First Capital BANK

In association with BARCLAYS

Reviewed Financial Results
For the half year ended 30 June 2020

Chairman's Statement

Business environment
The period under review was characterised by strong head winds including hyperinflation, depreciation of the local currency and very volatile business operating conditions. While June year on year inflation was 737.3%, a decline from May year on year inflation of 785.5%, a significant upward movement is observed for the overall period under review, with the continued depreciation of exchange rate which drives the inflation, this is not showing any signs of abating.

In addition, the COVID-19 pandemic has had a significant impact on both the global and local macro-economic environment causing significant business disruption. The world economy was destabilised resulting in global GDP contracting by an estimated 4.9%, whereas on the local front this exacerbate the already difficult conditions with local GDP forecasted to shrink by 4.5% as per the 2020 Mid term Budget. Through this period the Bank has implemented strategies to ensure safety of customers and employees whilst continuing to offer all banking services.

The combined effect of the factors described above resulted in a very challenging business environment with above inflation increases in operating costs, whilst increases in revenue are below inflation, and interest rates continued to significantly lag behind inflation. The Bank continues to focus on cost containment strategies whilst at the same time looking for pockets of opportunity amidst the turbulence to increase revenue.

The Bank's capital, liquidity position
The Bank had strong capital and liquidity positions for the period under review. Total capital adequacy ratio was 28% compared to regulatory requirement of 12% and the core capital ratio was 16% compared to regulatory minimum of 8%. Liquidity position was 66% against a regulatory minimum of 30%.

Earnings
The Bank registered an inflation adjusted profit of ZWL205m (earnings per share of ZWL9.50) for the period compared to a loss of ZWL64m (earnings loss per share of ZWL2.98) in the same period last year. In historic cost terms the profit was ZWL767m (earnings per share of ZWL35.56) compared to ZWL68m (earnings per share of ZWL3.16) in the same period last year. The growth in profit is driven by solid balance sheet growth in our loan book, driving increased net interest income, together with increased transaction and trading income. This overall growth in income was offset by cost increases. We managed to achieve a strong performance on operating profit as a result of efforts to mitigate these cost increases.

The loan book continues to perform well with non-performing loans at 0.16% compared to a market average of 1.42%. Loans under special monitoring which includes tourism sector loans where the impact of COVID-19 has been the greatest, constitute only 2.6% of the total loan book.

Partnering communities
The COVID-19 pandemic called for combined effort from all stakeholders to contribute towards mitigating the pandemic's effects. For this cause the Bank partnered with Harare Polytechnic and donated equipment worth ZWL0.3m which will be used to manufacture sanitisers. The Bank also donated ZWL0.6m through the banking industry association.

Board Changes
During the period under review Mrs Aquilina Chinamo was appointed to the Board as a non-executive director with effect from 1 April 2020. In addition Mr Ciaran Mcsharry who was the Acting Managing Director was appointed Managing Director with effect from 1 July. I wish Aquilina and Ciaran success in their new appointments.

Appreciation
The Board would like to thank management and colleagues for the effort during this period and the results achieved given the challenging economic environment in which they were operating.

Looking Ahead
The Board will continue to pursue strategies to preserve capital, improve cost efficiency, and support customers who are affected by COVID-19, while looking for opportunities to grow the business and safeguard the welfare and health of employees. Going into the future the Bank foresees challenges in meeting the USD30m capital requirement by December 2020 due to the continuing depreciation of the exchange rate, thus eroding local currency capital in USD terms.

Dividend
Given the need to raise capital to USD30m by year end and the uncertainties in the operating environment the Board does not propose an interim dividend for the period under review.

Patrick Devenish
Chairman
30 July 2020

FCB5941

Managing Director's Statement

The first six months of 2020 have been dominated by macro events both globally and locally. Globally we are dealing with the impact of COVID-19 and the impact this has on the local economy. This challenge is further exacerbated by the volatile local environment, which was characterised by many regulatory and economic policy changes. Through this period the Bank's performance was underpinned by strong execution of core business units and improving operational capabilities towards 'best in class' levels.

Business Highlights
As referred to above, the first half of the year has been dominated by a turbulent macroeconomic outlook and the significant mid and long-term uncertainty of currency stability, inflation and the subdued productivity of businesses due to COVID-19. In addition through this period there has been a number of currency policy changes with the reintroduction of the multi-currency, introduction of a market driven foreign currency auction market and imposition of mobile transactional limits together with escalating price increases.

Business Performance
The economy continues to be in hyperinflation, and as such the financial statements are reported in both historical and International Accounting Standard (IAS) 29 - Financial reporting in hyper-inflationary economies adjusted views.

The Bank's total assets and liabilities grew driven by increases in both RTGS and foreign currency deposits. Local currency deposits grew by 69% from December 2019 to ZWL1,5bn, while foreign currency deposits grew by 10% to USD61m equivalent.

Local currency loans on the other hand grew by 24% to ZWL773m driven by the growth in local currency deposits, but growth being somewhat subdued due to the impact of COVID-19. Foreign currency loans remained flat at USD6.7m. The total loan book continues to perform well with a loan loss ratio of 1.55% (2019: 2.78%)

Growth in the total income line is largely driven by a combination of increases in both the loan book and increased interest rate charges, while non interest income growth was driven by a mix of growth in transaction volumes, price increases together with foreign exchange income growth. Through the period, costs were managed closely, to hold our cost to income ratio at 66% excluding investment property revaluations, an improvement from previous periods.

The increase in impairment charge is due to the combination of exchange rate movement on foreign currency loans and other assets together with the growth in local currency loans. A significant part of that impairment charge is for general provisions which demonstrates the quality of the loan book.

The Bank closed the period on a strong footing in terms of liquidity which will be deployed into interest earnings assets in quarter three, as there is sufficient capital to support this growth.

Accelerated Digitalisation
With the unprecedented impact of COVID-19, banks have had to accelerate the pace of change on digital transactional platforms in order to reduce branch footprint and ease customers transactional capability. I am pleased to say our platforms have been robust through this period, and we have seen a greater uptake on these platforms. The Bank is committed to the continuing improvement of our platforms and to the development of new products.

Our Service delivery continues to be premised on speed of execution, treating customers fairly and with integrity, all of which must be underpinned by service excellence. The second half of the year will see us look to unlock new product capabilities to address identified market gaps for both retail and corporate customers.

Our Human Capital
The COVID-19 pandemic has brought on exceptional difficulties for our colleagues, staff and clients. This has tested the resilience of our business continuity plans as we seek to provide a seamless service to our valued customers. I am pleased to say that we responded quickly to provide personal protective equipment (PPE) for customers and colleagues, ensuring all workplaces were dis-infected as well as enabling remote working for those responsible for critical customer facing processes. The innovation, dedication and resilience of our colleagues through this period has been fundamental to our ability to serve our valued customers.

Staff welfare will always be a priority for the Bank and our health and safety frameworks remain critical to proffer solutions that improve the work environment in light of the prevailing pandemic. This has ensured that we, working with our dedicated health consultants, are fully compliant with health protocols ensuring we give priority to the health and safety of all colleagues, customers and clients at all times.

Training and Development remain at the fore as we continue to build the capability for banking in the future. As part of this development we are developing an exchange program across the Group to leverage the skills and knowledge we have across the five countries where we operate.

We continue to invest in the Student Internship programme to provide unique training and opportunities for the next generation. To date over 180 interns have had the opportunity to unlock work expertise from the Bank's talent pool.

Good Citizenship
Citizenship is one of our core values where we seek to act responsibly and sustainably, leveraging our resources to maximize value creation for all stakeholders. Our Citizenship agenda is testament of our belief in serving and partnering with the communities in which we operate on a daily basis. Our key focus areas are on youth and female empowerment, enterprise and economic development, education and skills interventions that are of a sustainable nature.

Over the years we have realised real value through strategic alliances with key partners in the Public Private Partnerships. To align with the 'New Normal' we have enhanced our online training capabilities through a financial inclusion social platform specifically for women in business. The Bank conducts training interventions for female SME through smart partnership with subject matter specialists such as Zimtrade, TelOne, Telco amongst others to unlock value to female entrepreneurs. To date over 21 000 women have joined the platform whilst over 2 000 have benefitted from the training curriculum that included Export Opportunities, Digital marketing and Branding, among others.

We are proud of the impact that we continue to make through these interventions and will continue to channel our efforts to progressive programmes that uplift our communities.

The Road Ahead
As much as it has been a very volatile period, we remain focused on our core strategy moving forward, where our aim is to build sustainable growth across our core markets, ensuring speed of execution, integrity and service excellence. We believe that the sustainable growth of the business will come through the ability of our colleagues and continued innovation.

I would like to take this opportunity to thank the Board, management and staff for their support, continuing commitment, and dedication in making 'belief' a reality for many of our stakeholders.

Ciaran McSharry
Managing Director
30 July 2020

Reviewed Financial Results

For the half year ended 30 June 2020

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 Zimbabwe National Code on Corporate Governance, Zimbabwe Stock Exchange rules and the King IV report 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 proactively managing regulatory relationships in conjunction with management. In addition, the non-executive directors proactively engage with the Bank's management to challenge and improve strategy implementation, counsel and support 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. 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 company 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 six independent non-executive directors, three non-executive directors and two executive directors. Three members of the board (27%) 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. As one of its key deliverables, management is mandated to keep the Board informed on an ongoing basis, of material developments in and affecting the Bank.

Share Dealings / Insider trading

The directors, management and staff of First Capital Bank Limited are prohibited from dealing in the company'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 Limited 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 Limited also actively engage regulatory authorities including the Reserve Bank of Zimbabwe, the Zimbabwe Stock Exchange and the Deposit Protection Corporation.

Internal Audit

First Capital Bank 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 Limited 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. Further, as part of continuing director development, Board members will attended director training programs scheduled for the last half of the year.

Board activities

The Board of Directors held two quarterly board meetings in the first half of 2020 and a board evaluation review meeting. Each board Committee held at least two 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 the first half of 2020 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 meetings 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 31 December 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 nonexecutive 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 30 June 2020 were:-
A. Chinamo (Chairman)
T. Moyo
K. Terry
Mrs Acqulina Chinamo was appointed to the Committee with effect from 28 May 2020.

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 30 June 2020 were:-
K. Terry (Chairman)
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 30 June 2020 were:-
T. Moyo (Chairperson)
K. Naik
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 three non-executive directors and one executive director.

The members of the Committee as at 30 June 2020 were:-
K. Naik (Chairman)
P. Devenish
H. Anadkat

Board Risk and Compliance Committee

The Board Risk and Compliance 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 30 June 2020 members of the committee were:-
S. N. Moyo (Chairperson)
A. Chinamo
D. Dikshit

Board Information Technology 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 has been mandated to oversee IT strategy of the bank and ensure the stability of the bank's systems. The Committee was made up of the following members as at 30 June 2020:-
K. Terry (Chairman)
T. Moyo
D. Dikshit
C. McSharry

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 balance sheet and financial risk within agreed risk parameters. It manages the funding and investment of the Bank's balance sheet, 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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For the half year ended 30 June 2020

Corporate Governance Statement

Board and committees attendance half year 2020
Main Board

Name	Total Meetings	Present	LOA**
P. Devenish	3	3	Nil
M. Twigger	3	3	Nil
T. Moyo	3	3	Nil
S. N. Moyo	3	3	Nil
H. Anadkat	3	3	Nil
D. Dikshit	3	3	Nil
K. Terry	3	3	Nil
K. Naik	3	3	Nil
C. McSharry	3	3	Nil
T. Mukuku	3	3	Nil

* Mrs Acqulina Chinamo was appointed to the board with effect from 28 May 2020

Audit committee

Name	Total Meetings	Present	LOA**
T. Moyo	2	2	Nil
K. Terry	2	2	Nil

Human resources & nominations committee

Name	Total Meetings	Present	LOA**
K. Naik	2	2	Nil
P. Devenish	2	2	Nil
S. N. Moyo	1	1	Nil
H. Anadkat	2	2	Nil
C. McSharry	2	2	Nil

Credit committee

Name	Total Meetings	Present	LOA**
K. Terry	10	10	Nil
H. Anadkat	10	10	Nil
S. N. Moyo	10	10	Nil
C. McSharry	10	10	Nil

Loans review committee

Name	Total Meetings	Present	LOA**
T. Moyo	2	2	Nil
K. Naik	2	2	Nil
P. Devenish	1	1	Nil
C. McSharry	2	2	Nil
M. Twigger	2	2	Nil

Risk and Compliance committee

Name	Total Meetings	Present	LOA**
S.N. Moyo	2	2	Nil
D. Dikshit	2	2	Nil

Migration Committee

Name	Total Meetings	Present	LOA**
K. Terry	4	4	Nil
T. Moyo	4	4	Nil
D. Dikshit	4	4	Nil
M. Twigger	1	1	Nil
C. McSharry	4	4	Nil

* Mrs Acqulina Chinamo was appointed to the board with effect from 28 May 2020.
** LOA – Leave of absence granted.

Directors Shareholding
The following is a schedule of the directors' shareholdings in the Bank as at 30 June 2020;

P. Devenish	Nil
S. N. Moyo	Nil
T. Moyo	Nil
H. Anadkat *	16 062 222
D. Dikshit *	Nil
M. Twigger	Nil
K. Terry	Nil
K. Naik	4 018 718
A. Chinamo	Nil
C. McSharry	Nil
Taitos 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.

Half Year Financial Results
The Directors are responsible for the preparation and integrity of the financial results and related financial information contained in this report. The financial results are prepared in accordance with international accounting practices and they incorporate 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. Refer to note 2.1(d) These reviewed financial 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

30 July 2020

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Reviewed Financial Results

For the half year ended 30 June 2020

Statement of Comprehensive Income

for the half year ended 30 June 2020

	Notes	Inflation adjusted 30.06.2020 ZWL000	Inflation adjusted 30.06.2019 ZWL000	*Historical 30.06.2020 ZWL000	*Historical 30.06.2019 ZWL000
Interest income	3	253 572	261 143	155 593	20 893
Interest expense	4	(24 048)	(19 412)	(17 096)	(1 548)
Net interest income		229 524	241 731	138 497	19 345
Net fee and commission income	5	301 092	270 249	187 532	23 450
Net trading and foreign exchange income	6	213 135	56 628	141 342	4 124
Net investment and other income	7	22 024	9 030	11 438	754
Fair value gain on investment property	20	62 104	88 209	177 614	17 297
Total non interest income		598 355	424 116	517 926	45 625
Total income		827 879	665 847	656 423	64 970
Impairment losses on loans and other receivables	11	(48 183)	(113 361)	(40 133)	(11 331)
Net operating income		779 696	552 486	616 290	53 639
Staff costs	8	(156 893)	(208 622)	(85 801)	(16 610)
Infrastructure costs	9	(165 328)	(211 109)	(75 473)	(16 023)
Administration and general expenses	10	(236 035)	(176 791)	(155 791)	(13 698)
Operating expenses		(558 256)	(596 522)	(317 065)	(46 331)
Net monetary loss		(62 480)	(296 077)	-	-
Share of profits of joint venture	22	130 562	315 494	523 365	56 835
Profit/(loss) before tax		289 522	(24 619)	822 590	64 143
Taxation	12	(84 738)	(39 823)	(56 077)	3 980
Profit/(loss) for the period		204 784	(64 442)	766 513	68 123
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on property revaluations		221 864	351 364	587 906	57 524
Deferred tax		(54 845)	(86 857)	(145 330)	(14 812)
Net (loss)/gain on financial assets at fair value through other comprehensive income (FVOCI)		(8 152)	(69 700)	34 281	-
Deferred tax		618	-	(1 506)	-
Total other comprehensive gain for revaluation and equity securities		159 485	194 807	475 351	42 712
Items that may be reclassified subsequently to profit or loss:					
Net gain/ (loss) on financial assets - debt securities		-	1 133	-	(303)
Deferred tax		-	(292)	-	78
Total other comprehensive loss on debt securities		-	841	-	(225)
Total other comprehensive income		159 485	195 648	475 351	42 487
Total comprehensive income		364 269	131 206	1 241 864	110 610
Earnings/ (loss) per share					
Basic (cents per share)		9.50	(2.98)	35.56	3.16
Diluted (cents per share)		9.49	(2.99)	35.53	3.16
Headline (cents per share)		3.79	(13.64)	4.49	3.16

*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 issued a review conclusion on the historic financial information.

Statement of Financial Position

as at 30 June 2020

	Notes	Inflation adjusted 30.06.2020 ZWL000	Inflation adjusted 31.12.2019 ZWL000	*Historical 30.06.2020 ZWL000	*Historical 31.12.2019 ZWL000
Assets					
Cash and bank balances	13	4 390 057	2 957 692	4 390 057	1 128 936
Derivative financial instruments	14	1 120	-	1 120	-
Investment securities	15	362 731	607 290	362 731	231 800
Loans and receivables from banks	16	52	8 550	52	3 263
Loans and advances to customers	17	1 175 667	1 863 325	1 175 667	711 222
Other assets	18	1 247 482	802 312	1 151 988	278 471
Property and equipment	19	847 613	658 786	828 574	238 398
Investment properties	20	248 921	186 817	248 921	71 307
Investment in joint venture	22	765 851	635 289	765 851	242 487
Intangible assets	21	129 300	140 800	16 524	18 025
Right of use assets	23	170 929	142 319	60 302	16 061
Current tax asset		16 352	14 764	16 352	5 635
Total assets		9 356 075	8 017 944	9 018 139	2 945 605
Liabilities					
Derivative financial instruments	14	367	-	367	-
Lease liabilities	23	57 823	42 271	57 823	16 135
Deposits from banks	24	41 124	103 168	41 124	39 379
Deposits from customer	25	5 655 776	5 362 438	5 655 776	2 046 816
Provisions	26	20 121	18 607	20 121	7 102
Other liabilities	27	1 044 376	381 487	1 041 806	142 817
Deferred tax liabilities	29	317 498	204 326	249 473	53 737
Balances due to group companies	35.4	143 120	193 792	143 120	73 967
Total liabilities		7 280 205	6 306 089	7 209 610	2 379 953
Equity					
Capital and reserves					
Share capital	30.1	4 179	4 179	216	216
Share premium	30.1	462 016	461 846	24 007	23 837
Non - distributable reserves	30.2	150 830	150 830	7 785	7 785
Fair value through other comprehensive income reserve	30.3	40 798	48 332	57 083	24 308
Revaluation reserves	30.4	473 589	306 570	613 950	171 374
Impairment reserve	30.2	1 715	2 050	1 715	783
Share - based payment reserve	30.5	23 864	23 953	1 184	1 273
Retained earnings		918 879	714 095	1 102 589	336 076
Total equity		2 075 870	1 711 855	1 808 529	565 652
Total equity and liabilities		9 356 075	8 017 944	9 018 139	2 945 605

*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 issued a review conclusion on the historic financial information.

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Statement of Cash Flows

for the half year ended 30 June 2020

	Notes	Inflation adjusted 30.06.2020 ZWL000	Inflation adjusted 30.06.2019 ZWL000	*Historical 30.06.2020 ZWL000	*Historical 30.06.2019 ZWL000
Cash flows from operating activities					
Profit/(loss) before tax		289 522	(24 619)	822 590	64 143
Adjustments for non - cash items:					
Depreciation of property and equipment and software amortisation		57 706	53 158	8 643	2 643
Impairment loss on financial assets	11	48 380	114 264	40 250	11 404
Share of profit from joint venture	22	(130 562)	(315 494)	(523 365)	(56 835)
Effect of fair value gain on investment property	20	(62 104)	(88 209)	(177 614)	(17 297)
Dividend income from investment securities	7	(18 511)	(5 947)	(9 315)	(507)
Profit on disposal of property and equipment		(1 582)	(85)	(915)	(6)
Interest accrued on investment securities		(14 721)	(132 632)	(8 723)	(9 978)
Staff loan prepayment amortisation		(1 682)	(315)	(2 972)	(416)
IFRS 16 finance cost		4 984	4 832	3 213	412
Net monetary loss		62 481	296 077	-	-
Share based payment expense		-	98	-	12
Derivative (assets)/liabilities		(753)	4 308	(753)	514
Cash flow from operating activities before changes in working capital		233 158	(94 564)	151 039	(5 911)
Decrease/(increase) in loans and advances to customers		709 249	904 905	(483 833)	(82 062)
Increase in other assets		(225 099)	(1 377 186)	(891 739)	(158 486)
Increase/(decrease) deposits from customers		293 338	(351)	3 608 960	480 483
Increase in other liabilities		613 730	601 792	982 093	95 675
Corporate income tax paid		(25 316)	(35 999)	(17 879)	(4 300)
Payments into restricted bank balances		395 585	(520 018)	77 495	(95 391)
Net cash generated from or (used in) operating activities		1 994 645	(521 421)	3 426 136	229 935
Cash flows from investing activities					
Purchase of property, equipment and intangible assets		(11 573)	(74 378)	(7 240)	(7 778)
Proceeds from sale of property and equipment		1 896	78	1 215	6
Dividends received from investment securities		18 511	5 947	9 315	507
Interest received from investment securities		20 593	331 267	7 025	22 679
Purchase of investments securities		(129 785)	(1 749 490)	(94 936)	(141 272)
Proceeds from sale and maturities of investment securities		-	5 384 232	-	405 191
Net cash (used in) or generated from investing activities		(100 358)	3 897 656	(84 621)	279 333
Cash flows from financing activities					
Proceeds from issue of shares under a share based payment plan		81	-	81	-
IFRS 16 lease payments		(14 154)	(18 548)	(8 207)	(1 462)
Net cash used in financing activities		(14 073)	(18 548)	(8 126)	(1 462)
Net cash and cash equivalents		1 880 214	3 357 687	3 333 389	507 879
Cash and cash equivalents at the beginning of the period		2 350 254	1 842 505	897 079	113 220
Cash and cash equivalents at the end of the period	13.1	4 230 468	5 200 192	4 230 468	621 099

*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 issued a review conclusion on the historic financial information.

Statement of Changes in Equity

for the half year ended 30 June 2020

Inflation adjusted 2020	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 2020	4 179	461 846	150 830	48 332	306 570	2 050	23 953	714 095	1 711 855
Profit for the period	-	-	-	-	-	-	-	204 784	204 784
Other comprehensive income for the period	-	-	-	(7 534)	167 019	-	-	-	159 485
Total comprehensive income for the period	-	-	-	(7 534)	167 019	-	-	204 784	364 269
								-	
Issue of ordinary shares under share - based payment plans		170					(89)		81
Impairment of FVOCI financial assets	-	-	-	-	-	(335)	-	-	(335)
Balance at 30 June 2020	4 179	462 016	150 830	40 798	473 589	1 715	23 864	918 879	2 075 870

*Historical 2020	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 2020	216	23 837	7 785	24 308	171 374	783	1 273	336 076	565 652
Profit for the period	-	-	-	-	-	-	-	766 513	766 513
Other comprehensive income for the period	-	-	-	32 775	442 576	-	-	-	475 351
Total comprehensive income for the period	-	-	-	32 775	442 576	-	-	766 513	1 241 864
Issue of ordinary shares under share - based payment plans	-	170	-	-	-	-	(89)	-	81
Impairment of FVOCI financial assets	-	-	-	-	-	932	-	-	932
Balance at 30 June 2020	216	24 007	7 785	57 083	613 950	1 715	1 184	1 102 589	1 808 529

*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 issued a review conclusion on the historic financial information.

Reviewed Financial Results

For the half year ended 30 June 2020

Notes to the Financial Results

for the year ended 30 June 2020

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 reviewed financial results have been prepared on the basis of IAS 29:Financial Reporting for Hyperinflationary Economies, IAS34 Interim Financial Reporting as well as the requirements of the Companies Act (Chapter 24.03) and the Banking Act (Chapter 24.20). However, full compliance with IFRS could not be achieved. Refer to note 2.1(d)

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

Dates	All items CPI Indices	Conversion factors
June 2020	1445.21	1
December 2019	551.6	2.62
June 2019	172.61	8.73

The procedures applied for the above restatement are as follows:

Financial statements prepared in the currency of a hyper-inflationary economy are stated in terms of the closing Consumer Price Index ("CPI") at the end of the reporting period. The historical cost financial information is re-stated for the changes in purchasing power (inflation), and corresponding figures for the prior period are restated in the same terms.

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.

The reviewed 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.

2.1(b) Accounting policies

The accounting policies applied in the preparation of the reviewed financial results are consistent with the most recent financial statements for the year ended 31 December 2019.

2.1(c) Functional and presentation currency

The financial results are presented in Zimbabwe Dollars (ZWL), the functional and presentation currency of the Bank.

2.1(d) Non compliance with IAS 21

The Bank could not apply a market exchange rate to foreign currency transactions that happened between October 2018 and February 2019 due to the requirements of (S.I.) 33, as a result some of the June 2019 comparative balances are materially misstated.

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2.1(e) Conversion of Foreign currency transactions and balances at Interbank Exchanges rates

The Bank used the interbank exchanges rates to convert foreign currency transactions and balances in the financial results. The interbank exchanges rates were determined by management as appropriate given that during this period the Bank can demonstrate transactions where customers were buying and selling foreign currency at interbank rates and the Bank also purchased foreign currency at interbank rates for its own use.

2.1(f) Auditor's review conclusion

These abridged interim financial results for the six months ended 30 June 2020 have been reviewed by Deloitte & Touche and a modified review conclusion issued thereon. The review report carries a qualified conclusion with respect to the following matters that impact the comparative period ended 30 June 2019:

- Non–compliance with International Accounting Standard 21 – "The Effects of Changes in Foreign Exchange Rates" in accounting for the change in functional currency in the comparative period.
- Non- compliance with International Financial reporting Standard 9 – "Financial Instruments" in the recognition and measurement of the legacy debt financial asset in the comparative period.
- Inability to substantiate the discount rate applied on the valuation of properties in the comparative period.

The review conclusion includes an "emphasis of matter" paragraph regarding the Bank's ability to meet the Reserve Bank of Zimbabwe's capital requirements by the deadline of 31 December 2020. In addition the, report draws attention to note 2.1(e). This note details the Bank's judgements in concluding on the appropriateness of applying the interbank exchange rate in the preparation of the interim financial results for the period ended 30 June 2020.

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 review is Tumai Mafunga.

		Inflation adjusted		Historical	
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
3	**Interest income**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	Bank balances	23 374	1 030	17 541	81
	Loans and receivables from banks and investment securities	14 721	137 058	8 723	10 854
	Loans and advances to customers	215 477	123 055	129 329	9 958
	Total interest income	**253 572**	**261 143**	**155 593**	**20 893**
4	**Interest expense**				
	IFRS16 lease interest	(4 984)	(4 832)	(3 214)	(412)
	Deposits from banks	(231)	(543)	(124)	(65)
	Customer deposits	(18 833)	(14 037)	(13 758)	(1 071)
	Total interest expense	**(24 048)**	**(19 412)**	**(17 096)**	**(1 548)**
5	**Net fee and commission income**				
	Fee and commission income				
	Account activity fees/ledger fees	79 247	90 101	46 204	6 410
	Insurance commission received	563	1 717	301	138
	Commission received	110 787	79 999	78 001	8 376
	Guarantees	10 647	19 990	-	1 409
	Card based transaction fees	43 252	15 931	28 401	1 280
	Cash withdrawal fees	57 456	68 113	35 120	6 278
	Fee and commission income	**301 952**	**275 851**	**188 027**	**23 891**
	Fee and commission expense				
	Guarantee commissions	(860)	(5 602)	(495)	(441)
	Fee and commission expense	**(860)**	**(5 602)**	**(495)**	**(441)**
	Net fee and commission income	**301 092**	**270 249**	**187 532**	**23 450**

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	
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
6	**Net trading and foreign exchange income**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	Net foreign exchange revaluation profit/ (loss)	84 807	(44 510)	67 042	(3 507)
	Net foreign exchange trading income	128 328	101 138	74 300	7 901
	Trading income - financial instruments	-	-	-	(270)
	Net trading income	**213 135**	**56 628**	**141 342**	**4 124**

		Inflation adjusted		Historical	
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
7	**Net investment and other income**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	Dividend income	18 511	5 947	9 315	507
	Gain on disposal of property and equipment	1 582	85	915	6
	Rental income	1 404	2 541	887	199
	Sundry income	527	457	321	42
	Total	**22 024**	**9 030**	**11 438**	**754**
8	**Staff costs**				
	Salaries and allowances	(138 299)	(179 496)	(75 045)	(14 308)
	Social security costs	(359)	(1 337)	(261)	(105)
	Pension costs: defined contribution plans	(11 085)	(17 661)	(6 282)	(1 395)
	Redundancy costs	(1 213)	-	(800)	-
	Directors` remuneration - for services as management	(5 937)	(10 030)	(3 413)	(790)
	Share based payments	-	(98)	-	(12)
	Total staff cost	**(156 893)**	**(208 622)**	**(85 801)**	**(16 610)**
	Average number of employees during the period:	534	717	534	717
9	**Infrastructure costs**				
	Repairs and maintenance	(8 205)	(14 316)	(5 121)	(1 207)
	Heating, lighting, cleaning and rates	(10 778)	(9 526)	(6 082)	(1 540)
	Security costs	(6 538)	(9 223)	(4 180)	(731)
	Depreciation of property and equipment and right of use asset	(46 206)	(51 633)	(7 142)	(2 097)
	Software amortisation	(11 500)	(1 525)	(1 501)	(546)
	Operating lease - other costs	(1 972)	(1 972)	(1 034)	(126)
	Migration costs - technology	(5 944)	(93 440)	(1 726)	(8 041)
	Connectivity, software and licences	(74 185)	(29 474)	(48 687)	(1 735)
	Total infrastructure costs	**(165 328)**	**(211 109)**	**(75 473)**	**(16 023)**
10	**Administration and general expenses**				
	Auditors' remuneration:				
	Audit related services	(4 497)	(2 379)	(2 719)	(176)
	Consultancy, legal and professional fees	(4 650)	(3 636)	(2 794)	(267)
	Subscription, publications and stationery	(8 250)	(14 237)	(4 867)	(1 129)
	Marketing, advertising and sponsorship	(4 665)	(9 595)	(3 050)	(811)
	Travel and accommodation	(10 947)	(18 418)	(6 007)	(1 642)
	Entertainment	(13)	(109)	(7)	(9)
	Cash transportation	(15 399)	(12 442)	(8 805)	(1 081)
	Directors fees	(296)	(880)	(201)	(153)
	Insurance costs	(10 970)	(9 840)	(5 917)	(880)
	Telex, telephones and communication	(26 152)	(22 483)	(15 016)	(1 428)
	Group recharges	(106 772)	(63 226)	(72 639)	(4 364)
	Card operating expenses	(17 200)	(12 084)	(13 661)	(902)
	Other administrative and general expenses	(26 222)	3 446	(20 107)	(175)
	Migration cost branding & other	(2)	(10 908)	(1)	(681)
	Total administrative and general expenses	**(236 035)**	**(176 791)**	**(155 791)**	**(13 698)**
11	**Impairment losses on loans and advances by stage**				
	Stage 1				
	Loans and advances to customers	(20 771)	(71 791)	(16 793)	(6 658)
	Balances with banks - local & nostro	27	1 334	158	(71)
	Investment securities - treasury bills & bonds	(1 058)	410	(933)	614
	Other assets including RBZ NOP receivable	(23 610)	(43 609)	(20 088)	(5 568)
	Total	**(45 412)**	**(113 656)**	**(37 656)**	**(11 683)**
	Stage 2				
	Loans and advances to customers	(3 146)	(240)	(2 342)	27
	Total	**(3 146)**	**(240)**	**(2 342)**	**27**
	Stage 3				
	Loans and advances to customers	178	(368)	(252)	252
	Total	**178**	**(368)**	**(252)**	**252**
	Total impairment raised during the period	(48 380)	(114 264)	(40 250)	(11 404)
	Recoveries of loans and advances previously written off	197	903	117	73
	Statement of comprehensive income charge	**(48 183)**	**(113 361)**	**(40 133)**	**(11 331)**
12	**Taxation**				
12.1	**Income tax recognised in profit or loss**				
	Current tax				
	Normal tax - current period	(20 308)	-	(7 163)	-
	Total current tax	**(20 308)**	**-**	**(7 163)**	**-**
	Deferred tax				
	Deferred tax expense recognised in the current period	(64 430)	(39 823)	(48 914)	3 980
	Total deferred tax	**(64 430)**	**(39 823)**	**(48 914)**	**3 980**
	Total income tax charge recognised in the current period	**(84 738)**	**(39 823)**	**(56 077)**	**3 980**

		Inflation adjusted		Historical	
		30.06.2020	31.12.2019	30.06.2020	31.12.2019
13	**Cash and bank balances**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	Balances with central bank	336 761	246 551	336 761	94 107
	Statutory reserve balance with central bank	37 260	108 866	37 260	41 554
	Cash on hand - foreign currency	724 410	446 317	724 410	170 357
	Cash on hand - local currency	28 355	5 400	28 355	2 061
	Balances due from group companies	22 455	2 447	22 455	934
	Balances with banks abroad	3 241 205	2 149 840	3 241 205	820 583
	Cash and bank balances	**4 390 446**	**2 959 421**	**4 390 446**	**1 129 596**
	Expected credit losses	(389)	(1 729)	(389)	(660)
	Net cash and bank balances	**4 390 057**	**2 957 692**	**4 390 057**	**1 128 936**
13.1	**Cash & cash equivalents**				
	Cash & bank balances before impairment	4 390 446	2 959 422	4 390 446	1 129 596
	Restricted balances with central bank	(35 376)	(62 346)	(35 376)	(23 797)
	Statutory reserve	(37 260)	(108 866)	(37 260)	(41 554)
	Restricted balances with banks abroad	(46 270)	(343 338)	(46 270)	(131 050)
	Clearing balances with banks	52	8 550	52	3 263
	Bank balances due to group companies	-	(2 447)	-	(934)
	Balances due to other banks	(41 124)	(100 721)	(41 124)	(38 445)
	Total cash and cash equivalents – statement of cash flows	**4 230 468**	**2 350 254**	**4 230 468**	**897 079**

Reviewed Financial Results

For the half year ended 30 June 2020

Notes to the Financial Results

for the year ended 30 June 2020

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 period 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		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Foreign exchange derivatives - assets	ZWL000	ZWL000	ZWL000	ZWL000
Foreign exchange forward and spot				
Notional contract amount	789*	7 246	789*	7 246
Carrying amount	1 120	-	1 120	-

*The amount is net of gross purchases of ZWL298 339 589 and gross sales of ZWL 297 550 447.

Foreign exchange derivatives - liabilities				
Foreign exchange forward and spot trades				
Notional contract amount	789*	-	789*	-
Carrying amount	367	-	367	-

*The amount is net of gross purchases of ZWL298 339 589 and gross sales of ZWL 297 550 447.

15 Investment securities

Treasury bills	301 209	538 683	301 209	205 613
Equity securities	61 522	68 607	61 522	26 187
Balance at the end of the period	362 731	607 290	362 731	231 800
Balance at beginning of period	607 290	4 703 053	231 800	289 001
Additions	129 785	1 007 935	94 956	341 272
Maturities	-	(5 080 561)	-	(421 382)
Accrued interest	6 373	12 245	1 699	4 674
Inflation adjustment effect on opening balance	(372 571)	-	-	-
Changes in fair value	(8 146)	(35 382)	34 276	18 235
Balance at the end of the period	362 731	607 290	362 731	231 800

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 ZWL1 707 119 was recognised in the reserve as at 30 June 2020.

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

	Inflation adjusted		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
16 Loans and receivables from banks	ZWL000	ZWL000	ZWL000	ZWL000
Treasury Bills	-	-	-	-
Clearance balances with other banks	52	8 550	52	3 263
Total carrying amount of loans and advances	52	8 550	52	3 263
Less: Impairment provision	-	-	-	-
Net Loans and receivables from banks	52	8 550	52	3 263

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.

17 Loans and advances to customers	Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
Historical and inflation adjusted 2020				
Personal and term loans	101 059	89 422	871 903	1 062 384
Mortgage loans	21 204	-	-	21 204
Overdrafts	3 289	10 875	122 659	136 823
Gross loans and advances to customers	125 552	100 297	994 562	1 220 411
Less: allowance for impairment				
Stage1	(3 512)	(1 612)	(33 679)	(38 803)
Stage2	(1 355)	(1 982)	(569)	(3 907)
Stage3	(1 729)	(305)	-	(2 034)
Allowance for impairment	(6 597)	(3 899)	(34 248)	(44 744)
Net loans and advances to customers	118 955	96 398	960 314	1 175 667

Inflation adjusted 31.12.2019	Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
Personal and term loans	205 330	101 680	1 292 307	1 599 317
Mortgage loans	57 585	-	-	57 585
Overdrafts	4 137	111 970	156 746	272 853
Interest in suspense	-	-	-	-
Gross loans and advances to customers	267 052	213 650	1 449 053	1 929 755
Less: allowance for impairment				
Stage 1	(8 101)	(4 974)	(44 590)	(57 665)
Stage 2	(2 802)	(869)	(429)	(4 100)
Stage 3	(3 865)	(800)	-	(4 665)
Allowance for impairment	(14 768)	(6 643)	(45 019)	(66 430)
Net loans and advances	252 284	207 007	1 404 034	1 863 325

Historical 31.12.2019	Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
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				
Stage 1	(3 092)	(1 899)	(17 020)	(22 011)
Stage 2	(1 069)	(332)	(164)	(1 565)
Stage 3	(1 475)	(305)	-	(1 780)
Allowance for impairment	(5 636)	(2 536)	(17 184)	(25 356)
Net loans and advances	96 297	79 013	535 912	711 222

	Inflation adjusted		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
18 Other assets	ZWL000	ZWL000	ZWL000	ZWL000
Prepayments and stationery	160 820	51 936	43 489	11 289
Card security deposit and settlement balances	193 715	101 076	113 918	38 580
Other receivables	56 228	15 746	208 133	6 010
RBZ receivable - NOP support*	743 348	544 462	743 348	207 819
RBZ other legacy debts	50 995	35 156	50 995	13 419
Staff loans market interest rate adjustment	73 766	81 367	21 838	11 825
Total before impairment allowance	1 278 872	829 743	1 181 721	288 942
Less: Expected credit loss	(31 390)	(27 433)	(29 733)	(10 471)
Total other assets	1 247 482	802 310	1 151 988	278 471
Current	524 529	441 527	329 745	140 762
Non - current	722 953	360 783	822 243	137 709
Total	1 247 482	802 310	1 151 988	278 471

* 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. The receivable is estimated to be fully recovered over a period of 5.5 years. The USD denominated future cashflows were discounted at a rate of 9.65%.

19 Property and equipment **Inflation adjusted 2020**	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Total ZWL000
Balance at beginning of period	598 906	23 325	5 717	5 495	25 371	658 814
Additions	-	5 888	4 835	819	31	11 573
Revaluation	221 864	-	-	-	-	221 864
Disposals	-	(8)	-	-	(2 240)	(2 248)
Transfers to intangible assets (Note 23)	-	-	-	-	-	-
Transfers to investment properties	-	-	-	-	-	-
Depreciation charge	(7 127)	(14 870)	(6 808)	(3 614)	(9 971)	(42 390)
Carrying amount at end of the period	813 643	14 335	3 744	2 700	13 191	847 613
Cost or valuation	813 643	151 835	70 855	36 273	97 494	1 170 100
Accumulated depreciation and impairment	-	(137 500)	(67 111)	(33 573)	(84 303)	(322 487)
Carrying amount at end of the period	813 643	14 335	3 744	2 700	13 191	847 613

Historical 2020	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Total ZWL000
Balance at beginning of period	228 599	5 229	1 827	862	1 881	238 398
Additions	-	3 927	3 290	-	23	7 240
Revaluation	587 906	-	-	-	-	587 906
Disposals	-	(68)	-	-	(706)	(774)
Transfers to intangible assets	-	-	-	-	-	-
Transfers to investment properties	-	-	-	-	-	-
Depreciation charge on disposals	-	29	-	-	474	503
Depreciation charge	(2 862)	(978)	(304)	(185)	(370)	(4 699)
Carrying amount at end of the period	813 643	8 139	4 813	677	1 302	828 573
Cost or valuation	820 789	14 820	7 700	2 238	4 447	849 993
Accumulated depreciation and impairment	(7 146)	(6 681)	(2 887)	(1 561)	(3 145)	(21 419)
Carrying amount at end of the period	813 643	8 139	4 813	677	1 302	828 574

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 30 June 2020 by an independent valuer. If land and buildings were stated on the historical cost basis, the carrying amount would be ZWL262 381 910 (2019: ZWL265 541 858). No items of property and equipment were pledged as collateral as at 30 June 2020. If the ZWL/ USD exchange rate increases/ decreases by 50%, the property values will increase/ decrease by $407m respectively.

	Inflation adjusted		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
20 Investment properties	ZWL000	ZWL000	ZWL000	ZWL000
Balance at beginning of the period	186 817	83 727	71 307	5 145
Transfers from property and equipment	-	18 572	-	7 089
Changes in fair value	62 104	84 518	177 614	59 073
Balance at the end of the period	248 921	186 817	248 921	71 307
Rental income derived from investment properties	1 404	3 802	887	471

Investment property comprises commercial properties that are leased to third parties. No contingent rents are charged. The property was fair valued on 30 June 2020 with ZWL62 104 414 fair value movement (2019: ZWL84 517 515).

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 34) based on the inputs to the valuation technique used. If the ZWL/USD exchange rate increases/ decreases by 50%, the investment property fair value will increase/ decrease by $124m respectively.

	Inflation adjusted		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
21 Intangible assets	ZWL000	ZWL000	ZWL000	ZWL000
Balance at beginning of year	140 800	-	18 025	-
Transfers from property and equipment	-	61 306	-	7 322
Additions	-	92 022	-	12 954
Amortisation	(11 500)	(12 528)	(1 501)	(2 251)
Balance at end of the period	129 300	140 800	16 524	18 025
Cost/ valuation	153 328	153 328	20 276	20 276
Accumulated amortisation	(24 028)	(12 528)	(3 752)	(2 251)
Balance at end of the period	129 300	140 800	16 524	18 025
22 Investment in joint venture				
Bank's interest at beginning of year	635 289	-	242 487	-
Transfer from Non current assets held for sale	-	241 322	-	14 829
Prior period' share of profit in joint venture	-	5 448	-	335
Current period share of profit in Joint venture	130 562	393 967	523 365	228 242
Dividends received during the period	-	(5 447)	-	(919)
Carrying amount of investment at period end	765 851	635 290	765 852	242 487

The Bank owns 50 % investment in Makasa Sun, the other 50 % is owned by Barclays Pensions Fund. For its trading activities, Makasa sun owns a hotel located in the tourist resort town of Victoria Falls, Zimbabwe. If the ZWL/ USD exchange rate increases/ decreases by 50%, the investment property fair value will change and result in an increase/ decrease in share of profit of $401m respectively.

	Inflation adjusted		Historical	
23 Leases	30.06.2020	31.12.2019	30.06.2020	31.12.2019
23.1 Right of use asset	ZWL000	ZWL000	ZWL000	ZWL000
Balance at beginning of year	142 319	-	16 061	-
Additions	46 681	172 936	46 681	17 694
Depreciation for the year	(18 072)	(30 617)	(2 440)	(1 633)
Balance at end of period	170 929	142 319	60 302	16 061
Cost/ Valuation	219 618	172 936	64 376	17 694
Accumulated impairment and armotisation	(48 689)	(30 617)	(4 074)	(1 633)
Balance at end of period	170 929	142 319	60 302	16 061
Lease liabilities included in statement of financial position				
Current	5 876	2 953	5 876	1 127
Non - current	51 947	39 317	51 947	15 008
Balance at end of period	57 823	42 270	57 823	16 135
Amounts recognised in profit or loss				
Interest on lease liabilities	(4 984)	(9 989)	(3 214)	(1 949)
Expenses - short term & low value leases	(1 590)	(2 991)	(1 034)	(491)
Total undiscounted lease liabilities	(6 574)	(12 980)	4 248	(2 440)
Statement of cashflows - Leases				
Total cash outflows	(14 154)	(37 210)	(8 207)	(4 328

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	Inflation adjusted		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
24 Deposits from banks	ZWL000	ZWL000	ZWL000	ZWL000
Bank balances due to banks abroad	175	-	-	-
Interbank money market deposit	-	-	-	-
Interbank borrowing	-	52 468	-	20 027
Clearance balances due to other banks	40 949	50 700	41 124	19 352
Total deposits from banks	41 124	103 168	41 124	39 379
25 Deposits from customers				
Demand deposits				
Retail	772 293	766 572	772 293	292 597
Business banking	328 122	464 518	328 122	177 304
Corporate and investment banking	4 466 412	3 714 744	4 466 412	1 417 899
Total	5 566 827	4 945 834	5 566 827	1 887 800
Call deposits				
Retail	365	987	365	377
Business banking	16 854	34 860	16 854	13 305
Corporate and investment banking	10 587	49 282	10 587	18 811
Total	27 806	85 129	27 806	32 493
Savings accounts				
Retail	10 407	5 284	10 407	2 017
Business banking	44	47	44	18
Corporate and investment banking	-	-	-	-
Total	10 451	5 331	10 451	2 035
Other				
Retail	-	-	-	-
Business banking	-	-	-	-
Corporate and investment banking	50 692	326 144	50 692	124 488
Total	50 692	326 144	50 692	124 488
Total deposits from customers	5 655 776	5 362 438	5 655 776	2 046 816

Included in the deposits above are foreign currency deposits of ZWL4.1 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 ZWL50 692 000 (2019: ZWL326 144 000) held as collateral for loans advanced and letters of credit.

	Inflation adjusted				Historical			
	30.06.2020		31.12.2019		30.06.2020		31.12.2019	
Concentration of customer deposits	ZWL000	%	ZWL000	%	ZWL000	%	ZWL000	%
Trade and services	1 965 532	35	1 973 542	36	1 965 532	35	753 290	37
Energy and minerals	44 135	1	35 223	3	44 135	1	13 445	1
Agriculture	612 369	11	554 198	9	612 369	11	211 535	10
Construction and property	73 904	1	59 055	1	73 904	1	22 541	1
Light and heavy industry	638 709	11	563 119	12	638 709	11	214 940	11
Physical persons	783 068	14	780 657	18	783 068	14	297 973	15
Transport and distribution	830 066	15	815 971	14	830 066	15	311 452	15
Financial services	707 993	12	580 673	7	707 993	12	221 640	10
Total	5 655 776	100	5 362 438	100	5 655 776	100	2 046 816	100

	Inflation adjusted		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
26 Provisions	ZWL000	ZWL000	ZWL000	ZWL000
Staff retention incentive and 13th cheque				
Balance at beginning of period	15 837	37 531	6 045	2 036
Provisions made during the period	23 183	33 165	13 418	5 653
Provisions used during the period	(26 246)	(54 859)	(6 689)	(1 644)
Balance at end of period	12 774	15 838	12 774	6 045
Outstanding employee leave				
Balance at beginning of period	2 770	13 947	1 057	857
Provisions made during the period	16 285	9 233	6 294	845
Provisions used during the period	(11 708)	(20 410)	(4)	(645)
Balance at end of period	7 347	2 770	7 347	1 057
Total provisions at end of period	20 121	18 607	20 121	7 102

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		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
27 Other liabilities	ZWL000	ZWL000	ZWL000	ZWL000
Accrued expenses	119 595	165 948	119 595	46 105
Amounts due to related parties	-	-	-	24 895
Internal accounts including unpresented bank drafts	925 401	215 539	922 211	71 819
Balance at end of period	1 044 996	381 487	1 041 806	142 819

28 Retirement benefit plans

28.1 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.

28.2 Defined contribution plans

The defined contribution pension plan, to which the Bank contributes 100%, is provided for permanent employees. Over and above the Bank's contribution, the employee contributes 5%. Under this scheme, retirement benefits are determined by reference to the employees' and the Bank's contributions to date and the performance of the Fund. All employees are also members of the National Social Security Authority Scheme, to which both the employer and the employees contribute. The Bank contributes 3.5% of pensionable emoluments (maximum ZWL 5000) for eligible employees.

28.3 Defined benefit pension plans

The Fund provides for annuities for those pensioners who opted not to purchase the annuity from an external insurer at the point of retirement. All annuities are now purchased outside the Fund at the point of retirement. The provision for pension annuities to pensioners is a significant defined benefit. As a result, a valuation was performed based on IAS 19 Employee Benefits as at 31 December 2019 and had a net surplus of ZWL$15 014 000. No valuation was done at 30 June 2020.

29 Deferred tax

Deferred tax balances

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

	Inflation adjusted		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Deferred tax	ZWL000	ZWL000	ZWL000	ZWL000
Deferred tax balances				
Deferred tax assets	(173 340)	(166 207)	(172 705)	(64 055)
Deferred tax liabilities	490 838	370 533	422 178	117 792
Total deferred tax	317 498	204 326	249 473	53 737
30 Share capital and reserves				
Authorised share capital				
Ordinary shares (5 000 000 000 shares of ZWL0.01 per share)	500	500	500	500
30.1 Issued share capital				
Ordinary shares	4 179	4 179	216	216
Share premium	462 016	461 846	24 007	23 837
Total	466 195	466 025	24 223	24 053

30.2 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		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	ZWL000	ZWL000	ZWL000	ZWL000
Non - distributable reserve	150 830	150 830	7 785	7 785
Balance at end of period	150 830	150 830	7 785	7 785
Impairment reserve				
Impairment on FVOCI financial assets	1 715	2 050	1 707	783
Balance at end of period	1 715	2 050	1 707	783

This relates to impairment charge on FVOCI debt securities.

30.3 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.

30.4 Revaluation reserve

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

30.5 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. During the period under review, exercised share options had a total effect on equity of ZWL81 127 (2019:NIL)

	Inflation adjusted		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
31 Financial instruments	ZWL000	ZWL000	ZWL000	ZWL000
Classification of assets and liabilities				
Financial assets				
Financial assets at fair value through profit and loss				
Derivative financial assets	1 120	-	1 120	-
Central bank receivable-NOP support	743 348	-	743 348	-
Total	744 468	-	744 468	-
Financial assets at amortised cost				
Cash and bank balances	4 390 202	2 957 692	4 390 057	1 128 936
Loans and advances to customers	1 175 572	1 863 325	1 175 667	711 222
Clearance balances due from other banks	52	8 550	52	3 263
Other assets*	341 657	805 239	164 913	255 357
Total	5 907 483	5 634 806	5 730 689	2 098 778

* Excludes prepayments and stationery.

	Inflation adjusted		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Financial assets at fair value through other comprehensive income				
Savings bonds and treasury bills	301 200	538 683	301 200	205 613
Unquoted equity securities	61 522	68 607	61 522	26 187
Total	362 722	607 290	362 722	231 800
Financial liabilities				
Financial liabilities at fair value through profit and loss				
Derivative financial liabilities	367	-	367	-
Total	367	-	367	-
Financial liabilities at amortised cost				
Customer deposits	5 655 776	5 362 438	5 655 776	2 046 816
Deposits from other banks	41 124	103 168	41 124	39 379
Other liabilities	1 044 996	381 486	1 041 806	142 817
Lease liability	57 824	42 271	57 823	16 135
Provisions	20 121	18 607	20 121	7 102
Balances due to group companies	143 120	193 792	143 120	73 967
Total	6 962 961	6 101 762	6 959 770	2 326 216

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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31.1 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	
	30.06.2020	30.06.2019
	ZWL000	ZWL000
Share capital	216	216
Share premium	24 007	23 837
Accumulated profits	1 102 588	336 077
Impairment reserve	1 184	783
Share based payment reserve	1 707	1 273
Fair value through OCI reserve	57 083	24 307
Currency translation reserve	3 508	3 508
Total core capital	**1 190 293**	**390 001**
Less market and operational risk capital	(180 622)	(42 520)
Less exposures to insiders	(22 205)	-
Tier 1 capital	**987 466**	**347 481**
Currency translation reserve movement	4 277	4 277
Revaluation reserves	613 951	171 374
General provisions (limited to 1.25% of weighted risk assets)	38 803	25 356
Tier 2 capital	**657 031**	**201 007**
Total tier 1 & 2 capital	**1 644 497**	**548 488**
Market risk	11 029	7 633
Operational risk	169 594	34 887
Tier 3 capital	**180 623**	**42 520**
Total tier 1, 2 & 3 capital base	**1 825 120**	**591 008**
Deductions from capital	(61 522)	(26 187)
Total capital base	**1 763 598**	**564 821**
Credit risk weighted assets	4 032 147	1 618 600
Operational risk equivalent assets	2 119 920	436 085
Market risk equivalent assets	137 857	96 412
Total risk weighted assets (RWAs)	**6 289 924**	**2 151 097**
Tier 1 capital ratio	**16%**	**16%**
Tier 1 and 2 capital ratio	**26%**	**26%**
Total capital adequacy ratio	**28%**	**26%**

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.

31.2 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 30 June 2020	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 inflation adjusted ZWL000	Total inflation adjusted ZWL000	Non-interest bearing historical ZWL000	Total historical ZWL000
Assets										
Cash and bank balances	3 217 044	-	-	-	-	-	1 173 013	4 390 057	1 173 013	4 390 057
Derivative financial assets	1 120	-	-	-	-	-	-	1 120	-	1 120
Investment securities	295 255	1 133	-	4 821	-	-	61 522	362 731	61 522	362 731
Loans and receivables from banks	52	-	-	-	-	-	-	52	-	52
Loans and advances to customers	-	1 157 250	-	-	-	18 417	-	1 175 667	-	1 175 667
Other assets	14 325	31 269	39 363	95 225	645 883	-	421 417	1 247 482	325 923	1 151 988
Property and equipment	-	-	-	-	-	-	847 613	847 613	828 574	828 574
Investment properties	-	-	-	-	-	-	248 921	248 921	248 921	248 921
Investment in joint venture	-	-	-	-	-	-	765 851	765 851	765 851	765 851
Intangible assets	-	-	-	-	-	-	129 300	129 300	16 524	16 524
Right of use assets	-	-	-	-	-	-	170 929	170 929	60 302	60 302
Deffered tax asset	-	-	-	-	-	-	16 352	16 352	16 352	16 352
Total assets	**3 527 796**	**1 189 652**	**39 363**	**100 046**	**645 883**	**18 417**	**3 834 918**	**9 356 075**	**3 496 982**	**9 018 139**
Liabilities										
Derivative financial assets	367	-	-	-	-	-	-	367	-	367
Lease liabilities	57 823	-	-	-	-	-	-	57 823	-	57 823
Deposits from banks	41 124	-	-	-	-	-	-	41 124	-	41 124
Deposits from customers	5 655 776	-	-	-	-	-	-	5 655 776	-	5 655 776
Provisions	-	-	-	-	-	-	20 121	20 121	20 121	20 121
Other liabilities	-	-	-	-	-	-	1 044 376	1 044 376	1 041 806	1 041 806
Deferred tax liabilities	-	-	-	-	-	-	317 498	317 498	249 473	249 473
Due to group companies	-	-	-	-	-	-	143 120	143 120	143 120	143 120
Total liabilities	**5 755 090**	**-**	**-**	**-**	**-**	**-**	**1 525 115**	**7 280 205**	**1 454 520**	**7 209 610**
Interest rate re - pricing gap	**(2 227 294)**	**1 189 652**	**39 363**	**100 046**	**645 883**	**18 417**	**2 309 803**	**2 075 870**	**2 042 462**	**1 808 529**
Cumulative gap	**(2 227 294)**	**(1 037 642)**	**(998 279)**	**(898 233)**	**(252 350)**	**(233 933)**	**2 075 870**	**-**	**1 808 529**	**-**

31 .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.

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

	Inflation adjusted		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Type of risk or activity	ZWL000	ZWL000	ZWL000	ZWL000
One day risk				
Currency	25 917	20 245	25 917	7 728
Aggregate VaR	**25 917**	**20 245**	**25 917**	**7 728**
Two day risk				
Currency	81 957	64 021	81 957	24 437
Aggregate VaR	**81 957**	**64 021**	**81 957**	**24 437**

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	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	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	51 147	45 612	51 147	38 388
1000bps decrease in interest rates	(51 147)	(45 612)	(51 147)	(38 388)
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.

31.4 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 At 30 June 2020	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	221 876	3 731 213	51 657	247 256	138 055	4 390 057
Derivative financial assets	1 120	-	-	-	-	1 120
Investment securities	362 722	-	-	-	-	362 722
Loans and receivables from banks	52	-	-	-	-	52
Loans and advances to customers	741 372	433 988	20	280	7	1 175 667
Other assets*	363 405	790 916	-	-	-	1 154 321
Total financial assets	**1 690 547**	**4 956 117**	**51 677**	**247 536**	**138 062**	**7 083 939**

*Excludes prepayments and stationery

Liabilities						
Derivative financial liabilities	367	-	-	-	-	367
Deposits from banks	40 696	253	-	-	175	41 124
Deposits from customers	1 504 834	3 848 443	24 611	187 883	90 005	5 655 776
Other liabilities	108 835	922 242	8 808	2 286	1 189	1 043 360
Balances due to group companies	-	126 766	-	-	16 354	143 120
Total financial liabilities	**1 654 732**	**4 897 704**	**33 419**	**190 169**	**107 723**	**6 883 747**
Net currency positions	**35 815**	**58 413**	**18 258**	**57 367**	**30 339**	**200 192**

Exchange rates applied June 2020	USD	GBP	Rand	EUR	CND
ZWL closing rate	16.7734	78.4980	3.6630	71.5277	46.5116

31.5 (a)Credit risk

Credit risk is the risk of financial loss should the Bank's customers, clients or market counter parties fail to fulfil their contractual obligations to the Bank. The Bank actively seeks to originate and manage credit risk in such a way as to achieve sustainable asset growth and risk adjusted returns in line with board-approved risk parameters. The credit risk that the Bank faces arises mainly from corporate and retail loans advances and counter party credit risk arising from derivative contracts entered into with our clients. Other sources of credit risk arise from treasury bills, government bonds, settlement balances with counter parties and bank balances with Central Bank and other related banks. Credit risk management objectives are;

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

(b)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.

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The credit scores from this model are mapped to the regulatory scale with 10 grades. 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).

(c) 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 31.5d)

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.

(d) Significant increase in credit risk (SICR)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and including forward-looking information.

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 and corporate

There are various quantitative measures which include:

Retail - Retrenchment, Dismissal, Salary diversion, employer facing difficulties

Corporate - Adverse business changes, changes in economic conditions, quality challenges, among others.

(e) Benchmarking Expected Credit Loss

corporate and treasury

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

(f) 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.

(g) 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.

(h) 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.

(i)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 half year ended 30 June 2020, the Bank had renegotiated loans of ZWL 31 093 445 (2019: NIL). Re- negotiations related to customers with operations that were directly impacted by COVID-19.

Maximum credit risk exposure

Historical and inflation adjusted 30 June 2020	Maximum credit risk exposure				Reconciliation of ECL by exposure			
Loans and advances to customers	Stage 1 RBZ Grade 1 - 3 ZWL000	Stage 2 RBZ Grade 4 - 7 ZWL000	Stage 3 RBZ Grade 8 - 10 ZWL000	Total ZWL000	Stage 1 RBZ Grade 1 - 3 ZWL000	Stage 2 RBZ Grade 4 - 7 ZWL000	Stage 3 RBZ Grade 8 - 10 ZWL000	Total ZWL000
Corporate	978 271	16 292	-	994 563	33 679	570	-	34 249
Business banking	73 851	26 141	305	100 297	1 612	1 982	305	3 899
Retail	116 916	7 039	1 597	125 552	3 512	1 355	1 729	6 596
Total	**1 169 038**	**49 472**	**1 902**	**1 220 412**	**38 803**	**3 907**	**2 034**	**44 744**
Balances with central bank								
Savings bonds and treasury bills	302 916	-	-	302 916	1 715	-	-	1 715
Bank balances	268 623	-	-	268 623	43	-	-	43
Total	**571 539**	**-**	**-**	**571 539**	**1 758**	**-**	**-**	**1 758**
Balances with other banks and settlement balances								
Settlement balances - local currency	52	-	-	52	178	-	-	178
Bank balances - foreign currency	3 263 314	-	-	3 263 314	168	-	-	168
Total	**3 263 366**	**-**	**-**	**3 263 366**	**346**	**-**	**-**	**346**
Other assets								
RBZ receivable NOP support	743 348	-	-	743 348	29 694	-	-	29 694
RBZ receivable other	50 995	-	-	50 995	40	-	-	40
Total	**794 343**	**-**	**-**	**794 343**	**29 734**	**-**	**-**	**29 734**
Total on balance sheet	**5 798 286**	**49 472**	**1 902**	**5 849 660**	**70 641**	**3 907**	**2 034**	**76 582**
Guarantees and letters of credit								
Guarantees	27 621	-	-	27 621	-	-	-	-
Letters of credit	31 840	-	-	31 840	-	-	-	-
Total	**59 461**	**-**	**-**	**59 461**	**-**	**-**	**-**	**-**
Total exposure to credit risk	**5 857 747**	**49 472**	**1 902**	**5 909 121**	**70 641**	**3 907**	**2 034**	**76 582**

The above table represents a worst case scenario of credit risk exposure to the Bank at 30 June 2020, 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.

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Expected credit losses analysis and reconciliation

Historical and inflation adjusted 2020	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	32 985	1 565	2 714	37 264
Movements with profit and loss impact:				
New financial assets purchased or originated	4 620	-	-	4 620
Exchange rate effect on foreign currency exposures	35631	-	-	35 631
Transfers from stage 1 to stage 2	(2 595)	2 595	-	-
Transfers from stage 2 to stage 3	-	(253)	253	-
Total profit and loss impact	37 656	2 342	253	40 251
Other movements with no profit and loss impact				
Bad debts written off	-	-	(933)	(933)
Balance at 30 June 2020	70 641	3 907	2 034	76 581

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

Industry/Sector	Historical and inflation adjusted 30.06.2020 ZWL000	%	Historical 31.12.2019 ZWL000	%	Inflation adjusted 31.12.2019 ZWL000	%
Trade and services	115 067	9	76 341	10	200 006	13
Energy and minerals	35 000	3	42 863	6	112 297	3
Agriculture	600 728	48	251 255	34	658 261	22
Construction and property	-	-	-	-	1	-
Light and heavy industry	189 212	15	147 996	20	387 733	23
Physical persons	152 754	12	102 633	14	268 890	33
Transport and distribution	150 948	12	92 442	13	242 187	6
Financial services	11 999	1	23 048	3	60 380	-
Total	1 255 708	100	736 578	100	1 929 755	100

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		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	ZWL000	ZWL000	ZWL000	ZWL000
Performing loans	203 691	533 650	250 644	203 691
Non-performing loans	4 193	10 986	4 193	4 193
Total	207 884	544 636	254 837	207 884

31.7 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.

	Inflation adjusted		Historical	
Liquidity ratios	30.06.2020 ZWL000	31.12.2019 ZWL000	30.06.2020 ZWL000	31.12.2019 ZWL000
Total liquid assets	4 441 929	2 494 888	4 441 929	1 223 573
Deposits and other short term liabilities	6 730 752	3 622 900	6 730 752	2 212 843
Liquidity ratio	66%	69%	66%	55%
Reserve Bank of Zimbabwe minimum	30%	30%	30%	30%

Liquidity profiling as 30 June 2020

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 30 June 2020

Historical and inflation adjusted 2020 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*	4 344 176	-	46 270	-	-	-	4 390 446	4 390 057
Derivative financial assets	1 120	-	-	-	-	-	1 120	1 120
Investment securities	295 247	1 133	-	4 821	-	-	301 201	362 731
Loans and receivables from banks	52	-	-	-	-	-	52	52
Loans and advances to customers	161 314	251 343	399 706	530 110	1 100 985	32 205	2 475 663	1 175 667
Other assets**	15 175	33 495	42 904	157 541	822 244	-	1 071 359	1 151 988
Current income tax asset	16 352	-	-	-	-	-	16 352	16 352
Total assets	4 833 436	285 971	488 880	692 472	1 923 229	32 205	8 256 193	7 097 965
Liabilities								
Derivative financial liabilities	367	-	-	-	-	-	367	367
Lease liabilities	1 592	3 184	4 701	9 367	52 640	13 417	84 901	57 823
Deposits from Banks	41 124	-	-	-	-	-	41 124	41 124
Deposits from customers	5 618 447	24 206	285	906	11 933	-	5 655 777	5 655 776
Provisions	-	-	9 367	10 754	-	-	20 121	20 121
Other liabilities	1 041 806	-	-	-	-	-	1 041 806	1 041 806
Balances due to Group companies	143 120	-	-	-	-	-	143 120	143 120
Total liabilities - (contractual maturity)	6 846 456	27 390	14 353	21 027	64 572	13 417	6 987 216	6 960 137
Liquidity gap	(2 013 020)	258 581	474 527	671 445	1 858 657	18 788	1 268 977	-
Cumulative liquidity gap	(2 013 020)	(1 754 439)	(1 279 912)	(608 467)	1 250 189	1 268 977	-	-

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

Contingent liabilities and commitments as at 30 June 2020

Historical and inflation adjusted 2020	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	36 280	10 964	285	-	11 932	59 461
Commitment to lend	6 595	22 834	22 591	69 802	-	121 822
Total assets	42 875	33 798	22 876	69 802	11 932	181 283
Liabilities						
Guarantees and letters of credit	36 280	10 964	285	-	11 932	59 461
Commitment to lend	121 822	-	-	-	-	121 822
Total liabilities	158 102	10 964	285	-	11 932	181 283
Liquidity gap	(115 227)	22 834	22 591	69 802	-	-

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.

32 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

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Reviewed Financial Results

For the half year ended 30 June 2020

Notes to the Financial Results

for the year ended 30 June 2020

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.

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External Credit Ratings

Rating agent	Latest credit ratings 2020/21	Previous credit ratings 2019/20
Global Credit Rating Co.	A+(ZW)	A+(ZW)

33 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			
	30.06.2020		31.12.2019		30.06.2020		31.12.2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Financial Assets								
Cash and bank balances	4 390 057	4 390 057	2 957 692	2 957 692	4 390 057	4 390 057	1 128 936	1129596
Loans and receivables from banks	52	52	8 550	8 550	52	52	3 263	3 263
Loans and advances to customers	1 175 572	1 175 572	1 863 325	1 863 325	1 175 667	1 175 667	711 222	736 578
Other assets	343 314	343 314	729 565	729 565	343 314	343 314	255 357	290 799
Total assets	**5 908 995**	**5 908 995**	**5 559 132**	**5 559 132**	**5 909 090**	**5 909 090**	**2 098 778**	**2098778**
Deposits from banks	41 124	41 124	103 168	103 168	41 124	41 124	39 379	39 379
Deposits from customers	5 655 776	5 655 776	5 362 438	5 362 438	5 655 776	5 655 776	2 046 876	2046876
Other liabilities	1 044 996	1 044 996	193 792	193 792	1 041 806	1 041 806	142 817	142 817
Balances due to group companies	143 120	143 120	381 486	381 486	143 120	143 120	73 967	73 967
Total	**6 885 016**	**6 885 016**	**6 040 884**	**6 040 884**	**6 881 826**	**6 881 826**	**2 303 039**	**2303039**

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

34.1 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 2020	Level 1 ZWL000	Level 2 ZWL000	Level 3 ZWL000	Total ZWL000
Recurring fair value measurements				
Financial assets				
Derivative assets		1 120		1 120
Treasury bills	-	-	301 200	301 200
Unquoted equity instruments	-	-	61 522	61 522
RBZ NOP Suppport receivable	-	-	743 348	743 348
Balance at end of period	**-**	**1 120**	**1 106 070**	**1 107 190**
Financial liabilities				
Derivative liabilities	-	367	-	367
Total	**-**	**367**	**-**	**367**
Non-financial assets				
Investment property	-	-	248 921	248 921
Investment in joint venture - underlying asset	-	-	1 606 390	1 606 390
Total	**-**	**-**	**1 855 311**	**1 855 311**

Reconciliation of recurring level 3 fair value measurements

Historical and Inflation adjusted 2020	Investment securities ZWL000	Investment properties ZWL000	RBZ net open position Receivable ZWL000	Total ZWL000
Balance at the beginning of the year	**231 800**	**186 817**	**544 463**	**847 570**
Additions	94 956	-	-	94 956
Accrued interest	1 699	-	6 373	8 072
Total gains and losses recognised in profit or loss	-	62 104	176 228	353 842
Total gains and losses recognised in other comprehensive income	34 276	-	-	34 276
Balance at 30 June 2020	**362 731**	**248 921**	**727 064**	**1 338 716**

35 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	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
35.1 Directors and key management compensation	ZWL000	ZWL000	ZWL000	ZWL000
Salaries and other short term benefits	5 937	9 607	3 314	1 392
Post-employment benefits	99	393	99	69
Share based payments	-	25	-	2
Total	**6 036**	**10 025**	**3 413**	**1 463**

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	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
35.2 Loans to directors and key management	ZWL000	ZWL000	ZWL000	ZWL000
Loans outstanding at 1 January	6 076	19 348	2 319	1 189
Loans issued during the period	3 770	3 807	2 229	1 453
Loans repayments during the period	(5 770)	(17 079)	(411)	(323)
Balance at end of period	**4 076**	**6 076**	**4 137**	**2 319**

Of the loans advanced to directors and other key management personnel ZWL1 92 270 is secured and repayable over 6-17 years. The balance of ZWL2 944 440 is unsecured and repayable monthly over 4 years at average interest rates of 7.88% (2019:6.3%).

No impairment losses have been recognised in respect of loans advanced to related parties (2019: nil)

	Inflation adjusted		Historical	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
35.3 Deposits from directors and key management	ZWL000	ZWL000	ZWL000	ZWL000
Deposits at 1 January	870	355	332	128
Deposits received during the period	15 070	81 777	8 664	31 214
Deposits repaid during the period	(15 474)	(81 243)	(8 530)	(31 010)
Balance at end of period	**466**	**889**	**466**	**332**

35.4 Balances with group companies

Bank balances due from group companies	(22 455)	-	(22 455)	(934)
Bank balances due to group companies	-	-	-	150
Total	**(22 455)**	**-**	**(22 455)**	**(784)**
Other balances due from group companies	(14 337)	(9 606)	(14 337)	(3 666)
Other balances due to group companies	157 457	203 398	157 457	77 633
Total	**143 120**	**193 792**	**143 120**	**73 967**

35.5 Related Parties - other

Balances due from Barclays bank pension fund	12 205	-	12 205	-
Balances due to Barclays bank pension fund	(3 150)	-	(3 150)	-
Balance due to Barclays Bank PLC	-	(65 224)	-	(24 895)
Total	**9 055**	**(65 224)**	**9 055**	**(24 895)**

36 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.

The Bank currently complies with the minimum capital requirement, which was subsequently increased to USD30million by 31 December 2020. The Bank has submitted its capital plan to the Central Bank which is still under review. Given the continued depreciation of local currency to USD and the current economic conditions the Bank foresees challenges in meeting the USD30million capital requirement by 31 December 2020. However the Bank is optimistic that this capital requirement will ultimately be achieved, currently the Bank has enough capital and liquidity to support the growth strategy. The capital adequacy and liquidity ratios for the period under review were 28% and 66% against regulatory minimums of 12% and 30% respectively.