First Capital BANK

Audited Financial Results

For the year ended 31 December 2020

Chairman's Statement

The Bank posted a strong performance in the current year despite significant headwinds caused by COVID-19 and the volatile macro-economic environment, which is a testament to the agility and resilience of the Bank's strategy. The balancing act between serving customers, continued business profitablility and safeguarding colleagues was of critical importance given the rapid changes in the environment. With the strategic thrust of building long-term relationships and supplementing Government efforts on COVID-19 the Bank continued to support the Tourism sector with extension of loan repayments, reduced interest rates and provision of new facilities where required.

A challenging economic environment-business pessimism and optimism

Persistent depreciation of the local currency against the US$, high inflation rate and COVID-19 uncertainty resulted in low business confidence and a pessimistic overall view of the economy in the first half. However, the easing of lock down, improvement in the operation and price discovery on the auction system and allowing customers with funds to pay in foreign currency brought stability and more business optimism in the second half of the year.

Inflation closed the year at 348% year on year significantly affecting the cost of running the business whilst on the other hand the exchange rate depreciated by 389% to 81.77 against the US$. COVID-19 further impacted transactional activity significantly declining in quarter one and from there increasing gradually towards end of quarter two after the easing of the lock down. However, certain sectors in the economy like tourism were operating substantially below capacity even after easing of the lock down.

Interest rates were largely constant in the first half and gradually increased in the second half but were still significantly below inflation.

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

The Bank closed the year on a strong capital and liquidity base, with total capital adequacy ratio of 29% (regulatory minimum 12%) whilst liquidity ratio was 70% against regulatory minimum of 30%. This strong base gives the business capacity to issue more loans in the future.

Core capital is US$26m at year end compared to a regulatory target of US$30m required by 31 December 2021. Given the mix in the capital base between local and foreign currency denominated assets, the tracking towards the US$30m target will be impacted by the volatility in the exchange rates, and will demand that we build a capital buffer to protect against devaluation. The Bank however is on track and confident in meeting this target.

The loan book continues to perform well, with non-performing loans ratio of 0.16% compared to market average of 0.3%. Customers in the tourism and other services sectors significantly affected by COVID-19 are on the watchlist and constitute 5% of the loan book.

Earnings

The Bank posted a solid performance during the year under review. Operating profit excluding property gains was ZWL606m in inflation adjusted terms whilst in historical terms it was ZWL785m (This translates to inflation adjusted earnings per share of ZWL21.89 and historical cost ZWL80.55).

Empowering communities

Social investment programmes continue to be a key focus area with the main emphasis on empowering youth and where necessary making a donation or entering into strategic partnerships which impact the wider community. During the year the bank donated half a million to Harare Institute of Technology towards COVID-19 project and continued to offer online business development skills to women.

Governance

The Board conforms to the Bank's values of Integrity, Service Excellence, Collaboration, Innovation and Citizenship. This is over and above observing high standards of corporate governance and complying with all multiple regulations. Continued focus on sound governance practices will ensure that the Bank is robust and secure for its customers and all stakeholder security.

Board Changes

During the year two directors joined the Board. I am pleased to welcome Mr Kirit Naik who was appointed to the Board with effect from 03 February 2020 and Mrs Acquilina Chinamo who was also appointed to the Board with effect from 28 May 2020.

Mr Dheeraj Dikshit, having resigned from his position as Group Managing Director of FMB Capital Holdings Group during the year, resigned from the Board. On behalf of the Board, I would like to thank Dheeraj for his significant contribution to the Bank, steering us through our transition to First Capital Bank and leaving the Bank in a strong position.

Transition from Co-Branding

As part of the transition agreement with Barclays, the current financial year was the last year of using the Co-Brand 'First Capital Bank in Association with Barclays'. While in reality our clients know us now as First Capital Bank, we will formally going forward operate as First Capital Bank on a stand-alone basis. As ever we truly appreciate and thank our customers for their continued custom and support through our transition.

Board priorities going forward.

The Board will continue to focus on delivering the Bank's strategy with key issues being growth and value preservation.

Dividend

The Board considered a number of factors to arrive at a dividend decision. These include the risks inherent in the market that could impact the Bank`s performance and envisaged growth in the future.

After consideration of the above factors the Board does not propose a dividend for the year under review.

P. Devenish
Chairman
10 March 2021

Managing Director's Statement

This year has once again been dominated by events outside our control, with the continuing impact of hyperinflation, a devaluing local currency and the impact of COVID-19. COVID-19 required the mobilization of Bank resources to facilitate working under new and challenging conditions and I am immensely proud of the way our strong business continuity management procedures and structures, coupled with outstanding team responses ensured seamless service delivery in 2020. Our 2020 results highlight the robustness of a business model that has positioned us on a future growth trajectory supported by a strategy that is built around our Values.

Financial Performance

The economy remains hyper-inflationary and the financial statements have therefore been presented in both historical and hyper-inflationary adjusted views.

The Bank's total deposits grew by 331% driven by a 298% growth in local currency deposits to ZWL4billion, while foreign currency deposits grew by ZWL3.7billion. These local currency deposits were deployed into loans, which grew by 279% to ZWL2.3billion, a 63% loan to deposit ratio. Foreign currency loans declined in value due to the repayments of high value corporate loans held prior year, although volumes increased compared to prior year.

Cost to income ratio improved from 95% to 50% on the back of growth in income. Funded income grew by 695%, driven by increase in loans and advances together with an improved loans yield. Improved economic confidence in second half of 2020 saw transactional activity grow, which coupled with targeted price increases (due to inflationary pressure) saw increased fee and commission income. Operating costs increased on the back of inflation, exchange rate depreciation and COVID-19 related expenses. The Bank remains focused on efforts to contain the increase in costs.

The increases in impairment charge is the result of exchange rate movement on foreign currency assets together with the growth in local currency loans. Non-performing loans ratio stood at 0.16% lower than prior year 0.22% and market average of 0.3%.

The Bank capital adequacy and liquidity ratio closed the year at 29% and 70% respectively, up from 26% and 55% in prior year whilst core capital stood at US$26m.

Qualified audit opinion and compliance with IFRS

The Bank obtained a qualified audit opinion for 2020 financial results. This relates to the prior year and is due to the impact of the introduction of the new currency RTGS dollar as part of the February 2019 Monetary Policy Statement, combined with the impact of the separation of Nostro and RTGS accounts in October 2018. While under international accounting standards, accounting for the change in currency would have been with effect from 1 October 2018, S.I 33 of 2019 mandated that all accounts up to 22 February 2019 should be reported at the effective exchange rate of 1:1. As directed, the legal requirement was followed in this regard resulting in a qualified audit opinion since compliance with International Accounting Standards (IASs) could not be fully achieved due to non-compliance with IAS 21.

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

Accelerated Development of Products and Services

Significant system investments made in prior year have resulted in increased platform stability, creating a springboard for more innovative product developments and seamless customer experience.

Within the Retail Banking space, we introduced our first money transfer agency partnership with Ria Financial Services, offering customers a safe and secure channel to send and receive money internationally. Our strategic partnership with Zimnat Insurance saw the launch of an inflation sensitive funeral plan which has helped customers to retain value. ATM services were resuscitated to allow customers to safely access cash services, thereby reducing footfall in branches. On the Commercial front, our product development was driven by customer feedback and the evolving needs of corporates and SME businesses. We introduced Infinipay, a bulk payment platform, USD Lending, increased Capex facilities, Loyalty Lending, and Invoice Discounting. Our Service delivery continues to be premised on our core values, namely integrity, honest conversations ,innovation and service excellence underpinned by speed of execution.

Investing in the Future

Our colleague franchise remains the backbone of our operational capabilities. 2020 was a challenging year which saw the resilience and dedication of colleagues in ensuring minimal disruption of service delivery, allowing customers access to financial services across our networks. Amidst COVID-19 challenges, the health and safety of our staff, customers and service providers remained our top priority, as we presented innovative solutions to improve the work environment as guided by Government and key health authorities. We continued to provide support, through the provision of capabilities such as working from home, personal protective equipment (PPE), conducive work areas with compliant health protocols together with dedicated health consultants to support our colleagues and their families. Our long-term strategic focus for growth has demanded that we re-align our business to a leaner, more efficient structure designed to acclimatize to a changing economy, changing customer transactional behaviour and ensuring the sustainability of our organisation for years to come.

Citizenship

We believe in responsible business ethics and our efforts have been firmly rooted within communities across the country. Even in challenging times, we remain committed to providing students with intern opportunities and over 200 university future leaders received on the job training. We have realised remarkable milestones over time owing to strategic collaborative efforts with key players in the Public Private Partnerships. We donated nearly half a million Zimbabwean dollars in a strategic partnership with Harare Institute of Technology (HIT) to increase production capacity of the existing sanitizer project. The donation helped to flatten the COVID-19 curve locally as it improved the supply chain to major medical warehouses and self-care during this critical time.

We continue with business skills development through our online social media platforms. With a subscriber base of 21 000 women, our platform has benefited more than 7 000 members of the group from across the globe (light touch), in alliance with strategic partners ZimTrade, Telco, TelOne, Standards Association Zimbabwe, ZIMRA, Potraz and other industry experts. Our efforts have yielded significant impact and we are proud of this milestone as we upskill women entrepreneurs.

Looking Forward

2021 continues to pose many local and global uncertainties. However this has not limited our focus in achieving strong relationships with our customers who demand reliability, require innovation and expect excellent service delivery. These relationships are built on lasting values of integrity, collaboration, innovation, and service excellence. These values are critical to us and are the foundation of our long-term partnership with our customers.

2020 demonstrated the outstanding professionalism and dedication of our colleagues within branches, service centers and offices across the country. This was a huge challenge for all in the prevailing conditions, and I would like to extend my sincere appreciation to all our staff members for their immense efforts this year. From those who worked from home to our front liners, their dedication was inspirational.

I would also like to thank our customers who continue to give us their vote of confidence by choosing us as their banking partners. Our driving forces have been inspired by Belief. Belief in the fact that even during the most trying of times, we have created opportunities for us all to achieve our Extraordinary.

Ciaran McSharry
Managing Director
10 March 2021

First Capital BANK

Audited Financial Results
For the year ended 31 December 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 [Chapter 24:20], the Companies and other Business Entities Act [Chapter 24:31], the Reserve Bank of Zimbabwe Corporate Governance Guideline No.1 of 2004, the Zimbabwe Stock Exchange Listing Rules SI134/2019 and the Zimbabwe National Code on Corporate Governance.

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

Board responsibilities
The Board is responsible for setting the strategic direction of the Bank as well as determining the way in which specific governance matters are approached and addressed, approving policies and plans that give effect to the strategy, overseeing and monitoring the implementation of strategy by management and ensuring accountability through among other means adequate reporting and disclosures. The Board is guided by the Board Charter in the execution of its mandate. The roles of the board Chairman and that of the Managing Director are separate and clearly defined and the board ensures a division of responsibilities at all times to achieve a balance of authority and power so that no one individual has unfettered decision making powers.

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 to management and to test and challenge the implementation of controls, processes and policies which enable risk to be effectively assessed and managed.

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

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

Directors' remuneration
The Board Remuneration Committee sets the remuneration policy and approves the remuneration of the executive directors and other senior executives as well as that of the non-executive directors. The remuneration package of executive directors includes a basic salary and a performance bonus which is paid based on the performance of the 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, two non-executive directors and two executive directors. Three members of the board (30%) are female. The Board members have an array of experience in commercial and retail banking, accounting, legal, corporate finance, marketing, business administration, economics, human resources management and executive management.

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

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

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

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

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

Director induction and development
Board conformance and performance is enhanced through continuous learning. As part of its learning program, the Board has in place a comprehensive induction plan for on-boarding new directors. Further, as part of continuing director development, Board members attend director training programs.

Board activities
The Board of Directors held four board meetings in the year 2020, one strategy review meeting and a board evaluation review meeting. Each board Committee held at least four quarterly meetings. The areas of focus included the setting of strategic direction, the review of strategy and business operations, business continuity in light of the COVID-19 pandemic and the attendant lock downs, 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 2020 is shown in the last part of this report.

Due to the COVID-19 pandemic, the board had to adopt to new ways of working as board meetings from quarter two of 2020 were held online to allow for physical and social distancing. The Board ensured that it continued to discharge its responsibilities in terms of the steering and setting of strategic direction, approval of relevant policies and plans, oversight over the implementation of strategic and operational plans and ensuring management remained accountable to all of the Bank's stakeholders. As a result, the board held its strategy review meeting for 2020 and strategy remained a key agenda item for all board meetings. Management continued to account to the Board through more frequent board updates shared electronically, which ensured that the board remained up to date regarding the implementation of strategic and operational plans and all other matters affecting or impacting the Bank.

Board and director evaluation
The Board conducts an annual evaluation process which assesses the performance and effectiveness of individual directors, the Board Chairman, Committees and overall performance of the Board. This process is facilitated by an external party to allow for objectivity. The evaluation process involves directors completing evaluation questionnaires and having one on one meeting with the facilitator. The results of the evaluation are collated, a report is produced and feedback provided to the Board. The Board also submits the evaluation report to the Reserve Bank of Zimbabwe. The Board conducted its evaluation for the year ended 2020 and a report was submitted to the RBZ. Board performance and evaluation was rated as strong by directors.

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

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

The committee is wholly comprised of independent non-executive directors. The members of the Committee as at 31 December 2020 were:-
A. Chinamo (Chairperson)
T. Moyo
K. Terry

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

The Committee comprises one executive member and three non-executive directors. The members of the Committee as at 31 December 2020 were:-
K. Terry (Chairperson)
H. Anadkat
K. Naik
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 Committee comprises three non-executive directors. The members of the Committee as at 31 December 2020 were:-
T. Moyo (Chairperson)
S. N.Moyo
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 Banks performance. In addition, the Committee also considers nominations to the Board and succession planning for the Board.

The Committee comprises three non-executive directors. The members of the Committee as at 31 December 2020 were:-
K. Naik (Chairperson)
P. Devenish
H. Anadkat

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

The Committee comprises two non-executive directors. As at 31 December 2020 members of the committee were:-
S. N. Moyo (Chairperson)
A. Chinamo

Board IT Committee
The Board IT Committee is a committee of the Board, established to have strategic oversight and governance of the Company's strategic investment in IT, as well as data protection and information management.

The Committee comprises two non-executive directors and an executive director. As at 31 December 2020 the Committee was made up of the following members:-
K. Terry (Chairperson)
T. Moyo
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.

Corporate Governance Statement

Board and committees attendance 2020
Main Board

Name	Total Meetings	Present	LOA**
P. Devenish	6	6	Nil
M. Twigger	6	5	1
T. Moyo	6	6	Nil
S. N. Moyo	6	6	Nil
H. Anadkat	6	6	Nil
K. Terry	6	5	1
K. Naik*	6	5	1
A. Chinamo*	5	5	Nil
D. Dikshit*	5	5	Nil
C. McSharry	6	6	Nil
T. Mukuku	6	6	Nil

*K. Naik was appointed to the board with effect from 3 February 2020.
*A Chinamo was appointed to the board with effect from 28 May 2020.
*D. Dikshit resigned from the board on 31 October 2020.

Audit committee

Name	Total Meetings	Present	LOA**
A. Chinamo	4	4	Nil
T. Moyo	6	6	Nil
K. Terry	6	5	1

Human resources & nominations committee

Name	Total Meetings	Present	LOA**
K. Naik	4	4	Nil
P. Devenish	4	4	Nil
H. Anadkat	4	4	Nil

Credit committee

Name	Total Meetings	Present	LOA**
K. Terry	23	23	Nil
H. Anadkat	23	23	Nil
S. N. Moyo*	17	17	Nil
K. Naik*	6	6	Nil
C. McSharry	23	23	Nil

*S. Moyo stepped down from the Credit Committee with effect from 20 November 2020.
*K. Naik joined the Committee with effect from 20 November 2020.

Loans review committee

Name	Total Meetings	Present	LOA**
T. Moyo	4	4	Nil
K. Naik*	4	4	Nil
M. Twigger	4	4	Nil

K. Naik stepped down from the Loans Review Committee with effect from 20 November 2020.

Risk committee

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

D. Dikshit resigned from the board with effect from 31 October 2020.

IT Committee

Name	Total Meetings	Present	LOA**
K. Terry	7	7	Nil
T. Moyo	7	7	Nil
D. Dikshit *	6	6	Nil
C. McSharry	7	7	Nil

* D. Dikshit resigned from the board with effect from 31 October 2020.
**LOA - Leave of absence granted

Directors shareholding
The following is a schedule of the directors' shareholdings in the Bank as at 31 December 2020;

P. Devenish	Nil
S. N. Moyo	Nil
T. Moyo	Nil
H. Anadkat *	28 629 959 (direct interest)
M. Twigger	Nil
K. Terry	Nil
A. Chinamo	Nil
K. Naik	4 018 718 (direct interest)
C. McSharry	Nil
T. Mukuku	Nil

*Mr Hitesh Anadkat holds indirect interest in Afcarme Holdings Zimbabwe (Private) Limited, which in turn holds the majority shareholding in the Bank.

Annual financial statements
The Directors are responsible for the preparation and integrity of the financial results and related financial information contained in this report. The financial statements are prepared in accordance with generally accepted local and international accounting practices and they incorporate full and responsible disclosure to ensure that the information contained therein is both relevant and reliable. However, compliance with International Financial Reporting Standards (IFRS), could not be fully achieved due to non-compliance with IAS21. Refer to note 2.1 (e) for the detailed disclosure. These audited results have been prepared under the supervision of Chief Finance Officer, 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

10 March 2021

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First Capital BANK

Audited Financial Results
For the year ended 31 December 2020

Statement of Comprehensive Income
for the year ended 31 December 2020

	Notes	Inflation adjusted 2020 ZWL000	Inflation adjusted 2019 ZWL000	*Historical 2020 ZWL000	*Historical 2019 ZWL000
Interest income	3	955 266	784 003	635 853	74 635
Interest expense	4	(103 578)	(49 060)	(74 471)	(3 998)
Net interest income		**851 688**	**734 943**	**561 382**	**70 637**
Net fee and commission income	5	1 321 680	1 008 757	923 243	100 720
Net trading and foreign exchange income	6	1 185 427	537 668	893 330	61 896
Net investment and other income	7	53 631	43 616	34 296	5 519
Fair value (loss)/ gain on investment property		(32 390)	144 712	216 173	59 073
Total non interest income		**2 528 348**	**1 734 753**	**2 067 042**	**227 208**
Total income		**3 380 036**	**2 469 696**	**2 628 424**	**297 845**
Impairment losses on loans and receivables	11	(104 160)	(346 154)	(56 682)	(30 048)
Net operating income		**3 275 876**	**2 123 542**	**2 571 742**	**267 797**
Staff costs	8	(572 051)	(687 848)	(363 364)	(58 136)
Infrastructure costs	9	(579 850)	(740 242)	(276 478)	(62 802)
Administration and general expenses	10	(859 296)	(910 710)	(573 236)	(105 097)
Operating expenses		**(2 011 197)**	**(2 338 800)**	**(1 213 078)**	**(226 035)**
Net monetary loss		(261 926)	(952 823)	-	-
Share of (losses) / profits of joint ventures	22	(101 482)	674 557	736 666	228 242
Profit / (loss) before tax		**901 271**	**(493 524)**	**2 095 330**	**270 004**
Taxation	12	(429 023)	(238 955)	(357 426)	(5 814)
Profit / (loss) for the year		**472 248**	**(732 479)**	**1 737 904**	**264 190**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
(Loss) / gain on revaluations		(76 082)	602 591	710 264	220 431
Deferred tax		18 807	(148 960)	(170 243)	(53 992)
Financial assets at fair value through other comprehensive income		(65 229)	(60 582)	25 592	19 508
Deferred tax		2 863	3 352	(1 587)	(127)
Net (loss)/ gain on financial assets at fair value through other comprehensive income		**(119 641)**	**396 401**	**564 026**	**185 820**
Total other comprehensive (loss)/ income		**(119 641)**	**396 401**	**564 026**	**185 820**
Total comprehensive income/ (loss)		**352 607**	**(336 078)**	**2 301 930**	**450 010**
Earnings per share					
Basic (cents per share)		**21. 89**	**(33.98)**	**80.55**	**12.26**
Diluted (cents per share)		**21.84**	**(33.93)**	**80.39**	**12.24**

***Refer to note 2.1 (f)**

Statement of Financial Position
as at 31 December 2020

	Notes	Inflation adjusted 2020 ZWL000	Inflation adjusted 2019 ZWL000	*Historical 2020 ZWL000	*Historical 2019 ZWL000
Assets					
Cash and bank balances	13	6 358 334	5 064 201	6 358 334	1 128 936
Derivative financial instruments	14	3 690	-	3 690	-
Investment securities	15	1 019 087	1 039 810	1 019 087	231 800
Loans and receivables from banks	16	12 452	14 639	12 452	3 263
Loans and advances to customers	17	2 363 923	3 190 411	2 363 923	711 222
Other assets	18	1 947 867	1 373 730	1 826 107	278 471
Property and equipment	19	967 236	1 127 982	944 709	238 398
Investment properties	20	287 480	319 870	287 480	71 307
Investment in joint venture	22	975 969	1 087 751	975 969	242 487
Intangible assets	21	201 701	241 079	15 023	18 025
Right of use assets	23.1	288 382	243 680	99 973	16 061
Current tax asset		-	25 279	-	5 635
Total assets		**14 426 121**	**13 728 432**	**13 906 747**	**2 945 605**
Liabilities					
Derivative financial instruments	14	62	-	62	-
Lease liabilities	23.2	95 756	72 377	95 756	16 135
Deposits from banks	24	104 677	176 644	104 677	39 379
Deposits from customer	25	8 815 986	9 181 640	8 815 986	2 046 816
Provisions	26	58 569	31 860	58 569	7 102
Other liabilities	27	1 540 242	653 200	1 539 652	142 817
Deferred tax liabilities	29	345 655	349 849	240 289	53 737
Current tax liabilities		30 160	-	30 160	-
Balances due to group companies	35.4	154 254	331 800	154 254	73 967
Total liabilities		**11 145 361**	**10 797 370**	**11 039 405**	**2 379 953**
Equity					
Capital and reserves					
Share capital		7 155	7 155	216	216
Share premium	30.1	791 025	790 778	23 981	23 837
Non - distributable reserves	30.2	258 253	258 253	7 785	7 785
Fair value through other comprehensive income reserve	30.3	20 388	82 754	48 312	24 307
Revaluation reserves	30.4	437 890	524 914	704 763	171 374
Impairment reserve		456	3 510	456	783
Share - based payment reserve	30.5	40 912	41 014	1 216	1 273
Retained earnings		1 724 681	1 222 684	2 080 613	336 077
Total equity		**3 280 760**	**2 931 062**	**2 867 342**	**565 652**
Total equity and liabilities		**14 426 121**	**13 728 432**	**13 906 747**	**2 945 605**

***Refer to note 2.1 (f)**

First Capital
BANK

Audited Financial Results
For the year ended 31 December 2020

Statement of Changes in Equity
for the year ended 31 December 2020

Inflation adjusted 2020	Share capital	Share premium	Non-distributable reserves	Fair value through other comprehensive income	Revaluation reserves	Impairment reserve	Share-based payment reserve	Retained earnings	Total equity
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Balance at 1 January 2020	**7 155**	**790 778**	**258 253**	**82 754**	**524 914**	**3 510**	**41 014**	**1 222 684**	**2 931 062**
Profit for the year	-	-	-	-	-	-	-	472 248	472 248
Other comprehensive income for the year	-	-	-	(62 366)	(57 275)	-	-	-	(119 641)
Total comprehensive income for the year	**-**	**-**	**-**	**(62 366)**	**(57 275)**	**-**	**-**	**472 248**	**352 607**
								-	
Recognition of share - based payments	-	-	-	-	-	-	7	-	7
Issue of ordinary shares under share-based payment plans	-	247	-	-	-	-	(109)	-	138
Realisation of revaluation reserves	-	-	-	-	(29 749)	-	-	29 749	-
Impairment of FVOCI financial assets	-	-	-	-	-	(3 054)	-	-	(3 054)
Balance at 31 December 2020	**7 155**	**791 025**	**258 253**	**20 388**	**437 890**	**456**	**40 912**	**1 724 681**	**3 280 760**

*Historical 2020	Share capital	Share premium	Non-distributable reserves	Fair value through other comprehensive income	Revaluation reserves	Impairment reserve	Share-based payment reserve	Retained earnings	Total equity
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Balance at 1 January 2020	**216**	**23 837**	**7 785**	**24 307**	**171 374**	**783**	**1 273**	**336 077**	**565 652**
Profit for the year	-	-	-	-	-	-	-	1 737 904	1 737 904
Other comprehensive income for the year	-	-	-	24 005	540 021	-	-	-	564 026
Total comprehensive income for the year	**-**	**-**	**-**	**24 005**	**540 021**	**-**	**-**	**1 737 904**	**2 301 930**
Recognition of share-based payments	-	-	-	-	-	-	7	-	7
Issue of ordinary shares under share-based payment plans	-	144	-	-	-	-	(64)	-	80
Realisation of revaluation reserves	-	-	-	-	(6 632)	-	-	6 632	-
Impairment of FVOCI financial assets	-	-	-	-	-	(327)	-	-	(327)
Balance at 31 December 2019	**216**	**23 981**	**7 785**	**48 312**	**704 763**	**456**	**1 216**	**2 080 613**	**2 867 342**

***Refer to note 2.1 (f)**

Statement of Cash Flows
for the year ended 31 December 2020

		Inflation adjusted		*Historical	
		2020	2019	2020	2019
	Notes	ZWL000	ZWL000	ZWL000	ZWL000
Cash flows from operating activities					
Profit / (loss) before tax		**901 271**	**(493 524)**	**2 095 330**	**270 004**
Adjustments for non - cash items:					
Depreciation of property, equipment and software amortisation		199 172	199 454	31 322	7 816
Impairment loss on financial assets	11	104 862	348 603	57 105	30 215
Share of loss / (profit) from joint venture	22	101 482	(674 557)	(736 666)	(228 242)
Fair value loss / (gain) on investment property	20	32 390	(144 712)	(216 173)	(59 073)
Dividend income from investment securities	7	(46 759)	(32 812)	(23 852)	(4 429)
Loss/ (profit) on disposal of property and equipment		5 452	(1 460)	(888)	(245)
Interest on investment securities		(46 244)	(247 187)	(28 411)	(14 563)
Staff loan prepayment amortisation		(1 604)	(8 255)	7 558	(144)
Interest on lease liabilities		17 419	17 104	11 304	1 949
Net monetary loss		261 926	952 823	-	-
Share based payment expense		7	318	7	45
Derivative assets		(3 629)	-	(3 629)	-
Cash flow from operating activities before changes in working capital		**1 525 745**	**(84 205)**	**1 193 007**	**3 333**
Decrease /(increase)in loans and advances to customers		880 786	2 347 694	(1 689 411)	(535 795)
Increase in other assets		(574 138)	(1 066 453)	(1 569 626)	(282 413)
(Decrease)/increase in deposits from customers		(365 654)	(6 242 670)	6 769 170	1 493 252
Increase in other liabilities		294 763	475 600	1 528 588	200 865
Corporate income tax paid		(344 865)	(112 113)	(306 909)	(13 434)
(Payments into) / withdrawal from restricted bank balances		(101 904)	101 669	(697 331)	(161 133)
Net cash generated from or (used in) operating activities		**1 314 733**	**(4 580 478)**	**5 227 4889**	**704 675**
Cash flows from investing activities					
Purchase of property, equipment and intangible assets		(23 209)	(184 155)	(15 199)	(18 766)
Proceeds from sale of property and equipment		3 158	3 690	659	319
Dividends received from investment securities		46 759	32 812	23 852	5 348
Interest received from investment securities		44 520	404 102	17 407	22 108
Purchase of investments securities		(3 867 092)	(1 725 800)	(3 654 488)	(341 272)
Proceeds from sale and maturities of investment securities		3 868 830	6 982 939	2 901 079	415 775
Net cash generated from or (used in) investing activities		**72 966**	**5 513 588**	**(726 690)**	**83 512**
Cash flows from financing activities					
Proceeds from issue of shares under a share based payment plan		138	-	81	-
Lease liabilities payments		(39 320)	(63 711)	(25 309)	(4 328)
Net cash used in financing activities		**(39 182)**	**(63 711)**	**(25 228)**	**(4 328)**
Net increase in cash and cash equivalents		**1 348 517**	**869 399**	**4 475 570**	**783 859**
Cash and cash equivalents at the beginning of the year		4 024 132	3 154 733	897 079	113 220
Cash and cash equivalents at the end of the year	13.1	**5 372 649**	**4 024 132**	**5 372 649**	**897 079**

***Refer to note 2.1 (f)**

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Notes to the Financial Results
for the year ended 31 December 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 audited financial results have been prepared on the basis of IAS 29: Financial Reporting for Hyperinflationary Economies, as well as the requirements of the Companies and Other Business Entities Act (Chapter 24:31) and the Banking Act (Chapter 24.20). However, full compliance with IFRS could not be achieved. Refer to note 2.1(e).

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

Dates	All items CPI Indices	Conversion factors
December 2020	2 474.51	1
December 2019	551.6	4.49

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.

2.1(b) Basis of measurement

The financial statements for the period are measured on historical cost basis except for the following:
i) Fair value through OCI equity investments and debt instruments measured at fair value
ii) Fair value through profit and loss debt instruments for trading measured at fair value
iii) Investment property measured at fair value
iv) Land and buildings measured at fair value using the revaluation method.
v) Investment in joint venture, the underlying investment is measured at fair value.
vi) RBZ NOP receivable measured at fair value

2.1(c) Accounting policies

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

2.1(d) Functional and presentation currency

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

2.1(e) Non compliance with IAS 21

The Bank could not apply a market exchange rate to foreign currency balances at 31 December 2018 and 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 2019 comparative balances are materially misstated.

2.1(f) Historic financial information

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

2.1(g) 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(h) Audit opinion and key audit matters

The audited financial results should be read in conjunction with a complete set of financial statements for the year ended 31 December 2020 which have been audited by Deloitte & Touche with a qualified audit opinion issued thereon. The audit report carries a qualified opinion due to non-compliance with International Accounting Standard 21 - ``The Effects of Changes in Foreign Exchange Rates`` in accounting for change in functional currency in the comparative period ended 31 December 2019.

Key audit matters

The following have been identified as key audit matters for the year:
- Determination of expected credit losses on financial assets
- Valuation of properties; and
- Valuation of financial asset relating to legacy debt

The auditors` report has been made available to management and those charged with governance of First Capital Bank Limited. The engagement partner responsible for this audit is Tumai Mafunga.

		Inflation adjusted		Historical	
		2020	2019	2020	2019
3	**Interest income**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	Bank balances	103 192	10 665	75 570	1 702
	Loans and receivables from banks and investment securities	46 244	253 246	28 411	14 563
	Loans and advances to customers	803 040	520 092	530 508	58 370
	Prommissory notes	2 790	-	1 364	-
	Total interest income	**955 266**	**784 003**	**635 853**	**74 635**
4	**Interest expense**				
	Interest on lease liabilities	(17 419)	(17 103)	(11 304)	(1 949)
	Deposits from banks	(396)	(3 627)	(125)	(419)
	Customer deposits	(85 763)	(28 330)	(63 042)	(1 630)
	Total interest expense	**(103 578)**	**(49 060)**	**(74 471)**	**(3 998)**
5	**Net fee and commission income**				
	Fee and commission income				
	Account maintenance fees/ ledger fees	316 691	318 701	193 791	26 949
	Insurance commission received	2 079	4 165	1 336	330
	Transfers and other transactional fees	467 249	375 450	342 995	38 040
	Guarantees	29 031	10 358	14 877	6 882
	Card based transaction fees	192 910	32 782	137 622	641
	Cash withdrawal fees	317 250	276 372	234 348	28 494
	Fee and commission income	**1 325 210**	**1 017 828**	**924 969**	**101 336**
	Fee and commission expense				
	Guarantee commissions	(3 530)	(9 071)	(1 726)	(616)
	Fee and commission expense	**(3 530)**	**(9 071)**	**(1 726)**	**(616)**
	Net fee and commission income	**1 321 680**	**1 008 757**	**923 243**	**100 720**

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	
6	**Net trading and foreign exchange income**				
	Net foreign exchange revaluation gain/ (loss)	278 453	(265 995)	195 614	(18 071)
	Net foreign exchange trading income	906 974	803 663	697 716	79 967
	Net trading income	**1 185 427**	**537 668**	**893 330**	**61 896**

		Inflation adjusted		Historical	
		2020	2019	2020	2019
7	**Net investment and other income**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	Dividend income	46 759	32 812	23 852	4 429
	(Loss)/ gain on disposal of property and equipment	(5 452)	1 460	888	245
	Rental income	8 040	6 510	6 073	471
	Sundry income	4 284	2 834	3 483	374
	Total	**53 631**	**43 616**	**34 296**	**5 519**
8	**Staff costs**				
	Salaries and allowances	(321 529)	(429 669)	(190 353)	(37 630)
	Retention incentive & 13th cheque	(111 270)	(72 671)	(75 664)	(4 937)
	Medical costs	(37 488)	(32 305)	(29 102)	(2 195)
	Social security costs	(1 380)	(2 998)	(948)	(194)
	Pension costs: defined contribution plans	(25 790)	(40 004)	(12 398)	(2 612)
	Retrenchment costs	(41 544)	(88 348)	(38 732)	(9 059)
	Directors` remuneration - for services as management	(33 043)	(21 536)	(16 160)	(1 464)
	Share based payments	(7)	(317)	(7)	(45)
	Total staff cost	**(572 051)**	**(687 848)**	**(363 364)**	**(58 136)**
	Average number of employees during the period:	521	676	521	676
9	**Infrastructure costs**				
	Repairs and maintenance	(35 807)	(41 688)	(25 638)	(3 684)
	Heating, lighting, cleaning and rates	(36 860)	(36 820)	(22 131)	(4 322)
	Security costs	(29 065)	(31 868)	(20 204)	(2 800)
	Depreciation of property, equipment and right of use asset	(159 793)	(178 004)	(28 320)	(5 565)
	Software amortisation	(39 380)	(21 451)	(3 001)	(2 251)
	Operating lease - other costs	(7 265)	(6 558)	(5 296)	(441)
	Migration costs - technology	(10 843)	(245 149)	(1 976)	(21 948)
	Connectivity, software and licences	(260 837)	(178 704)	(169 912)	(21 791)
	Total infrastructure costs	**(579 850)**	**(740 242)**	**(276 478)**	**(62 802)**
10	**Administrative and general expenses**				
	Auditors' remuneration:				
	Audit related services	(15 202)	(8 741)	(11 589)	(1 990)
	Review services	(4 605)	(7 919)	(2 252)	(538)
	Other	(115)	-	(56)	-
	Total auditors' remuneration	**(19 922)**	**(16 660)**	**(13 897)**	**(2 528)**
	Consultancy, legal & professional fees	(21 317)	(17 068)	(15 049)	(1 653)
	Subscription, publications & stationery	(37 389)	(45 797)	(26 549)	(4 159)
	Marketing, advertising & sponsorship	(27 713)	(41 858)	(21 531)	(4 722)
	Travel & accommodation	(37 369)	(75 461)	(23 306)	(8 155)
	Entertainment	(91)	(486)	(73)	(68)
	Cash transportation	(82 545)	(70 782)	(59 614)	(8 155)
	Directors fees	(5 658)	(1 520)	(3 833)	(121)
	COVID-19 costs	(57 449)	-	(28 096)	-
	Insurance costs	(50 843)	(45 161)	(35 827)	(4 862)
	Telex, telephones & communication	(87 919)	(87 779)	(54 437)	(8 881)
	Group recharges	(335 974)	(342 083)	(213 138)	(37 146)
	Card operating expenses	(60 319)	(55 711)	(41 503)	(6 816)
	Other administrative & general expenses	(22 796)	(83 719)	(24 986)	(16 052)
	Migration cost branding & other	(11 992)	(26 625)	(11 397)	(1 779)
	Total administrative and general expenses	**(859 296)**	**(910 710)**	**(573 236)**	**(105 097)**
11	**Impairment losses on loans and receivables by stage**				
	Stage 1				
	Loans and advances to customers	(48 923)	(242 619)	(28 963)	(17 295)
	Balances with banks - local & nostro	1 129	(7 557)	333	(512)
	Investment securities - treasury bills & bonds	(300)	(2 544)	327	(173)
	Other assets including RBZ NOP receivable	(49 046)	(67 311)	(23 817)	(9 645)
	Total	**(97 140)**	**(320 031)**	**(52 120)**	**(27 625)**
	Stage 2				
	Loans and advances to customers	(7 236)	(15 041)	(4 162)	(1 022)
	Total	**(7 236)**	**(15 041)**	**(4 162)**	**(1 022)**
	Stage 3				
	Loans and advances to customers	(1 419)	(9 342)	(1 756)	(635)
	Other assets	933	(4 187)	933	(933)
	Total	**(486)**	**(13 529)**	**(823)**	**(1 568)**
	Total impairment raised during the period	(104 862)	(348 601)	(57 105)	(30 215)
	Recoveries of loans and advances previously written off	702	2 447	423	167
	Impairment losses recognised in profit/ loss	**(104 160)**	**(346 154)**	**(56 682)**	**(30 048)**
12.	**Taxation**				
12.1	**Income tax recognised in profit or loss**				
	Current tax				
	Normal tax - current year	(400 304)	(50 717)	(342 704)	(9 000)
	Total current tax	**(400 304)**	**(50 717)**	**(342 704)**	**(9 000)**
	Deferred tax				
	Deferred tax expense recognised in the current year	(28 719)	(186 880)	(14 722)	3 187
	Deferred tax expense from changes in tax rates	-	(1 358)	-	(1)
	Total deferred tax	**(28 719)**	**(188 238)**	**(14 722)**	**3 186**
	Total income tax charge recognised in the current year	**(429 023)**	**(238 955)**	**(357 426)**	**(5 814)**
13	**Cash and bank balances**				
	Balances with central bank	979 535	422 149	979 535	94 107
	Statutory reserve balance with central bank	97 211	186 402	97 211	41 554
	Money market assets	-	-	-	-
	Cash on hand - foreign currency	1 851 736	764 188	1 851 736	170 357
	Cash on hand - local currency	24 341	9 247	24 341	2 061
	Balances due from group companies	30 954	4 190	30 954	934
	Balances with banks abroad	3 374 829	3 680 985	3 374 829	820 583
	Cash and bank balances	**6 358 606**	**5 067 161**	**6 358 606**	**1 129 596**
	Expected credit losses	(272)	(2 960)	(272)	(660)
	Net cash and bank balances	**6 358 334**	**5 064 201**	**6 358 334**	**1 128 936**
13.1	**Cash & cash equivalents**				
	Cash & bank balances before impairment	6 358 606	5 067 161	6 358 606	129 596
	Restricted balances with central bank	(112 427)	(106 750)	(112 427)	(23 797)
	Statutory reserve	(97 211)	(186 402)	(97 211)	(41 554)
	Restricted balances with banks abroad	(684 093)	(587 867)	(684 093)	(131 050)
	Clearing balances with banks	12 452	14 639	12 452	3 263
	Bank balances due to group companies	(16 587)	(4 190)	(16 587)	(934)
	Balances due to other banks	(88 091)	(172 459)	(88 091)	(38 445)
	Total cash and cash equivalents - statement of cash flows	**5 372 649**	**4 024 132**	**5 372 649**	**897 079**

Notes to the Financial Results
for the year ended 31 December 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 year end.

Contract amount

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

	Inflation adjusted		Historical	
	2020	2019	2020	2019
Foreign exchange derivatives - assets	ZWL000	ZWL000	ZWL000	ZWL000
Foreign exchange swaps				
Notional contract amount - Asset	166 397	32 504	166 397	7 246
Notional contract amount - Liability	(162 707)	32 504	(162 707)	(7 246)
Carrying amount	**3 690**	**-**	**3 690**	**-**
Foreign exchange derivatives - liabilities				
Foreign exchange spot trades				
Notional contract amount - Asset	27 824	-	27 824	-
Notional contract amount - Liability	(27 886)	-	(27 886)	-
Carrying amount	**(62)**	**-**	**(62)**	**-**

15 Investment securities

Treasury bills and bonds	968 868	922 341	968 868	205 613
Equity securities	50 219	117 469	50 219	26 187
Balance at the end of the year	**1 019 087**	**1 039 810**	**1 019 087**	**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 ZWL455 777 was recognised in the reserve as at December 2020.

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

	Inflation adjusted		Historical	
	2020	2019	2020	2019
16 Loans and receivables from banks	ZWL000	ZWL000	ZWL000	ZWL000
Clearing balances with other banks	12 452	14 639	12 452	3 263
Total carrying amount of loans and advances	**12 452**	**14 639**	**12 452**	**3 263**

Financial assets 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. No treasury bills were held for investment purposes as at 31 December 2020.

17 Historical and inflation adjusted 2020	Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
Loans and advances to customers				
Personal and term loans	487 666	2 120	1 679 102	2 168 888
Mortgage loans	19 003	-	-	19 003
Overdrafts	4 458	87 899	143 913	236 270
Gross loans and advances to customers	**511 127**	**90 019**	**1 823 015**	**2 424 161**
Less: allowance for expected credit losses				
Stage1	(14 270)	(5 790)	(30 914)	(50 974)
Stage2	(1 171)	(2 740)	(1 816)	(5 727)
Stage3	(3 537)	-	-	(3 537)
Allowance for expected credit losses	**(18 978)**	**(8 530)**	**(32 730)**	**(60 238)**
Net loans and advances to customers	**492 149**	**81 489**	**1 790 285**	**2 363 923**

Inflation adjusted 2019	Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
Personal and term loans	351 569	174 097	2 212 705	2 738 371
Mortgage loans	98 597	-	-	98 597
Overdrafts	7 085	191 717	268 383	467 185
Gross loans and advances to customers	**457 251**	**365 814**	**2 481 088**	**3 304 153**
Less: allowance for expected credit losses				
Stage 1	(13 871)	(8 516)	(76 348)	(98 735)
Stage 2	(4 798)	(1 488)	(734)	(7 020)
Stage 3	(6 618)	(1 369)	-	(7 987)
Allowance for expected credit losses	**(25 287)**	**(11 373)**	**(77 082)**	**(113 742)**
Net loans and advances	**431 964**	**354 441**	**2 404 006**	**3 190 411**

Historical 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 expected credit losses				
Stage1	(3 092)	(1 899)	(17 020)	(22 011)
Stage2	(1 070)	(331)	(164)	(1 565)
Stage3	(1 475)	(305)	-	(1 780)
Allowance for expected credit losses	**(5 637)**	**(2 535)**	**(17 184)**	**(25 356)**
Net loans and advances to customers	**96 296**	**79 014**	**535 912**	**711 222**

	Inflation adjusted		Historical	
	2020	2019	2020	2019
18 Other assets	ZWL000	ZWL000	ZWL000	ZWL000
Prepayments and stationery	106 297	88 925	88 404	11 289
Card security deposit and settlement balances	189 284	173 064	189 284	38 580
Customer auction funds ZWL receivable	276 106	-	276 106	-
LCs retentions ZWL receivable	259 925	-	259 925	-
Other receivables	74 556	26 961	74 556	6 010
RBZ receivable - NOP support*	879 221	932 236	879 221	207 819
RBZ other legacy debts	5 056	60 194	5 056	13 419
Staff loans prepaid benefit	190 885	139 320	87 018	11 825
Total before impairment allowance	**1 981 330**	**1 420 700**	**1 859 570**	**288 942**
Less: Expected credit loss	(33 463)	(46 970)	(33 463)	(10 471)
Total other assets	**1 947 867**	**1 373 730**	**1 826 107**	**278 471**
Current	1 126 367	755 988	1 121 383	140 762
Non - current	821 500	617 742	704 724	137 709
Total	**1 947 867**	**1 373 730**	**1 826 107**	**278 471**

* The receivable relates to the foreign currency commitment by the Reserve Bank to provide cash flows to cover USD15.7 million net open position which arose after separation of RTGS and foreign currency balances. Cash flows were discounted at 9.75%. The receivable is estimated to be fully recovered over a period of 4.5 years (2019: 5.5years).

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 year	**1025455**	**39 895**	**9 783**	**9 409**	**43 440**	**1127982**
Additions	-	12 138	9 258	1 774	39	23 209
Revaluation	(76 082)	-	-	-	-	(76 082)
Disposals	-	(3 142)	-	-	(38 005)	(41 147)
Depreciation charge on disposals	-	3 106	-	-	24 914	28 020
Depreciation charge & Impairment charge	(25 021)	(30 350)	(10 068)	(8 353)	(20 954)	(94 746)
Carrying amount at end of year	**924 352**	**21 647**	**8 973**	**2 830**	**9 434**	**967 236**
Cost or valuation	924 352	258 860	122 293	62 480	132 746	1 500 731
Accumulated depreciation and impairment	-	(237 213)	(113 320)	(59 650)	(123312)	(533 495)
Carrying amount at end of year	**924 352**	**21 647**	**8 973**	**2 830**	**9 434**	**967 236**

Historical 2020	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Total ZWL000
Balance at beginning of year	**228 599**	**5 229**	**1 827**	**862**	**1 881**	**238 398**
Additions	-	7 309	6 094	1 774	22	15 199
Revaluation	710 264	-	-	-	-	710 264
Disposals	-	(95)	-	-	(1 145)	(1 240)
Depreciation charge on disposals	-	94	-	-	750	844
Depreciation charge	(14 511)	(2 355)	(889)	(307)	(694)	(18 756)
Carrying amount at end of year	**924 352**	**10 182**	**7 032**	**2 329**	**814**	**944 709**
Cost or valuation	924 352	18 175	10 504	4 011	4 007	961 049
Accumulated depreciation and impairment	-	(7 993)	(3 472)	(1 682)	(3 193)	(16 340)
Carrying amount at end of year	**924 352**	**10 182**	**7 032**	**2 329**	**814**	**944 709**

Properties were valued in United States Dollars and translated at closing interbank rate to ZWL.

Property and equipment was subjected to impairment testing by way of internal evaluation of obsolescence of equipment. Revaluation takes place after every three years or anytime if there are material movements in property values. Land and buildings were revalued at 31 December 2020 by an independent valuer. If land and buildings were stated on the historical cost basis, the carrying amount would be ZWL343 323 419 (2019: ZWL349 751 771). No items of property and equipment were pledged as collateral as at 31 December 2020. The fair value measurement of property has been categorised as Level 3 in the fair value hierarchy (Note 34) based on the inputs to the valuation technique used.

	Inflation adjusted		Historical	
	2020	2019	2020	2019
20 Investment properties	ZWL000	ZWL000	ZWL000	ZWL000
Balance at beginning of the year	**319 870**	**143 358**	**71 307**	**5 145**
Transfers from property and equipment	-	31 800	-	7 089
Changes in fair value	(32 390)	144 712	216 173	59 073
Balance at the end of the year	**287 480**	**319 870**	**287 480**	**71 307**
Rental income derived from investment properties	8 040	6 510	6 073	471

Properties were valued in United States Dollars and translated at closing interbank rate to ZWL.

Operating costs incurred on investment properties during the year were ZWL2 million. Investment property comprises commercial properties that are leased to third parties. No contingent rents are charged.

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.

	Inflation adjusted		Historical	
	2020	2019	2020	2019
21 Intangible assets	ZWL000	ZWL000	ZWL000	ZWL000
Balance at beginning of year	**241 079**	**-**	**18 025**	**-**
Transfers from property and equipment	-	104 969	-	7 322
Additions	-	157 561	-	12 954
Amortisation	(39 378)	(21 451)	(3 002)	(2 251)
Balance at 31 December	**201 701**	**241 079**	**15 023**	**18 025**
Cost	262 531	262 530	20 276	20 276
Accumulated amortisation	(60 830)	(21 451)	(5 253)	(2 251)
Balance at 31 December	**201 701**	**241 079**	**15 023**	**18 025**
22 Investment in joint venture				
Bank's interest at beginning of year	1 087 751	-	242 487	-
Transfer from non - current assets held for sale	-	413 194	-	14 829
Prior years' share of profit adjustment	-	9 327	-	335
Current year share of total comprehensive (loss)/ income in joint venture	(101 482)	674 557	736 666	228 242
Dividends received during the year	(10 300)	(9 327)	(3 184)	(919)
Carrying amount of investment at year end	**975 969**	**1 087 751**	**975 969**	**242 487**

Properties were valued in United States Dollars and translated at closing interbank rate to ZWL.

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

	Inflation adjusted		Historical	
	2020	2019	2020	2019
23 Leases	ZWL000	ZWL000	ZWL000	ZWL000
23.1 Right of use asset				
Balance at beginning of year	243 680	-	16 061	-
Additions	126 873	296 104	95 930	17 694
Terminated	(17 124)	-	(2 304)	-
Depreciation for the year	(65 047)	(52 424)	(9 714)	(1 633)
Balance at 31 December	**288 382**	**243 680**	**99 973**	**16 061**
23.2 Lease liabilities				
Maturity analysis - contractual undiscounted cash flows				
Less than one year	22 220	26 877	22 220	5 992
One to five years	86 268	90 588	86 268	20 194
More than five years	12 055	40 111	12 055	8 942
Total undiscounted lease liabilities at 31 December	**120 543**	**157 576**	**120 543**	**35 128**
Lease liabilities included in statement of financial position				
Current	9 549	5 056	9 549	1 127
Non - current	86 207	67 321	86 207	15 008
Balance at 31 December	**95 756**	**72 377**	**95 756**	**16 135**
Amounts recognised in profit/ loss				
Interest on lease liabilities	(17 419)	(17 104)	(11 304)	(1 949)
Expenses - short term & low value leases	(7 265)	(5 120)	(5 296)	(441)
Total undiscounted lease liabilities	**(24 684)**	**(22 224)**	**(16 600)**	**(2 391)**
Statement of cash-flows - Leases				
Total cash outflows	**(39 320)**	**(63 711)**	**(25 309)**	**(4 328)**

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		Inflation adjusted		Historical	
		2020	2019	2020	2019
24	**Deposits from banks**	ZWL000	ZWL000	ZWL000	ZWL000
	Bank balances due to banks abroad	16 587	-	16 587	-
	Interbank money market deposit	-	89 835	-	20 027
	Clearance balances due to local banks	88 090	86 809	88 090	19 352
	Total deposits from banks	**104 677**	**176 644**	**104 677**	**39 379**

		Inflation adjusted		Historical	
25	**Deposits from customers**				
	Demand deposits				
	Retail	1 527 513	1 312 536	1 527 513	292 597
	Business banking	730 211	795 353	730 211	177 304
	Corporate and investment banking	5 704 849	6 360 434	5 704 849	1 417 899
	Total	**7 962 573**	**8 468 323**	**7 962 573**	**1 887 800**
	Call deposits				
	Retail	349	1 691	349	377
	Business banking	851	59 684	851	13 305
	Corporate and investment banking	127 389	84 383	127 389	18 811
	Total	**128 589**	**145 758**	**128 589**	**32 493**
	Savings accounts				
	Retail	8 666	9 048	8 666	2 017
	Business banking	22	81	22	18
	Total	**8 688**	**9 129**	**8 688**	**2 035**
	Other				
	Corporate and investment banking	716 136	558 430	716 136	124 488
	Total	**716 136**	**558 430**	**716 136**	**124 488**
	Total deposits from customers	**8 815 986**	**9 181 640**	**8 815 986**	**2 046 816**

Included in the deposits above are foreign currency deposits of ZWL 4 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 ZWL716 135 501 (2019:ZWL124 487 697) held as collateral for loans advanced and letters of credit.

	Inflation adjusted				Historical			
	2020		2019		2020		2019	
Concentration of customer deposits	ZWL000	%	ZWL000	%	ZWL000	%	ZWL000	%
Trade and services	2 901 080	33	3 379 125	37	2 901 080	37	753 290	37
Energy and minerals	49 812	1	60 310	1	49 812	1	13 445	1
Agriculture	1 073 943	12	948 905	10	1 073 943	12	211 535	10
Construction and property	158 023	2	101 115	1	158 023	2	22 541	1
Light and heavy industry	1 010 949	11	964 180	11	1 010 949	11	214 940	11
Physical persons	1 536 528	17	1 336 651	15	1 536 528	17	297 973	15
Transport and distribution	969 184	11	1 397 117	15	969 184	11	311 452	14
Financial services	1 116 467	13	994 237	11	1 116 467	13	221 640	11
Total	**8 815 986**	**100**	**9 181 640**	**100**	**8 815 986**	**100**	**2 046 816**	**100**

		Inflation adjusted		Historical	
		2020	2019	2020	2019
26	**Provisions**	ZWL000	ZWL000	ZWL000	ZWL000
	Staff retention				
	Balance at beginning of year	27 117	64 262	6 045	2 306
	Provisions made during the year	65 458	56 786	65 458	5 653
	Provisions used during the year	(42 955)	(93 931)	(21 883)	(1 914)
	Balance at end of year	**49 620**	**27 117**	**49 620**	**6 045**
	Outstanding employee leave				
	Balance at beginning of year	4 744	23 881	1 057	857
	Provisions made during the year	5 233	15 809	5 233	845
	Provisions used during the year	(3 696)	(34 946)	(9)	(645)
	Balance at end of year	**6 281**	**4 744**	**6 281**	**1 057**
	Redundancy				
	Balance at beginning of year	-	-	-	-
	Provisions made during the year	2 668	-	2 668	-
	Provisions used during the year	-	-	-	-
	Balance at end of year	**2 668**	**-**	**2 668**	**-**
	Total provisions at end of year	**58 569**	**31 860**	**58 569**	**7 102**

The staff retention incentive represents a provision for a performance based staff 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	
		2020	2019	2020	2019
27	**Other liabilities**	ZWL000	ZWL000	ZWL000	ZWL000
	Accrued expenses	**150 604**	**206 819**	**150 604**	**46 105**
	Amounts due to related parties	-	111 673	-	24 895
	Internal accounts	194 167	334 708	193 577	71 817
	Retentions payable	257 739	-	257 739	-
	Auction funds payable	279 846	-	279 846	-
	Other foreign currency claims	530 646	-	530 646	-
	Withholding taxes including IMTT	127 240	-	127 240	-
	Balance at 31 December	**1 540 242**	**653 200**	**1 539 652**	**142 817**

28 Retirement benefit plans

Barclays Bank Pension Fund

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

The plan assets comprise of property, bank balance, equity instruments and money market deposits at 31 December 2020.

	Inflation adjusted		Historical	
	2020	2019	2020	2019
Summary valuation of the pension obligation	ZWL000	ZWL000	ZWL000	ZWL000
Present value of pensioner obligation (DB)	608 691	81 027	608 691	18 063
Active members liability (DC)	1 414 371	564 634	1 414 371	125 871
Deferred pensioners	348 111	151 594	348 111	33 794
Other liabilities - risk pools	48 244	16 705	48 244	3 724
Other sundry liabilities	8 742	125 599	8 742	27 999
Total liabilities	**2 428 159**	**939 559**	**2 428 159**	**209 451**
Total assets	**2 853 046**	**1 153 155**	**2 853 046**	**257 067**
Net surplus	**424 887**	**213 596**	**424 887**	**47 616**

29 Deferred tax

Deferred tax balances

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

	Inflation adjusted		Historical	
	2020	2019	2020	2019
Deferred tax	ZWL000	ZWL000	ZWL000	ZWL000
Deferred tax balances				
Deferred tax assets	(237 314)	(284 580)	(246 473)	(64 055)
Deferred tax liabilities	582 969	634 429	486 762	117 792
Total deferred tax	**345 655**	**349 849**	**240 289**	**53 737**

		Inflation adjusted		Historical	
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	7 155	7 155	216	216
	Share premium	791 025	790 778	23 981	23 837
	Total	**798 180**	**797 933**	**24 197**	**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	
	2020	2019	2020	2019
	ZWL000	ZWL000	ZWL000	ZWL000
Non - distributable reserve	258 253	258 253	7 785	7 785
Balance at end of year	**258 253**	**258 253**	**7 785**	**7 785**
Impairment reserve				
Impairment on FVOCI financial assets	456	3 510	456	783
Balance at end of year	**456**	**3 510**	**456**	**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.

		Inflation adjusted		Historical	
		2020	2019	2020	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	3 690	-	3 690	-
	RBZ Net open position support	879 221	932 234	879 221	207 819
	Total	**882 911**	**932 234**	**882 911**	**207 819**
	Financial assets at amortised cost				
	Cash and bank balances	6 358 334	5 064 201	6 358 334	1 128 936
	Loans and advances to customers	2 363 923	3 190 411	2 363 923	711 222
	Clearing balances due from other banks	12 452	14 639	12 452	3 263
	Other assets*	804 927	1 145 484	804 927	255 357
	Total	**9 539 636**	**9 414 735**	**9 539 636**	**2 098 778**
	* Excludes prepayments and stationery.				
	Financial assets at fair value through other comprehensive income				
	Treasury bills	968 868	922 340	968 868	205 613
	Unquoted equity securities	50 219	117 470	50 219	26 187
	Total	**1 019 087**	**1 039 810**	**1 019 087**	**231 800**
	Total Financial assets	**11 441 634**	**11 386 779**	**11 441 634**	**2 330 578**
	Financial liabilities				
	Financial liabilities at fair value through profit and loss				
	Derivative financial liabilities	62	-	62	-
	Total	62	-	62	-
	Financial liabilities at amortised cost				
	Customer deposits	8 815 986	9 181 640	8 815 986	2 046 816
	Deposits from other banks	104 677	176 645	104 677	39 379
	Other liabilities	1 525 677	653 200	1 525 677	142 817
	Lease liability	95 756	72 377	95 756	16 135
	Balances due to group companies	154 254	331 802	154 254	73 967
	Total Financial liabilities	**10 696 350**	**10 447 524**	**10 696 350**	**2 319 114**

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	
	2020	2019
	ZWL000	ZWL000
Share capital	216	216
Share premium	23 981	23 837
Accumulated profits	2 080 613	336 077
Impairment reserve	456	783
Share based payment reserve	1 216	1 273
Fair value through OCI reserve	48 312	24 307
Currency translation reserve	3 508	3 508
Total core capital	**2 158 302**	**390 001**
Less market and operational risk capital	(269 015)	(42 520)
Less exposures to insiders	(35 648)	-
Tier 1 capital	**1 853 639**	**347 481**
Currency translation reserve movement	4 277	4 277
Revaluation reserves	704 763	171 374
General provisions (limited to 1.25% of weighted risk assets)	50 974	25 356
Tier 2 capital	**760 014**	**201 007**
Total tier 1 & 2 capital	**2 613 653**	**548 488**
Market risk	49 265	7 633
Operational risk	219 750	34 887
Tier 3 capital	**269 015**	**42 520**
Total tier 1, 2 & 3 capital base	**2 882 668**	**591 008**
Deductions from capital	(50 219)	(26 187)
Total capital base	**2 832 449**	**564 821**
Credit risk weighted assets	6 239 338	1 618 600
Operational risk equivalent assets	2 746 884	436 085
Market risk equivalent assets	615 806	95 412
Total risk weighted assets (RWAs)	**9 602 028**	**2 150 097**
Tier 1 capital ratio	**19%**	**16%**
Tier 1 and 2 capital ratio	**27%**	**26%**
Total capital adequacy ratio	**29%**	**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.

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 (expected once in every five years).

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

	Inflation adjusted		Historical	
	2020	2019	2020	2019
Type of risk or activity	ZWL000	ZWL000	ZWL000	ZWL000
One day risk				
Currency	136 533	34 666	136 533	7 728
Aggregate VaR as at 31 December 2020	**136 533**	**34 666**	**136 533**	**7 728**
Two day risk				
Currency	431 754	34 666	431 754	24 437
Aggregate VaR as at 31 December 2020	**431 754**	**34 666**	**431 754**	**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 15% and 5% change in local currency and foreign currency interest rates respectively.

The Bank's interest income sensitivity is shown below:

	Inflation adjusted		Historical	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Net interest income sensitivity	Impact on earnings	Impact on earnings	Impact on earnings	Impact on earnings
Local currency	ZWL000	ZWL000	ZWL000	ZWL000
1500bps increase in interest rates	18 123	16 490	18 123	3 736
1500bps decrease in interest rates	(18 123)	(16 490)	(18 123)	(3 736)
Benchmark	**-**	**-**	**-**	**-**
Foreign currency				
500bps increase in interest rates	4 399	43 342	4 399	9 662
500bps decrease in interest rates	(4 399)	(43 342)	(4 399)	(9 662)
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.

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

Historical and inflation adjusted	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing historical	Total historical	Non-interest bearing inflation adjusted	Total inflation adjusted
31 December 2020	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Assets										
Cash and bank balances	2 721 552	-	-	-	-	-	3 636 782	6 358 334	3 636 782	6 358 334
Derivative financial assets	-	-	-	-	-	-	3 690	3 690	3 690	3 690
Investment securities	962 915	1 133	-	4 820	-	-	50 219	1 019 087	50 219	1 019 087
Loans and receivables from banks	12 452	-	-	-	-	-	-	12 452	-	12 452
Loans and advances to customers	-	2 363 923	-	-	-	-	-	2 363 923	-	2 363 923
Other assets	26 683	52 739	56 179	106 669	642 907	-	940 930	1 826 107	1 062 690	1 947 867
Property and equipment	-	-	-	-	-	-	944 709	944 709	967 236	967 236
Investment properties	-	-	-	-	-	-	287 480	287 480	287 480	287 480
Investment in joint venture	-	-	-	-	-	-	975 969	975 969	975 969	975 969
Intangible assets	-	-	-	-	-	-	15 023	15 023	201 700	201 700
Right of use assets	-	-	-	-	-	-	99 973	99 973	288 382	288 382
Total assets	**3 723 602**	**2 417 795**	**56 179**	**111 489**	**642 907**	**-**	**6 954 775**	**13 906 747**	**7 474 148**	**14 426 121**
Liabilities										
Derivative financial liabilities	62	-						62		62
Lease liabilities	95 756	-	-	-	-	-	-	95 756	-	95 756
Deposits from banks	104 677	-	-	-	-	-	-	104 677	-	104 677
Deposits from customers	8 815 986	-	-	-	-	-	-	8 815 986	-	8 815 986
Provisions	-	-	-	-	-	-	58 569	58 569	58 569	58 569
Other liabilities	-	-	-	-	-	-	1 539 652	1 539 652	1 540 242	1 540 242
Deferred tax liabilities	-	-	-	-	-	-	240 289	240 289	345 655	345 655
Current tax liabilities	-	-	-	-	-	-	30 160	30 160	30 160	30 160
Due to group companies	-	-	-	-	-	-	154 254	154 254	154 254	154 254
Total liabilities	**9 016 481**	**-**	**-**	**-**	**-**	**-**	**2 022 924**	**11 039 405**	**2 128 880**	**11 145 361**
Interest rate re - pricing gap	**(5 292 879)**	**2 417 795**	**56 179**	**111 489**	**642 907**	**-**	**4 931 852**	**2 867 342**	**5 345 269**	**3 280 760**
Cumulative gap	**(5 292 879)**	**(2 875 084)**	**(2 818 905)**	**(2 707 416)**	**(2 064 509)**	**(2 064 509)**	**2 867 342**	**-**	**3 280 760**	**-**

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

Historical and inflation adjusted 2020 At 31 December 2020	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	4 809 640	87 342	228 521	231 183	5 356 686
Loans and advances to customers	75 834	-	-	-	75 834
Other assets*	1 064 210	-	-	-	1 064 210
Foreign exchange swaps	166 353	-	-	-	166 353
Total financial assets	**6 116 037**	**87 342**	**228 521**	**231 183**	**6 663 083**
Liabilities					
Deposits from banks	3 745	-	-	-	3 745
Deposits from customers	4 436 990	16 129	208 186	88 744	4 750 049
Other liabilities	1 188 174	12 467	3 483	1 650	1 205 774
Balances due to group companies	171 196	-	-	19 601	190 797
Total financial liabilities	**5 800 105**	**28 596**	**211 669**	**109 995**	**6 150 365**
Net currency positions	**315 932**	**58 746**	**16 852**	**121 188**	**512 718**

*Excludes prepayments and stationery

Exchange rates applied in 2020	USD	GBP	Rand	EUR	CND
ZWL closing rate	81.7866	5.5648	100.4180	64.1026	63.3595

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 uses internal rating models tailored to the various categories of counter party. Borrower and loan specific information collected at the time of application (such as level of collateral; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

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

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
- There 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 year the Bank renegotiated loans and advances to customers, balance of renegotiated loans as at 31 December 2020 was ZWL38 million (2019: NIL). Re- negotiations related to customers with operations that were directly impacted by COVID-19.

Maximum credit risk exposure

	Maximum credit risk exposure				Reconciliation of ECL by exposure			
Historical and inflation adjusted 2020	Performing	Standard monitoring	Non performing	Total	Performing	Standard monitoring	Non performing	Total
Loans and advances to customers	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Corporate	1 748 915	74 100	-	1 823 015	30 914	1 816	-	32 730
Business banking	52 054	37 965	-	90 019	5 790	2 740	-	8 530
Retail	501 161	6 044	3 922	511 127	14 270	1 171	3 537	18 978
Total	**2 302 130**	**118 109**	**3 922**	**2 424 161**	**50 974**	**5 727**	**3 537**	**60 238**
Balances with central bank								
Savings bonds and treasury bills	968 868	-	-	968 868	456	-	-	456
Bank balances	1 076 732	-	-	1 076 732	121	-	-	121
Total	**2 045 600**	**-**	**-**	**2 045 600**	**577**	**-**	**-**	**577**
Balances with other banks and settlement balances								
Settlement balances - local currency	12 452	-	-	12 452	-	-	-	-
Bank balances - foreign currency	3 405 645	-	-	3 405 645	1 097	-	-	1 097
Interbank placements	-	-	-	-	-	-	-	-
Total	**3 418 097**	**-**	**-**	**3 418 097**	**1 097**	**-**	**-**	**1 097**
Other assets								
RBZ receivable NOP support	879 221	-	-	879 221	32 422	-	-	32 422
RBZ receivable other	5 056	-	-	5 056	-	-	-	-
Other assets	189 284	-	-	189 284	92	-	-	92
Total	**1 073 561**	**-**	**-**	**1 073 561**	**32 514**	**-**	**-**	**32 514**
Total on balance sheet	**8 838 389**	**118 109**	**3 922**	**8 961 419**	**85 162**	**5 727**	**3 537**	**94 426**
Guarantees and letters of credit								
Guarantees	110 612	-	-	110 612	-	-	-	-
Letters of credit	665 579	-	-	665 579	-	-	-	-
Total	**776 191**	**-**	**-**	**776 191**	**-**	**-**	**-**	**-**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 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**	**2 713**	**37 263**
Movement with P&L impact	**52 177**	**4 162**	**823**	**57 162**
New financial assets purchased or originated	58 407	-	-	58 407
Transfers from stage 1 to stage 2	(6 230)	6 230	-	-
Transfers from stage 2 to stage 3	-	(2 068)	2 068	-
Transfer to provisions	-	-	(933)	(933)
Write offs	-	-	(312)	(312)
Balance at 31 December 2020	**85 162**	**5 727**	**3 536**	**94 425**

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

Industry/Sector	Historical and inflation adjusted 2020 ZWL000	%	Historical 2019 ZWL000	%	Inflation adjusted 2019 ZWL000	%
Trade and services	282 442	12	76 341	10	342 455	10
Energy and minerals	25 868	1	42 863	6	192 276	6
Agriculture	295 879	13	251 255	34	1 127 084	34
Construction and property	-	-	-	-	-	-
Light and heavy industry	835 843	34	147 996	20	663 882	20
Physical persons	511 127	21	102 633	14	460 397	14
Transport and distribution	444 516	18	92 442	13	414 676	13
Financial services	28 486	1	23 048	3	103 383	3
Total	**2 424 161**	**100**	**736 578**	**100**	**3 304 154**	**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	
	2020 ZWL000	2019 ZWL000	2020 ZWL000	2019 ZWL000
Performing loans	1 754 438	533 650	1 754 438	203 691
Non-performing loans	-	10 986	-	4 193
Total	**1 754 438**	**544 636**	**1 754 438**	**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 and;
- Sources of liquidity are regularly reviewed by ALCO to maintain a wide diversification of source of funding;
- Managing concentration of deposits.

	Inflation adjusted		Historical	
	2020	2019	2020	2019
Liquidity ratios	ZWL000	ZWL000	ZWL000	ZWL000
Total liquid assets	6 639 012	5 488 725	6 639 012	1 223 573
Deposits and other short term liabilities	9 471 040	9 926 405	9 471 040	2 212 843
Liquidity ratio	**70%**	**55%**	**70%**	**55%**
Reserve Bank of Zimbabwe minimum	**30%**	**30%**	**30%**	**30%**

Liquidity profiling as at 31 December 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 31 December 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*	5 674 512	-	684 094	-	-	-	6 358 606	6 358 334
Derivative financial assets	3 690	-	-	-	-	-	3 690	3 690
Investment securities	962 591	6 277	-	50 219	-	-	1 019 087	1 019 087
Loans and receivables from banks	12 452	-	-	-	-	-	12 452	12 452
Loans and advances to customers	837 937	914 361	367 860	352 823	966 641	23 476	3 463 098	2 363 923
Other assets**	699 424	59 175	64 203	126 566	729 726	-	1 143 064	1 826 107
Total assets	**8 190 606**	**979 813**	**1 116 157**	**529 608**	**1 696 367**	**23 476**	**12 536 027**	**11 583 593**
Liabilities								
Derivative financial liabilities	62	-	-	-	-	-	62	62
Lease liabilities	1 852	3 704	5 556	11 108	86 268	12 055	120 543	95 756
Deposits from Banks	104 677	-	-	-	-	-	104 677	104 677
Deposits from customers	8 350 955	382 999	246	81 786	-	-	8 815 986	8 815 986
Provisions	-	-	58 569	-	-	-	58 569	58 569
Other liabilities	1 530 154	-	-	-	-	-	1 530 154	1 539 652
Current income tax liabilities	30 160	-	-	-	-	-	30 160	30 160
Balances due to Group companies	154 254	-	-	-	-	-	154 254	154 254
Total liabilities - (contractual maturity)	**10 172 114**	**386 703**	**64 371**	**92 894**	**86 268**	**12 055**	**10 814 404**	**10 799 116**
Liquidity gap	**(1 981 508)**	**593 110**	**1 051 786**	**436 714**	**1 610 099**	**11 422**	**1 721 623**	**-**
Cumulative liquidity gap	**(1 981 508)**	**(1 388 398)**	**(336 612)**	**100 102**	**1 710 201**	**1 721 623**	**-**	**-**

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

Contingent liabilities and commitments as at 31 December 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						
Commitment to lend	33 450	110 684	33 624	44 256	16 777	238 791
Total assets	**33 450**	**110 684**	**33 624**	**44 256**	**16 777**	**238 791**
Liabilities						
Commitment to lend	238 791	-	-	-	-	238 791
Total liabilities	**238 791**	**-**	**-**	**-**	**-**	**238 791**
Liquidity gap	**(205 341)**	**110 684**	**33 624**	**44 256**	**16 777**	**-**

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 .

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

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

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

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

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

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

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

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

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

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

External Credit Ratings

Rating agent	Latest credit ratings 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 values of these financial assets and financial liabilities measured at amortised cost approximate their carrying value because of their short term nature.

	Inflation adjusted				Historical			
	2020 Carrying amount	Fair value	2019 Carrying amount	Fair value	2020 Carrying amount	Fair value	2019 Carrying amount	Fair value
	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Financial Assets								
Cash and bank balances	6 358 334	6 358 334	5 064 201	5 064 201	6 358 334	6 358 334	1 128 936	1 128 936
Loans and receivables from banks	12 452	12 452	14 639	14 639	12 452	12 452	3 263	3 263
Loans and advances to customers	2 363 923	2 363 923	3 190 411	3 190 411	2 363 923	2 363 923	711 222	711 222
Other assets	804 927	804 927	1 145 484	1 145 484	804 927	804 927	255 357	255 357
Total assets	**9 539 636**	**9 539 636**	**9 414 735**	**9 414 735**	**9 539 636**	**9 539 636**	**2 098 778**	**2 098 778**
Financial Liabilities								
Deposits from banks	104 677	104 677	176 645	176 645	104 677	104 677	39 379	39 379
Deposits from customers	8 815 986	8 815 986	9 181 640	9 181 640	8 815 986	8 815 986	2 046 816	2 046 816
Lease liability	95 756	95 756	72 377	72 377	95 756	95 756	7 102	7 102
Other liabilities	1 525 677	1 525 677	653 193	653 193	1 525 677	1 525 677	142 817	142 817
Balances due to group companies	154 254	154 254	331 802	331 802	154 254	154 254	73 967	73 967
Total	**10 696 350**	**10 696 350**	**10 415 657**	**10 415 657**	**10 696 350**	**10 696 350**	**2 310 081**	**2 310 081**

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	-	3 690	-	3 690
RBZ NOP Support receivable	-	-	879 221	879 221
Treasury bills	-	-	968 868	968 868
Unquoted equity instruments	-	-	50 219	50 219
Balance at 31 December 2020	**-**	**3 690**	**1 898 308**	**1 901 998**
Financial liabilities				
Derivative liabilities	-	62	-	62
Balance at 31 December 2020	**-**	**62**	**-**	**62**
Non - financial assets				
Land and buildings	-	-	924 352	924 352
Investment property	-	-	287 480	287 480
Investment in joint venture - underlying asset	-	-	971 216	971 216
Balance at 31 December 2020	**-**	**-**	**2 183 048**	**2 183 048**

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	Investment in Joint venture - Property ZWL000	Total ZWL000
Balance at 1 January 2020	**1 039 810**	**319 870**	**207 819**	1 075 119	2 642 618
Additions	3 867 092	-	-	-	3 867 092
Accrued interest	46 244	-	95 347	-	141 592
Maturities	(3 868 830)	-	(280 180)	-	(4 149 010)
Total gains and losses recognised in profit or loss	-	(32 390)	856 235	(103 903)	719 942
Total gains and losses recognised in other comprehensive income	(65 229)	-	-	-	(65 229)
Balance at 31 December 2020	**1 019 087**	**287 480**	**879 221**	**971 216**	**3 157 005**

35 Related parties
The Bank is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated and domiciled in Zimbabwe which owns 53% (2019: 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.

35.1 Directors and key management compensation

	Inflation adjusted		Historical	
	2020 ZWL000	2019 ZWL000	2020 ZWL000	2019 ZWL000
Salaries and other short term benefits	57 318	20 485	28 032	1 392
Post-employment contribution plan	2 462	1 017	1 204	69
Share based payments	-	34	-	2
Total	**59 780**	**21 536**	**29 236**	**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.

35.2 Loans to directors and key management

	Inflation adjusted		Historical	
	2020 ZWL000	2019 ZWL000	2020 ZWL000	2019 ZWL000
Loans outstanding at 1 January	**10 403**	**33 128**	**2319**	**1 189**
Loans issued during the year	15 909	6 516	15 909	1 453
Loans repayments during the year	(9 654)	(29 243)	(1 570)	(323)
Loans outstanding at 31 December	**16 658**	**10 401**	**16 658**	**2 319**

Of the loans advanced to directors and other key management personnel ZWL1 083 872 is secured and repayable over 15-17 years. The balance of ZWL15 574 091 is unsecured and repayable monthly over 4 years at average interest rates of 14% (2019:14%). Loans and advances to non-executive directors during the year ended 31 December 2019 were nil (2019: nil).

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

35.3 Deposits from directors and key management

	Inflation adjusted		Historical	
	2020 ZWL000	2019 ZWL000	2020 ZWL000	2019 ZWL000
Deposits at 1 January	**1 489**	**574**	**332**	**128**
Deposits received during the year	23 627	140 022	23 627	31 214
Deposits repaid during the year	(12 623)	(139 107)	(10 128)	(31 010)
Deposits at 31 December	**12 493**	**1 489**	**13 831**	**332**

35.4 Balances with group companies

Bank balances due from group companies	30 954	(4 190)	30 954	(934)
Bank balances due to group companies	(16 587)	673	(16 587)	150
Total	**14 367**	**(3 517)**	**14 367**	**(784)**
Other balances due from group companies	18 221	(16 447)	18 221	(3 666)
Other balances due to group companies	(172 475)	348 247	(172 475)	77 633
Total	**(154 254)**	**331 800**	**(154 254)**	**73 967**

35.5 Related Parties - related through common shareholding

Balance due to Barclays Bank PLC	-	111 673	-	24 895
Total	**-**	**111 673**	**-**	**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, COVID-19 impact, US$30 million capital requirement and resources that are available for the Bank to manage the financial and operational risks and adapting its strategy to economic changes.