29 645 207	29 645 207	–	34 962 810	34 962 810
Subordinated debt	1 614 430	157 000 000	158 614 430	1 439 554	157 000 000	158 439 554
Preference shares	–	26 132 000	26 132 000	–	26 132 000	26 132 000
	7 477 240 491	396 781 930	7 874 022 421	6 603 171 607	554 396 365	7 157 567 972

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 arises 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 bank 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:** covering 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. The Board Credit Committee through Group Credit approves the facilities granted to related parties as and when it is appropriate.
- **Reviewing and assessing credit risk:** The Credit Department assesses all credit exposures in excess of 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).

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 Bank'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;
- Cash cover.

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

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 is 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).

Notes to the Consolidated and Separate financial statements (continued)

(a) Credit risk (continued)

Credit risk grading (continued)
Corporate exposures (continued)

Group and Company
2025

Loans and advances

Internal rating grade	12-month Basel PD range	Gross carrying amount				ECL			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Performing									
High grade	0.00% – 0.50%	200 281 210	–	2 502 765	202 783 975	(105 022)	–	(710 009)	(815 031)
Standard grade	0.50% – 11.7%	1 263 885 591	355 081 564	11 906 752	1 630 873 907	(4 696 118)	(3 834 588)	(1 707 387)	(10 238 093)
Sub-standard grade	11.7% – 29.50%	5 243 981	59 694 582	3 716 739	68 655 302	(53 613)	(1 030 623)	(836 048)	(1 920 284)
Low grade	29.5% – 100%	–	4 931 761	27 537 033	32 468 794	–	(559 969)	(6 330 242)	(6 890 211)
Non-performing									
Individually impaired	100.00%	–	–	–	–	–	–	–	–
Total		1 469 410 782	419 707 907	45 663 289	1 934 781 978	(4 854 753)	(5 425 180)	(9 583 686)	(19 863 619)

Group and Company
2025

Off-balance sheet exposures

Internal rating grade	12-month Basel PD range	Gross carrying amount				ECL			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Performing									
High grade	0.00% – 0.50%	100 883 867	–	–	100 883 867	(23 191)	–	–	(23 191)
Standard grade	0.50% – 11.7%	393 391 750	18 589 408	254 731	412 235 889	(6 177 491)	(117 158)	(54 275)	(6 348 924)
Sub-standard grade	11.7% – 29.50%	40 000	35 000	–	75 000	(299)	(415)	–	(714)
Low grade	29.5% – 100%	–	20 000	100 000	120 000	–	(377)	(5 000)	(5 377)
Non-performing									
Individually impaired	100.00%	–	–	–	–	–	–	–	–
Total		494 315 617	18 644 408	354 731	513 314 756	(6 200 981)	(117 950)	(59 275)	(6 378 206)

Notes to the Consolidated and Separate financial statements (continued)

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				ECL			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Performing									
High grade	0.00% – 0.50%	1 68 531 084	7 885 755	–	1 76 416 839	(121 050)	(15 947)	–	(136 997)
Standard grade	0.50% – 11.7%	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	11.7% – 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	29.5% – 100%	–	–	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				ECL			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	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% – 11.7%	483 480 772	2 572 257	230 000	486 283 029	(4 619 824)	(64 523)	(23 757)	(4 708 104)
Sub-standard grade	11.7% – 29.50%	231 375	4 075 000	57 500	4 363 875	(7 081)	(341 402)	(40 308)	(388 791)
Low grade	29.5% – 100%	–	–	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)

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); 1 day 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 2025

Internal rating grade	12-month Basel PD range	Gross carrying amount				ECL			
		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%	3 266 511 489	-	-	3 266 511 489	(23 767 819)	-	-	(23 767 819)
Sub-standard grade	11.7% – 29.50%	-	65 219 766	-	65 219 766	-	(6 132 761)	-	(6 132 761)
Low grade	29.5% – 100%	-	28 771 944	67 983 018	96 754 962	-	(8 851 979)	(46 553 674)	(55 405 653)
Non-performing									
Individually impaired	100.00%	-	-	-	-	-	-	-	-
Total		3 266 511 489	93 991 710	67 983 018	3 428 486 217	(23 767 819)	(14 984 740)	(46 553 674)	(85 306 233)

Group and Company 2024

Internal rating grade	12-month Basel PD range	Gross carrying amount				ECL			
		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%	2 622 750 014	-	-	2 622 750 014	(24 237 716)	-	-	(24 237 716)
Sub-standard grade	11.7% – 29.50%	-	61 615 094	-	61 615 094	-	(6 228 357)	-	(6 228 357)
Low grade	29.5% – 100%	-	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)

Notes to the Consolidated and Separate financial statements (continued)

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, Consumer lending and Treasury models (unmodelled portfolio). This book forms approximately 2.90% and 3.06% of the total loans and advances for 2025 and 2024 respectively, and comprises staff loans, consumer loans and overdrafts which fall outside of the Consumer lending segment. The expected credit losses for this portfolio are calculated using the coverage ratios coming from the Consumer lending model as an approximation of the expected credit losses, after taking into account eligible collateral values, 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.

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk grading (continued)

Staging definition (continued)

Stage 2

The criteria for Stage 2 are as follows:

- Payment delays 30 days and up to 89 days.
- Risk grade drops by 8 notches if it 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.

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 it 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 Cyclical Index (CI)

The scenario framework uses a Cyclical 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.

Notes to the Consolidated and Separate financial statements (continued)

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) in order to determine CI values for the scenarios, where the upside scenarios will have a CI lower than the base case and vice versa for the downside scenarios (conditional scenarios).

Macroeconomic assumptions

Corporate

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 Non Performing Loan (NPL) rates (directionality) and the variables competitor banks were using. The macroeconomic variables are derived from the International Monetary Fund (IMF) forecasts. The IMF's models provide a well-established foundation for projecting future economic trends, and their forecasts reflect the latest assumptions regarding global economic growth, commodity prices, and fiscal policies. Specific NPL data was obtained from the Bank of Botswana websites. These country specific NPL data points were used in the final model as these correctly reflect the default history of the country.

Two macroeconomic variables were applied in the ECL model, namely Gross Domestic Product (GDP) and total investments and are consistent with prior year.

2025 Drivers	Rationale
Gross Domestic Product (GDP)-constant prices (Expressed as a % change)	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). Botswana's economy in 2025 faced headwinds, including weak diamond revenues and constrained government spending. Though improved from 2024, 2025 saw a 0.5% contraction in real GDP, reflective of declines in mineral revenues, subdued external demand, and continued fiscal pressures. This would impact economic activity as a whole in the market.
Total investment/Gross Capital Formation (Expressed as % of GDP)	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. 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.

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

Scenario analysis and key macroeconomic assumptions (continued)

Corporate (continued)

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at the current and previous reporting dates that have a material impact on the ECLs:

Macroeconomic factors	ECL scenario	Assigned weightings (average)	Actual (%)	Forecast (%)					Long term rate
			2025	2026	2027	2028	2029		
Group and Company 2025									
Gross Domestic Product (GDP)-constant prices (Expressed as a % change)	Base case	58.33%	(2.99)	(1.99)	(2.21)	(1.65)	(2.25)	(3.32)	
	Good case	7.60%	(2.99)	(0.03)	(0.15)	0.19	(0.15)	(0.71)	
	Better case	3.25%	(2.99)	1.00	0.87	1.13	0.87	0.49	
	Bad case	21.57%	(2.99)	(7.46)	(7.59)	(7.29)	(7.63)	(8.27)	
	Worse case	9.25%	(2.99)	(10.71)	(10.79)	(10.54)	(10.84)	(11.44)	
Total investment/Gross Capital Formation (Expressed as % of GDP)	Base case	58.33%	37.23	37.60	37.39	37.93	37.35	36.31	
	Good case	7.60%	37.23	39.52	39.39	39.72	39.39	38.85	
	Better case	3.25%	37.23	40.52	40.39	40.64	40.39	40.02	
	Bad case	21.57%	37.23	32.26	32.14	32.43	32.10	31.47	
	Worse case	9.25%	37.23	29.10	29.01	29.26	28.97	28.39	

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

Scenario analysis and key macroeconomic assumptions (continued)

Corporate (continued)

Macro-economic factors	ECL scenario	Assigned weightings (average)	Actual (%)		Forecast (%)			Long term rate
			2024	2025	2026	2027	2028	
Group and Company 2024								
Gross Domestic Product (GDP)-constant prices (expressed as a % 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	7.30	7.30	7.78
	Better case	4.14%	2.73	7.69	8.08	8.30	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/ Gross Capital Formation (expressed as % of GDP)								
	Base case	58.33%	30.32	33.42	34.25	34.63	34.59	35.30
	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	37.30	37.68
	Bad case	19.51%	30.32	27.41	27.82	27.99	27.95	28.20
	Worse case	8.36%	30.32	23.82	24.19	24.36	24.36	24.57

The table below shows the sensitivity of the ECL to changes in the weights assigned in the model to each ECL scenario. The sensitivity covers corporate exposures, including off balance sheet exposures.

Worse	Scenario Weights				ECL BWP	ECL impact
	Bad	Base	Good	Better		
Group and Company 2025						
20.00%	20.00%	20.00%	20.00%	20.00%	(24 057 141)	0.53%
40.00%	20.00%	20.00%	10.00%	10.00%	(25 341 787)	5.90%
60.00%	30.00%	10.00%	0.00%	0.00%	(26 927 871)	12.53%
10.00%	10.00%	20.00%	20.00%	40.00%	(22 937 602)	(4.15%)
0.00%	0.00%	25.00%	25.00%	50.00%	(21 918 003)	(8.41%)

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

Scenario analysis and key macroeconomic assumptions (continued)

Corporate (continued)

Worse	Scenario Weights				ECL BWP	ECL impact
	Bad	Base	Good	Better		
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%)

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, we are able to incorporate forecasted macroeconomic factors 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 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, three macroeconomic variables were applied in the ECL model, namely Lending Rate, Consumer Price Index (CPI) and Gross Domestic Product (GDP), expressed in nominal USD billions. In the prior year, two macroeconomic variables were used, namely Gross Domestic Product (GDP), expressed as a transformed state, using annual percentage differences, and Foreign Exchange Rate (BWP/USD).

GDP growth and inflation/CPI forecasts were directly sourced from the IMF reports, as these are globally recognized as reliable projections. Historical data for GDP and inflation/ CPI forecasts has been gathered from IMF and the Bank of Botswana to ensure accuracy and consistency.

For interest rates, exchange rates, and unemployment, historical data was also gathered from both IMF and the Bank of Botswana. For the forecasts, the General Equilibrium Model was used as the primary modelling tool. This model enabled an integrated, macroeconomic approach to forecast these variables, accounting for the complex interactions between economic factors such as inflation, trade, and monetary policy. This methodology combines reliable data forecasts from the Bank of Botswana and IMF, with sophisticated modelling techniques to generate comprehensive, forward-looking forecasts.

In 2025, the macroeconomic variables used in the Expected Credit Loss (ECL) model were revised to address a limitation identified in the use of the Exchange Rate. Foreign Exchange Rate variable reflected relative movements over time, and its use as a primary predictor increased the risk of overstating default probabilities. The change was made to improve the model's predictive reliability and the accuracy of credit risk estimates. The reassessment of the macroeconomic variables was to ensure appropriate statistical significance for the 2025 ECL model. GDP expressed as a percentage also did not yield any statistically significant models using 2025 data. As a result, the prior-year model which used Exchange Rate and GDP expressed as a percentage was replaced with a new set of variables: GDP in USD billions, Lending Rate, and Consumer Price Index.

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

Scenario analysis and key macroeconomic assumptions (continued)

Consumer Lending (continued)

2025 Drivers	Rationale
Gross Domestic Product (nominal USD Billions)	Nominal GDP expressed in USD Billions. As of 2025, Botswana's nominal GDP is approximately \$19.27 billion, a decrease of \$0.13 billion from 2024, with a growth rate of -0.5%. The GDP per capita is approximately \$6 943 in 2025, reflecting a decrease from previous years. The economy is primarily reliant on diamond mining, which contributes significantly to the government revenue, and has declined considerably in 2024, and 2025, reflecting reduced economic activity.
Lending Rate (%)	Measures the interest rate charged by banks on loans to borrowers. Expressed as an annual rate or percentage. Since 2024, and into 2025, yields on government bonds have been rising as debt issuance has increased, while diamond sales have plummeted draining liquidity from banking system and pushing up lending rates. Liquidity shortage is expected to persist in the medium term and cost of funding, and subsequently lending rates will continue trending upwards. An increase in lending rates may put pressure on borrowers and result in an increase in lending rates.
Inflation Consumer Price Index (% difference)	Measures change in the total cost of a basket of goods and services commonly purchased by households. This basket only includes direct consumer products that are available to purchase. The annual inflation rate in Botswana close the year in the 3%-6% range target of the central bank. Overall, there is a greater risk of inflation being higher than central bank range. This is expected to put pressure on the buying power of consumers and influence the default rates seen on the Consumer lending book.

As noted on page 87, the macroeconomic indicators were updated in the current year. For comparison, the prior year disclosure was as follows:

2024 Drivers	Rationale
Gross Domestic Product (GDP) (expressed as a transformed state, using annual % differences)	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 BWP/USD	Measures changes in the LCY exchange rate to the USD. 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.

Notes to the Consolidated and Separate financial statements (continued)

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 the current and previous reporting dates that have a material impact on the ECLs:

Macroeconomic factors	ECL scenario	Assigned weightings (average)	Actual	Forecast (%)					Long term rate
			2025	2026	2027	2028	2029		
Group and Company 2025									
Lending Rate (expressed as a Transformed state using percentage differences)	Down	20%	6.59	8.11	7.41	7.24	7.13	6.73	
	Base case	60%	6.59	6.78	6.50	6.50	6.50	6.50	
	Up	20%	6.59	5.44	5.59	5.76	5.87	6.27	
CPI (expressed as a % change)	Down	20%	0.01	0.01	0.01	0.01	0.01	0.00	
	Base case	60%	0.01	0.01	0.01	0.01	0.01	-	
	Up	20%	0.01	0.01	0.01	0.01	0.01	(0.00)	
Gross Domestic Product (nominal USD Billions)	Down	20%	19.27	18.83	20.76	22.62	24.73	44.90	
	Base case	60%	19.27	19.95	21.52	23.23	25.26	45.09	
	Up	20%	19.27	21.06	22.28	23.85	25.79	45.28	

Key drivers	ECL scenario	Assigned weightings	Actual	Forecast (%)					Long term rate
			2024	2025	2026	2027	2028		
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	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	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	

Notes to the Consolidated and Separate financial statements (continued)

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 Consumer lending 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.

Base Case	Weights		ECL Amount	ECL impact (%)
	Up Case	Down Case		
Group and Company 2025				
70%	15%	15%	(87 082 640)	(0.85)
80%	10%	10%	(86 861 134)	(1.11)
90%	5%	5%	(86 639 627)	(1.36)
100%	0%	0%	(86 418 120)	(1.61)
0%	100%	0%	(80 055 693)	(8.85)
0%	0%	100%	(97 210 682)	10.68
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)

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

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

Probability of default (PD) (continued)

(ii) Low risk financial instruments

For debt securities in the treasury portfolio and interbank exposures, performance of the counterparty is monitored for any indication of default. PDs for such exposures are determined based on benchmarked sovereign ratings mapped to external credit rating agencies grade (S&P sovereign debt and corporate default grades). Where there are external credit ratings PDs are derived using those external credit ratings.

Exposure at default (EAD): EAD is the amount the Bank 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 follows:

- For customer loans and advances: Outstanding exposures plus undrawn limits.
- For other financial assets/low risk financial instruments: Outstanding exposures.

Loss given default (LGD): LGD represents the Bank'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 & III Guidelines: the treatment of sovereign exposures in the banking book.
- Basel II Guidelines: applied under foundation IRB and observed in the Committee's study on Banks.
- 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.
- Stages 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 & III Guidelines: the treatment of sovereign exposures in the banking book.
- Basel II Guidelines: applied under foundation IRB and observed in the Committee's study on Banks.
- 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 Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank'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 Bank 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 on a monthly basis at a portfolio level below internal threshold. Customer loans and advances exceeding internal thresholds and low risk financial instrument exposures are assessed on a monthly and quarterly basis by the Credit department, Bank management and the Board Credit Committee.

Default

The Bank 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 Bank 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;
- The borrower commits an act of insolvency;
- The borrower's financial statements are qualified as to going concern; and
- The borrower or its executives commit an act of fraud.

Notes to the Consolidated and Separate financial statements (continued)

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 – six months after default.
- Secured asset – 24 months after default.

However, final or earlier write-off shall remain at the discretion of management and the board, in line with the write-offs approval matrix.

ECL Model governance

The ECL models used for PD, EAD and LGD calculations are governed on a day-to-day basis through the Management Credit Committee comprising of senior managers in credit, risk, finance, and the business.

The management credit committee responsible for decisions and key judgments pertaining to impairments and model overrides which ensures that all relevant determinations are presented to the Board Credit Committee as deemed necessary. As at 31 December 2025, management recognised an overlay of P9 562 559 (2024: P1 320 680).

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:

- Consumer Lending
 - Comprises deduction at source payroll-based lending. These are also unsecured loan offerings.
- Corporate and Other Banking includes the following:
 - Corporate comprise Corporate, Commercial segments, and this includes term loans, mortgage loans, and overdrafts.
 - Other Banking includes lending to SME and individuals which also covers mortgages, secured and unsecured lending.

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

5. Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

Amounts in BWP	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								
2025								
Personal and term loans	3 428 486 217	1 340 686 610	4 769 172 827	–	–	–	–	4 769 172 827
Mortgage loans	–	114 301 712	114 301 712	–	–	–	–	114 301 712
Overdrafts	–	479 793 656	479 793 656	–	–	–	–	479 793 656
Other	–	–	–	513 314 756	2 559 954 844	823 230 233	24 597 867	3 921 097 700
Gross exposures	3 428 486 217	1 934 781 978	5 363 268 195	513 314 756	2 559 954 844	823 230 233	24 597 867	9 284 365 895
<i>Reconciliation of ECL by exposure</i>								
Balance at 01 January 2025	(62 408 195)	(28 632 403)	(91 040 598)	(5 257 600)	(27 590)	(434 801)	–	(96 760 589)
Charge to profit or loss	(39 306 156)	(520 177)	(39 826 333)	(1 120 606)	(48 326)	295 617	–	(40 699 648)
Net movement on interest in suspense	(434 191)	1 076 298	642 107	–	–	–	–	642 107
Write offs	16 842 309	8 212 663	25 054 972	–	–	–	–	25 054 972
Total impairment	(85 306 233)	(19 863 619)	(105 169 852)	(6 378 206)	(75 916)	(139 184)	–	(111 763 158)
Net exposures	3 343 179 984	1 914 918 359	5 258 098 343	506 936 550	2 559 878 928	823 091 049	24 597 867	9 172 602 737

No separate disclosure was included for the Company's exposure to credit risk as the difference from the Group's exposure only relates to other assets that are not materially different from the Group's, for which no ECL allowance is recognised at the current or previous reporting date.

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

Amounts in BWP	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
<i>Reconciliation of ECL by exposure</i>								
Balance at 01 January 2024	(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 disclosure was included for the Company's exposure to credit risk as the difference from the Group's exposure only relates to other assets are not materially different from the Groups, for which no ECL allowance is recognised at the current or previous reporting date.

The Bank's loan portfolio expanded by approximately P534.2 million during the year, primarily driven by a P685.7 million increase in the Consumer lending segment, partially offset by a P151.4 million decline in the Corporate book. The reduction in the Corporate book reflects increased pressures on liquidity and cost of funding, and the impact of broader economic performance in 2025.

Within Consumer lending, credit quality remained stable, as evidenced by Stage 2 gross exposure, expressed as a percentage of total exposures remaining largely flat at 2.74% in 2025, compared to from 2.78% in 2024, despite Stage 2 gross exposures increasing by P17.8 million during 2025. Stage 3 metrics also showed deterioration, with the Non-performing loan ratio increasing from 1.60% to 1.98%, driven by an increase in Stage 3 gross exposures by P24 million, largely attributable to increased resignations and retirements within the Government and Parastatal sector. Despite general challenges in government liquidity, and delayed payments in the market, these challenges have, as yet, not materially impacted the book performance under Consumer lending. That being said, management continues to monitor closely developments in the government so as to proactively manage emerging risks that may impact the Consumer lending.

Provisions for Consumer lending experienced a net charge of P22.9 million in line with the book growth seen under the portfolio. Write-offs totalling P16.8 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 0.49% of the Consumer lending book.

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

Corporate credit quality has generally improved if we considering performance of Stage 3, which has improved from 3.26%, to 2.36% during the year. That being said, consistent with the economic pressures seen in the market, Stage 2 exposures have increased by P235.6 million from 8.82% in 2024 to 21.69% in 2025. Despite this, the impact was mitigated by collateral held, as considered in provisioning. Net corporate provisions reflected a reduction of approximately P8.7 million reflective of the improved Stage 3 positions, as well as a general decline in total exposures.

The ECL held for investment securities has reduced despite an increase in total exposures due to the release of an ECL amount of P262 467 relating to a forward exposure which was inaccurately classified under investment securities. The coverage ratio for investments securities for the current year remained broadly consistent with the prior year.

The ECL for off-balance sheet exposures has increased despite the reduction in total exposures due to an internal rating downgrade of the largest off-balance sheet exposure of P134.5 million. This has resulted in an increase of ECL of P1.38 million.

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:

Amounts in BWP	Group and Company			
	2025	%	2024	%
Agriculture	158 808 281	3.0%	85 787 724	1.8%
Mining	193 912 818	3.6%	235 274 165	4.9%
Financial Services	29 087 338	0.5%	86 757 573	1.8%
Construction	148 228 531	2.8%	219 182 212	4.5%
Energy/Electricity/Gas/Water	14 532 310	0.3%	13 406 907	0.3%
Manufacturing	86 566 885	1.6%	151 870 790	3.1%
Wholesale and Retail	341 264 759	6.4%	350 277 779	7.3%
Individual/Households	3 718 357 710	69.3%	3 162 611 659	65.5%
Real Estate	286 846 923	5.3%	237 886 274	4.9%
Tourism & Leisure	14 006 486	0.3%	4 792 208	0.1%
Transport & Communication	27 445 165	0.5%	43 477 461	0.9%
Others	344 210 989	6.4%	237 705 674	4.9%
Total credit risk exposure	5 363 268 195	100%	4 829 030 426	100%

Top 20 large exposures make up 17.7% (2024: 22.0%) of the total credit risk exposure.

Notes to the Consolidated and Separate financial statements (continued)

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 BWP	Loans and advances to customers	Off-balance sheet exposures	Investment securities	Cash and cash equivalents	Other assets	Total
Group						
2025						
Reconciliation of gross amount						
Stage 1	4 735 922 271	494 315 617	823 230 233	2 559 954 844	24 597 867	8 638 020 832
Stage 2	513 699 617	18 644 408	–	–	–	532 344 025
Stage 3	113 646 307	354 731	–	–	–	114 001 038
Gross exposure	5 363 268 195	513 314 756	823 230 233	2 559 954 844	24 597 867	9 284 365 895
ECL contribution by stage						
Stage 1 – 12 months ECL	(28 622 572)	(6 200 981)	(139 184)	(75 916)	–	(35 038 653)
Stage 2 – Lifetime ECL not credit impaired	(20 409 920)	(117 950)	–	–	–	(20 527 870)
Stage 3 – Lifetime ECL credit impaired	(56 137 360)	(59 275)	–	–	–	(56 196 635)
Total impairment	(105 169 852)	(6 378 206)	(139 184)	(75 916)	–	(111 763 158)
Net amount	5 258 098 343	506 936 550	823 091 049	2 559 878 928	24 597 867	9 172 602 737

No separate disclosure was included for the company's exposure to credit risk as the difference from the Group's exposure only relates to other assets are not materially different from the Groups, for which no ECL allowance is recognised at the current or previous reporting date.

5. Financial risk management (continued)

(a) Credit risk (continued)

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

Amounts in BWP	Loans and advances to customers	Off-balance sheet exposures	Investment securities	Cash and cash equivalents	Other assets	Total
Group						
2024						
Reconciliation of gross amount						
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
ECL 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 amount	4 737 989 828	534 254 934	784 165 321	2 205 322 290	17 363 062	8 279 095 435

No separate disclosure was included for the company's exposure to credit risk as the difference from the Group's exposure only relates to other assets are not materially different from the Groups, for which no ECL allowance is recognised at the current or previous reporting date.

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 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.

Amounts in BWP	2025			2024		
	Gross carrying amount	ECL	Coverage Ratio	Gross carrying amount	ECL	Coverage Ratio
Less than 30 days past due:	452 797 990	(11 081 924)	2.45%	211 448 248	(8 153 096)	3.86%
Rating movement	118 035 115	(1 527 009)	1.29%	90 296 037	(1 457 236)	1.61%
No longer impaired but in curing period	268 126 867	(3 328 690)	1.24%	59 537 117	(467 502)	0.79%
Other qualitative reasons	66 636 008	(6 226 225)	9.34%	61 615 094	(6 228 358)	10.11%
More than 30 days past due:	60 901 627	(9 327 996)	15.32%	48 796 591	(4 747 525)	9.73%
Total	513 699 617	(20 409 920)	3.97%	260 244 839	(12 900 621)	4.96%

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

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 days past due and loans and advances greater than 90 days past due 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.

Amounts in BWP	2025			2024		
	Gross carrying amount	ECL	Coverage Ratio	Gross carrying amount	ECL	Coverage Ratio
Less than 90 days past due:	19 280 178	(1 460 912)	7.58%	39 633 110	(6 046 507)	15.26%
No longer impaired but in curing period	12 358 429	(1 114 555)	9.02%	15 212 855	(2 488 710)	16.36%
Restructures	–	–	–	24 420 255	(3 557 797)	14.57%
Other qualitative reasons	6 921 749	(346 357)	5.00%	–	–	–
More than 90 DPD	94 366 129	(54 676 448)	57.94%	72 157 324	(39 291 726)	54.45%
Total Stage 3	113 646 307	(56 137 360)	49.40%	111 790 434	(45 338 233)	40.56%

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. 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

Amounts in BWP	Group and Company	
	2025	2024
Amortised cost before modification		
Stage 2	20 963 140	350 000
Stage 3	–	24 222 372
	20 963 140	24 572 372
Net modification/gain	2 246 264	1 268 416

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.

Amounts in BWP	Group and Company	
	2025	2024
Pre modification		
Gross carrying amount	–	197 357
Corresponding ECL	–	154 116
Post modification		
Gross carrying amount	–	79 637
Corresponding ECL	–	–

Notes to the Consolidated and Separate financial statements (continued)

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.

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

Where exposures are fully collateralised, the Group recognises a minimal ECL allowance based on the model's Loss Given Default (LGD) floor of 5% based on management judgement.

It is the Bank's policy to dispose of repossessed properties. 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 bank did not hold any properties that were repossessed.

Fair value of collateral and credit enhancements held

Amounts in BWP	Maximum exposure to credit risk	Cash	Property	Other	Surplus Collateral	Total collateral	Net exposure	% of exposure subject to collateral requirements	Associated ECL
Group and Company 2025									
Loans and advances to customers									
Term loans	4 769 172 827	125 366 299	1 274 818 594	133 887 805	(672 161 518)	861 911 180	3 907 261 647	18%	(98 294 163)
Mortgage loans	114 301 712	118 069	172 780 281	–	(63 824 030)	109 074 320	5 227 392	95%	(1 672 168)
Overdraft	479 793 656	220 075 923	356 969 785	–	(257 664 137)	319 381 571	160 412 085	67%	(5 203 521)
Total	5 363 268 195	345 560 291	1 804 568 660	133 887 805	(993 649 685)	1 290 367 071	4 072 901 124	24%	(105 169 852)
Off- balance sheet exposures	513 314 756	113 402 935	22 385 280	–	(12 089 867)	123 698 348	389 616 408	24%	(6 378 206)

In the current year, the disclosure has been enhanced to present surplus collateral in line with industry good-practice. The comparative disclosure has been revised to include surplus collateral in order to present the information on a consistent and complete basis. The prior year disclosure has been included on page 106.

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(a) Credit risk (continued)

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

Fair value of collateral and credit enhancements held

Amounts in BWP	Maximum exposure to credit risk	Cash	Property	Other	Surplus Collateral	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	(411 333 564)	746 969 760	3 504 708 038	18%	(80 414 741)
Mortgage loans	107 064 304	27 194	175 376 636	–	(78 702 562)	96 701 268	10 363 036	90%	(1 303 364)
Overdraft	470 288 324	185 758 873	384 418 851	713 900	(230 882 037)	340 009 587	130 278 737	72%	(9 322 493)
Total	4 829 030 426	314 211 638	1 499 651 967	90 735 173	(720 918 163)	1 183 680 615	3 645 349 811	25%	(91 040 598)
Off-balance sheet exposures	539 512 534	73 786 757	–	–	(4 610 463)	69 176 294	470 336 240	13%	(5 257 600)

Prior year disclosure was as follows:

Fair value of collateral and credit enhancements held

Amounts in BWP	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)

Notes to the Consolidated and Separate financial statements (continued)

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 Bank'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.

All 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 42).

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(b) Liquidity risk (continued)

Amounts in BWP	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
Group							
2025							
Assets							
Cash and cash equivalents	2 240 251 344	391 846 053	–	–	–	–	2 632 097 397
Investment securities	379 339 353	60 389 325	3 489 164	12 057 013	314 331 252	168 628 750	938 234 857
Loans and advances to customers	250 242 304	344 685 167	530 500 183	833 130 880	4 226 215 487	2 530 962 632	8 715 736 653
Other assets	24 597 867	–	–	–	–	–	24 597 867
Total assets	2 894 430 868	796 920 545	533 989 347	845 187 893	4 540 546 739	2 699 591 382	12 310 666 774
Liabilities							
Customer deposits	(3 765 084 652)	(700 473 560)	(946 203 590)	(1 390 530 223)	(204 121 662)	–	(7 006 413 687)
Deposits - other	–	(57 382 888)	–	–	–	–	(57 382 888)
Balances due to other banks	(499 282 260)	(66 299 751)	–	–	–	–	(565 582 011)
Subordinated debt	(1 232 699)	(325 849)	(5 414 386)	(6 996 266)	(188 357 784)	–	(202 326 984)
Preference shares	–	–	(1 180 529)	(1 200 096)	(9 529 023)	(26 132 000)	(38 041 648)
Lease liabilities	(295 447)	(575 455)	(741 261)	(1 520 298)	(2 194 836)	–	(5 327 297)
Other liabilities	(67 827 379)	–	–	–	–	–	(67 827 379)
Total liabilities	(4 333 722 437)	(825 057 503)	(953 539 766)	(1 400 246 883)	(404 203 305)	(26 132 000)	(7 942 901 894)
Net liquidity gap	(1 439 291 569)	(28 136 958)	(419 550 419)	(555 058 990)	4 136 343 434	2 673 459 382	4 367 764 880
Cumulative liquidity gap	(1 439 291 569)	(1 467 428 527)	(1 886 978 946)	(2 442 037 936)	1 694 305 498	4 367 764 880	4 367 764 880

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. The preference shares are carried over a term of 5 years in line with prior year. Management has no intention to redeem the preference shares.

5. Financial risk management (continued)

(b) Liquidity risk (continued)

Amounts in BWP	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

Notes to the Consolidated and Separate financial statements (continued)

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 BWP	Up to 1 month	1-3 months	3-6 months	6-12 months	Total
Group and Company					
2025					
Assets					
Contractual amounts receivable	781 571 462	–	–	152 112 876	933 684 338
Contractual amounts payable	(739 367 800)	–	–	(130 463 151)	(869 830 951)
Total	42 203 662	–	–	21 649 725	63 853 387
Liabilities					
Contractual amounts receivable	955 994 142	19 569 453	–	130 463 151	1 106 026 746
Contractual amounts payable	(999 393 118)	(22 951 337)	–	(151 046 665)	(1 173 391 120)
Total	(43 398 976)	(3 381 884)	–	(20 583 514)	(67 364 374)
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)

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(b) Liquidity risk (continued)

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

Amounts in BWP	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
Group and Company 2025							
Financial guarantees	39 597 336	170 161 073	55 212 846	71 428 375	46 165 620	23 175 461	405 740 711
Letters of credit	42 630 766	6 913 590	25 636 008	20 285 228	–	–	95 465 592
Loan commitments	12 108 453	–	–	–	–	–	12 108 453
Total commitments and guarantees	94 336 555	177 074 663	80 848 854	91 713 603	46 165 620	23 175 461	513 314 756
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

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 bank is to manage operational risks so as to balance the avoidance of financial losses and damages to the bank'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.

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(d) Capital risk management

Bank of Botswana sets and monitors the capital requirements for the Bank. The revised capital directive, which is based on Basel II, became effective 1 January 2016. It requires the Bank to maintain a minimum of 12.5% (2024: 12.5%) of risk weighted assets covering operational, market and credit risks. The Bank'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 capital risk management note has been prepared in accordance with the Guidelines on the Revised International Convergence of Capital Measurement and Capital Standards for Botswana (Basel II). However, the capital note did not form part of the audit scope since the regulatory capital is not prepared in line with the IFRS Accounting Standards.

Amounts in BWP	Note	Group	
		2025	2024
Tier 1 capital			
Stated capital	24	140 000 000	140 000 000
Retained income		957 975 203	776 725 492
Credit loss reserve		15 289 391	15 289 391
Less: Intangible asset	13	(14 207 122)	(18 801 454)
		1 099 057 472	913 213 429
Tier 2 capital			
General provision – ECL		48 731 571	45 586 638
Subordinated debt		82 600 000	114 000 000
Preference shares	22	26 132 000	26 132 000
		157 463 571	185 718 638
Total regulatory capital		1 256 521 043	1 098 932 067
TOTAL RISK WEIGHTED ASSETS			
Credit risk weighted assets		6 020 676 159	4 937 378 511
Market risk weighted assets		51 536 781	11 621 978
Operational risk weighted assets		668 006 382	582 841 412
		6 740 219 322	5 531 841 901
Capital adequacy ratio		18.64%	19.87%
Regulatory requirement		12.50%	12.50%

Notes to the Consolidated and Separate financial statements (continued)

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 Bank's income or the value of its holding of financial instruments. The objective of the Bank'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.

During the current year, the presentation of the interest rate gap analysis has been revised as follows:

- (i) The 6–12 months time band has been disaggregated into 6–9 months and 9–12 months. Management believes that this change provides more relevant and decision-useful information by enhancing transparency over short-term repricing risk while aligning the presentation of longer-dated positions with the Group's interest rate risk management.

Management considers that the revised presentation provides more relevant and reliable information by enhancing transparency over short-term repricing risk, in line with IFRS 7 qualitative disclosure requirements, while the aggregation of longer-dated positions reflects the manner in which these exposures are managed.

The change represents a revision to presentation only and does not affect the Group's interest rate risk exposure, measurement methodology or risk management objectives.

Comparative information has been updated to conform to the current year presentation.

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(e) Market risk (continued)

Interest rate gap position

Amounts in BWP	0 – 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Group									
2025									
Assets									
Cash and cash equivalents	2 168 417 016	391 461 912	–	–	–	–	–	69 807 698	2 629 686 626
Investment securities	378 985 167	55 122 599	1 533 918	–	–	233 364 251	154 224 298	(139 184)	823 091 049
Loans and advances to customers	2 009 150 846	92 266 437	136 060 208	133 377 024	130 974 737	1 718 923 166	1 014 981 577	22 364 348	5 258 098 343
Derivative assets	–	–	–	–	–	–	–	61 241 372	61 241 372
Other assets	–	–	–	–	–	–	–	24 597 867	24 597 867
Total assets	4 556 553 029	538 850 948	137 594 126	133 377 024	130 974 737	1 952 287 417	1 169 205 875	177 872 101	8 796 715 257
Liabilities									
Deposits-other	–	(57 382 888)	–	–	–	–	–	–	(57 382 888)
Balances due to other banks	(498 802 390)	(65 001 395)	–	–	–	–	–	(447 371)	(564 251 156)
Customer deposits	(1 820 472 312)	(664 645 631)	(854 856 105)	(785 138 210)	(447 745 076)	(182 588 141)	–	(2 078 029 147)	(6 833 474 622)
Other liabilities	–	–	–	–	–	–	–	(67 827 379)	(67 827 379)
Derivative liabilities	–	–	–	–	–	–	–	(65 748 903)	(65 748 903)
Lease liabilities	(241 564)	(464 184)	(571 908)	(488 575)	(647 646)	(1 416 582)	–	–	(3 830 459)
Preference shares	–	–	(26 132 000)	–	–	–	–	–	(26 132 000)
Subordinated debt	(33 000 000)	(15 000 000)	(109 000 000)	–	–	–	–	(1 614 430)	(158 614 430)
Total liabilities	(2 352 516 266)	(802 494 098)	(990 560 013)	(785 626 785)	(448 392 722)	(184 004 723)	–	(2 213 667 230)	(7 777 261 837)
Net Interest sensitivity gap	2 204 036 763	(263 643 150)	(852 965 887)	(652 249 761)	(317 417 985)	1 768 282 694	1 169 205 875	(2 035 795 129)	1 019 453 420
Cumulative Interest sensitivity gap	2 204 036 763	1 940 393 613	1 087 427 726	435 177 965	117 759 980	1 886 042 674	3 055 248 549	1 019 453 420	1 019 453 420

The interest rate gap analysis reflects an asset-sensitive balance sheet, where assets reprice faster than liabilities. This results in positive gaps in these 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 BWP	0 – 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 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
Investments 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	2 027 927 791	79 754 962	118 260 100	117 866 195	113 243 992	1 498 815 996	774 600 447	7 520 345	4 737 989 828
Derivative assets	–	–	–	–	–	–	–	56 516 630	56 516 630
Other assets	–	–	–	–	–	–	–	17 363 062	17 363 062
Total assets	4 406 247 724	357 714 324	149 930 568	117 866 195	113 243 992	1 691 710 462	894 389 748	168 663 989	7 899 767 002
Liabilities									
Deposits-other	–	–	–	–	–	–	–	–	–
Balances due to other banks	(493 949 256)	–	(141 149 152)	–	–	–	–	–	(635 098 408)
Customer deposits	(1 251 798 242)	(698 591 858)	(1 086 153 938)	(490 878 238)	(510 914 084)	(327 432 575)	–	(1 802 319 085)	(6 168 088 020)
Other liabilities	–	–	–	–	–	–	–	(50 560 311)	(50 560 311)
Derivative liabilities	–	–	–	–	–	–	–	(23 092 168)	(23 092 168)
Lease liabilities	(244 714)	(488 686)	(735 350)	(724 138)	(695 741)	(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	(1 780 082 887)	(714 080 544)	(1 363 888 825)	(491 602 376)	(511 609 825)	(331 013 764)	–	(1 875 602 058)	(7 067 880 279)
Net Interest sensitivity gap	2 626 164 837	(356 366 220)	(1 213 958 257)	(373 736 181)	(398 365 833)	1 360 696 698	894 389 748	(1 706 938 069)	831 886 723
Cumulative Interest sensitivity gap	2 626 164 837	2 269 798 617	1 055 840 360	682 104 179	283 738 346	1 644 435 044	2 538 824 792	831 886 723	831 886 723

In prior year, current accounts, staff fair value, loan processing fees and DSA commission were disclosed in the 0-1 month bucket. These balances are not interest sensitive and have been accurately classified as non-interest sensitive in the current year, with the comparative updated accordingly.

5. Financial risk management (continued)

(e) Market risk (continued)

Interest rate gap position (continued)

As noted on page 114, the interest rate gap position disclosure was updated, disclosure for the prior year was as follows:

Amounts in BWP	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
Investments 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 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
Cumulative Interest sensitivity 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 BWP	0 – 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Company									
2025									
Assets									
Cash and cash equivalents	2 168 417 016	391 461 912	–	–	–	–	–	69 807 698	2 629 686 626
Investment securities	378 985 167	55 122 599	1 533 918	–	–	233 364 251	154 224 298	(139 184)	823 091 049
Loans and advances to customers	2 009 150 846	92 266 437	136 060 208	133 377 024	130 974 737	1 718 923 166	1 014 981 577	22 364 348	5 258 098 343
Derivative assets	–	–	–	–	–	–	–	61 241 372	61 241 372
Other assets	–	–	–	–	–	–	–	23 447 518	23 447 518
Total assets	4 556 553 029	538 850 948	137 594 126	133 377 024	130 974 737	1 952 287 417	1 169 205 875	176 721 752	8 795 564 908
Liabilities									
Deposits- other	–	(57 382 888)	–	–	–	–	–	–	(57 382 888)
Balances due to other banks	(498 802 390)	(65 001 395)	–	–	–	–	–	(447 371)	(564 251 156)
Customer deposits	(1 820 472 312)	(664 645 631)	(854 856 105)	(785 138 210)	(447 745 076)	(182 588 141)	–	(2 105 082 057)	(6 860 527 532)
Other liabilities	–	–	–	–	–	–	–	(67 931 336)	(67 931 336)
Derivative liabilities	–	–	–	–	–	–	–	(65 748 903)	(65 748 903)
Lease liabilities	(241 564)	(464 184)	(571 908)	(488 575)	(647 646)	(1 416 582)	–	–	(3 830 459)
Preference shares	–	–	(26 132 000)	–	–	–	–	–	(26 132 000)
Subordinated debt	(33 000 000)	(15 000 000)	(109 000 000)	–	–	–	–	(1 614 430)	(158 614 430)
Total liabilities	(2 352 516 266)	(802 494 098)	(990 560 013)	(785 626 785)	(448 392 722)	(184 004 723)	–	(2 240 824 097)	(7 804 418 704)
Net Interest sensitivity gap	2 204 036 763	(263 643 150)	(852 965 887)	(652 249 761)	(317 417 985)	1 768 282 694	1 169 205 875	(2 064 102 345)	991 146 204
Cumulative Interest sensitivity gap	2 204 036 763	1 940 393 613	1 087 427 726	435 177 965	117 759 980	1 886 042 674	3 055 248 549	991 146 204	991 146 204

5. Financial risk management (continued)

(e) Market risk (continued)

Interest rate gap position (continued)

Amounts in BWP	0 – 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 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	2 027 927 791	79 754 962	118 260 100	117 866 195	113 243 992	1 498 815 996	774 600 447	7 520 345	4 737 989 828
Derivative assets	–	–	–	–	–	–	–	56 516 630	56 516 630
Other assets	–	–	–	–	–	–	–	16 513 957	16 513 957
Total assets	4 406 247 724	357 714 324	149 930 568	117 866 195	113 243 992	1 691 710 462	894 389 748	167 814 884	7 898 917 897
Liabilities									
Deposits- other	–	–	–	–	–	–	–	–	–
Balances due to other banks	(493 949 256)	–	(141 149 152)	–	–	–	–	–	(635 098 408)
Customer deposits	(1 266 798 242)	(698 591 858)	(1 086 153 938)	(490 878 238)	(510 914 084)	(327 432 575)	–	(1 805 917 781)	(6 186 686 716)
Other liabilities	–	–	–	–	–	–	–	(50 508 311)	(50 508 311)
Derivative liabilities	–	–	–	–	–	–	–	(23 092 168)	(23 092 168)
Lease liabilities	(244 714)	(488 686)	(735 350)	(724 138)	(695 741)	(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	(1 795 082 887)	(714 080 544)	(1 363 888 825)	(491 602 376)	(511 609 825)	(331 013 764)	–	(1 879 148 754)	(7 086 426 975)
Net Interest sensitivity gap	2 611 164 837	(356 366 220)	(1 213 958 257)	(373 736 181)	(398 365 833)	1 360 696 698	894 389 748	(1 711 333 870)	812 490 922
Cumulative Interest sensitivity gap	2 611 164 837	2 254 798 617	1 040 840 360	667 104 179	268 738 346	1 629 435 044	2 523 824 792	812 490 922	812 490 922

In prior year, current accounts, staff fair value, loan processing fees and DSA commission were disclosed in the 0-1 month bucket. These balances are not interest sensitive and have been accurately classified as non-interest sensitive in the current year, with the comparative updated accordingly.

Notes to the Consolidated and Separate financial statements (continued)

5. Financial risk management (continued)

(e) Market risk (continued)

Interest rate gap position (continued)

As noted on page 114, the interest risk disclosure was updated, disclosure for the prior year was as follows:

Amounts in BWP	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 sensitivity 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 sensitivity 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

Notes to the Consolidated and Separate financial statements (continued)

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:

Interest rate sensitivity analysis

Interest rate sensitive instruments

Amounts in BWP	0 – 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	1 – 5 years	Over 5 years	Non-interest Bearing	Total
Group 2025									
Total Assets	4 556 553 029	538 850 948	137 594 126	133 377 024	130 974 737	1 952 287 417	1 169 205 875	177 872 101	8 796 715 257
Total Liabilities	(2 352 516 266)	(802 494 098)	(990 560 013)	(785 626 785)	(448 392 722)	(184 004 723)	–	(2 213 667 230)	(7 777 261 837)
Interest sensitivity gap	2 204 036 763	(263 643 150)	(852 965 887)	(652 249 761)	(317 417 985)	1 768 282 694	1 169 205 875	(2 035 795 129)	1 019 453 420

Increase in profit or loss and equity due to an increase in average interest rate:

1%	30 552 485
2%	61 104 971
3%	91 657 456

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

Interest rate sensitive instruments

Amounts in BWP	0 – 1 month	1 – 3 Months	3 – 6 months	6 – 9 months	9 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Group 2024									
Total Assets	4 406 247 724	357 714 324	149 930 568	117 866 195	113 243 992	1 691 710 462	894 389 748	168 663 989	7 899 767 002
Total Liabilities	(1 780 082 887)	(714 080 544)	(1 363 888 825)	(491 602 376)	(511 609 825)	(331 013 764)	–	(1 875 602 058)	(7 067 880 279)
Interest sensitivity gap	2 626 164 837	(356 366 220)	(1 213 958 257)	(373 736 181)	(398 365 833)	1 360 696 698	894 389 748	(1 706 938 069)	831 886 723

Increase in profit or loss and equity due to an increase in average interest rate (restated):

1%	25 388 248
2%	50 776 496
3%	76 164 744

A corresponding average decrease in interest rates would have the same, but opposite effect. In the prior year, the impact of a change of 1%, 2% and 3% was incorrectly disclosed as P8 970 882, P17 941 763 and P26 912 645, respectively. No separate company-specific table has been included as the difference with Group is only between other assets and other liabilities which have immaterial balances.

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:

Amounts in BWP	Group and Company	
	2025 %	2024 %
Assets:		
Standing deposit facility	2.50	0.90
Deposits with banking institutions (average rate)	2.82	3.90
Loans and advances to customers – Consumer lending (average rate)	22.83	23.00
Loans and advances to customers – Corporate (average rate)	10.73	8.95
Liabilities:		
Customer deposits (average rate)	6.21	3.59
Subordinated debt (average rate)	8.90	8.03

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 Bank 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)

Foreign Exchange Rate Risk Management (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 Bank's foreign exchange exposures in Botswana Pula at the reporting date were as follows:

Group and Company

Amounts in BWP	Assets	Liabilities	Forward/Spot	Net	Long	Short	Sensitivity
2025							
USD	2 160 556 875	2 485 462 665	336 392 373	11 486 583	11 486 583	–	114 866
GBP	32 608 396	32 502 362	1 633 532	1 739 566	1 739 566	–	17 396
EUR	453 012 344	327 621 564	(123 239 237)	2 151 543	2 151 543	–	21 515
ZAR	166 465 260	108 163 276	(49 367 825)	8 934 159	8 934 159	–	89 342
INR	4 005 904	–	(353 858)	3 652 046	3 652 046	–	36 520
JPY	1 045 322	66	–	1 045 256	1 045 256	–	10 453
ZMW	113 434	–	781 889	895 323	895 323	–	8 953
	2 817 807 535	2 953 749 933	165 846 874	29 904 476	29 904 476	–	299 045

Group and Company

Amounts in BWP	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.

Notes to the Consolidated and Separate financial statements (continued)

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 Bank is subject to extensive supervisory and regulatory regimes, and the executive management remains responsible for overseeing the management of the Bank's compliance risk.

Money laundering control and regulatory control are managed within the compliance function and there are legislative requirements in both these areas. The Bank 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 Bank'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 Bank. The Bank has a dedicated Anti-Money Laundering Officer.

6. Cash and cash equivalents

Amounts in BWP	Group and Company	
	2025	2024
Balances with the Central Bank	126 285 603	313 195 521
Balances with local banks and other financial institutions	898 653 427	975 075 263
Balances with foreign banks	1 535 015 814	917 079 096
Cash balances	69 807 698	98 409 871
Gross cash and cash equivalents	2 629 762 542	2 303 759 751
Expected credit losses cash and cash equivalents	(75 916)	(27 590)
	2 629 686 626	2 303 732 161

Included in balances with foreign banks is P113 434 (2024: P984 820) held with related parties.

Balances with the Central Bank comprise operational balances held to meet daily liquidity and settlement requirements, and treasury bills which qualify for classification as cash and cash equivalents as they have original maturities of 3 months or less, are highly liquid and are subject to insignificant risk of changes in value.

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.

Notes to the Consolidated and Separate financial statements (continued)

7. Derivative financial instruments

Amounts in BWP	Group and Company	
	2025	2024
Derivative assets		
Foreign currency forward contracts	40 675 038	55 522 891
Foreign currency swaps	20 566 334	993 739
	61 241 372	56 516 630
Derivative liabilities		
Foreign currency forward contracts	45 942 069	23 092 168
Foreign currency swap	19 806 834	–
	65 748 903	23 092 168
Net gains/(losses) on derivative instruments		
Net (losses)/gains on foreign currency swaps	(2 856 151)	(2 841 381)
Net (losses)/gains on foreign currency forward contracts	49 923 940	97 671 036
	47 067 789	94 829 655

As at the reporting date, the notional amounts of the foreign currency swap asset and liability are P130 463 144 (2024: P450 000 000) and P247 879 974 (2024: nil), respectively. The notional amounts of the foreign currency forward contract classified as an asset and a liability are P718 285 110 (2024: P1 924 674 671) and P885 100 952 (2024: P1 338 460 678), 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

Amounts in BWP	Group and Company	
	2025	2024
Local registered government bonds	328 663 271	247 071 154
Bonds with foreign banks	64 990 015	69 305 122
Placements with other banks	429 576 947	468 223 846
Gross investment securities	823 230 233	784 600 122
Expected credit losses	(139 184)	(434 801)
Net investment securities	823 091 049	784 165 321

As at the reporting date, pledges have been made with the Bank of Botswana against bonds, with a combined par value of P260 000 000 (2024: P190 000 000).

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

Notes to the Consolidated and Separate financial statements (continued)

9. Other assets

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Clearing accounts	–	147 612	–	147 612
Prepaid expenses	7 808 524	6 637 528	7 797 373	6 626 661
Prepaid asset*	8 515 330	–	8 515 330	–
Prepaid staff benefit	25 426 167	18 192 115	25 426 167	18 192 115
Security deposit	398 191	374 191	398 191	374 191
Visa and Mastercard collateral	10 650 926	11 110 382	10 650 926	11 110 382
Point of sale settlement	7 086 729	4 189 066	7 086 729	4 189 066
Related party receivables**	747 329	208 962	1 013 876	208 962
Other**	6 508 709	2 195 978	4 695 987	857 935
	67 141 905	43 055 834	65 584 579	41 706 924
Movement in other assets (per statement of cash flows) note 39				
Movement in other assets	24 086 071	11 105 093	23 877 655	10 949 279
Non-cash movement	(10 728 226)	(5 852 992)	(10 728 226)	(5 852 992)
	13 357 845	5 252 101	13 149 429	5 096 287
Reconciliation of other assets to other financial assets (Note 4 (b))				
Other assets (total)	67 141 905	43 055 834	65 584 579	41 706 924
Prepaid expense	(7 808 524)	(6 637 528)	(7 797 373)	(6 626 661)
Prepaid asset	(8 515 330)	–	(8 515 330)	–
Withholding tax receivable	(395 826)	(488 938)	–	–
Prepaid staff benefit	(25 426 167)	(18 192 115)	(25 426 167)	(18 192 115)
Security deposit	(398 191)	(374 191)	(398 191)	(374 191)
	24 597 867	17 363 062	23 447 518	16 513 957

* Prepaid assets relate to advance payments to suppliers for the acquisition of intangible assets and PPE not yet capitalised.

** Related party receivables were disclosed under "Other" in the prior year, with a footnote explaining this. The balances have been separately disclosed in the current year for improved presentation with comparative amounts reclassified accordingly, for comparability.

10. Right-of-use assets

Amounts in BWP	Group and Company	
	2025	2024
Right-of-use assets		
Cost		
Opening balance	10 773 549	11 459 696
Additions	–	1 148 022
Modifications	435 863	–
Terminated during the year	(578 293)	(1 834 169)
At end of year	10 631 119	10 773 549
Accumulated depreciation		
Opening balance	5 703 768	3 765 002
Right of use charge	2 883 621	2 831 478
Expired and terminated during the year	(308 280)	(892 712)
At end of year	8 279 109	5 703 768
Carrying amount	2 352 010	5 069 781
Amounts recognised in profit/loss		
Interest expense on lease liabilities (note 19)	486 090	623 779
Expenses - short term and low value leases	728 987	481 921
Depreciation charge	2 883 621	2 831 478
	4 098 698	3 937 178

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.

During the year, the Group modified one lease arrangement, primarily relating to changes in lease terms. These modifications were accounted for in accordance with IFRS 16 and resulted in a remeasurement of the related lease liabilities with a corresponding adjustment to right-of-use assets. The impact of the lease modifications is included within the lease movement disclosures presented above.

11. Loans and advances

Amounts in BWP	Group and Company	
	2025	2024
Gross loans and advances are receivable as follows:		
Gross loans and advances	5 363 268 195	4 829 030 426
Expected credit losses	(105 169 852)	(91 040 598)
Net loans and advances	5 258 098 343	4 737 989 828

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.

Amounts in BWP	Group and Company			
	Stage 1	Stage 2	Stage 3	Total
Group and company				
2025				
Gross loans and advances as at 1 January 2025	4 456 995 153	260 244 839	111 790 434	4 829 030 426
Transfer between stages:	(343 633 519)	323 221 179	20 412 340	-
Net transfer (to)/from stage 1	(517 011 290)	490 254 685	26 756 605	-
Net transfer (to)/from stage 2	169 156 790	(187 391 252)	18 234 462	-
Net transfer (to)/from stage 3	4 220 981	20 357 746	(24 578 727)	-
New loans and advances	3 131 774 458	159 559 372	21 174 755	3 312 508 585
New loans and advances	3 131 774 458	159 559 372	21 174 755	3 312 508 585
Repayments	(2 496 127 593)	(226 331 574)	(30 756 677)	(2 753 215 844)
Amounts written off during the year as uncollectible	(13 086 228)	(2 994 199)	(8 974 545)	(25 054 972)
Gross loans and advances balance as at 31 December 2025	4 735 922 271	513 699 617	113 646 307	5 363 268 195

11. Loans and advances (continued)

Amounts in BWP	Group and Company			
	Stage 1	Stage 2	Stage 3	Total
Group and company 2024				
Gross loans and advances as at 1 January 2024	4 026 394 510	225 003 828	83 594 408	4 334 992 746
Transfer between stages:	(105 935 814)	52 685 346	53 250 468	–
Net transfer (to)/from stage 1	(245 005 794)	224 632 097	20 373 697	–
Net transfer (to)/from stage 2	136 933 419	(171 947 172)	35 013 753	–
Net transfer (to)/from stage 3	2 136 561	421	(2 136 982)	–
New loans and advances	2 955 072 208	89 867 596	12 766 981	3 057 706 785
New loans and advances	2 955 072 208	89 867 596	12 766 981	3 057 706 785
Repayments	(2 402 519 071)	(103 681 698)	(27 702 551)	(2 533 903 320)
Amounts written off during the year as uncollectible	(16 016 680)	(3 630 233)	(10 118 872)	(29 765 785)
Gross loans and advances balance as at 31 December 2024	4 456 995 153	260 244 839	111 790 434	4 829 030 426

Notes to the Consolidated and Separate financial statements (continued)

11. Loans and advances (continued)

Group and Company

Amounts in BWP	Stage 1	Stage 2	Stage 3	Total
Group and company 2025				
Impairment as at 1 January 2025	(32 801 744)	(12 900 621)	(45 338 233)	(91 040 598)
Transfer between stages:	1 734 785	819 419	(2 554 204)	-
Net transfer (to)/from stage 1	7 981 115	(6 479 845)	(1 501 270)	-
Net transfer (to)/from stage 2	(5 287 191)	7 566 073	(2 278 882)	-
Net transfer (to)/from stage 3	(959 139)	(266 809)	1 225 948	-
Net impairments (recognised)/released	(10 641 841)	(11 322 917)	(17 861 575)	(39 826 333)
Net impairment movement during the year	(10 641 841)	(11 322 917)	(17 861 575)	(39 826 333)
Impaired accounts written off	13 086 228	2 994 199	8 974 545	25 054 972
Net movement on interest in suspense	-	-	642 107	642 107
Impairment as at 31 December 2025	(28 622 572)	(20 409 920)	(56 137 360)	(105 169 852)

Group and Company

Amounts in BWP	Stage 1	Stage 2	Stage 3	Total
Group and company 2024				
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)
Impairment as at 31 December 2024	(32 801 744)	(12 900 621)	(45 338 233)	(91 040 598)

Notes to the Consolidated and Separate financial statements (continued)

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 (2024: P1 000 000).

13. Intangible assets

Amounts in BWP	Group and Company		
	2025		
	Software	Capital work in progress	Total
Cost			
As at 1 January	39 992 719	3 058 352	43 051 071
Additions	2 235 958	–	2 235 958
Write off/Reclassification*	(245 022)	(3 058 352)	(3 303 374)
As at 31 December	41 983 655	–	41 983 655
Accumulated amortisation			
As at 1 January	24 249 617	–	24 249 617
Charge for the year	3 543 974	–	3 543 974
Write off/Reclassification*	(17 058)	–	(17 058)
As at 31 December	27 776 533	–	27 776 533
Carrying amount	14 207 122	–	14 207 122

* During the current financial year, prepayments towards intangible assets was reclassified from Intangible assets to Other assets to accurately reflect the nature of the underlying assets.

Amounts in BWP	Group and Company		
	2024		
	Software	Capital work in progress	Total
Cost			
As at 1 January	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			
As at 1 January	21 352 941	–	21 352 941
Charge for the year	2 896 676	–	2 896 676
As at 31 December	24 249 617	–	24 249 617
Carrying amount	15 743 102	3 058 352	18 801 454

Notes to the Consolidated and Separate financial statements (continued)

14. Investment property

Amounts in BWP

	2025	2024
As at 1 January	23 570 000	–
Transfer from property and equipment	–	25 722 584
Movements in fair value adjustments	980 000	(2 152 584)
As at 31 December	24 550 000	23 570 000

The investment property is held to earn rental income and for capital appreciation rather than for use in the supply of goods or services or for administrative purposes.

These properties were revalued as of 22 September 2025 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.

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. Range refers to weighted average benchmarking rental rate per square meter (sqm) against comparable properties in the market.

Amounts in BWP	Fair value	Valuation technique	Significant unobservable inputs	Range (weighted average)
Property description				
Plot 74768 (section 2&3), 2nd Commercial Road, New CBD, Gaborone	24 550 000	Income approach	Rental per sqm (BWP)	120 – 175 (136)

14. Investment property (continued)

Valuation technique and significant unobservable inputs (continued)

Fair value sensitivity analysis

2025

Amounts in BWP

Plot 74768, Section 4, CBD

Open market value	Total square metres
24 550 000	1 579

Increase/decrease in the fair value due to a change in rental per square metre by the same percentage would result in an equal and opposite impact on the fair value:

1%	245 500
2%	491 000
3%	736 500

2024

Amounts in BWP

Property description

Plot 74768 (section 2&3), 2nd Commercial Road, New CBD, Gaborone

Fair value	Valuation technique	Significant unobservable inputs	Range (weighted average)
23 570 000	Income approach	Rental per sqm (BWP)	120 – 260 (162)

Fair value sensitivity analysis

Amounts in BWP

Plot 74768 Section 4 CBD

Open market value	Total square metres
23 570 000	1 579

Increase/decrease in the fair value due to a change in rental per square metre by the same percentage would result in an equal and opposite impact on the fair value:

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

Notes to the Consolidated and Separate financial statements (continued)

14. Investment property (continued)

Valuation technique and significant unobservable inputs (continued)

The fair value of the investment property has been determined using the income approach, considering prevailing market rental income per square meter 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.

Income and expenses related to the property

Amounts in BWP	2025	2024
Rental income from investment property	2 311 662	2 211 990
Direct operating expenses from rental generating property	(728 987)	(351 147)
	1 582 675	1 860 843

Rental income and expenses from investment property are reported within other operating income and administration and general 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 five 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 risk 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.

Notes to the Consolidated and Separate financial statements (continued)

15. Property and equipment

Amounts in BWP	Motor vehicles	Furniture and fittings	Computer hardware	Freehold and leasehold land and buildings	Leasehold improvements	Capital work in progress	Total
Group and Company 2025							
Cost or valuation							
As at 1 January	4 873 310	51 731 322	12 644 575	63 270 000	11 351 651	–	143 870 858
Additions	–	194 481	3 202 547	–	10 000	–	3 407 028
Transfer/Reclassification	–	319 340	–	–	(319 340)	–	–
Disposals and write offs	–	–	(10 272)	–	–	–	(10 272)
As at 31 December	4 873 310	52 245 143	15 836 850	63 270 000	11 042 311	–	147 267 614
Accumulated depreciation							
As at 1 January	3 102 984	33 500 494	8 247 625	348 719	3 266 141	–	48 465 963
Charge for the year	528 501	4 901 518	1 744 456	1 413 750	2 208 462	–	10 796 687
Transfer/Reclassification	–	131 058	–	–	(131 058)	–	–
Disposals and write offs	–	–	(8 386)	–	–	–	(8 386)
As at 31 December	3 631 485	38 533 070	9 983 695	1 762 469	5 343 545	–	59 254 264
Carrying amount	1 241 825	13 712 073	5 853 155	61 507 531	5 698 766	–	88 013 350

15. Property and equipment (continued)

Amounts in BWP	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							
As at 1 January	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)
As at 31 December	4 873 310	51 731 322	12 644 575	63 270 000	11 351 651	–	143 870 858
Accumulated depreciation							
As at 1 January	2 642 792	29 496 178	6 920 400	1 511 352	1 903 822	–	42 474 544
Charge for the year	460 192	4 191 013	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 cost on revaluation	–	–	–	(2 469 813)	–	–	(2 469 813)
As at 31 December	3 102 984	33 500 494	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

Freehold and leasehold land and buildings comprise:

- (1) A commercial 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, leasehold improvements as well as leasehold land and buildings every two years to ensure that the carrying amounts do not differ materially from their fair values.

Notes to the Consolidated and Separate financial statements (continued)

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. Range refers to weighted average benchmarking rental rate per square meter (sqm) against comparable properties in the market.

Amounts in BWP	Fair value	Valuation technique	Significant unobservable inputs	Range (weighted average)
Property description				
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)

Amounts in BWP	Group and Company	
	2025	2024
Property revaluation reserve		
Opening balance	9 104 947	4 932 535
Revaluation gain	–	5 349 246
Deferred tax on revaluation gain (Note 21)	–	(1 176 834)
	9 104 947	9 104 947
Reconciliation of net carrying amount		
Opening cost	62 921 281	82 935 725
Additions	–	776 043
Transfers from CWIP	–	938 276
Revaluation gain	–	5 349 246
Transfer to investment property	–	(25 722 584)
Accumulated depreciation	(1 413 750)	(1 355 425)
Closing carrying amount	61 507 531	62 921 281

15. Property and equipment (continued)

Carrying amount under cost model

Had the freehold, leasehold improvement as well as leasehold property been carried under the cost model, the carrying amount as of the reporting date would have been as follows:

Amounts in BWP	Group and Company	
	2025	2024
Cost	63 205 466	63 205 466
Accumulated depreciation	(14 884 489)	(13 620 562)
Carrying amount	48 320 977	49 584 904

Fair value sensitivity analysis

Amounts in BWP	Open Market Value	Total Square Metres	Value per Square Metre
Group and Company 2024 and 2025			
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/decrease in the fair value due to a change in rental per square metre by the same percentage would result in an equal and opposite impact on the fair value:			
	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.

Notes to the Consolidated and Separate financial statements (continued)

16. Deposits from customers

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Current accounts	739 506 935	801 813 029	766 559 845	805 411 725
Savings accounts	142 409 900	156 129 346	142 409 900	156 129 346
Foreign currency denominated accounts	1 177 591 002	934 885 855	1 177 591 002	934 885 855
Call deposit accounts	719 445 958	546 687 876	719 445 958	546 687 876
Term deposit accounts	4 054 520 827	3 728 571 914	4 054 520 827	3 743 571 914
	6 833 474 622	6 168 088 020	6 860 527 532	6 186 686 716

17. Deposits - other

Amounts in BWP	Group and Company	
	2025	2024
Repurchase agreement	57 382 888	–
	57 382 888	–

In accordance with the Central Bank's liquidity providing regulatory framework, the Bank had a repurchase agreement with Bank of Botswana of P57 382 888 at the reporting date (2024: PNil). The repurchase agreement was extended at the interest rate of the Monetary Policy Rate (MoPR) which was 3.50% at the reporting date. The collateral pledged for the transaction was P68 000 000 (2024: PNil) disclosed in note 8 on investment securities.

18. Balances due to other banks

Amounts in BWP	Group and Company	
	2025	2024
Due to local banks	394 431 874	523 185 484
Due to foreign banks	65 438 910	–
Due to related parties	104 380 372	111 912 924
	564 251 156	635 098 408

Notes to the Consolidated and Separate financial statements (continued)

19. Lease liabilities

Amounts in BWP	Group and Company	
	2025	2024
Carrying amount	3 830 459	6 469 818
As at 1 January	6 469 818	8 861 153
Additions	–	1 148 022
Modifications	435 863	–
Expired and terminated	(256 466)	(980 644)
Finance cost	486 090	623 779
Lease payments	(3 304 846)	(3 182 492)
As at 31 December	3 830 459	6 469 818

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

During the year, the Group modified one lease arrangement, primarily relating to changes in lease terms. These modifications were accounted for in accordance with IFRS 16 and resulted in a remeasurement of the related lease liabilities with a corresponding adjustment to right-of-use assets. The impact of the lease modifications is included within the lease movement disclosures presented above.

20. Other liabilities

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Accrued expenses	11 717 469	11 373 037	11 717 469	11 373 037
Clearing accounts	24 202 331	12 981 837	24 202 331	12 981 837
ECL on off-balance sheet exposures	6 378 206	5 257 600	6 378 206	5 257 600
Payroll accruals	29 751 258	27 001 636	29 482 547	26 957 539
VAT and withholding taxes	8 494 116	8 488 615	8 311 318	8 110 758
Visa settlement	6 120 698	4 912 773	6 120 698	4 912 773
Related party payables	7 670 557	4 361 182	7 670 557	4 361 182
Unclaimed balances	6 477 537	6 389 198	6 477 537	6 389 198
Insurance premiums payable	4 112 670	4 077 461	4 112 670	4 077 461
Others	1 147 911	2 317 113	1 251 868	2 265 113
	106 072 753	87 160 452	105 725 201	86 686 498
Movement in other liabilities per statement of cash flows (note 40)				
Movement in other liabilities	18 912 301	9 101 679	19 038 703	9 001 517
Non-cash items	(1 120 606)	2 322 891	(1 120 606)	2 322 891
	17 791 695	11 424 570	17 918 097	11 324 408
Reconciliation of total liabilities to financial liabilities per note 4 (b)				
Total other liabilities	106 072 753	87 160 452	105 725 201	86 686 498
Less: VAT and withholding taxes	(8 494 116)	(8 488 615)	(8 311 318)	(8 110 758)
Less: PAYE	–	(1 109 890)	–	(1 109 890)
Less: Payroll accruals	(29 751 258)	(27 001 636)	(29 482 547)	(26 957 539)
	67 827 379	50 560 311	67 931 336	50 508 311

Notes to the Consolidated and Separate financial statements (continued)

21. Deferred tax assets and liabilities

	Group		Company	
	2025	2024	2025	2024
Amounts in BWP				
Deferred tax assets	37 147	27 309	–	–
Deferred tax liabilities	29 645 207	34 962 810	29 645 207	34 962 810

Analysis of deferred tax asset

	Group	
	2025	2024
Amounts in BWP		
Prepayments	(2 453)	(2 391)
Other temporary differences	39 600	29 700
Balance as at 31 December	37 147	27 309

The movement in deferred tax for the year relates primarily to the charge recognised in the income statement, arising from temporary differences between accounting and tax bases.

Analysis of deferred tax liability 2025

	Group and Company			
	Opening balance	Charge/ (Credit) to P/L	Charge/ (Credit) to OCI	Closing balance
Amounts in BWP				
Property and equipment	4 409 831	(517 445)	–	3 892 386
Accrued income	(10 591 128)	(670 069)	–	(11 261 197)
Deferred commission expense	33 905 917	8 016 358	–	41 922 275
Unrealised gain on mark-to-market	7 134 759	(8 155 233)	–	(1 020 474)
Revaluation of investment property	(473 568)	215 600	–	(257 968)
Revaluation of property	2 568 062	–	–	2 568 062
Payroll accruals	(1 070 301)	(3 950 100)	–	(5 020 401)
Prepaid expenses	1 540 188	262 837	–	1 803 025
Management fees	(1 187 559)	(701 135)	–	(1 888 694)
Other temporary differences	(1 273 391)	181 584	–	(1 091 807)
Balance as at 31 December	34 962 810	(5 317 603)	–	29 645 207

21. Deferred tax assets and liabilities (continued)

Analysis of deferred tax liability 2024

	Group and Company			
	Opening balance	Charge/ (Credit) to P/L	Charge/ (Credit) to OCI	Closing balance
Amounts in BWP				
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
Payroll accruals	(889 099)	(181 202)	–	(1 070 301)
Prepaid expenses	931 216	608 972	–	1 540 188
Management fees	(749 285)	(438 274)	–	(1 187 559)
Other temporary differences	(292 112)	(981 279)	–	(1 273 391)
Balance as at 31 December	20 742 590	13 043 386	1 176 834	34 962 810

In the prior year, the 'Other' category included prepaid expenses, payroll accruals, accrued management fees, and other minor items, which have been disaggregated in the current year for improved presentation.

Notes to the Consolidated and Separate financial statements (continued)

22. Subordinated debt

Amounts in BWP	Group and Company	
	2025	2024
As at 1 January	158 439 554	158 462 936
Interest charged during the year	12 109 700	12 880 048
Interest paid during the year	(11 657 284)	(12 533 925)
Unamortised issue costs	(277 540)	(369 505)
As at 31 December	158 614 430	158 439 554

Subordinated debt comprises:

- P15 million floating rate notes of P1.00 each maturing on 1 July 2027, with an effective interest rate of 8.81%.
- P33 million floating rate notes of P1.00 each maturing on 25 July 2028, with an effective interest rate of 7.41% following introduction of the MOPR by the Bank of Botswana in April 2022. The Bank had an early optional redemption date of 25 January 2023 subject to prior written consent from Bank of Botswana. The Bank has not exercised this option.
- P100 million floating rate notes of P1.00 each maturing on 31 May 2029, with an effective interest rate of 9.36% following introduction of the MOPR by the Bank of Botswana in April 2022. The Bank had an early optional redemption date of 30 April 2024 subject to prior written consent from Bank of Botswana. The Bank has not exercised this option.
- P4 million floating rate notes of P1.00 each maturing on 31 May 2029, with an effective interest rate of 9.36% following introduction of the MOPR by the Bank of Botswana in April 2022. The Bank had an early optional redemption date of 30 April 2024 subject to prior written consent from Bank of Botswana. The Bank has not exercised this option.
- P5 million floating rate notes of P1.00 each maturing on 31 January 2030, with an effective interest rate of 9.36% following introduction of the MOPR by the Bank of Botswana in April 2022. The Bank had an early optional redemption date of 16 January 2025 subject to prior written consent from Bank of Botswana. The Bank has not exercised this option.

Currently there are no plans by management to exercise the call option pertaining to subordinated debt.

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

23. Preference shares

Amounts in BWP	Group and Company	
	2025	2024
Redeemable preference shares of no-par value		
As at 1 January	26 132 000	26 132 000
Interest charged during the year	1 962 513	2 058 574
Interest paid during the year	(1 962 513)	(2 058 574)
As at 31 December	26 132 000	26 132 000

Preference shares earned dividends at a cumulative rate of 7.51%, these repriced to 9.11% as at 31 December 2025. 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.

24. Stated capital

Amounts in BWP	Group and Company	
	2025	2024
Ordinary shares of no-par value		
Balance as at 31 December	140 000 000	140 000 000

Stated capital comprises 101 833 333 (2024: 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.

25. Credit loss reserve

Amounts in BWP	Group and Company	
	2025	2024
Balance as at 31 December	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.

26. Interest income at effective interest rate

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Loans and advances	848 139 873	742 158 598	848 139 873	742 158 598
Bonds	27 727 868	18 759 128	27 727 868	18 759 128
Treasury bills	9 735 051	3 334 926	9 735 051	3 334 926
Placements with other banks	85 344 224	62 977 952	85 344 224	62 977 952
	970 947 016	827 230 604	970 947 016	827 230 604

Notes to the Consolidated and Separate financial statements (continued)

27. Interest expense at effective interest rate

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Current accounts	12 231 317	1 548 898	12 231 317	1 548 898
Savings accounts	2 248 405	2 179 446	2 248 405	2 179 446
Call deposits	16 832 145	14 841 279	16 832 145	14 841 279
Fixed deposits	338 689 532	195 113 797	339 286 635	195 781 224
Balances due to other banks	17 580 512	13 464 895	17 580 512	13 464 895
Subordinated debt	12 109 700	12 880 048	12 109 700	12 880 048
Preference shares	1 962 513	2 058 574	1 962 513	2 058 574
Lease liabilities	486 090	623 779	486 090	623 779
	402 140 214	242 710 716	402 737 317	243 378 143

28. Net fee and commission income

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Fees received at a point in time				
Insurance commission	14 407 867	11 349 217	–	–
Account activity fees	3 832 741	3 226 866	3 833 360	3 226 866
Card-based transaction fees including point-of-sale	24 093 073	10 309 880	24 093 073	10 309 880
Cash deposit and withdrawal fees	6 375 551	7 322 768	6 375 551	7 322 768
Other fees and commission	4 277 787	5 151 962	4 277 787	5 152 581
	52 987 019	37 360 693	38 579 771	26 012 095
Fees received over time				
Commission on bank guarantees and letters of credit	7 851 575	5 994 417	7 851 575	5 994 417
Total fee and commission income	60 838 594	43 355 110	46 431 346	32 006 512
Fee and commission expense				
VISA	(14 250 876)	(8 674 417)	(14 250 876)	(8 674 417)
Point-of-sale	(5 472 591)	(1 480 014)	(5 472 591)	(1 480 014)
Total fee and commission expense	(19 723 467)	(10 154 431)	(19 723 467)	(10 154 431)
Net fee and commission income	41 115 127	33 200 679	26 707 879	21 852 081

29. Net gains/(loss) on foreign exchange transactions

Amounts in BWP	Group and Company	
	2025	2024
Net gains/(losses) on foreign currency	97 729 498	(25 518 539)
Commission on foreign currency transactions	6 692 203	6 139 165
	104 421 701	(19 379 374)

30. Other operating income

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Net gain/(loss) on termination of lease contracts and disposal of property and equipment	63 077	(24 029)	63 077	(24 029)
Management fees	–	–	2 056 453	2 056 453
Rental income from investment property	2 311 662	2 211 990	2 311 662	2 211 990
Other income	889 873	92 687	889 873	92 687
Total other operating income	3 264 612	2 280 648	5 321 065	4 337 101

The future minimum rental income receivable under non-cancellable operating leases are as follows:

Period	Group	Company
Within 12 months	1 788 600	1 788 600
1-2 years	1 788 600	1 788 600
2-3 years	1 788 600	1 788 600
3-4 years	–	–
	5 365 800	5 365 800

31. Staff costs

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Salaries and wages	84 149 796	71 447 689	83 310 371	70 824 318
Contributions to staff defined contribution plan	9 311 266	7 868 747	9 202 141	7 787 299
Post employment benefits other than pension	980 089	928 385	980 089	928 385
Training costs	1 166 406	1 402 683	1 150 841	1 392 183
Staff incentives	33 249 690	27 862 759	33 074 690	27 727 759
Medical expenses	5 533 951	5 478 517	5 459 629	5 420 816
Leave pay	632 935	2 093 355	613 910	2 023 668
Recruitment and settlements	974 560	661 421	974 560	661 421
	135 998 693	117 743 556	134 766 231	116 765 849

32. Premises and equipment costs

Amounts in BWP	Group and Company	
	2025	2024
Equipment hire	1 650 525	1 612 819
Rates and utilities	2 186 830	1 965 056
Premises and equipment repairs and maintenance	750 921	701 651
Security costs	2 283 081	2 076 131
	6 871 357	6 355 657

Equipment hire under premises and equipment costs includes leases that meet the criteria for low value asset leases in accordance with IFRS 16 – Leases.

33. Information technology costs

Amounts in BWP	Group and Company	
	2025	2024
Computer repairs and maintenance	123 457	179 532
Software licensing costs	25 292 841	23 599 132
Internet connectivity	2 545 681	1 223 721
	27 961 979	25 002 385

34. Administration and general expenses

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Auditor's remuneration	3 128 673	2 286 071	3 074 673	2 234 071
Bank charges	6 812 124	8 241 102	6 812 124	8 241 102
Non-executive directors' fees and expenses	2 921 826	3 018 653	2 921 826	3 018 653
Fuel	371 753	322 319	371 753	322 319
Insurance	1 849 730	1 651 435	1 840 289	1 642 086
Legal and professional fees, fines, litigation and penalties	2 041 340	7 385 060	2 009 981	7 360 947
Marketing costs	5 048 478	5 945 138	5 048 478	5 945 138
Motor vehicle running costs	213 874	122 084	213 874	122 084
Operational losses	436 529	3 132 979	436 529	3 132 979
Other payroll lending costs	6 302 680	8 640 417	6 093 889	8 640 417
Staff welfare costs	1 901 152	1 481 498	1 901 152	1 481 498
Cash transportation expenses	1 463 591	1 703 837	1 463 591	1 703 837
Cleaning costs	1 428 534	1 377 804	1 428 534	1 377 804
Corporate and professional subscriptions	4 901 391	2 642 677	4 901 391	2 642 677
Irrecoverable indirect taxes	3 633 245	3 868 697	3 633 245	3 868 697
Corporate social responsibility	1 638 316	1 575 599	1 635 609	1 575 599
Postage	757 167	1 184 361	757 167	1 184 361
Printing and stationery	796 865	593 203	796 865	593 203
Communication costs	1 704 652	1 856 405	1 704 652	1 856 405
Travel expenses	3 634 896	2 540 362	3 634 896	2 540 362
Other administration costs	1 256 420	2 359 329	1 221 315	2 167 507
	52 243 236	61 929 030	51 901 833	61 651 746

Notes to the Consolidated and Separate financial statements (continued)

35. Net impairment losses on financial assets

Amounts in BWP	Group and Company	
	2025	2024
Net expected credit loss recognised/(released):		
– Investment securities and cash equivalents	(247 291)	(2 485 263)
– Loans and advances to customers	39 826 333	11 962 033
– Guarantees and letters of credit	1 120 606	(2 322 891)
	40 699 648	7 153 879
Recoveries on loans and advance to customers previously written off	(4 791 346)	(5 537 156)
	35 908 302	1 616 723

36. Income tax expense

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Current tax expense	104 370 422	79 878 114	101 857 701	77 960 760
Deferred tax expense	(5 327 441)	13 063 782	(5 317 603)	13 043 387
Income tax expense	99 042 981	92 941 896	96 540 098	91 004 147
Tax reconciliation				
Profit before taxation	444 950 108	422 256 728	433 576 075	413 552 147
Taxation at statutory rate of 22% (2024: 22%)	97 889 024	92 896 480	95 386 737	90 981 472
Disallowable expenses	1 153 957	1 096 454	1 153 361	1 073 713
Prior year (over)/under-provision	–	(1 051 038)	–	(1 051 038)
Taxation per profit or loss	99 042 981	92 941 896	96 540 098	91 004 147
Taxation (payable)/refundable				
Balance at 1 January	12 229 847	10 427 563	11 034 447	9 319 827
Charges for the year	(104 370 422)	(79 878 114)	(101 857 701)	(77 960 760)
Paid during the year	91 243 610	81 680 398	88 658 609	79 675 380
Balance at 31 December	(896 965)	12 229 847	(2 164 645)	11 034 447

Notes to the Consolidated and Separate financial statements (continued)

37. Earnings and dividend per share

Basic earning per share 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 earning per share 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.

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Profit attributable to ordinary shareholders	345 907 127	329 314 832	337 035 977	322 548 000
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 (BWP)	3.3968	3.2339		
Dividend paid	164 657 416	90 000 000	164 657 416	90 000 000
Dividend per share (BWP)	1.6169	0.8838	1.6169	0.8838

38. Interest and non-interest income received

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Interest income	970 947 016	827 230 604	970 947 016	827 230 604
Non-interest income	196 849 229	108 779 024	184 498 434	99 486 879
Non-cash items	131 664 836	(20 517 507)	131 664 836	(20 517 507)
Movement in accrued interest income	(5 146 510)	222 470	(5 146 510)	222 470
Total interest and non-interest income	1 294 314 571	915 714 591	1 281 963 776	906 422 446

39. Interest paid

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Interest expense	402 140 214	242 710 716	402 737 317	243 378 143
Borrowing cost – IFRS 16	(486 090)	(623 779)	(486 090)	(623 779)
Movement in accrued interest	(79 405 739)	27 219 628	(79 405 739)	27 219 628
	322 248 385	269 306 565	322 845 488	269 973 992

40. Cash paid to suppliers and employees

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Staff costs (Note 31)	135 998 693	117 743 556	134 766 231	116 765 849
Prepaid staff benefit expense	(2 571 560)	(2 002 257)	(2 571 560)	(2 002 257)
Premises and equipment costs	6 871 357	6 355 657	6 871 357	6 355 657
Information technology costs	27 961 979	25 002 385	27 961 979	25 002 385
Operational losses	(436 529)	(477 298)	(436 529)	(477 298)
Administration and general expenses	52 243 236	61 929 030	51 901 833	61 651 746
Shared services costs	44 498 074	43 961 346	44 498 074	43 961 346
	264 565 250	252 512 419	262 991 385	251 257 428
Movement in other assets (Note 9)	13 357 845	5 252 101	13 149 429	5 096 287
Movement in other liabilities (Note 20)	(17 791 695)	(11 424 570)	(17 918 097)	(11 324 408)
	260 131 400	246 339 950	258 222 717	245 029 307

41. Net movement in customer balances

Deposits from customers

Liabilities to customers:

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Total deposits (Note 16)	6 833 474 622	6 168 088 020	6 860 527 532	6 186 686 716
Total interest accrued	(160 932 482)	(80 628 720)	(160 932 482)	(80 628 720)
Net deposits excluding accrued interest	6 672 542 140	6 087 459 300	6 699 595 050	6 106 057 996
Less prior year net deposits excluding accrued interest	(6 087 459 300)	(5 168 495 202)	(6 106 057 996)	(5 180 449 987)
Movement in deposit balances	585 082 840	918 964 098	593 537 054	925 608 009

Loans and advances to customers:

Amounts in BWP	Group and Company	
	2025	2024
Loans and advances to customers:		
Gross loans and advances (Note 11)	5 363 268 195	4 829 030 426
Total interest accrued	(5 476 459)	(4 840 959)
Non-cash items	112 500 838	55 389 342
Adjusted loans and advances	5 470 292 574	4 879 578 809
Less prior year net loans and advances	(4 879 578 809)	(4 342 242 886)
Net movement in loans and advances to customers	590 713 765	537 335 923

Notes to the Consolidated and Separate financial statements (continued)

42. 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
FMB Capital 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

Amounts in BWP	Group		Company	
	2025	2024	2025	2024
Short-term employee benefits	36 442 899	30 679 998	35 635 919	30 041 023
Post-employment benefits	1 408 584	1 409 842	1 326 227	1 342 491
	37 851 483	32 089 840	36 962 146	31 383 514

Amounts in BWP	Group and Company	
	2025	2024
Non-executive directors' emoluments and expenses	2 921 826	3 018 653

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 totaling P1 197 102 (2024: P1 198 588) has been recognised 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.

42. Related party transactions (continued)

Amounts in BWP	Group and Company	
	2025	2024
Loans and advances	76 388	548 514
Cash and cash equivalents	108	982
Off balance sheet exposures	1 120 606	649 092
	1 197 102	1 198 588

Related party transactions outstanding balances at reporting date and the related interest expense and income for the year are as follows:

Amounts in BWP		Interest expense	Management fee income	Non-interest income	Investment in subsidiary	Balances receivable	Deposits
Company only							
Jetwig Enterprises (Proprietary) Limited	2025	597 103	2 056 453	619	1 000 000	266 547	27 052 910
	2024	667 427	2 056 453	619	1 000 000	268 527	18 598 696

Notes to the Consolidated and Separate financial statements (continued)

42. Related party transactions (continued)

Amounts in BWP		Net gains on swaps	Interest income	Dividend paid on Ordinary Shares	Dividend paid on Preference Shares	Board meeting fees and expenses	Management fees	Interest expense	Aircraft cost	Non-Interest Income
Group										
FMBcapital Holdings Plc	2025	–	–	63 557 763	1 962 513	–	25 794 271	47 375	–	–
	2024	–	–	34 740 000	2 058 574	–	32 207 121	669 635	–	–
First Capital Shared Services Limited	2025	–	–	–	–	–	18 703 803	–	–	–
	2024	–	–	–	–	–	11 754 225	–	–	–
First Capital Bank (Malawi) Plc	2025	–	2 013	–	–	–	–	292 557	1 052 581	–
	2024	–	22 424	–	–	–	–	254 720	387 798	–
First Capital Bank Mozambique	2025	–	1 269 100	–	–	–	–	2 245 578	–	116 787
	2024	–	1 274 362	–	–	–	–	608 198	–	1 152 464
First Capital Bank Zambia	2025	4 563 937	191 493	–	–	–	–	33 588	–	–
	2024	2 437 339	3 528 779	–	–	–	–	–	–	–
First Capital Bank Zimbabwe	2025	–	–	–	–	–	–	1 584 942	–	–
	2024	–	256 428	–	–	–	–	1 948 285	–	–
Everglades Botswana (Pty) Ltd	2025	–	–	54 271 084	–	–	–	–	–	–
	2024	–	–	29 664 000	–	–	–	–	–	–
Management	2025	–	459 119	–	–	–	–	168 508	–	–
	2024	–	386 209	–	–	–	–	16 619	–	–
Directors	2025	–	82 351	–	–	2 921 826	–	109 581	–	–
	2024	–	52 679	–	–	3 018 653	–	117 882	–	–
Director related entities	2025	–	1 998 867	46 828 569	–	–	–	3 093 955	–	1 283 032
	2024	–	1 171 475	25 596 000	–	–	–	1 971 294	–	–

Included in total property and equipment additions for the prior 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. There were no transfers between asset categories during the current year.

Notes to the Consolidated and Separate financial statements (continued)

42. Related party transactions (continued)

Related party balances as at the reporting date

Amounts in BWP		Cash and cash equivalents	Loans and advances to customers	Deposits from customers	Derivative financial instruments	Preference shares	Balances due to other banks	Other assets-Balances due from related party	Other liabilities-Balances due to related party	Bank guarantees & letters of credit
Group										
FMBcapital Holdings Plc	2025	-	-	87 422 489	-	26 132 000	-	131 266	6 371 575	-
	2024	-	-	57 755 574	-	26 132 000	-	-	3 055 322	-
First Capital Shared Services Limited	2025	-	-	-	-	-	-	-	1 298 982	-
	2024	-	-	-	-	-	-	-	1 224 741	-
First Capital Bank (Malawi) Plc	2025	-	-	16 407	-	-	-	616 063	-	-
	2024	-	-	-	-	-	-	-	-	-
First Capital Bank Mozambique	2025	-	-	-	-	-	104 380 372	-	-	88 552 001
	2024	-	-	-	-	-	111 912 976	-	-	42 366 326
First Capital Bank Zambia	2025	113 434	-	-	20 566 334	-	-	-	-	-
	2024	984 820	-	-	-	-	-	-	81 119	-
First Capital Bank Zimbabwe	2025	-	-	725 292	-	-	-	-	-	-
	2024	-	17 540 395	4 016 684	-	-	-	208 962	-	-
Everglades Botswana Pty Ltd	2025	-	-	-	-	-	-	-	-	-
	2024	-	-	370	-	-	-	-	-	-
Management	2025	-	9 365 499	7 081 364	-	-	-	-	-	-
	2024	-	8 383 732	3 203 845	-	-	-	-	-	-
Directors	2025	-	1 514 063	36 926 857	-	-	-	-	-	-
	2024	-	559 848	50 751 403	-	-	-	-	-	-
Director related entity's	2025	-	38 703 639	240 264 694	-	-	-	-	-	93 232 578
	2024	-	17 573 441	149 454 423	-	-	-	-	-	39 960 601

In prior year, 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 participated in the facility by advancing a total of P69 930 070 (USD 5 million equivalent) to FCB Zimbabwe. The outstanding balance on this loan was fully settled during the current financial year, and no amount remains receivable at year-end.

Notes to the Consolidated and Separate financial statements (continued)

42. Related party transactions (continued)

First Capital Bank Limited has a loan participation agreement with a director related entity, Premier Capital (Mauritius) Limited ("Premier Capital"), in respect of a facility granted to a customer with an outstanding balance of P160 554 257 at the reporting date (2024: P259 240 447). Premier Capital bears the credit risk and rewards associated with its 15% participation interest. The Bank retains no exposure to Premier Capital's portion of the loan, including any exposure arising from guarantees, liquidity support, or credit enhancements. All repayments of capital and interest received on behalf of Premier Capital are remitted to Premier Capital. During the year, First Capital Bank Limited received repayments of capital and interest of P15 292 980 (2024: P3 876 200) on behalf of Premier Capital and remitted the amounts to Premier Capital.

First Capital Botswana has extended both letters of credit (LCs) and bank guarantees to First Capital Bank Mozambique (FCB Mozambique). The P88 552 001 disclosed in the table above includes letters of credit taken out by First Capital Bank Botswana with CitiBank New York on behalf of FCB Mozambique of P3 078 856 (2024: P 20 211 785). First Capital Botswana's exposure is ultimately to FCB Mozambique, and the bank's recourse in the event of default rests squarely with FCB Mozambique, who must settle any invoked or devolved obligations in accordance with the facility terms.

43. Contingencies and commitments

Amounts in BWP	Group and Company	
	2025	2024
Bank guarantees	405 740 711	355 954 917
Loan commitments	12 108 453	82 842 374
Letters of credit	95 465 592	100 715 243
	513 314 756	539 512 534
Capital commitments	24 588 576	16 221 096

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.

44. Events after the reporting date

On 10 March 2026, the Board approved an ordinary dividend of P2.04 per share amounting to P207 544 278 for the financial year ending 31 December 2025 (2024: P164 657 416) subject to regulatory approval.

Except for the below, there are no other material or significant events or contingencies after the reporting date, which require disclosure or adjustment in the financial statements for the year ended 31 December 2025.

Geopolitical developments in the Middle East

Event and timing

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

Notes to the Consolidated and Separate financial statements (continued)

44. Events after the reporting date (continued)

Market impact

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

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

Impact on the Group

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

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

Assessment under IFRS 9

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

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

Non-adjusting event conclusion

The Directors have assessed these events and concluded that they are non-adjusting events as they were not indicative of circumstances existing at the reporting date. Accordingly, no adjustments have been made to the amounts recognised in these consolidated financial statements.

Going concern

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

Other information

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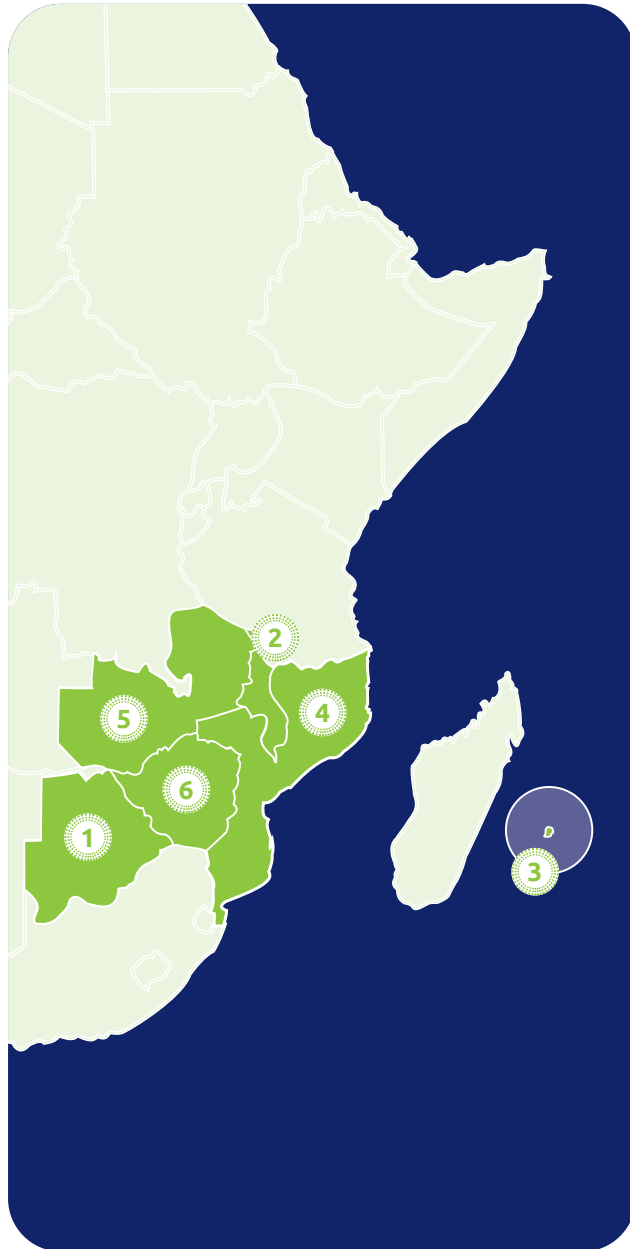
160 Key corporate information



Interactive content

Abbreviations and acronyms

First Capital Bank/Company/ the Bank	First Capital Bank Limited	EFT	Electronic funds transfer	PAYE	Pay as you earn
FCSSL	First Capital Shared Services Limited	EPS	Earnings per share	PD	Probability of default
FMBCH Group	FMBcapital Holdings plc	ESG	Environmental, social and governance	POS	Point-of-sale
The Group	First Capital Bank Limited (Botswana) and its subsidiary, Jetwig Enterprises (Proprietary) Limited	Forex	Foreign exchange	RTGS	Real-time gross settlement
AGM	Annual general meeting	FVTPL	Fair value through profit or loss	S&P	Standard & Poor's
ALCO	Asset and Liability Committee	GDP	Gross domestic product	SICR	Significant increase in credit risk
AML	Anti-money laundering	IASB	International Accounting Standards Board	SME	Small and medium-sized enterprises
ATM	Automated teller machine	IFRS Accounting Standards	IFRS Accounting Standards as issued by the International Accounting Standards Board	SWIFT	Society for Worldwide Interbank Financial Telecommunication
Board	The Board of Directors of First Capital Bank Limited	IMF	International Monetary Fund	USA	United States of America
BWP or P	Botswana Pula	<IR> Framework	Integrated Reporting Framework	USD	United States Dollar
CI	Cyclicality index	IRB	Internal rating based	VAT	Value Added Tax
Companies Act	The Botswana Companies Act, as amended	IT	Information Technology		
CPI	Consumer price index	KYC	Know-Your-Customer		
CSR	Corporate social responsibility	LGD	Loss given default		
EAD	Exposure at default	Mauritius Code	National Code of Corporate Governance Mauritius, 2016		
ECL	Expected credit losses	MOPR	Monetary Policy Rate		
		NGO	Non-governmental organisation		
		NPL	Non-performing loan		



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Acumen Park
Fairgrounds
Gaborone, **Botswana**

Company secretary

Letlhogonolo Matlhabe

 letlhogonolo.matlhabe@firstcapitalbank.co.bw

Auditor

Ernst & Young

Plot 22, Khama Crescent
Gaborone, **Botswana**

Company registration number

UIN BW00000729396

First Capital Bank Limited

First Capital House

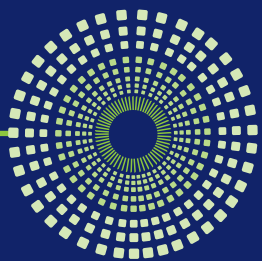
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Belief comes first.