First Capital BANK

In association with BARCLAYS

Audited Abridged Financial Results

For the year ended 31 December 2019

Chairman's Statement

The macroeconomic environment

The economic landscape was characterised by the change of currency, the flotation of the exchange rate, and the move from multi-currency to mono currency with the consequential inflationary impact. Continuing shortages of foreign currency and other commodities impacted GDP growth for 2019 which is forecasted to decline by 6.5% whilst manufacturing capacity utilisation is registered at just 27%.

The depreciation of the Zimbabwe dollar from 2.5 to 16.77 against the US$ by year end resulted in significant cost inflation as the economy adjusted to the new currency.

The structural currency changes resulted in annual inflation of +500%, impacting the cost of living for an average family relative to their level of income, with salary adjustments lagging inflation. This resulted in increased credit risk at both personal and corporate level.

From a business perspective interest rates remained subdued in the first half and well below inflation with increases starting to come in the second half of the year. Most local operating costs are linked to the informal exchange rate. This together with rising IT costs also in US dollars resulted in significant cost increases.

Internally, this was a year of transition for the Bank. The first half was characterised by the transition of the Bank's systems from legacy Barclays systems to First Capital Bank systems, while through the second half, we continued to stabilise systems as well as grow our liabilities and loan book.

The Bank's capital, liquidity position and quality of loans

The Bank remains on a strong base in terms of liquidity and capital adequacy ratios. The liquidity ratio was 55% compared to the 30% regulatory minimum. Similarly capital adequacy at 26% was well above the minimum threshold of 12% showing the capacity of the Bank to underwrite more loans. In the current environment the inherent credit risk continues to be high and the Bank continues to be focused on prudential lending practices, with our non - Performing Loan ratio (NPL) being closely managed at less than 1%.

In order to strengthen the Banking sector's capacity to do more business in the new currency environment and absorb any economic shocks the Reserve Bank of Zimbabwe increased the minimum capital to US$30 million by December 2020. The Bank is currently developing a plan to ensure that it meets the capital requirements as prescribed.

Earnings

The Bank registered a loss after tax of ZWL163 million in hyperinflation adjusted terms and a profit of ZWL264 million in historical terms, which translates to inflation adjusted earnings per share of ZWL(7.57) and historical ZWL12.26. This result was achieved with significant contribution coming from fair valuation of investment properties on the back of rising operating costs, exchange loss on the net open position and subdued interest rates.

Governance

The Bank remains committed to the highest standards of corporate governance, over and above compliance with the requirements of the Reserve Bank of Zimbabwe, the Deposit Protection Board, the Zimbabwe Stock Exchange and other regulators. The Board composition and structure of its committees continues to reflect these aspirations.

Board changes

During the period under review Mrs. Emma Fundira retired from the Board in the second quarter after serving her full 10-year period. In addition, Mr. Sydney Mtsambiwa and Mr. Busisa Moyo resigned from the Board in the fourth quarter after serving the Board for four years.

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On behalf of the Board, I would like to thank Mr. Sydney Mtsambiwa, Mrs. Emma Fundira and Mr. Busisa Moyo for their immense contribution during their tenure on the Board and through the migration from Barclays PLC to First Capital Bank. Special thanks to Mr Mtsambiwa for guiding the Board through this transition period.

Mr. Kevin Terry was appointed to the Board as a non-executive director in the fourth quarter and Mr. Kiritkumar Naik was appointed to the Board in the first quarter of 2020. We look forward to the valuable insights and experience they will bring.

At the executive level Mr. Samuel Matsekete left the Bank to pursue other opportunities after serving the Bank for more than 13 years, two of which were as Managing Director. We wish him well in his new endeavours. In the interim Mr. Ciaran McSharry ,the Group Chief Financial Officer was appointed as the Acting Managing Director with effect from 28 October 2019.

Mr. Taitos Mukuku was appointed to the Board as the Chief Financial Officer and Executive Director with effect from 1 October 2019.

Empowering communities

The Bank remains committed to its social investment programmes through empowering youths and colleague volunteerism activities, with employees giving over 3000 hours impacting 900 youths through the period. In addition, the Bank is committed to our "make a difference" campaign as part of our commitment to good corporate citizenship.

Appreciation

This has been an immensely challenging operating environment for the Bank, customers and colleagues mainly due to inflationary pressure, shortages of foreign currency, goods and services. Besides the challenging economic environment, the Board continued to monitor the Bank's strategy closely especially the systems migration from legacy Barclays systems to First Capital Bank systems. Colleagues worked tirelessly to ensure the migration was successful, in addition to remaining resolute in serving customers through the migration and the post implementation issues which the Bank faced.

I take this opportunity to express my appreciation to Board members and colleagues for their achievements in the period under review. On a similar note I also extend my appreciation to our valued customers for their support and for continuing to stand with us during and post the migration of our systems.

Board priorities going forward

Looking ahead the macro economic environment is expected to continue to be difficult. The Bank will continue to focus on shareholder value and capital preservation strategies to meet the US$30 million minimum capital requirement, while maintaining prudential lending practices, and at the same time focusing on increasing our market share for deposits, loans and revenue. The above focus takes cognisant of the impact of corona virus on the Bank, customers and colleagues. The Bank is taking various measures to minimise the impact on customers, colleagues and the earnings of the Bank.

Dividend

Although the Bank made a historical profit during the financial year, considering the increased capital requirement the Board has concluded that the Bank will not be declaring a dividend for the period under review.

P. Devenish
Chairman
25 March 2020

Managing Director's Statement

This year was characterized by a volatile macro-economic environment, with the floating and consequent devaluation of the exchange rate, multiple statutory instruments, and consequent hyper inflationary pressure.

Business highlights

Operationally, the year can be split in two halves, with the first half of the year being marked by the successful migration of systems including our core banking platform and ancillary systems. Having completed this in the first half, the second half was focused on system stabilisation and maintenance together with building sustainable growth in our core business.

Whilst overall performance was undoubtedly impacted by the migration process we did manage to register significant growth in our Commercial and Retail businesses, building momentum into 2020.

Financial performance

Changes in the economic environment, relating to currency and inflationary impact, make the comparability of current year financial information with prior year difficult given the difference in the basis of measurement.

The Bank registered growth on the statement of financial position mainly driven by deposits both in local and foreign currency. RTGS deposits grew by more than 74% to ZWL879 million, which were fully deployed into loans. The RTGS loan book grew by 200% to ZWL622 million, with the growth in loans largely in quarter three and quarter four, covering the key productive sectors including agriculture, manufacturing and mining.

The Bank continues to maintain a quality loan book with a loan loss ratio of 2.78% (2018:1.27%), the increase reflecting the growth in the loan book. At the same time our non-performing loans ratio "NPL ratio" remained below 1% compared to prior year.

Our new core banking system has enabled the Bank to enhance existing products such as the introduction of ZIPIT send, whilst at the same time introducing new products like Ecocash. The transactional volumes were stable during the migration period as well as post migration. The growth in non-funded income has largely been driven by new products and transactional price increases.

Adverse audit opinion and compliance with IFRS

The Bank received an adverse audit opinion for 2019 financial results. This relates to prior year and is due to the impact of the introduction of the new currency RTGS dollar as part of the February Monetary Policy Statement, combined with the impact of the separation of Nostro and RTGS accounts in October 2018. While under international accounting standards, accounting for the change in currency would have been with effect from 1 October 2018, S.I 33 of 2019 mandated that all accounts up to 22 February 2019 should be reported at the effective exchange rate of 1:1. As directed, the legal requirement was followed in this regard resulting in an adverse audit opinion since compliance with International Accounting Standards could not be fully achieved due to non-compliance with IAS 21.

The legal requirement to follow S.I. 33 of 2019 has a significant consequent impact on the 2018 comparative balances. Refer to 2.1(b) for the detailed disclosure.

Our products and services

Through the second half colleagues focused efforts saw the continued stabilisation of core-banking systems, enhancing the customer experience journey through the unlocking of new product capabilities. This investment brings new and improved product features such as Ecocash, Zipit Send and Receive, Mobile APP and internet banking, in a convenient and secure environment in line with our customer and client expectations. We continue to develop Commercial products to focus on the key productive sectors namely Loyalty Lending, among others that guarantee peace of mind in daily business operations.

Commitment to human capital

Our dedicated and trained colleagues form the bedrock of our Brand and remain key to our business operations. Our long-term business view encourages us to invest in young talent, annually through our Graduate Trainee and Undergraduate Student Internship programs. To date we have enrolled over 150 young people who have formed the base of our talent pool, and provide us with a foundation of talent for the future. Both programmes offer a unique workplace experience for the students covering education, quality training and providing the right skills that match the labour market demand.

This year has been a challenging year for all our colleagues, and we have worked hard to cushion and support staff through the challenging economic environment, trying to achieve the correct balance between the demands of the business and cushioning colleagues.

Good citizenship

At First Capital Bank, we acknowledge and embrace the interdependence that exists between the Bank and the communities that we serve. In this we are guided by our values, notably to 'Be a Good Corporate Citizen' and being a responsible business. We achieve this through empowering youth, driving economic development and wealth creation through alliances with strategic partners, while also encouraging employee participation. Our focus remains on education and skills, enterprise development and inclusive banking, partnering with our long-term affiliates namely Zimbabwe Farmers Union, BOOST Fellowship and Junior Achievement Zimbabwe.

Overall youth beneficiaries under our partnerships are over 4 500 and were impacted through skills transfer namely business development, supply chain, financial management, work readiness and people skills. The annual employee volunteerism framework under the same pillars saw a total of 3093 hours impacting over 9000 youth beneficiaries in the period under review. The second half of the year saw the launch of an online platform on social media designed to support, train and allow women SME's to network, as a part of our financial inclusion agenda. With over 20 000 female SMEs, the platform will continue to upskill women and allow them access to information.

Geared for the future

Our long-term view is to focus on sustainable growth, working in partnership with our customers and aligning with their expectations. With the migration and investment in our new systems providing the foundation, we will continue to invest in digital systems and solutions. This will provide the platform to build innovative products and solutions and provide more convenience for our customers.

I would like to take the opportunity to acknowledge the challenges some customers and clients have faced during the system migration and extend our gratitude and appreciation for their patience and understanding during the course of our core banking system roll-out. We look forward to providing you with innovative products and services in the near future.

Ciaran McSharry
Acting Managing Director
25 March 2020

Audited Abridged Financial Results

For the year ended 31 December 2019

Corporate Governance Statement

The Board of Directors of First Capital Bank Limited ("the Board/First Capital Bank") is committed to and recognises the importance of strong governance practices. The board understands that a comprehensive corporate governance framework is vital in supporting executive management in its execution of strategy and in driving long term sustainable performance. In order to achieve good governance, the Board subscribes to principles of international best practice in corporate governance as guided by, among others, the Banking Act, the Corporate Governance Guidelines, the National Code on Corporate Governance.

The Board continuously reviews its internal governance standards and practices, to ensure that it modifies and aligns them with local and international corporate governance requirements as appropriate. As part of its continuing efforts to achieve good governance, the Board promotes the observance of the highest standards of corporate governance in First Capital Bank and ensures that this is supported by the right culture, values and behaviours from the top down. First Capital Bank is committed to the principles of fairness, accountability, responsibility and transparency. To this end the Board, is accountable to its shareholders and all its stakeholders including the Bank's employees, customers, suppliers, regulatory authorities and the community from which it operates through transparent and accurate disclosures.

Board responsibilities

The Board is responsible for setting the strategic direction of the Bank as well as determining the way in which specific governance matters are approached and addressed, approving policies and plans that give effect to the strategy, overseeing and monitoring the implementation of strategy by management and ensuring accountability through among other means adequate reporting and disclosures. The Board is guided by the Board Charter in the execution of its mandate.

Board Chairman and non - executive directors

The Board of directors is led by an independent non-executive Chairman, whose primary duties include providing leadership of the Board and managing the business of the Board through setting its agenda, taking full account of issues and concerns of the Board, establishing and developing an effective working relationship with the Executive directors, driving improvements in the performance of the Board and its committees, assisting in the identification and recruitment of talent to the Board, managing performance appraisals for directors including oversight of the annual Board effectiveness review and pro-actively managing regulatory relationships in conjunction with management. In addition, the non-executive directors pro-actively engage with the Bank's management to challenge and improve strategy implementation, counsel and support to management and to test and challenge the implementation of controls, processes and policies which enable risk to be effectively assessed and managed.

The Chairman works together with the non - executive directors to ensure that there are effective checks and balances between executive management and the Board. The majority of the Board members are independent non-executive directors which provide the necessary independence for the effective discharge of the Board's duties and compliance with regulatory requirements.

Executive directors

The executive management team is led by the Managing Director. Management's role is to act as trustees of the shareholder's capital. Their main responsibilities include reporting to the Board on implementation of strategy, effectiveness of risk management and control systems, business and financial performance, preparation of financial statements and on an ongoing basis, keeping the Board fully informed of any material developments affecting the business.

Directors' remuneration

The Board Remuneration Committee sets the remuneration policy and approves the remuneration of the executive directors and other senior executives as well as that of the non-executive directors. The remuneration package of executive directors includes a basic salary and a performance bonus which is paid based on the performance of the Bank as well as that of the individual. The Bank also has in place a share option scheme, meant to be a long term retention incentive for employees.

Board diversity

The First Capital Bank Board recognises the importance of diversity and inclusion in its decision making processes. The Board is made up of four independent non-executive directors, three non-executive directors and two executive directors. Two members of the board (22%) are female. The Board members have an array of experience in commercial and retail banking, accounting, legal, corporate finance, marketing, business administration, economics, human resources management and executive management.

Access to information

Openness and transparency are key enablers for the Board to discharge its mandate fully and effectively. The non-executive directors have unrestricted access to all relevant records and information of the Bank as well as to management. Further, the board is empowered to seek any professional advice or opinion it may require to allow for the proper discharge of its duties.

Share Dealings / Insider trading

The directors, management and staff of First Capital Bank are prohibited from dealing in the Bank's shares whether directly or indirectly, during "closed periods" which are the periods that are a month before the end of the interim or full year reporting period until the time of the publication of the interim or full year results.

Further, directors, management and staff are prohibited from dealing in the company's shares whenever the company is going through certain corporate actions or when they are in possession of non-public information that has the potential of impacting the share price of the company.

Communication with stakeholders

First Capital Bank communicates with its stakeholders through various platforms including the Annual General Meeting, analyst briefings, town halls, press announcements of interim and full year financial results, notices to shareholders and stakeholders and annual reporting to shareholders and stakeholders. The Board and management of First Capital Bank also actively engage regulatory authorities including the Reserve Bank of Zimbabwe, the Zimbabwe Stock Exchange and the Deposit Protection Corporation.

Internal Audit

First Capital Internal Audit is an independent control function which supports the business by assessing how effectively risks are being controlled and managed. It works closely with the business helping drive improvements in risk management. This is done through reviewing how the business undertakes its processes as well as reviewing systems used by the business. The internal audit function reports its findings to management and guides them in making positive changes to business processes, systems and the control environment. The Internal Audit function also monitors progress to ensure management effectively remediates any internal control weaknesses identified as quickly as possible. The First Capital Bank Head of Internal Audit reports directly to the Chairman of the Board Audit Committee and administratively to the Managing Director.

Declaration of interest

The Board of First Capital Bank believes in the observance of ethical business values from the top to the bottom. To this end, the Board has in place a policy that manages conflict of interest including situational and transactional conflict. Directors disclose their interests on joining the Board and at every meeting of the directors they disclose any additional interests and confirm or update their declarations of interest accordingly.

Ethics

In our endeavour to instil a culture of sound business ethics, all employees and directors are requested to attest to an Anti - Bribery and Corruption declaration which essentially seeks to ensure that our directors, management and staff observe the highest standards of integrity in all their dealings and at all times. The Bank has a zero tolerance policy to bribery and corruption. In addition, the business has a whistle-blowing facility managed by Deloitte through which employees can raise any concerns they may have anonymously.

Director induction and development

Board conformance and performance is enhanced through continuous learning. As part of its learning program, the Board has in place a comprehensive induction plan for on-boarding new directors. During the second half of the year 2019, two Board members Messrs K. Terry and T. Mukuku joined the Board and went through the induction programme. Further, as part of continuing director development, Board members attend director training programs.

Board activities

The Board of Directors held eight board meetings in the year 2019 being four quarterly meetings one of which incorporated a strategy review meeting, a special board meeting and a board evaluation review meeting. Each board Committee held at least four quarterly meetings. The areas of focus included the setting of strategic direction, the review of strategy and business operations, credit sanctioning as per approved limits, review of internal controls and financial reports, review of the quality of the loan book, review and oversight of the Bank's risk management processes and oversight of the recruitment, remuneration and performance reviews of senior management. A table detailing director's attendance of meetings during 2019 is shown in the last part of this report.

Board and director evaluation

The Board conducts an annual evaluation process which assesses the performance and effectiveness of individual directors, the Board Chairman, Committees and overall performance of the Board. This process is facilitated by an external party to allow for objectivity. The evaluation process involves directors completing evaluation questionnaires and having one on one meeting with the facilitator. The results of the evaluation are collated, a report is produced and feedback provided to the Board. The Board also submits the evaluation report to the Reserve Bank of Zimbabwe. The Board conducted its evaluation for the year ended 2019 and a report was submitted to the RBZ. Board performance and evaluation was rated as strong by directors.

Board Committees

The Board has delegated some of its duties and responsibilities to sub-committees to ensure the efficient discharge of the Board's mandate. The ultimate responsibility of running the Bank however still remains with the Board. The subcommittees of the Board are regulated by terms of reference which are reviewed every year or as and when necessary. The Committees meet at least once every quarter and are all chaired by Independent non-executive directors as detailed below.

Audit Committee

The primary functions of the Committee are to oversee the financial management discipline of the Bank, review the Bank's accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements, oversee the relationship with the Bank's external auditors, as well as providing assurance to the Board that management's control assurance processes are being implemented and are complete and effective. At each meeting, the Committee reviews reported and noted weaknesses in controls and any deficiencies in systems and the remediation plans to address them. The Committee also monitors the ethical conduct of the Bank, its executives and senior officers and advises the Board as to whether or not the Bank is complying with the aims and objectives for which it has been established. During the period under review, there were no material losses as a result of internal control breakdowns.

The committee is wholly comprised of independent non-executive directors. The members of the Committee as at 31 December 2019 were:-

T. Moyo (Acting Chairperson)
K. Terry

Board Credit Committee

The Board Credit Committee is tasked with the overall review of the Bank's lending policies. At each meeting, the Committee deliberates and considers loan applications beyond the discretionary limits of management. It ensures that there are effective procedures and resources to identify and manage irregular or problem credit facilities, minimize credit loss and maximize recoveries. It also directs, monitors, reviews and considers all issues that may materially impact on the present and future quality of the Bank's credit risk management.

The Committee comprises one executive member and three non-executive directors. The members of the Committee as at 31 December 2019 were:-

K. Terry (Chairperson)
H. Anadkat
S. N. Moyo
C. McSharry

Loans Review Committee

This Committee has the overall responsibility for the complete review of the quality of the Bank's loan portfolio to ensure that the lending function conforms to sound lending policies and keeps the Board and management adequately informed on noted risks. It assists the Board with discharging its responsibility to review the quality of the Bank's loan portfolio. At every meeting, it reviews the quality of the loan portfolio with a view to ensuring compliance with the banking laws and regulations and all other applicable laws as well as internal policies.

The members of the Committee as at 31 December 2019 were:-

T. Moyo (Chairperson)
P. Devenish
M. Twigger

Human Resources and Nominations Committee

The Human Resources and Nominations Committee assists the Board in the review of critical personnel issues as well as acting as a Remuneration and Terminal Benefits Committee. The Committee reviews and approves overall recommendations on employee remuneration as well as approving managerial appointments. The Committee ensures that the remuneration of directors is in line with the nature and size of the operations of the Bank as well as the Bank's performance. In addition, the Committee also considers nominations to the Board and succession planning for the Board. The Committee comprises four non-executive directors and one executive director.

The members of the Committee as at 31 December 2019 were:-

P. Devenish
S. N. Moyo
H. Anadkat

Board Risk Committee

The Board Risk Committee is charged with the responsibility to oversee the Bank's overall enterprise risk environment under three broad areas of Operational Risk, Credit Risk Management and Market Risk. These are controlled and managed independently from risk taking functions and other committees of the Bank. The committee is responsible for the policies and procedures designed to monitor, evaluate and respond to risk trends and risk levels across the Bank ensuring that they are kept within acceptable levels.

As at 31 December 2019 members of the committee were:-

S. N. Moyo (Chairperson)
D. Dikshit

Board Migration Committee

The Board set up a special Board Committee to oversee the migration of the Bank`s processes, products and systems, from the Barclays PLC platforms to the new platforms that the bank will be using going forward, following the successful conclusion of the Barclays PLC divestiture. Following the conclusion of the IT migration process, the board converted the Committee to an IT Committee.

The Committee is made up of the following members:-

K. Terry – Chairman
T. Moyo
D. Dikshit

In addition to the Board Committees, management operates through a number of committees including the Executive Management Committee and the Assets and Liabilities Committee. The Committees terms of reference are as below.

Executive Committee (EXCO)

The Executive Committee is the operational management forum responsible for the delivery of the Bank's operational plans. The Executive Committee acts as a link between the Board and management and is responsible for implementation of operational plans, annual budgeting and periodic review of strategic plans, as well as identification and management of key risks. The Executive Committee also reviews and approves guidelines for employee remuneration. The Executive Committee assists the Managing Director to manage the Bank, to guide and control the overall direction of the business of the Bank and acts as a medium of communication and co-ordination between business units and the Board. The Committee comprises of executive directors and senior management.

Assets and Liabilities Committee (ALCO)/Treasury Committee

The Treasury Committee is tasked with ensuring the achievement of sustainable and stable profits within a framework of acceptable financial risks and controls. The Treasury Committee ensures maximization of the value that can be generated from active management of the Bank's statement of financial position and financial risk within agreed risk parameters. It manages the funding and investment of the Bank's statement of financial position, liquidity and cash flow, as well as exposure of the Bank to interest rate, exchange rate, market and other related risks. It ensures that the Bank adopts the most appropriate strategy in terms of the mix of assets and liabilities given its expectation of the future and potential consequences of interest rate movements, liquidity constraints and foreign exchange exposure and capital adequacy. It also ensures that strategies conform to the Bank's risk appetite and level of exposure as determined by the Risk Management Committee. The Committee comprises executive directors and heads of functions key to the proper discharge of the Committee's responsibilities.

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First Capital BANK

In association with BARCLAYS

Audited Abridged Financial Results

For the year ended 31 December 2019

Corporate Governance Statement

Board and committees attendance 2019

Main Board

Name	Total Meetings	Present	LOA**
P. Devenish*	8	7	1
S. D. Mtsambiwa*	6	6	Nil
E. Fundira*	3	3	Nil
B. Moyo*	5	5	Nil
M. Twigger	8	7	1
T. Moyo	8	7	1
S. N. Moyo	8	7	1
H. Anadkat	8	8	Nil
D. Dikshit	8	6	2
K. Terry*	3	3	Nil
S. Matsekete*	8	5	3
C. McSharry	8	8	Nil
T. Mukuku*	3	3	Nil

Audit committee

Name	Total Meetings	Present	LOA**
T. Moyo	6	5	1
B. Moyo	5	5	Nil
E. Fundira	3	3	Nil
K. Terry	1	1	Nil

Human resources & nominations committee

Name	Total Meetings	Present	LOA**
P. Devenish	6	6	Nil
S. D. Mtsambiwa	5	5	Nil
S. N. Moyo	6	6	Nil
H. Anadkat	6	6	Nil
S. Matsekete	6	4	2

Credit committee

Name	Total Meetings	Present	LOA**
K. Terry	7	7	Nil
E. Fundira	3	3	Nil
H. Anadkat	27	27	Nil
S. N. Moyo	27	27	Nil
S. Matsekete	27	22	5

Loans review committee

Name	Total Meetings	Present	LOA**
T. Moyo	4	4	Nil
P. Devenish	4	3	1
M. Twigger	4	4	Nil

Risk committee

Name	Total Meetings	Present	LOA**
S. N. Moyo	4	4	Nil
B. Moyo	3	3	Nil
D. Dikshit	4	3	1

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Migration/IT Committee

Name	Total Meetings	Present	LOA**
B. Moyo	8	8	Nil
T. Moyo	9	4	5
D. Dikshit	9	7	2
M. Twigger	9	8	1
S. Matsekete	9	8	1

* Mr Patrick Devenish was appointed Chairman of the board with effect from 6 December 2019.
*Messrs Kevin Terry and Taitos Mukuku were appointed to the board on 16 October 2019 and 1 October 2019 as INED and ED, respectively.
*Mrs Emma Fundira retired from the board on 10 May 2019.
*Messrs Moyo and Mtsambiwa resigned from the board on 31 October 2019 and 5 December 2019, respectively.
*Mr Samuel Matsekete did not attend all the meetings as he was on garden leave pending his departure from the Bank on 31 December 2019.
** LOA – Leave of absence granted.

Directors shareholding

The following is a schedule of the directors' shareholdings in the Bank as at 31 December 2019;

P. Devenish	Nil
S. N. Moyo	Nil
T. Moyo	Nil
H. Anadkat *	
D. Dikshit *	
M. Twigger	Nil
K. Terry	Nil
S. Matsekete	10 000
C. McSharry	Nil
T. Mukuku	Nil

*Mr Hitesh Anadkat and Mr Dheeraj Dikshit hold some indirect interest in Afcarme Holdings Zimbabwe (Private) Limited, which in turn holds shares in the Bank.

Annual financial statements

The directors are responsible for the preparation and integrity of the financial results and related financial information contained in this report. The annual financial statements are prepared in accordance with local and international generally accepted accounting practices and they incorporate full and responsible disclosure to ensure that the information contained therein is both relevant and reliable. However compliance with International Financial Reporting Standards (IFRS), could not be fully achieved due to non-compliance with IAS21. Refer to note 2.1(b) for the detailed disclosure. These audited results have been prepared under the supervision of Taitos Mukuku CA (Z) PAAB Registered Accountant No.0281.

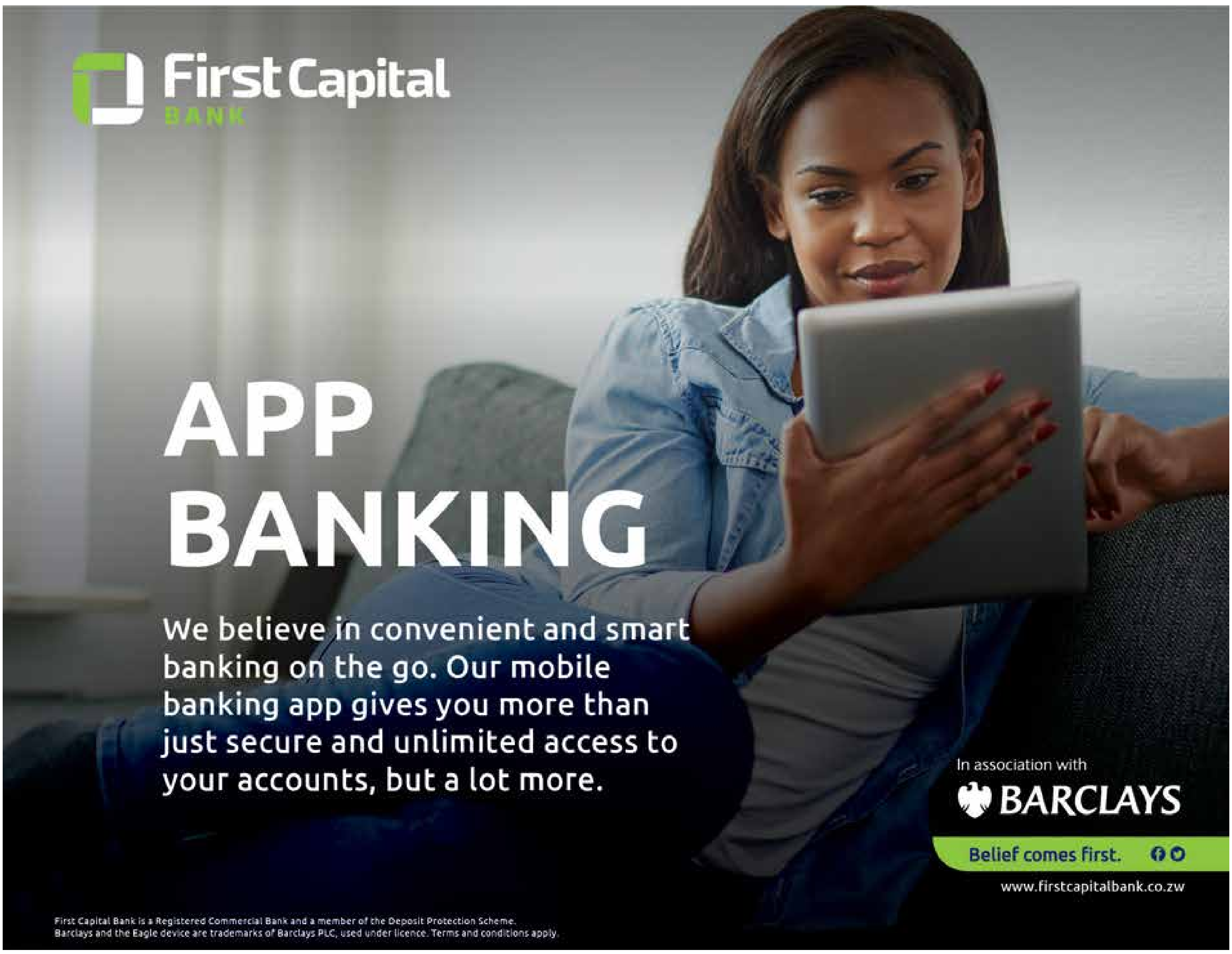
Compliance

The Board is of the view that the Bank complied with the applicable laws and regulations throughout the reporting period.

By Order of the Board

V. Mutandwa
Company Secretary

25 March 2020



Audited Abridged Financial Results

For the year ended 31 December 2019

Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	*Historical 2019 ZWL000	*Historical 2018 ZWL000
Interest income	3	174 774	281 761	74 635	41 477
Interest expense	4	(10 937)	(9 715)	(3 998)	(1 430)
Net interest income		163 837	272 046	70 637	40 047
Net fee and commission income	5	224 877	186 589	100 720	27 468
Net trading and foreign exchange income	6	119 860	80 400	61 896	11 835
Net investment and other income	7	9 723	15 911	5 519	2 342
Fair value gain on investment property		32 260	-	59 073	-
Total non interest income		386 720	282 900	227 208	41 645
Total income		550 557	554 946	297 845	81 692
Impairment losses on loans and receivables	11	(77 166)	(16 716)	(30 048)	(2 461)
Net operating income		473 391	538 230	267 797	79 231
Staff costs	8	(153 339)	(172 602)	(58 136)	(25 408)
Infrastructure costs	9	(165 018)	(77 990)	(62 802)	(11 481)
Administration and general expenses	10	(203 020)	(116 822)	(105 097)	(17 197)
Operating expenses		(521 377)	(367 414)	(226 035)	(54 086)
Net monetary loss		(230 952)	(82 529)	-	-
Share of profits of joint venture	23	150 376	-	228 242	-
(Loss)/profit before tax		(128 562)	88 287	270 004	25 145
Taxation	12	(34 725)	(5 916)	(5 814)	(823)
(Loss)/profit for the year		(163 287)	82 371	264 190	24 322
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on property revaluations		134 332	21 402	220 431	2 076
Deferred tax		(33 207)	(5 511)	(53 992)	(535)
Net (loss)/gain on financial assets at fair value through other comprehensive income (FVOCI)		(13 505)	8 223	19 508	2 126
Deferred tax		747	(411)	(127)	(384)
Total other comprehensive gain for revaluation and equity securities		88 367	23 703	185 820	3 283
Items that may be reclassified subsequently to profit or loss:					
Net gain on financial assets - debt securities		-	2 262	-	333
Deferred tax		-	(582)	-	(86)
Total other comprehensive income on debt securities		-	1 680	-	247
Total other comprehensive income		88 367	25 383	185 820	3 530
Total comprehensive (loss)/ income		(74 920)	107 754	450 010	27 852
Earnings per share					
Basic (cents per share)		(7.57)	3.82	12.26	1.13
Diluted (cents per share)		(7.56)	3.82	12.24	1.13

*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on the historic financial information.

Statement of Cash Flows

for the year ended 31 December 2019

	Notes	Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	*Historical 2019 ZWL000	*Historical 2018 ZWL000
Cash flows from operating activities					
(Loss)/profit before tax		(128 562)	88 287	270 004	25 145
Adjustments for non - cash items:					
Depreciation of property and equipment and software amortisation		44 463	17 088	7 816	2 516
Income from non - current asset held for sale		-	(2 274)	-	(335)
Impairment loss on financial assets	11	77 166	16 716	30 048	2 461
Share of profit from joint venture	23	(150 376)	-	(228 242)	-
Effect of fair value gain on investment property	20	(32 260)	-	(59 073)	-
Dividend income from investment securities	7	(7 315)	(9 527)	(4 429)	(1 402)
Profit on disposal of property and equipment		(326)	(1 789)	(245)	(263)
Interest accrued on investment securities		(55 104)	(82 466)	(14 563)	(12 140)
Staff loan prepayment amortisation		(1 840)	(385)	(144)	(57)
IFRS 16 finance cost		3 813	-	1 949	-
Net monetary loss		230 952	82 529	-	-
Share based payment expense		71	359	45	53
Cash flow from operating activities before changes in working capital		(19 318)	108 538	3 168	15 978
Decrease/(increase)in loans and advances to customers		523 359	(523 695)	(535 795)	(84 311)
Increase in other assets		(237 193)	(3 972)	(282 246)	(639)
(Decrease)/increase in deposits from customers		(1 391 647)	661 609	1 493 252	106 514
Increase in other liabilities		106 023	51 012	200 865	8 212
Corporate income tax paid		(24 993)	(12 361)	(13 434)	(1 979)
Payments into restricted bank balances		22 666	(142 410)	(161 133)	(22 927)
Net cash (used in) or generated from operating activities		(1 021 102)	138 721	704 675	20 848
Cash flows from investing activities					
Purchase of property, equipment and intangible assets		(41 053)	(65 089)	(18 766)	(10 479)
Proceeds from sale of property and equipment		823	2 004	319	322
Dividends received from investment securities		7 315	8 711	5 348	1 402
Interest received from investment securities		90 084	107 204	22 108	17 259
Purchase of investments securities		(384 724)	(2 921 884)	(341 272)	(469 020)
Proceeds from sale and maturities of investment securities		1 556 671	1 813 937	415 775	292 135
Net cash generated from or (used in) investing activities		1 229 116	(1 055 117)	83 512	(168 381)
Cash flows from financing activities					
Proceeds from issue of shares under a share based payment plan		-	271	-	44
IFRS 16 lease liabilities payments		(14 203)	-	(4 328)	-
Net cash (used in) or generated from financing activities		(14 203)	271	(4 328)	44
Net increase/(decrease) in cash and cash equivalents		193 811	(916 125)	783 859	(147 489)
Cash and cash equivalents at the beginning of the year		703 268	1 619 393	113 220	260 709
Cash and cash equivalents at the end of the year	13.1	897 079	703 268	897 079	113 220

*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on the historic financial information.

Statement of Financial Position

as at 31 December 2019

	Notes	Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	*Historical 2019 ZWL000	*Historical 2018 ZWL000
Assets					
Cash and bank balances	13	1 128 936	936 114	1 128 936	150 707
Derivative financial instruments	14	-	2	-	-
Investment securities	15	231 800	1 795 132	231 800	289 001
Loans and receivables from banks	16	3 263	25 032	3 263	4 030
Loans and advances to customers	17	711 222	1 209 226	711 222	194 675
Other assets	18	306 238	56 718	278 471	8 553
Property and equipment	19	251 455	200 927	238 398	30 602
Investment properties	20	71 307	31 958	71 307	5 145
Non - current assets held for sale	22	-	92 111	-	14 829
Investment in joint venture	23	242 487	-	242 487	-
Intangible assets	21	53 743	-	18 025	-
Right of use assets	24	54 323	-	16 061	-
Current tax asset		5 635	7 465	5 635	1 202
Total assets		3 060 409	4 354 685	2 945 605	698 744
Liabilities					
Derivative financial instruments	14	-	5	-	1
Lease liabilities	24	16 135	-	16 135	-
Deposits from banks	25	39 379	18 045	39 379	2 905
Deposits from customer	26	2 046 816	3 438 463	2 046 816	553 564
Provisions	27	7 102	19 649	7 102	3 163
Other liabilities	28	145 613	112 134	142 817	18 054
Deferred tax liabilities	30	77 990	17 202	53 737	2 748
Balances due to group companies	36.4	73 967	11 216	73 967	1 806
Total liabilities		2 407 002	3 616 714	2 379 953	582 241
Equity					
Capital and reserves					
Share capital		1 595	1 595	216	215
Share premium	31.1	176 284	176 284	23 837	23 837
Non - distributable reserves	31.2	57 571	57 571	7 785	7 785
Fair value through other comprehensive income reserve	31.3	18 448	31 206	24 307	4 926
Revaluation reserves	31.4	117 016	15 891	171 374	4 935
Impairment reserve		783	3 794	783	611
Share - based payment reserve	31.5	9 143	9 072	1 273	1 228
Retained earnings		272 567	442 558	336 077	72 966
Total equity		653 407	737 971	565 652	116 503
Total equity and liabilities		3 060 409	4 354 685	2 945 605	698 744

*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on the historic financial information.

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Statement of Changes in Equity

for the year ended 31 December 2019

Inflation adjusted 2019	Share capital ZWL000	Share premium ZWL000	Non-distributable reserves ZWL000	Fair value through other comprehensive income ZWL000	Revaluation reserves ZWL000	Impairment reserve ZWL000	Share-based payment reserve ZWL000	Retained earnings ZWL000	Total equity ZWL000
Balance at 1 January 2019 as previously recorded	1 595	176 284	57 571	31 206	15 891	3 794	9 072	442 558	737 971
Impact of change in accounting policy - IFRS 16 (Note 2.1(c))	-	-	-	-	-	-	-	(6 704)	(6 704)
Revised balance at 1 January 2019	1 595	176 284	57 571	31 206	15 891	3 794	9 072	435 854	731 267
Loss for the year	-	-	-	-	-	-	-	(163 287)	(163 287)
Other comprehensive income for the year	-	-	-	(12 758)	101 125	-	-	-	88 367
Total comprehensive income for the year	-	-	-	(12 758)	101 125	-	-	(163 287)	(74 920)
								-	
Recognition of share - based payments	-	-	-	-	-	-	71	-	71
Impairment of FVOCI financial assets	-	-	-	-	-	(3 011)	-	-	(3 011)
Balance at 31 December 2019	1 595	176 284	57 571	18 448	117 016	783	9 143	272 567	653 407

*Historical 2019	Share capital ZWL000	Share premium ZWL000	Non-distributable reserves ZWL000	Fair value through other comprehensive income ZWL000	Revaluation reserves ZWL000	Impairment reserve ZWL000	Share-based payment reserve ZWL000	Retained earnings ZWL000	Total equity ZWL000
Balance at 1 January 2019 as previously recorded	215	23 837	7 785	4 926	4 935	611	1 228	72 966	116 503
Impact of change in accounting policy - IFRS 16 (Note 2.1(c))	-	-	-	-	-	-	-	(1 079)	(1 079)
Revised Balance at 1 January 2019	215	23 837	7 785	4 926	4 935	611	1 228	71 887	115 424
Profit for the year	-	-	-		-	-	-	264 190	264 190
Other comprehensive income for the year	-	-	-	19 381	166 439	-	-	-	185 820
Total comprehensive income for the year	-	-	-	19 381	166 439	-	-	264 190	450 010
Recognition of share-based payments	-	-	-	-	-	-	46	-	46
Issue of ordinary shares under share - based payment plans	1	-	-	-	-	-	(1)	-	-
Impairment of FVOCI financial assets	-	-	-	-	-	172	-	-	172
Balance at 31 December 2019	216	23 837	7 785	24 307	171 374	783	1 273	336 077	565 652

*The historic amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on the historic financial information.

Audited Abridged Financial Results

For the year ended 31 December 2019

Notes to the Annual Financial Statements

for the year ended 31 December 2019

1. General information and statement of compliance

1.1. General information

First Capital Bank Limited ("the Bank") provides retail, corporate and investment banking services in Zimbabwe. The Bank which is incorporated and domiciled in Zimbabwe is a registered commercial bank under the Zimbabwe Banking Act Chapter (24:20). The ultimate parent company is FMBcapital Holdings PLC incorporated in Mauritius. The Bank has a primary listing on the Zimbabwe Stock Exchange.

2.1(a) Basis of preparation

The Bank's audited abridged financial results are prepared and presented on the basis that they reflect the information necessary to be a fair summary of the audited annual financial statements from which they are derived. This includes financial results that agree with or can be recalculated from the related information in the audited financial statements and that contain the information necessary so as not to be misleading in the circumstances. The information contained in these financial results does not contain all the disclosures required by International Financial Reporting Standards, the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (Chapter 24:20), which are disclosed in the full annual financial statements from which this set of financial results were derived. For a better understanding of the Bank`s financial position, its financial performance and cash flows for the year, these financial results should be read in conjunction with the audited annual financial statements. The full signed annual report can be obtained upon request from the company secretary at the registered office of the Bank

The audited abridged financial results have been prepared on the basis of IAS 29:Financial Reporting for Hyperinflationary Economies.

The Public Accountants and Auditors Board (PAAB) announced that the factors and characteristics of IAS 29 had been met and all financial statements for the period ending from 1 July 2019 should be prepared on IAS 29 basis.

The audited abridged financial results are showing both the inflation adjusted and historical financial information with the inflation adjusted financial information being the primary set. The historical cost financial statements have been provided as supplementary information and as a result the auditors have not expressed an opinion on them.

The following All items CPI indices were used to prepare the financial statements:

Dates	All items CPI Indices	Conversion factors
December 2019	551.6	1
December 2018	88.8	6.212
October 2018	74.6	7.394

Monetary assets and liabilities are not restated while non-monetary assets and liabilities that are not carried at amounts current at balance sheet date and components of shareholders' equity are restated by the relevant monthly conversion factors. All items in the income statement are restated by applying the relevant monthly, yearly average or year-end conversion factors. The effect of inflation on the net monetary position of the Bank is included in the income statement as a monetary loss adjustment.

2.1(b) Functional and presentation currency

The audited abridged financial results are presented in Zimbabwe Dollars (ZWL$), the functional currency of the Bank, in 2018 they were presented in United States of America Dollars (US$) which was the legal functional currency of the Bank at that time.

2018 financial year assessment

The Bank assessed its functional currency for the year ended 31 December 2018 continuing from the previous assessment done in 2017 using same International Accounting Standard 21(IAS 21) primary and secondary indicators stated above. The Bank concluded that a greater proportion of the interest income and non-funded income was being priced and settled in Real Transfer Gross Settlement (RTGS) dollars and costs being largely determined and settled in RTGS. Net receipts from operations were largely retained in RTGS dollars. A greater proportion of the Bank's assets and deposits are now predominantly denominated in RTGS dollars.

The Bank also considered separation of nostro and RTGs balances, substance over form of RTGS transactions and concluded that the functional currency had changed from United states dollars (USD) to RTGS Dollar (ZWL) from 1 October 2018.

Statutory Instrument (S.I) 33 of 2019 & IAS 21 requirements

Following the monetary policy on the 20th of February 2019, Statutory Instrument (S.I) 33 of 2019 was issued effective 22 February 2019 which introduced RTGS Dollar as a currency and specified that all assets and liabilities which were effectively valued in United Sates dollars($) before the effective date shall be converted at 1:1 on and after the effective date.

Non compliance with IAS 21

(S.I.) 33 prescribed that assets and liabilities in United States dollars($) on or before 22 February be converted at 1:1 hence the Bank applied this legal requirement when converting balances at year end to comply with local laws and regulations. As a result the Bank could not apply the requirements of IAS 21 described above which required a market exchange rate to be applied when converting balances into reporting currency or use of first subsequent rate when exchange rate is temporarily lacking resulting in non-compliance with IAS 21.

The non - compliance with IAS 21 in 2018 results in material misstatements of 2019 financial statements as they were significant foreign currency assets and liabilities on the 2018 balance sheet translated at 1:1 and not market rate.

2019 financial year assessment

Statutory instrument (S.I) 33 of 2019 introduced RTGS dollar ("ZWL") as a currency effective 22 February 2019 and subsequently Statutory instrument (S.I) 142 of 2019 promulgated Zimbabwe dollar (ZWL) as a currency replacing the RTGS dollar therefore the Bank adopted the Zimbabwe dollar (ZWL) as the functional and presentation currency effective this date. Assets and liabilities as at 20 February 2019 denominated in United States dollars were converted to ZWL at a rate of 1:1, the rate that was existing at the day of change in currency. The impact of the change in currency was accounted for in the statement of comprehensive income. From January 2019 to 22 February 2019 the United States Dollar ($) was the functional currency.

2.1(c) Adoption of new and revised accounting standards

The accounting policies applied in the audited abridged financial results are consistent with the accounting policies in the most recent financial statements for the year ended 31 December 2018 except for the following:

i) IFRS 16 - Leases

The Bank has applied IFRS 16 using the modified retrospective approach with effect from 1 January 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

IFRS 16's key requirement is the recognition of right-of-use asset and future payments lease liability where the Bank is a lessee and the lease term is twelve months or more.

Impact on financial results

On transition to IFRS 16, the Bank recognised ZWL9 465 438 of right of use assets, ZWL10 544 623 of lease liabilities and the difference of ZWL1 079 184 as an adjustment to retained earnings at 1 January 2019. When measuring lease liabilities, the Bank discounted lease payments using an incremental borrowing rate of 8% at 1 January 2019. The discount rate changed during the year to 30%.

ii) IFRIC 23- Uncertainty over income tax treatments

The Bank adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires the Bank to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the Bank should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the Bank should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value.

iii) IFRS 5 - Non - current asset held for sale

The accounting for the investment in Makasa Sun (Private) Limited changed from non - current asset for sale to investment in joint venture. There was no financial impact at the date of change in accounting policy.

iv) IAS 29 – Hyper-inflationary reporting

The Bank adopted IAS 29 for the current year reporting after the economy was determined to be hyper-inflationary - refer to note 2.1(a).

2.1(d) Audit opinion and key audit matters

These audited abridged financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2019, which have been audited by Deloitte & Touche and an adverse opinion has been issued thereon. The auditors report, which has an adverse opinion in respect of compliance with International Financial Reporting Standard 21 (Effects of Changes in Foreign Exchange Rates), is available for inspection at the Bank's registered address. The auditors report has been made available to management and those charged with the governance of First Capital Bank Limited. The engagement partner responsible for this audit is Tumai Mafunga.

		Inflation adjusted		Historical	
		2019	2018	2019	2018
3	**Interest income**	ZWL000	ZWL000	ZWL000	ZWL000
	Bank balances	2 378	518	1 702	76
	Loans and receivables from banks and investment securities	56 455	172 327	14 563	25 368
	Loans and advances to customers	115 941	108 916	58 370	16 033
	Total interest income	**174 774**	**281 761**	**74 635**	**41 477**
4	**Interest expense**				
	IFRS16 lease interest	(3 813)	-	(1 949)	-
	Deposits from banks	(808)	-	(419)	-
	Customer deposits	(6 316)	(9 715)	(1 630)	(1 430)
	Total interest expense	**(10 937)**	**(9 715)**	**(3 998)**	**(1 430)**
5	**Net fee and commission income**				
	Fee and commission income				
	Account activity fees/ledger fees	71 046	49 563	26 949	7 296
	Insurance commission received	929	2 794	330	411
	Commission received	83 697	94 254	38 040	13 875
	Guarantees	2 309	5 670	6 882	835
	Card based transaction fees	7 308	18 352	641	2 702
	Cash withdrawal fees	61 610	19 361	28 494	2 850
	Fee and commission income	**226 899**	**189 993**	**101 336**	**27 969**
	Fee and commission expense				
	Guarantee commissions	(2 022)	(2 377)	(616)	(350)
	Other fees and commissions	-	(1 027)	-	(151)
	Fee and commission expense	**(2 022)**	**(3 404)**	**(616)**	**(501)**
	Net fee and commission income	**224 877**	**186 589**	**100 720**	**27 468**

Net fee and commission income above excludes amounts included in determining the effective interest rate on financial assets measured at amortised cost.

		Inflation adjusted		Historical	
		2019	2018	2019	2018
6	**Net trading and foreign exchange income**	ZWL000	ZWL000	ZWL000	ZWL000
	Net foreign exchange revaluation loss	(59 297)	-	(18 071)	-
	Net foreign exchange trading income	179 157	74 475	79 967	10 963
	Trading income - financial instruments	-	5 925	-	872
	Net trading income	**119 860**	**80 400**	**61 896**	**11 835**
7	**Net investment and other income**				
	Dividend income	7 315	9 527	4 429	1 402
	Gain on disposal of property and equipment	326	1 789	245	263
	Rental income	1 451	2 321	471	342
	Income from non - current asset held for sale	-	2 274	-	335
	Sundry income	631	-	374	-
	Total	**9 723**	**15 911**	**5 519**	**2 342**
8	**Staff costs**				
	Salaries and allowances	(119 186)	(151 146)	(44 762)	(22 249)
	Social security costs	(668)	(1 399)	(194)	(206)
	Pension costs: defined contribution plans	(8 918)	(14 657)	(2 612)	(2 158)
	Retrenchment costs	(19 695)	-	(9 059)	-
	Directors` remuneration - for services as management	(4 801)	(5 041)	(1 464)	(742)
	Share based payments	(71)	(359)	(45)	(53)
	Total staff cost	**(153 339)**	**(172 602)**	**(58 136)**	**(25 408)**
	Average number of employees during the period:	676	702	676	702
9	**Infrastructure costs**				
	Repairs and maintenance	(9 293)	(12 319)	(3 684)	(1 813)
	Heating, lighting, cleaning and rates	(8 208)	(14 091)	(4 322)	(2 075)
	Security costs	(7 104)	(7 793)	(2 800)	(1 147)
	Depreciation of property and equipment and right of use asset	(39 681)	(17 088)	(5 565)	(2 516)
	Software amortisation	(4 782)	-	(2 251)	-
	Operating lease - other costs	(1 462)	(14 916)	(441)	(2 196)
	Migration costs - technology	(54 650)	(11 783)	(21 948)	(1 734)
	Connectivity, software and licences	(39 838)	-	(21 791)	-
	Total infrastructure costs	**(165 018)**	**(77 990)**	**(62 802)**	**(11 481)**
10	**Administrative and general expenses**				
	Auditors' remuneration:				
	Audit related services	(1 949)	(1 767)	(1 990)	(260)
	Review services	(1 765)	(157)	(538)	(23)
	Total auditors' remuneration	**(3 714)**	**(1 924)**	**(2 528)**	**(283)**
	Consultancy, legal and professional fees	(3 805)	(5 344)	(1 653)	(787)
	Subscription, publications and stationery	(10 209)	(14 982)	(4 159)	(2 205)
	Marketing, advertising and sponsorship	(9 331)	(3 537)	(4 722)	(521)
	Travel and accommodation	(16 822)	(6 680)	(8 155)	(983)
	Entertainment	(108)	(449)	(68)	(66)
	Cash transportation	(15 779)	(8 584)	(8 155)	(1 264)
	Directors fees	(339)	(1 662)	(121)	(245)
	Insurance costs	(10 067)	(15 164)	(4 862)	(2 232)
	Telex, telephones and communication	(19 570)	(17 538)	(8 881)	(2 582)
	Group recharges	(76 259)	(16 924)	(37 146)	(2 491)
	Card operating expenses	(12 419)	(5 078)	(6 816)	(748)
	Other administrative and general expenses	(18 663)	(5 476)	(16 052)	(805)
	Migration cost branding & other	(5 935)	(13 480)	(1 779)	(1 985)
	Total administrative and general expenses	**(203 020)**	**(116 822)**	**(105 097)**	**(17 197)**
11	**Impairment losses on loans and advances by stage**				
	Stage 1				
	Loans and advances to customers	(54 086)	(18 965)	(17 295)	(2 792)
	Balances with banks - local & nostro	(1 685)	(231)	(512)	(34)
	Investment securities - treasury bills & bonds	(567)	2 106	(173)	310
	Other assets including RBZ NOP receivable	(15 005)	-	(9 644)	-
	Total	**(71 343)**	**(17 090)**	**(27 624)**	**(2 516)**
	Stage 2				
	Loans and advances to customers	(3 353)	2 065	(1 022)	304
	Total	**(3 353)**	**2 065**	**(1 022)**	**304**
	Stage 3				
	Loans and advances to customers	(2 083)	(2 412)	(635)	(355)
	Other assets	(933)	-	(933)	-
	Total	**(3 016)**	**(2 412)**	**(1 568)**	**(355)**
	Total impairment raised during the period	(77 712)	(17 437)	(30 215)	(2 567)
	Recoveries of loans and advances previously written off	546	721	166	106
	Statement of comprehensive income charge	**(77 166)**	**(16 716)**	**(30 048)**	**(2 461)**

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Audited Abridged Financial Results

For the year ended 31 December 2019

Notes to the Annual Financial Statements

for the year ended 31 December 2019

		Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
12	**Taxation**				
12.1	**Income tax recognised in profit or loss**				
	Current tax				
	Normal tax - current year	(26 822)	(9 606)	(9 000)	(1 414)
	Total current tax	(26 822)	(9 606)	(9 000)	(1 414)
	Deferred tax				
	Deferred tax expense recognised in the current year	(7 902)	3 690	3 187	591
	Deferred tax expense from changes in tax rates	(1)	-	(1)	-
	Total deferred tax	(7 903)	3 690	3 186	591
	Total income tax charge recognised in the current year	(34 725)	(5 916)	(5 814)	(823)
13	**Cash and bank balances**				
	Balances with central bank	94 107	409 347	94 107	65 901
	Statutory reserve balance with central bank	41 554	150 169	41 554	24 176
	Money market assets	-	124 271	-	20 007
	Cash on hand - foreign currency	170 357	111 260	170 357	17 918
	Cash on hand - local currency	2 061	26 271	2 061	4 224
	Balances due from group companies	934	11	934	2
	Balances with banks abroad	820 583	114 996	820 583	18 513
	Cash and bank balances	1 129 596	936 326	1 129 596	150 741
	Expected credit losses	(660)	(211)	(660)	(34)
	Net cash and bank balances	1 128 936	936 114	1 128 936	150 707
13.1	**Cash & cash equivalents**				
	Cash & bank balances before impairment	1 129 596	936 326	1 129 596	150 741
	Restricted balances with central bank	(23 797)	(45 646)	(23 797)	(7 349)
	Statutory reserve	(41 554)	(150 170)	(41 554)	(24 176)
	Restricted balances with banks abroad	(131 050)	(23 251)	(131 050)	(3 744)
	Clearing balances with banks	3 263	4 054	3 263	653
	Bank balances due to group companies	(934)	-	(934)	-
	Balances due to other banks	(38 445)	(18 045)	(38445)	(2 905)
	Total cash and cash equivalents – statement of cash flows	897 079	703 268	897 079	113 220

14 Derivative financial instruments

The Bank uses cross-currency swaps to manage the foreign currency risks arising from asset and deposit balances held which are denominated in foreign currencies. Forward exchange contracts are for trading and foreign currency risk management purposes.

Carrying amount

The fair value of the derivative financial instruments represents the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at year end.

Contract amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount cannot be used to assess the market risk associated with the position and should be used only as a means of assessing the Bank's participation in derivative contracts.

	Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
Foreign exchange derivatives - assets				
Foreign exchange spot trades				
Notional contract amount	7 246	4 628	7 246	745
Carrying amount	-	2	-	-
Foreign exchange derivatives	7 246	4 630	7 246	745
Foreign exchange derivatives - liabilities				
Forward foreign exchange				
Notional contract amount	-	-	-	-
Carrying amount	-	5	-	1
Foreign exchange derivatives	-	5	-	1
15 Investment securities				
Treasury bills	205 613	1 755 784	205 613	282 666
Equity securities	26 187	39 348	26 187	6 335
Balance at the end of the year	231 800	1 795 132	231 800	289 001
Balance at beginning of year	1 795 132	32 517	289 001	5 235
Additions	384 724	1 677 338	341 272	270 038
Maturities	(1 939 225)	(2 880)	(421 382)	(464)
Accrued interest	4 674	72 879	4 674	11 733
Changes in fair value	(13 505)	15 278	18 235	2 459
Balance at the end of the year	231 800	1 795 132	231 800	289 001

Treasury bills and bonds classified as investment securities are held to collect contractual cash flows and sell if the need arises. They are measured at fair value.

Expected credit losses are accounted for through impairment reserve in equity. A total of ZWL782 468 was recognised in the reserve as at 31 December 2019.

Equity securities are designated as fair value through other comprehensive income and measured at fair value.

		Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
16	**Loans and receivables from banks**				
	Treasury Bills	-	21 021	-	3 384
	Clearance balances with other banks	3 263	4 054	3 263	653
	Total carrying amount of loans and advances	3 263	25 075	3 263	4 037
	Less: Impairment provision	-	(44)	-	(7)
	Net Loans and receivables from banks	3 263	25 032	3 263	4 030

Treasury bills held for investment purpose are classified as financial assets at amortised cost. These financial assets are held to earn interest income over their tenor and to collect contractual cash flows.

		Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
17	**Loans and advances to customers**				
	Historical and inflation adjusted 2019				
	Personal and term loans	78 374	38 811	493 267	610 452
	Mortgage loans	21 980	-	-	21 980
	Overdrafts	1 579	42 738	59 829	104 146
	Gross loans and advances to customers	101 933	81 549	553 096	736 578
	Less: allowance for impairment				
	Stage1	(3 092)	(1 899)	(17 020)	(22 011)
	Stage2	(1 069)	(332)	(164)	(1 565)
	Stage3	(1 475)	(305)	-	(1 780)
	Allowance for impairment	(5 637)	(2 535)	(17 184)	(25 356)
	Net loans and advances to customers	96 296	79 014	535 912	711 222

Inflation adjusted 2018	Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
Personal and term loans	253 736	295 408	423 936	973 080
Mortgage loans	52 166	-	-	52 166
Overdrafts	1 757	20 722	204 109	226 588
Interest in suspense	-	(2 329)	-	(2 329)
Gross loans and advances to customers	307 659	313 801	628 045	1 249 505
Less: allowance for impairment				
Stage 1	(3 769)	(8 841)	(16 683)	(29 293)
Stage 2	(154)	(47)	(3 173)	(3 374)
Stage 3	(2 998)	(4 615)	-	(7 613)
Allowance for impairment	(6 921)	(13 502)	(19 856)	(40 279)
Net loans and advances	300 738	300 298	608 190	1 209 226

Historical 2018	Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
Personal and term loans	40 850	47 558	68 250	156 658
Mortgage loans	8 398	-	-	8 398
Overdrafts	283	3 336	32 860	36 479
Interest in suspense	-	(375)	-	(375)
Gross loans and advances to customers	49 531	50 519	101 110	201 160
Less: allowance for impairment				
Stage 1	(607)	(1 423)	(2 686)	(4 716)
Stage 2	(25)	(7)	(511)	(543)
Stage 3	(483)	(743)	-	(1 226)
Allowance for impairment	(1 115)	(2 173)	(3 197)	(6 485)
Net loans and advances	48 416	48 346	97 913	194 675

		Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
18	**Other assets**				
	Prepayments and stationery	19 824	20 589	11 289	2 867
	Card security deposit and settlement balances	38 580	13 967	38 580	2 249
	Other receivables	6 010	4 679	6 010	754
	RBZ receivable - NOP support*	207 819	-	207 819	-
	RBZ other legacy debts	13 419	-	13 419	-
	Income receivable from non - current asset held for sale	-	2 079	-	335
	Staff loans market interest rate adjustment	31 057	15 404	11 825	2 348
	Total before impairment allowance	316 708	56 718	288 942	8 553
	Less: Expected credit loss	(10 471)	-	(10 471)	-
	Total other assets	306 238	56 718	278 471	8 553
	Current	168 529	45 218	140 762	6 702
	Non - current	137 709	11 499	137 709	1 851
	Total	306 238	56 718	278 471	8 553

* The receivable relates to the foreign currency commitment by the central bank to provide cash flows to cover USD15.7 million net open position which arose after separation of RTGS and foreign currency balances. Refer to note 40.3 for the valuation assumptions. The receivable is estimated to be fully recovered over a period of 5.5 years.

		Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Assets under development ZWL000	Total ZWL000
19	**Property and equipment**							
	Inflation adjusted 2019							
	Balance at beginning of year	103 827	15 430	5 842	4 190	17 487	54 151	200 927
	Additions	-	3 892	1 168	521	347	-	5 928
	Revaluation	134 332	-	-	-	-	-	134 332
	Disposals	-	-	-	-	(497)	-	(497)
	Transfers to intangible assets (Note 23)	-	-	-	-	-	(54 151)	(54 151)
	Transfers to investment properties	(7 089)	-	-	-	-	-	(7 089)
	Depreciation charge	(2 471)	(10 429)	(4 829)	(2 613)	(7 653)	-	(27 995)
	Carrying amount at end of the year	228 599	8 893	2 181	2 098	9 684	-	251 455
	Cost or valuation	228 599	55 700	25 198	13 533	38 056	-	361 086
	Accumulated depreciation and impairment	-	(46 807)	(23 017)	(11 435)	(28 372)	-	(109 632)
	Carrying amount at end of the year	228 599	8 893	2 181	2 098	9 684	-	251 455
	Inflation adjusted 2018							
	Balance at beginning of year	83 037	15 873	5 498	4 725	18 648	-	127 781
	Additions	-	2 460	1 817	137	810	54 151	59 963
	Revaluation	21 402	-	-	-	-	-	21 402
	Depreciation charge	(612)	(2 903)	(1 473)	(672)	(1 971)	-	(7 630)
	Carrying amount at end of year	103 827	15 430	5 842	4 190	17 487	54 151	200 927
	Cost or valuation	103 827	51 809	24 030	13 012	38 206	54 151	285 035
	Accumulated depreciation and impairment	-	(36 379)	(18 188)	(8 822)	(20 719)	-	(84 108)
	Carrying amount at end of year	103 827	15 430	5 842	4 190	17 487	54 151	200 927

Historical 2019	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Assets under development ZWL000	Total ZWL000
Balance at beginning of year	16 715	2 387	1 001	622	2 555	7 322	30 602
Additions	-	3 874	1 136	504	298	-	5 812
Revaluation	220 431	-	-	-	-	-	220 431
Disposals	-	-	-	-	(351)	-	(351)
Transfers to intangible assets	-	-	-	-	-	(7 322)	(7 322)
Transfers to investment properties	(7 089)	-	-	-	-	-	(7 089)
Depreciation charge on disposals	-	-	-	-	276	-	276
Depreciation charge	(1 458)	(1 032)	(310)	(264)	(897)	-	(3 961)
Carrying amount at end of the year	228 599	5 229	1 827	862	1 881	-	238 398
Cost or valuation	228 599	10 961	4 410	2 267	5 129	-	251 366
Accumulated depreciation and impairment	-	(5 732)	(2 583)	(1 405)	(3 248)	-	(12 968)
Carrying amount at end of the year	228 599	5 229	1 827	862	1 881	-	238 398

Historical 2018	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Assets under development ZWL000	Total ZWL000
Balance at beginning of year	14 927	1 925	330	737	2 702	-	20 621
Additions	-	1 404	839	136	778	7 322	10 479
Revaluation	2 076	-	-	-	-	-	2 076
Disposals	-	(46)	(7)	(18)	(707)	-	(778)
Depreciation charge on disposals	-	45	7	10	658	-	720
Depreciation charge	(288)	(941)	(168)	(243)	(876)	-	(2 516)
Carrying amount at end of the year	16 715	2 387	1 001	622	2 555	7 322	30 602
Cost or valuation	16 715	7 064	3 296	1 763	5 183	7 322	41 343
Accumulated depreciation and impairment	-	(4 677)	(2 295)	(1 141)	(2 628)	-	(10 741)
Carrying amount at end of year	16 715	2 387	1 001	622	2 555	7 322	30 602

Property and equipment was subjected to impairment testing by way of internal evaluation of obsolescence of equipment. Revaluation takes place after every three years. Land and buildings were revalued at 31 December 2019 by an independent valuer. If land and buildings were stated on the historical cost basis, the carrying amount would be ZWL80 590 806 (2018: ZWL83 036 789). No items of property and equipment were pledged as collateral as at 31 December 2019.

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First Capital BANK

In association with BARCLAYS

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		Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
20	**Investment properties**				
	Balance at beginning of the year	31 958	31 958	5 145	5 145
	Transfers from property and equipment	7 089	-	7 089	-
	Changes in fair value	32 260	-	59 073	-
	Balance at the end of the year	71 307	31 958	71 307	5 145
	Rental income derived from investment properties	1 451	2 424	471	342

Investment property comprises commercial properties that are leased to third parties. No contingent rents are charged. The property was fair valued in 2019 with ZWL32 260 000 fair value movement (2018: Nil). Total cost incurred in the year is ZW167 920.

The fair value of investment property was determined by external, independent property valuers, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Bank`s investment property portfolio annually.

The fair value measurement of the investment property has been categorised as Level 3 in the fair value hierarchy (Note 40) based on the inputs to the valuation technique used.

		Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
21	**Intangible assets**				
	Balance at beginning of year	-	-	-	-
	Transfers from property and equipment	23 401	-	7 322	-
	Additions	35 124	-	12 954	-
	Amortisation	(4 782)	-	(2 251)	-
	Balance at 31 December	53 743	-	18 025	-
	Cost/ valuation	58 524	-	20 276	-
	Accumulated amortisation	(4 782)	-	(2 251)	-
	Balance at 31 December	53 743	-	18 025	-
22	**Non - current assets held for sale**				
	Balance at beginning of year	92 111	92 111	14 829	14 829
	Transfer to investment in joint venture	(92 111)	-	(14 829)	-
	Balance at 31 December	-	92 111	-	14 829

During the year the non - current asset held for sale was reclassified to investment in joint venture after the Board resolved not to continue with the sale.

		Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
23	**Investment in joint venture**				
	Transfer from non - current assets held for sale	92 111	-	14 829	-
	Prior years' share of profit adjustment	2 079	-	335	-
	Current year share of total comprehensive income in joint venture	150 376		228 242	
	Dividends received during the year	(2 079)	-	(919)	-
	Carrying amount of investment at year end	242 487	-	242 487	-

The Bank owns 50 % investment in Makasa Sun. The other 50 % is owned by Barclays Pensions Fund. Maksa Sun owns a hotel located in the tourist resort town of Victoria Falls, Zimbabwe.

		Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
24	**Leases**				
24.1	**Right of use asset**				
	Balance at beginning of year	-	-	-	-
	Additions	66 010	-	17 694	-
	Depreciation for the year	(11 687)	-	(1 633)	-
	Balance at 31 December	54 323	-	16 061	-
	Lease liabilities included in statement of financial position				
	Current	1 127	-	1 127	-
	Non - current	15 008	-	15 008	-
	Balance at 31 December	16 135		16 135	-
25	**Deposits from banks**				
	Interbank money market deposit	20 027	-	20 027	-
	Clearance balances due to other banks	19 352	18 045	19 352	2 905
	Total deposits from banks	39 379	18 045	39 379	2 905
26	**Deposits from customers**				
	Demand deposits				
	Retail	292 597	516 167	292 597	83 099
	Business banking	177 304	880 866	177 304	141 812
	Corporate and investment banking	1 417 899	1 276 414	1 417 899	205 492
	Total	1 887 800	2 673 447	1 887 800	430 403
	Call deposits				
	Retail	377	5 648	377	909
	Business banking	13 306	294 749	13 305	47 452
	Corporate and investment banking	18 811	-	18 811	51 425
	Total	32 493	300 397	32 493	99 786
	Savings accounts				
	Retail	2 017	89 261	2 017	14 370
	Business banking	18	4	18	1
	Corporate and investment banking	-	319 425	-	-
	Total	2 035	408 690	2 035	14 371
	Other				
	Retail	-	-	-	-
	Business banking	-	-	-	-
	Corporate and investment banking	124 488	55 929	124 488	9 004
	Total	124 488	55 929	124 488	9 004
	Total deposits from customers	2 046 816	3 438 463	2 046 816	553 564

Included in the deposits above are foreign currency deposits of ZWL1 billion. Deposits from customers only include financial instruments classified as liabilities at amortised cost. Fair value of deposits from customers approximates carrying amount because of their short tenure. Included in customer accounts are deposits of ZWL124 487 697 (2018: ZWL9 004 124) held as collateral for loans advanced and letters of credit.

	Inflation adjusted 2019 ZWL000	%	Inflation adjusted 2018 ZWL000	%	Historical 2019 ZWL000	%	Historical 2018 ZWL000	%
Concentration of customer deposits								
Trade and services	753 290	37	1 231 512	36	753 290	37	198 263	36
Energy and minerals	13 445	1	101 265	3	13 445	1	16 303	3
Agriculture	211 535	10	315 073	9	211 535	10	50 724	9
Construction and property	22 541	1	18 803	1	22 541	1	3 027	1
Light and heavy industry	214 940	11	396 565	12	214 940	11	63 844	12
Physical persons	297 973	15	610 848	18	297 973	15	98 342	18
Transport and distribution	311 452	14	492 834	14	311 452	14	79 342	14
Financial services	221 640	11	271 563	8	221 640	11	43 719	8
Total	2 046 816	100	3 438 463	100	2 046 816	100	553 564	100

		Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
27	**Provisions**				
	Staff retention				
	Balance at beginning of period	14 326	12 647	2 306	2 036
	Provisions made during the year	12 659	14 164	5 653	2 280
	Provisions used during the year	(20 940)	(12 485)	(1 914)	(2 010)
	Balance at end of year	6 045	14 326	6 045	2 306
	Outstanding employee leave				
	Balance at beginning of period	5 323	2 143	857	340
	Provisions made during the year	3 524	3 210	845	517
	Provisions used during the year	(7 790)	-	(645)	-
	Balance at end of year	1 057	5 323	1 057	857
	Total provisions at end of year	7 102	19 649	7 102	3 163

The staff retention incentive represents a provision for retention incentive to be paid to staff and is included in staff costs. Employee entitlements to annual leave are recognised when they accrue to employees. The provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date and the charge is recognised in profit or loss within "staff costs".

		Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
28	**Other liabilities**				
	Accrued expenses	46 105	46 104	46 105	7 422
	Amounts due to related parties	24 895	11 216	24 895	-
	Internal accounts including unpresented bank drafts	74 613	54 814	71 817	10 632
	Balance at 31 December	145 613	112 134	142 817	18 054

29 Retirement benefit plans

Barclays Bank Pension Fund

The Barclays Bank Pension Fund ("The Fund") manages retirement funds for the active members and pensioners. The Fund is run by appointed Trustees. The assets of the Funds are managed as one composite pool, with no separation for the active members and pensioners. The awarding of pension increases and increase in accumulated values to active members is done in consideration of the performance of the Fund and any requirement to increase risk reserves.

The plan assets comprise of a bank balance, equity instruments and money market deposits at 31 December 2019.

	Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
Composition of BBZ pension fund plan assets				
Cash and bank balances	7 189	12 181	7 189	1 961
Equity and unity trusts	54 453	238 242	54 453	38 355
Money market	20 194	56 668	20 194	9 123
Properties	174 641	212 433	174 641	34 200
Other	590	3 019	590	486
Total	257 067	522 543	257 067	84 125
Pension fund total liabilities	209 451	428 724	209 451	69 021
Net surplus	47616	93 818	47 616	15 104

30 Deferred tax

Deferred tax balances

The analysis of the deferred tax assets and deferred tax liabilities is as follows:

	Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
Deferred tax				
Deferred tax balances				
Deferred tax assets	(63 440)	(20 232)	(64 055)	(3 257)
Deferred tax liabilities	141 430	37 435	117 792	6 005
Total deferred tax	77 990	17 202	53 737	2 748

		Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
31	**Share capital and reserves**				
	Authorised share capital				
	Ordinary shares (5 000 000 000 shares of ZWL0.01 per share)	500	500	500	500
31.1	**Issued share capital**				
	Ordinary shares	1 595	1 595	215	215
	Share premium	176 284	176 284	23 837	23 837
	Total	177 879	177 879	24 052	24 052

31.2 Non - distributable reserves

This relates to the balance of currency translation reserves arising from the fair valuation of assets and liabilities on 1 January 2009 when the Bank adopted the United States dollar ($) as the functional and presentation currency.

	Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
Non - distributable reserve	57 571	57 571	7 785	7 785
Balance at end of year	57 571	57 571	7 785	7 785
Impairment reserve				
Impairment on FVOCI financial assets	783	3 794	783	611
Balance at end of year	783	3 794	783	611

This relates to impairment charge on FVOCI debt securities.

31.3 Fair value through other comprehensive income reserve

This relates to fair value movements on investment securities held at fair value through other comprehensive income which include equity and debt securities.

31.4 Revaluation reserve

Revaluation movement on property and equipment is classified under revaluation reserve. Additional detail on revaluation of assets is contained in note 19.

31.5 Share based payment reserve

The fair value of share options granted to employees is classified under share based payment reserve. The reserve is reduced when the employees exercise their share options.

		Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
32	**Financial instruments**				
	Classification of assets and liabilities				
	Financial assets				
	Financial assets at amortised cost				
	Cash and bank balances	1 128 936	936 114	1 128 936	150 707
	Loans and advances to customers	711 222	1 209 226	711 222	194 675
	Treasury bills	-	20 977	-	3 377
	Clearance balances due from other banks	3 263	4 054	3 263	653
	Other assets*	255 357	20 726	255 357	3 337
	Total	2 098 778	2 191 097	2 098 778	352 749

* Excludes prepayments and stationery.

	Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
Financial assets at fair value through other comprehensive income				
Savings bonds and treasury bills	205 613	1 755 784	205 613	282 666
Unquoted equity securities	26 187	39 348	26 187	6 335
Total	231 800	1 795 132	231 800	289 001
Financial liabilities				
Financial liabilities at fair value through profit and loss				
Derivative financial liabilities	-	5	-	1
Total	-	5	-	1
Financial liabilities at amortised cost				
Customer deposits	2 046 816	3 438 463	2 046 816	553 564
Deposits from other banks	39 379	18 045	39 379	2 905
Other liabilities	145 613	112 134	142 817	18 054
Lease liability	16 135	-	16 135	-
Provisions	7 102	19 649	7 102	3 163
Balances due to group companies	73 967	11 216	73 967	1806
Total	2 329 012	3 599 507	2 326 216	579 492

Risk management

Financial risk management objectives

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. Internal audit and Operational Risk and Control departments are responsible for the review of risk management and the control environment.

The risks arising from financial instruments to which the Bank is exposed include among other risks credit risk, liquidity risk, market risk and operational risk.

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32.1 Capital risk management

Capital risk – is the risk that the Bank is unable to maintain adequate levels of capital which could lead to an inability to support business activity or failure to meet regulatory requirements.

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the banking regulators;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns
- For shareholders and benefits to customers and other stakeholders and;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management and the Directors, employing techniques based on guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe for supervisory purposes. The Bank's regulatory capital comprises of three tiers;

- **Tier 1 Capital:** comprises contributed capital, accumulated profits, share based payment reserve and currency translation reserve.
- **Tier 2 Capital:** comprises impairment allowance, revaluation reserve and part of currency translation reserve.
- **Tier 3 Capital:** comprises operational and market risk capital.

The Reserve Bank of Zimbabwe requires each bank to maintain a core capital adequacy ratio of 8% and total capital adequacy ratio of 12%. The table below summarises the composition of regulatory capital and the ratios of the Bank.

	Historical	
	2019	2018
	ZWL000	ZWL000
Share capital	216	215
Share premium	23 837	23 837
Accumulated profits	336 077	72 966
Impairment reserve	783	611
Share based payment reserve	1 273	1 228
Fair value through OCI reserve	24 307	4 926
Currency translation reserve	3 508	3 508
Total core capital	**390 001**	**107 291**
Less market and operational risk capital	(42 520)	(15 151)
Less exposures to insiders	-	(2 088)
Tier 1 capital	**347 481**	**90 052**
Currency translation reserve movement	4 277	4 277
Revaluation reserves	171 374	4 935
General provisions (limited to 1.25% of weighted risk assets)	25 356	4 844
Tier 2 capital	**201 007**	**14 056**
Total tier 1 & 2 capital	**548 488**	**104 108**
Market risk	7 633	2 574
Operational risk	34 887	12 577
Tier 3 capital	**42 520**	**15 151**
Total tier 1, 2 & 3 capital base	**591 008**	**119 259**
Deductions from capital	(26 187)	(7 812)
Total capital base	**564 821**	**111 447**
Credit risk weighted assets	1 618 600	260 172
Operational risk equivalent assets	436 085	157 207
Market risk equivalent assets	95 412	32 176
Total risk weighted assets (RWAs)	**2 150 097**	**449 555**
Tier 1 capital ratio	**16%**	**20.0%**
Tier 1 and 2 capital ratio	**26%**	**24.0%**
Total capital adequacy ratio	**26%**	**24.8%**

Credit risk capital - is subject to guidelines provided by the regulator which are based on Basel 1 principles. On this approach the banking book exposures are categorised into broad classes of assets with different underlying risk characteristics. Risk components are transformed into risk weighted assets using predetermined exposure and loss probability factors. Capital requirements for credit risk are derived from the risk weighted assets.

Market risk capital - is assessed using regulatory guidelines which consider the risk characteristics of the different trading book assets. Risk components are transformed into risk weighted assets and, therefore, capital requirements, based on predetermined exposure and loss probability factors.

Operational risk capital - is assessed using the standardised approach. This approach is tied to average gross income over three years per regulated business lines as indicator of scale of operations. Total capital charge for operational risk equals the sum of charges per business lines.

32.2 Interest rate risk

Interest rate risk is the risk that the Bank will be adversely affected by changes in the level or volatility of market interest rates. The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The responsibility of managing interest rate risk lies with the Assets and Liabilities Committee (ALCO). On a day to day basis, risks are managed through a number of management committees. Through this process, the Bank monitors compliance within the overall risk policy framework and ensures that the framework is kept up to date. Risk management information is provided on a regular basis to the Risk and Control Committee and the Board.

The table below summarises the Bank's interest rate risk exposure.

Historical and inflation adjusted 31 December 2019	Up to 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6 months to 1 year ZWL000	1 to 5 years ZWL000	Over 5 years ZWL000	Non-interest bearing historical ZWL000	Total historical ZWL000	Non-interest bearing inflation adjusted ZWL000	Total inflation adjusted ZWL000
Assets										
Cash and bank balances	760 225	-	-	-	-	-	368 711	1 128 936	368 711	1 128 936
Derivative financial assets	-	-	-	-	-	-	-	-	-	-
Investment securities	205 613	-	-	-	-	-	26 187	231 800	26 187	231 800
Loans and receivables from banks	3 263	-	-	-	-	-	-	3 263	-	3 263
Loans and advances to customers	-	674 017	-	-	-	37 205	-	711 222	-	711 222
Other assets	17 988	7 928	13 296	22 025	160 000	-	57 234	278 471	85 001	306 238
Property and equipment	-	-	-	-	-	-	238 398	238 398	251 455	251 455
Investment properties	-	-	-	-	-	-	71 307	71 307	71 307	71 307
Investment in joint venture	-	-	-	-	-	-	242 487	242 487	242 487	242 487
Intangible assets	-	-	-	-	-	-	18 025	18 025	53 743	53 743
Right of use assets	-	-	-	-	-	-	16 061	16 061	54 322	54 322
Current tax asset	-	-	-	-	-	-	5 635	5 635	5 635	5 635
Total assets	**987 089**	**681 945**	**13 296**	**22 025**	**160 000**	**37 205**	**1 044 045**	**2 945 605**	**1 158 848**	**3 060 409**
Liabilities										
Lease liabilities	16 135	-	-	-	-	-	-	16 135	-	16 135
Deposits from banks	39 379	-	-	-	-	-	-	39 379	-	39 379
Deposits from customers	2 029 654	17 162	-	-	-	-	-	2 046 816	-	2 046 816
Provisions	-	-	-	-	-	-	7 102	7 102	7 102	7 102
Other liabilities	-	-	-	-	-	-	142 817	142 817	145 613	145 613
Deferred tax liabilities	-	-	-	-	-	-	53 737	53 737	77 990	77 990
Due to group companies	-	-	-	-	-	-	73 967	73 967	73 967	73 967
Total liabilities	**2 085 168**	**17 162**	**-**	**-**	**-**	**-**	**277 623**	**2 379 953**	**304 672**	**2 407 002**
Interest rate re - pricing gap	**(1 098 079)**	**664 783**	**13 296**	**22 025**	**160 000**	**37 205**	**766 422**	**565 652**	**854 175**	**653 407**
Cumulative gap	**(1 098 079)**	**(433 296)**	**(420 000)**	**(397 975)**	**(237 975)**	**(200 770)**	**565 652**	**-**	**653 407**	**-**

32.3 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Bank separates exposures to market risk into either trading or banking book. Trading portfolios include those positions arising from market–making transactions where the Bank acts as principal with clients or with the market; this is mainly to support client trading activity.

Non trading book primarily arises from the management of the Bank's retail and commercial banking assets and liabilities.

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk.

The measurement techniques used to measure and control market risk include:

(i) Daily Value at Risk ("DVaR")

The Bank applies a 'value at risk' ("VaR") methodology to its banking portfolios to estimate the market risk of positions held if current positions were to be held unchanged for one business day.

Value at Risk is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the Bank might lose but only to a certain level of confidence. There is therefore a statistical probability that actual loss could be greater than the 'VaR' estimate. The 'VaR' model makes assumptions on the pattern of market movements based on historical holding periods. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. 'DVaR' is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were held unchanged for one business day, measured to a confidence of 99%. Daily losses exceeding the 'DVaR' figure are likely to occur, on average twice in every 100 business days.

(ii) Stress tests

Stress tests provide an indication of losses that could arise in extreme positions.

Foreign exchange stress risk (currency stress) is the potential loss against the Bank if there is a large foreign exchange movement (expected once in every five years).

The table below summarises the DVaR statistics for the Bank relating to currency stress.

	Inflation adjusted		Historical	
	2019	2018	2019	2018
Type of risk or activity	ZWL000	ZWL000	ZWL000	ZWL000
One day risk				
Currency	7 728	6	7 728	1
Aggregate VaR as at 31 December 2019	**7 728**	**6**	**7 728**	**1**
Two day risk				
Currency	24 437	12	24 437	2
Aggregate VaR as at 31 December 2019	**24 437**	**12**	**24 437**	**2**

ALCO closely monitors this risk. The Bank is satisfied with its risk management processes and systems in place which have enabled the Bank to minimise losses.

Net interest income sensitivity ("NII")

NII measures the sensitivity of annual earnings to changes in interest rates. NII is calculated at a 10% change in interest rates.

The Bank's interest income sensitivity is shown below:

	Inflation adjusted		Historical	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	Impact on earnings	Impact on earnings	Impact on earnings	Impact on earnings
Net interest income sensitivity	ZWL000	ZWL000	ZWL000	ZWL000
1000bps increase in interest rates	38 388	108 144	38 388	17 410
1000bps decrease in interest rates	(38 388)	(108 144)	(38 388)	(17 410)
Benchmark	-	-	-	-

(iii) Economic capital

Economic capital methodologies are used to calculate risk sensitive capital allocations for businesses incurring market risk.

Consequently the businesses incur capital charges related to their market risk.

32.4 Foreign exchange risk

This is a risk that the value of a financial liability or asset denominated in foreign currency will fluctuate due to changes in the exchange rate. The Bank takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates in the financial position and cash flows. Foreign exchange risk is managed through use of Daily Value at Risk techniques and Stress tests. In addition mismatches on foreign exchange assets and liabilities are minimised through the daily monitoring of the net foreign exchange exposure by treasury. Currency swaps are also used to manage foreign exchange risk where necessary.

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The table below summarises the Bank's financial instruments at carrying amounts, categorised by currency.

Historical and inflation adjusted 2019 At 31 December 2019	ZWL ZWL000	USD (ZWL Equiv) ZWL000	GBP (ZWL Equiv) ZWL000	Rand (ZWL Equiv) ZWL000	Other foreign currency (ZWL Equiv) ZWL000	Total ZWL000
Assets						
Cash and bank balances	130 090	883 006	24 463	46 614	44 764	1 128 936
Derivative financial assets	-	-	-	-	-	-
Investment securities	231 800	-	-	-	-	231 800
Loans and receivables from banks	3 263	-	-	-	-	3 263
Loans and advances to customers	619 950	116 552	4	72	1	736 578
Other assets*	22 590	266 352	-	-	-	288 942
Total financial assets	1 007 693	1 265 910	24 466	46 686	44 764	2 389 520

*Excludes prepayments and stationery

Liabilities						
Deposits from banks	39 178	200	-	-	-	39 379
Deposits from customers	1 012 079	970 709	7 889	35 885	20 254	2 046 816
Other liabilities	28 724	109 716	2 616	696	1 066	142 819
Balances due to group companies	-	73 967	-	-	-	73 967
Total financial liabilities	1 079 981	1 154 592	10 505	36 581	21 320	2 302 980
Net currency positions	(72 289)	111 318	13 961	10 105	23 444	86 540

Exchange rates applied in 2019	USD	GBP	Rand	EUR	CND
ZWL closing rate	16.7734	22.1493	1.1956	18.8417	12.8866

32.5 Credit risk grading

Corporate Exposures

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counter parties. The Bank use internal rating models tailored to the various categories of counter party. Borrower and loan specific information collected at the time of application (such as level of collateral; and turnover and industry type for wholesale exposures) 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.

The credit scores from this model are mapped to the regulatory scale with 10 grades. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating. Corporate exposures are monitored by grading exposures into early warning list for those customers who are believed to be facing difficulties. Customers are categorised into Early Warning Lists ("EWL") 1-3. Those in EWL1 have temporary problems and the risk of default is low. EWL2 implies there are doubts that the customer will pay but the risk of default is medium. EWL3 implies that there are doubts that the customer will pay and the risk of default is high

Retail exposures

After the date of initial recognition, for retail 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 is also incorporated into the behavioural internal credit rating. These ratings are reflected on the following delinquency bucket; Performing loans (Bucket 0); 1day to 30 days past due (Bucket 1); 30 days to 60 days past due (Bucket 2); 60 days to 89 days past due (Bucket 3) and 90 days+ past due (default,Bucket 4).

a) Expected credit losses measurement (ECLs)

The expected credit loss (ECLs) - is measured on either a 12 - month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired.

- ECLs are discounted at the effective interest rate of portfolio
- The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk
- The Bank uses a portfolio approach to calculate ECLs. The portfolios are segmented into retail, corporate and treasury and further by product.
- Expected credit losses are the probability weighted discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The probability of default (PD) - is the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" below), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PDs are modelled using historic data into 12 month 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 at portfolio level and segmented into various products.

PDs modelled using historical data are then adjusted for forward looking factors. PDs are mapped into regulatory grades as follows:

Corporate exposures

Stage 1	12 Month PD	Central Bank Grades 1 to 3 or performing grade
Stage 2	Life Time PD	Central Bank Grades 4 to 7 - (internal grade EWL 1 & EWL 2) or special mention
Stage 3	Default PD	Central Bank Grades 8 to 10 - (internal grade EWL 3 & classified) or substandard, or worse

Retail exposures

Stage 1	12 Month PD	Central Bank Grades 1 to3 (internal grades bucket 0 & bucket 1) or performing grade
Stage 2	Life Time PD	Central Bank Grades 4 to 7 (internal grades bucket 2 & bucket 3) or special mention
Stage 3	Default PD	Central Bank Grades 8 to 10 (internal grades bucket 4) or substandard, or worse

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.

Exposure at default (EAD) - is the amount the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For a revolving commitment, the EAD includes the current drawn balance plus any further amount that is expected to be drawn up by the time of default, should it occur. For term loans EAD is the term limit while for short term loans and retail loans EAD is the drawn balance. Debt securities and interbank balances EAD is the current balance sheet exposure.

Loss given default (LGD) - represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counter party, 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). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan. LGD is modelled based on historical data. LGD for sovereign exposure is based on observed recovery rates for similar economies.

Default

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

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

i) 12 month ECLs; (Stage 1 - no increase in credit risk)

ECLs measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. The 12 month ECL is calculated for the following exposures:

- Corporate loans with regulatory grades from 1 - 3
- Retail loans graded in bucket 0 and bucket 1
- Debt securities, loans to banks and bank balances which are not past due; and
- These are a product of 12 months PD, 12 months LGD and EAD.

ii) Life time ECLs (Stage 2 - significant increase in credit risk refer to 32.5b)

ECLs are measured based on expected credit losses on a lifetime basis. It is measured for the following exposures;

- Corporate loans with regulatory grades from grade 4 to grade 7 (Early Warning List 1 and Early Warning List 2)
- Retail loans in bucket 2 to 3 (bucket 2 is 30 days to 60 days past due, bucket 3 is 60 days to 90 days past due)
- Debt securities, loans to banks and bank balances where the credit risk has significantly increased since initial recognition; and
- These are a product of lifetime PD, lifetime LGD and EAD

iii) Life time ECLs (Stage 3 - default)

ECLs are measured based on expected credit losses on a lifetime basis. This is measured on the following exposures.

- All credit impaired/ in default corporate and retail loans and advances to banks and other debt securities in default.
- These are corporates in regulatory grade 8 - 10 (EWL3) and retail loans in bucket 4
- Exposures which are 90 days+ past due; and
- These are a product of default PD, lifetime LGD and EAD.

b) 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.

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The assessment of significant increase in credit risk incorporates forward looking information and is performed on a monthly basis at a portfolio level for all retail loans. Corporate and treasury exposures are assessed individually through the Early Warning list which is reviewed monthly and monitored by an independent team in credit risk department, and quarterly reviews by the Impairment Committee of exposures against performance criteria.

Significant increase in credit risk - Quantitative measures

- Corporate loans - if the loan is reclassified from regulatory grades 1 - 3 to grades 4 - 7
- Retail loans - if the loan is reclassified from buckets 0 and 1 to buckets 2 to 3
- Treasury exposures which are past due.

Significant increase in credit risk - Qualitative measures retail

- Extension of credit terms
- Retrenchment/ dismissal of employee
- Employer facing financial difficulties
- Salary diversion.

Significant increase in credit risk - Qualitative measures corporate and treasury

- Borrower is on Early Warning list 1&2 (EWL 1 and EWL2)
- Significant adverse changes in business, financial or economic conditions in which the borrower operates in
- Actual or expected forbearance or restructuring of debt
- Early signs of cash flow/liquidity problems such as delay in servicing debt
- Significant decline in account turnover
- Breach of significant debt covenants
- Qualifying modified loans
- Delay in settlement of obligations.

c) Benchmarking Expected Credit Loss

Corporate

Due to lack of sufficient historical information on corporate portfolio defaults from which PDs and LGDs are derived, a judgemental benchmarking is used parallel to the corporate model output. The higher of benchmarking ECL and the model output is considered as the final ECL.

Treasury

ECL for treasury exposures is based on benchmarked PDs and LGDs due to lack of historical data.

Retail

ECL for retail exposures are totally based on model output with no benchmarking comparative since enough historical default data was available when designing the calculation model.

d) Forward – looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECLs both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The key economic variables identified were GDP growth, interest rates and import cover ratio. These economic variables and their associated impact on the ECL vary by financial instrument. Expert judgment has also been applied in this process.

e) Write – offs - The Bank will write off retail accounts following charge off of the account if the equivalent of an instalment is not recovered cumulatively over a 12-month period post charge off. Corporate accounts are written off once security has been realised depending on the residual balance and further recovery prospects. The corporate write off policy is not rules based, or time bound.

f) ECL model governance

The models used for PD, EAD and LGD calculations are governed on a day to day through the Impairments Committee. This committee comprises of senior managers in risk, finance and the business. Decisions and key judgements made by the Impairments Committee relating to the impairments and model overrides will be taken to Board Risk, Board Loans and Board Audit Committee.

Maximum exposure to credit risk by credit quality grade before credit enhancements

The Bank has an internal rating scale which is mapped into the Basel II grading system. The internal rating is broadly classified into; performing loans, standard monitoring and non-performing.

Performing loans

Loans and advances not past due and which are not part of renegotiated loans are considered to be performing assets, these are graded as per RBZ credit rating scale as grade 1 - 3.

Standard monitoring grade

These are loans and advances which are less than 90 days past due and in some cases not past due but the business has significant concern on the performance of that exposure, as per RBZ credit rating scale these are grade 4 - 7.

Non-performing grade

These are loans and overdrafts on which interest is no longer accrued or included in income unless the customer pays back. These non-performing (past due) assets include balances where the principal amount and / or interest is due and unpaid for 90 days or more, as per RBZ credit rating scale these are grade 8 - 10.

Loans and advances renegotiated

During the year ended 31 December 2019, the Bank did not have any renegotiated loans and advances to customers and banks.

Maximum credit risk exposure

Historical and inflation adjusted 2019	Maximum credit risk exposure				Reconciliation of ECL by exposure			
	Stage 1 RBZ Grade 1 - 3	Stage 2 RBZ Grade 4 - 7	Stage 3 RBZ Grade 8 - 10	Total	Stage 1 RBZ Grade 1 - 3	Stage 2 RBZ Grade 4 - 7	Stage 3 RBZ Grade 8 - 10	Total
Loans and advances to customers	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Corporate	550 488	2 608	-	553 096	17 019	164	-	17 183
Business banking	74 165	6 936	448	81 549	1 899	332	305	2 536
Retail	98 047	3 531	355	101 933	3 092	1 070	1 475	5 637
Total	722 700	13 075	803	736 578	22 010	1 566	1 780	25 356
Balances with central bank								
Savings bonds and treasury bills	205 613	-	-	205 613	783	-	-	783
Bank balances	70 310	-	-	70 310	6	-	-	6
Total	275 923	-	-	275 923	789	-	-	789
Balances with other banks and settlement balances								
Settlement balances - local currency	3 263	-	-	3 263	-	-	-	-
Bank balances - foreign currency	821 517	-	-	821 517	542	-	-	542
Interbank placements	-	-	-	-	-	-		-
Total	824 780	-	-	824 780	542	-	-	542
Other assets								
RBZ receivable NOP support	207 819	-	-	207 819	9 060	-	-	9 060
RBZ receivable other	13 419	-	-	13 419	584	-	-	584
Other assets	38 580	-	933	39 513	-	-	933	933
Total	259 818	-	933	260 751	9 644	-	933	10 577
Total on balance sheet	2 083 221	13 075	1 736	2 098 032	32 985	1 566	2 714	37 263
Guarantees and letters of credit								
Guarantees	19 988	-	-	19 988	-	-	-	-
Letters of credit	274 243	-	-	274 243	508	-	-	508
Total	294 231	-	-	294 231	508			508

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2019, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Expected credit losses analysis and reconciliation

Historical and inflation adjusted 2019	Stage 1 - 12 month ECL ZWL000	Stage 2 - Lifetime ECL not credit impaired ZWL000	Stage 3 - Lifetime ECL credit impaired ZWL000	Total ZWL000
Balance at beginning of the year	5 368	543	1 225	7 136
Movements with profit and loss impact:				
New financial assets purchased or originated	27 666	1 529	2 006	31 021
Transfers from stage 2 to stage 1	-	(507)	-	(507)
Existing financial assets repaid or sold	(41)	-	(437)	(478)
Total profit and loss impact	27 625	1 022	1 569	30 215
Other movements with no profit and loss impact				
Bad debts written off	-	-	(80)	(80)
Financial assets at FVOCI accounted for through equity	(8)	-	-	(8)
Balance at 31 December 2019	32 985	1 565	2 714	37 263

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32.6 Credit risk concentration of loans and advances were as follows;

Industry/Sector	Historical and inflation adjusted 2019 ZWL000	%	Historical 2018 ZWL000	%	Inflation adjusted 2018 ZWL000	%
Trade and services	76 341	10	50 782	25	315 432	25
Energy and minerals	42 863	6	2 032	1	12 620	1
Agriculture	251 255	34	47 851	24	297 227	24
Construction and property	-	-	104	-	647	-
Light and heavy industry	147 996	20	18 782	9	116 661	9
Physical persons	102 633	14	49 532	25	307 671	25
Transport and distribution	92 442	13	32 353	16	200 960	16
Financial services	23 048	3	99	-	617	-
Total	**736 578**	**100**	**201 535**	**100**	**1 251 835**	**100**

Historical and inflation adjusted 2019 Industry/Sector	Total loans ZWL000	Non performing loans ZWL000	Write offs/ (recoveries) ZWL000	Recoveries ZWL000	Impairment allowance ZWL000
Trade and services	76 341	-	-	-	-
Energy and minerals	42 863	-	-	-	-
Agriculture	251 255	448	-	-	305
Construction and property	-	-	-	-	-
Light and heavy industry	147 996	-	-	-	-
Physical persons	102 633	1 288	(80)	166	1 475
Transport and distribution	92 442	-	-	-	-
Financial services	23 048	-	-	-	-
Gross value at 31 December 2019	**736 578**	**1 736**	**(80)**	**166**	**1 780**

Collateral held for exposure

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers are as shown below:

	Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
Performing loans	203 691	452 245	203 691	72 808
Non-performing loans	4 193	2 485	4 193	400
Total	**207 884**	**454 730**	**207 884**	**73 208**

32.7 Liquidity risk

Liquidity risk is the risk that the Bank may fail to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet the obligations to repay deposits and fulfil commitments to lend. Liquidity risk is inherent in all banking operations and can be affected by a range of Bank specific and market wide events. The efficient management of liquidity is essential to the Bank in maintaining confidence in the financial markets and ensuring that the business is sustainable.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short, medium and long term funding and liquidity management requirements.

Liquidity risk management objectives are;

- Growing and diversifying the funding base to support asset growth and other strategic initiatives, balanced with a strategy to reduce the weighted cost of funds;
- To maintain the market confidence in the Bank;
- Maintaining adequate levels of surplus liquid asset holdings in order to remain within the liquidity risk appetite;
- Set early warning indicators to identify the emergence of increased liquidity risk or vulnerabilities;
- To maintain a contingency funding plan that is comprehensive.

Liquidity risk management process

Liquidity risk is managed as;

a) Business as usual referring to the management of cash inflows and outflows of the bank in the ordinary course of business.

b) Stress liquidity risk – refers to management of liquidity risk during times of unexpected outflows. The Bank's Assets and Liabilities Committee ("ALCO") monitors and manages liquidity risk. The Bank's liquidity management process as carried out by the ALCO and Treasury units includes:

- Day to day funding and monitoring of future cash flows to ensure that funding requirements are met;
- Maintaining a high balance of cash or near cash balances that can easily be liquidated as protection against unforeseen funding gaps;
- Monitoring liquidity ratios against internal and regulatory benchmarks;
- Limits are set across the business to control liquidity risk;
- Early warning indicators are set to identify the emergence of increased liquidity risk;
- Sources of liquidity are regularly reviewed by ALCO to maintain a wide diversification of source of funding;
- Managing concentration of deposits.

Liquidity ratios	Inflation adjusted 2019 ZWL000	Inflation adjusted 2018 ZWL000	Historical 2019 ZWL000	Historical 2018 ZWL000
Total liquid assets	1 223 573	2 494 888	1 223 573	401 656
Deposits from customers	2 212 843	3 622 900	2 212 843	583 257
Liquidity ratio	**55%**	**69%**	**55%**	**69%**
Reserve Bank of Zimbabwe minimum	**30%**	**30%**	**30%**	**30%**

Liquidity profiling as at 31 December 2019

The amounts disclosed in the table below are the contractual undiscounted cash flows. The assets which are used to manage liquidity risk, which is mainly cash and bank balances and investment securities are also included on the table based on the contractual maturity profile.

On balance sheet items as at 31 December 2019

Historical and inflation adjusted 2019 Assets held for managing liquidity risk (contractual maturity dates)	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6 to 12 months ZWL000	1 to 5 years ZWL000	5+ years ZWL000	Total ZWL000	Carrying amount ZWL000
Cash and bank balances*	1 008 512	10 649	109 665	111	-	-	1 128 936	1 128 936
Investment securities	205 613	-	-	26 187	-	-	231 800	231 800
Loans and receivables from banks	3 263	-	-	-	-	-	3 263	3 263
Loans and advances to customers	28 449	130 955	95 928	323 023	477 236	27 865	1 083 456	711 222
Other assets**	18 025	8 087	13 803	23 765	213 480	-	277 160	278 471
Current income tax asset	5 635	-	-	-	-	-	5 635	5 635
Total assets	**1 269 497**	**149 691**	**219 396**	**373 086**	**690 716**	**27 865**	**2 730 250**	**2 359 328**
Liabilities								
Lease liabilities	854	906	1 358	2 717	23 966	7 323	37 125	16 135
Deposits from Banks	39 379	-	-	-	-	-	39 379	39 379
Deposits from customers	1 894 153	27 811	109 665	15 186	-	-	2 046 816	2 046 816
Provisions	-	-	7 102	-	-	-	7 102	7 102
Other liabilities	133 480	-	-	-	-	-	133 480	145 613
Balances due to Group companies	73 967	-	-	-	-	-	73 967	73 967
Total liabilities - (contractual maturity)	**2 141 833**	**28 717**	**118 125**	**17 903**	**23 966**	**7 323**	**2 337 869**	**2 326 217**
Liquidity gap	**(872 336)**	**120 974**	**101 271**	**355 182**	**666 751**	**20 542**	**392 381**	**-**
Cumulative liquidity gap	**(872 336)**	**(751 362)**	**(650 091)**	**(294 909)**	**371 839**	**392 381**	**-**	**-**

* Includes balances placed as cash security deposits.
** Excludes prepayments and stationery

Contingent liabilities and commitments as at 31 December 2019

Historical and inflation adjusted 2019	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6-12 months ZWL000	1 to 5 years ZWL000	Total ZWL000
Assets						
Guarantees and letters of credit	32 019	181 480	78 557	-	2 296	294 352
Commitment to lend	12 361	38 255	16 994	194 080	-	261 690
Total assets	**44 380**	**219 735**	**95 551**	**194 080**	**2 296**	**556 042**
Liabilities						
Guarantees and letters of credit	32 019	181 480	78 557	-	2 296	294 352
Commitment to lend	261 690	-	-	-	-	261 690
Total liabilities	**293 709**	**181 480**	**78 557**	**-**	**2 296**	**556 042**
Liquidity gap	**(249 329)**	**38 255**	**16 994**	**194 080**	**-**	**-**

The Bank determines ideal weights for maturity time buckets which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits by ALCO and should the need arise through support from FMBcapital Holdings PLC.

33 Other risks

Strategic risk

The roles of the chairman and the managing director are not vested in the same person. The executive team formulates the strategy under the guidance of the Board which approves it. The executive directors bear the responsibility to execute the approved strategy. The Board reviews the performance and suitability of the strategy at least quarterly.

Legal and compliance risk

The Risk Management Committee ensures that the management and operations of the Bank's business is done within the governance and regulatory control framework established by FMBcapital Holdings PLC, the Reserve Bank of Zimbabwe and other regulatory bodies. A dedicated legal and compliance unit is in place to monitor legal and compliance requirements and ensure that they are met on a daily basis.

Reputation risk

The Bank adheres to very strict reputation standards set for FMBcapital Holdings PLC based on its chosen set of values. The Human Resources Committee of the Board assists the Board in ensuring that staff complies with set policies and practices consistent with the reputation demands of both the Bank and the industry. The compliance unit and human resources function monitor compliance by both management and staff with the Bank's ethical codes and compliance standards in managing conduct risk.

Operational risk

This is the risk of losses arising from inadequate or failed internal processes, people and/or systems or from external events. A significant part of the Bank's operations are automated and processed in the core banking system. Key banking operations in corporate and investment banking, retail and business banking and treasury are heavily dependent on the Bank's core banking system. The core banking system also supports key accounting processes for financial assets, financial liabilities and revenue including customer interface on mobile, internet banking and related electronic platforms.

Practices to minimise operational risk are embedded across all transaction cycles. Risk workshops are held for the purpose of identifying major risks in the operating environment and methods of mitigating the risks. The Bank employs the standardised approach to determine capital required to cover operational risk. Each function carries out a risk and control assessment of their processes on a regular basis. The assessment results are reviewed by Operational Risk Management department. Internal Audit audits selected functions at given times.

Risks and Ratings

The Central Bank conducts regular examinations of Banks and financial institutions it regulates. The last on-site examination of the Bank was as at 30 June 2016 and it assessed the overall condition of the Bank to be satisfactory. This is a score of "2" on the CAMELS rating scale. The CAMELS rating evaluates banks on capital adequacy, asset quality, management and corporate governance, liquidity and funds management and sensitivity to market risks.

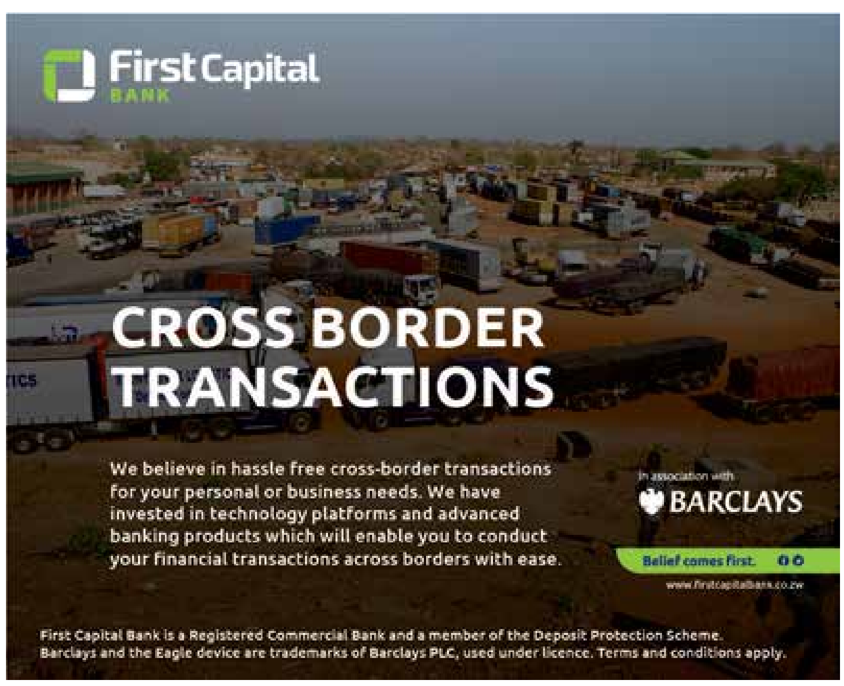
The CAMELS and Risk Assessment System (RAS) ratings are summarised in the following tables;

CAMELS ratings

CAMELS component	Latest Rating - June 2016
Capital	1 - Strong
Asset quality	2 - Satisfactory
Management	2 - Satisfactory
Earnings	1 - Strong
Liquidity and funds management	2 - Satisfactory
Sensitivity to market risk	1 - Strong

Summary risk matrix - June 2016 on-site supervision

Type of risk	Level of inherent risk	Adequacy of risk management systems	Overall composite risk	Direction of overall composite risk
Credit	Low	Strong	Low	Stable
Liquidity	Moderate	Acceptable	Moderate	Stable
Foreign exchange	Low	Strong	Low	Stable
Interest rate	Low	Strong	Low	Stable
Strategic risk	Moderate	Strong	Moderate	Stable
Operational risk	Moderate	Strong	Moderate	Stable
Legal and compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Moderate	Strong	Moderate	Stable
Overall	Moderate	Strong	Moderate	Stable



Audited Abridged Financial Results

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Notes to the Annual Financial Statements

for the year ended 31 December 2019

Interpretation of risk matrix
Level of inherent risk
Low - reflects lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.

Moderate - could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.

High - reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the banking institution.

Adequacy of risk management systems
Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects, particularly as indicated by continued exceptions or by the failure to adhere to written policies and procedures.

Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognised and are being addressed. Management information systems are generally adequate.

Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The Board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the Bank's risk tolerance. Responsibilities and accountabilities are effectively communicated.

Overall composite risk
Low - would be assigned to low inherent risk areas. Moderate risk areas may be assigned to a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.

Moderate - risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organisation.

High - risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the Bank's overall condition.

Direction of overall composite risk
Increasing- based on the current information, risk is expected to increase in the next 12 months.
Decreasing - based on current information, risk is expected to decrease in the next 12 months.
Stable - based on current information, risk is expected to be stable in the next 12 months.

External Credit Ratings

Rating agent	Latest credit ratings 2019/20	Previous credit ratings 2018/19
Global Credit Rating Co.	A+(ZW)	AA-

FCB5941

34 Fair value of financial instruments not held at fair value

The disclosed fair value of these financial assets and financial liabilities measured at amortised cost approximate their carrying value because of their short term nature.

	Inflation adjusted				Historical			
	2019 Carrying amount	Fair value	2018 Carrying amount	Fair value	2019 Carrying amount	Fair value	2018 Carrying amount	Fair value
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Financial Assets								
Cash and bank balances	1 128 936	1 128 936	936 114	936 114	1 128 936	1 128 936	150 707	150 707
Loans and receivables from banks	3 263	3 263	25 032	25 032	3 263	3 263	4 030	4 030
Loans and advances to customers	711 222	711 222	1 209 226	1 209 226	711 222	711 222	194 675	194 675
Other assets	255 357	255 357	20 726	20 726	255 357	255 357	3 337	3 337
Total assets	**2 098 778**	**2 098 778**	**2 191 097**	**2 191 097**	**2 098 778**	**2 098 778**	**352 749**	**352 749**
Deposits from banks	39 379	39 379	18 045	18 045	39 379	39 379	2 905	2 905
Deposits from customers	2 046 816	2 046 816	3 438 463	3 438 463	2 046 816	2 046 816	553 564	553 564
Other liabilities	145 613	145 613	112 134	112 134	142 817	142 817	18 054	18 054
Balances due to group companies	73 967	73 967	11 216	11 216	73 967	73 967	1 806	1 806
Total	**2 305 775**	**2 305 775**	**3 579 869**	**3 579 869**	**2 302 979**	**2 302 979**	**574 529**	**574 529**

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

35.1 Fair value hierarchy

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Historical and inflation adjusted 2019	Level 1 ZWL000	Level 2 ZWL000	Level 3 ZWL000	Total ZWL000
Recurring fair value measurements				
Financial assets				
Treasury bills	-	-	205 613	205 613
Unquoted equity instruments	-	-	26 187	26 187
Balance at 31 December 2018	**-**	**-**	**231 800**	**231 800**

Reconciliation of recurring level 3 fair value measurements

Inflation adjusted 2019	Investment securities ZWL000	Investment properties ZWL000	RBZ net open position Receivable ZWL000	Total ZWL000
Balance at 1 January 2019	**1 795 132**	**31 958**	**-**	**1 827 090**
Additions	384 724		207 819	592 543
Transfer from property		7 089		7 089
Accrued interest	4 674	-	-	4 674
Maturities	(1 939 225)	-	-	(1 939 225)
Total gains and losses recognised in profit or loss	-	32 260	-	32 260
Total gains and losses recognised in other comprehensive income	(13 505)	-	-	(13 505)
Balance at 31 December 2018	**231 800**	**71 307**	**207 819**	**510 926**

36 Related parties

The Bank is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated and domiciled in Zimbabwe which owns 53% (2018: 53%) of the ordinary shares. 15% is held by an Employee Share Ownership Trust (ESOT) and the remaining 32% of the shares are widely held. The ultimate parent of the Bank is FMBcapital Holdings PLC incorporated in Mauritius. There are other companies which are related to First Capital Bank through common shareholdings or common directorship.

	Inflation adjusted		Historical	
	2019	2018	2019	2018
36.1 Directors and key management compensation	ZWL000	ZWL000	ZWL000	ZWL000
Salaries and other short term benefits	4 567	14 718	1 392	2 075
Post-employment benefits	227	1 352	69	191
Share based payments	8	353	2	50
Total	**4 802**	**16 423**	**1 463**	**2 316**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly. These include the Managing Director, Chief Finance Officer, Chief Risk Officer, Commercial Divisional Director, Head of Operations, Chief Technology Officer, Head of Retail Banking, Chief Internal Auditor, Head of Compliance, Company Secretary and Head of Human Resources.

	Inflation adjusted		Historical	
	2019	2018	2019	2018
36.2 Loans to directors and key management	ZWL000	ZWL000	ZWL000	ZWL000
Loans outstanding at 1 January	**7 385**	**10 527**	**1 189**	**1 695**
Loans issued during the year	1 453	949	1 453	153
Loans repayments during the year	(6 519)	(4 091)	(323)	(659)
Loans outstanding at 31 December	**2 319**	**7 385**	**2 319**	**1 189**

Of the loans advanced to directors and other key management personnel $817 401 is secured and repayable over 7-18 years. The balance of $ 371 507 is unsecured and repayable monthly over 4 years at average interest rates of 6.3% (2018:6.3%). Loans and advances to non-executive directors during the year ended 31 December 2018 were nil (2018: $9 454). The average interest rate on loans to non-executive directors was 13%.

No impairment losses have been recognised in respect of loans advanced to related parties (2018: nil)

	Inflation adjusted		Historical	
	2019	2018	2019	2018
36.3 Deposits from directors and key management	ZWL000	ZWL000	ZWL000	ZWL000
Deposits at 1 January	**128**	**596**	**128**	**96**
Deposits received during the year	31 214	21 357	31 214	3 438
Deposits repaid during the year	(31 010)	(21 156)	(31 010)	(3 406)
Deposits at 31 December	**322**	**797**	**332**	**128**
36.4 Balances with group companies				
Bank balances due from group companies	(934)	(11)	(934)	(2)
Bank balances due to group companies	150	-	150	-
Total	**(784)**	**(11)**	**(784)**	**(2)**
Other balances due from group companies	(3 666)	-	(3 666)	
Other balances due to group companies	77 633	11 216	77 633	1 806
Total	**73 967**	**11 205**	**73 967**	**1 808**
36.5 Related Parties - related through common shareholding				
Balance due to Barclays Bank PLC	24 895	-	24 895	-
Total	**24 895**	**-**	**24 895**	**-**

37 Going concern

The directors have assessed the ability of the Bank to continue as a going concern and believe that the preparation of these financial results on a going concern basis is still appropriate. Going concern assessment was performed taking into account the forecasts, current economic conditions and resources that are available for the Bank to manage the financial and operational risks and adapting its strategy to economic changes.

38 Events after the reporting date

There were no events noted after reporting date that required to be adjusted for in the financial results of First Capital Bank Limited. The effects of COVID-19 pandemic both direct and indirect will impact the 2020 financial year. The Bank is however unable to quantify the impact of the measures that it will put in place to respond to the COVID-19 pandemic. However, the outbreak is likely to cause a decline in the country's GDP as companies shut down. Consequently the Bank's income may decline due to lower customer activity and own scale down initiatives to manage the impact to staff.

The Bank's customers are concentrated in various industry sectors which have been disclosed in note 32.6 One of the significant impact of the COVID-19 pandemic on the Zimbabwe economy has been on the tourism sector due to the travel restrictions in various countries. Loans to clients within this sector constitute 4% of the Bank's loan book. The Bank has performed stress tests on the impact that the pandemic may have on the performance of this section of its loan book. These tests indicate that the Bank will be able to continue as a going concern.

The Bank is encouraging its customers through various communication channels to transact using electronic channels and cards, this will minimise the decline in transactions volumes. The Bank has also put in some measures to manage credit risk at sector and customer level to minimise the credit risk impact.

The Bank is conducting periodic stress tests on its loan assets to assess requisite levels of preparedness, magnitude and potential negative impact. As the pandemic evolves, there is an expectation of repayment delays and/or requests to extend loan repayments due to adverse impacts on borrower cash-flows.