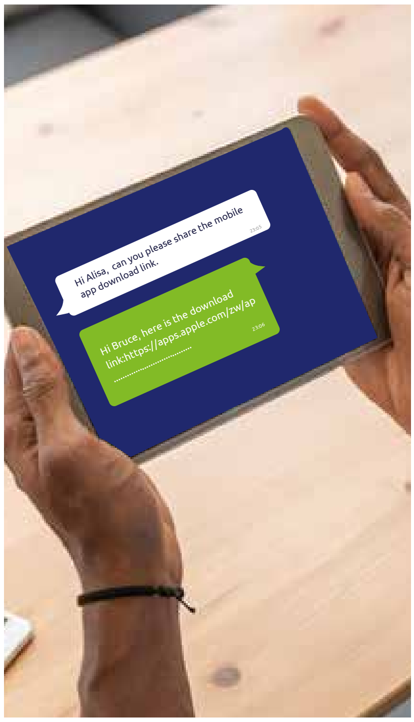
First Capital BANK

Annual Report

For the year ended 31 December 2020



2020

Belief comes first.

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First Capital BANK

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First Capital Bank is a Registered Commercial Bank and a member of the Deposit Protection Scheme. Terms and conditions apply.

Directors' Responsibilities and Approval

The Directors are responsible for overseeing the preparation, integrity and objectivity of the annual financial statements and ensure that they fairly present the state of the affairs of First Capital Bank Limited ("the Bank") at the end of the financial year, the financial performance and cash flows for the reporting period, and other information contained in this report.

To enable the Directors to meet these responsibilities:

- All directors and employees endeavour to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach;
- The Board sets standards and management implements systems of internal control, accounting and technology aimed at providing reasonable assurance that both on and off statement of financial position assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- The Board and management identify all key areas of risk across the Bank and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems and discipline are applied and managed within predetermined procedures and constraints;
- The internal audit function reports directly to First Capital Bank`s Limited Audit Committee Chairperson and it operates unimpeded and independently from operational management, appraises, evaluates and, when necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- The internal auditors play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the Directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures occurred during the year under review.

The Bank consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The financial statements of the Bank have been prepared in accordance with the provisions of the Companies and Other Business Entities Act (Chapter 24:31), the Zimbabwe Banking Act (Chapter 24:20), all applicable legislation and in accordance with International Financial Reporting Standards (IFRS).

However compliance with International financial Reporting Standards (IFRS) , could not be achieved due to non-compliance with International accounting Standard 21, Effects of changes in foreign exchange rates (Refer to note 2.1 (c) for detailed disclosure).

Going concern

Going concern assessment was performed taking into account the forecasts, current economic conditions and resources that are available for the Bank to manage the financial and operational risks and adapting its strategy to economic changes.

The impact of COVID-19 to the Bank has been incorporated in the impairment calculation on forward looking assumptions. ZWL113m (5%) of the loan book is on the watch list and the Bank continues to monitor performance. The lock down in January of 2021 resulted in an average decline in transactional activity by 35% but the Bank recorded profits in the month, with a more positive outlook given the improving COVID-19 statistics.

The Bank has sufficient liquidity to sustain operations and the deposit base is well diversified. The Directors have no reason to believe that the Bank will not be a going concern in the reporting period ahead. These financial statements have accordingly been prepared on this basis.

It is the responsibility of the independent auditors to report on the fair presentation of annual financial statements. The auditors' report to the shareholders of the Bank is set out on pages 16 to 19 of this report.

The Directors' report on page 9 and the annual financial statements of the Bank which appear on pages 21 to 75 were approved by the Board of Directors on 10 March 2021.

Preparation of annual report

This annual report has been prepared under the supervision of the Chief Finance Officer, Taitos Mukuku CA (Z) PAAB Registered Accountant No.0281.

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


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BANK
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Powered by First Capital Bank
A simple and efficient online bulk payment platform that enables you to initiate payments to accounts within First Capital Bank.
Experience
Convenience
Experience Infini-pay
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First Capital Bank is a Registered Commercial Bank and a member of the Deposit Protection Scheme. Terms and conditions apply.

Managing Director`s Review of Operations

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(c) 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

Financial statements

The Directors of the Bank are pleased to submit their report to shareholders for the financial year ended 31 December 2020.

Share capital

Five employees exercised share options, amounting to 1,865,753 shares during the year ended 31 December 2020. The number of shares issued and fully paid up as at 31 December 2020 was 2 158,585,929 (2019:2,156,720,176). The annexed annual financial statements disclose the results of First Capital Bank Limited's operations during the year. The directors have deemed it prudent not to declare a dividend for the year ended 31 December 2020.

	2020	2019
Shares allocated to management under share option scheme		
Balance at beginning of year	**32 929 150**	**33 089 150**
Forfeited shares options	1 014 247	1 110 000
Granted share options	(280 000)	(1 270 000)
Balance at end of year	**33 663 397**	**32 929 150**

Directorate

Re-election of directors

The following re-elections were confirmed by shareholders in the Annual General Meeting held on 6 August 2020: Mrs. S. Moyo, Mr D. Dikshit and Mr H. Anadkat were re-elected by the shareholders, having retired by rotation, and being eligible, offered themselves for re-election.

Mr K. Terry, Mr K. Naik and Mrs A. Chinamo having been elected in between Annual General Meetings, retired at the 2020 Annual General meeting and offered themselves for election. Their appointments were duly confirmed by shareholders.

Board changes

The following board changes took place during the year 2020:

Mr Kirit Naik was appointed to the board with effect from 3 February 2020.
Mrs Acquilina Chinamo was appointed to the board with effect from 28 May 2020.
Mr Dheeraj Dikshit resigned from the board with effect from 31 October 2020.

As at 31 December 2020 the following were the Directors of the Bank:

Name	Designation	Date Of Appointment
P. Devenish	Independent Non - Executive Chairman	26 April 2018
S. N. Moyo (Mrs)	Independent Non - Executive Director	7 March 2016
T. Moyo (Mrs)	Independent Non - Executive Director	7 March 2016
H. Anadkat	Non - Executive Director	18 October 2017
M. Twigger	Non - Executive Director	29 April 2018
K. Terry	Independent Non - Executive Director	16 October 2019
K. Naik	Independent Non-Executive Director	3 February 2020
A. Chinamo	Independent Non-Executive Director	28 May 2020
C. McSharry	Managing Director	18 June 2020
T. Mukuku	Chief Finance Officer	01 October 2019

Directors' remuneration

Details of the directors' remuneration are contained in note 9 and 11 to the Financial Statements.

Directors' responsibility statement

The preparation and presentation of the annual financial statements of First Capital Bank Limited and all the information contained herein is the responsibility of the directors. The information contained in these financial statements has been prepared on the going concern basis and in accordance with provisions of the Companies and Other Business Entities Act [Chapter 24:31] as applicable to a financial institution registered in terms of the Banking Act [Chapter 24:20] as read with the Banking Amendment Act No. 12 of 2015. These financial statements have also been prepared in accordance with International Financial Reporting Standards.

However compliance with International Financial Reporting Standards (IFRS), could not be achieved due to non-compliance with International Accounting Standard 21, Effects of changes in foreign exchange rates (refer to note 2.1 (c) for the detailed disclosure).

Auditors

At the 2020 Annual General Meeting, shareholders appointed Messrs Deloitte as auditors of the Bank until the conclusion of the next Annual General Meeting.

By Order of the Board

V. Mutandwa
Company Secretary
10 March 2021

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.

Directors Profile

The profiles of the First Capital Bank Limited directors are as below:

Patrick Devenish Chairman (Independent Non – Executive Director)

Pat Devenish is the former Chief Executive Officer of TSL Limited. He holds an Executive MBA from the Graduate School of Business, University of Cape Town. He has worked in the tobacco sales industry for more than 20 years, having started his career as an auctioneer. Over the years, Pat has become a specialist in business strategy and operations from his experience in leading organisations such as Tobacco Sales Floor, Seedco Limited, AICO Africa Limited and Plexus Cotton Limited. He also chairs the boards of Tobacco Industry and Marketing Board (TIMB), Royal Harare Golf Club and is a Trustee of Harare Sports Club.

Acquilina Chinamo Independent Non-Executive Director

Acquilina Chinamo is a qualified Chartered Accountant, who also holds a postgraduate diploma in applied accountancy from the University of Zimbabwe. She has more than 20 years working experience and has extensive exposure in leadership, people management and financial engineering. Currently she is the Group Finance Director at Ariston Holdings Ltd. Acquilina has previously served as a non-executive director on the board of a commercial bank as well as manufacturing and agricultural companies.

Ciaran McSharry Managing Director

Ciaran McSharry was appointed as the Chief Finance Officer of First Capital Bank Limited in May 2018 and subsequently as Managing Director of the bank in 2020. He holds a Bachelor of Business Studies degree and is a member of Chartered Association of Certified Accountants. He brings a wealth of banking experience to the board having worked for 22 years in the banking sector. He previously served as the Finance Director in different functions across the Barclays Group. He also held many high ranking roles at the Bank of America, Lloyds Banking Group and Total UK PLC.

Hitesh Anadkat Non-Executive Director

Hitesh Anadkat holds an MBA from Cornell University and a BSc Economics (Hons) from the University of London. Before returning to Malawi to establish FMB, he worked in Corporate Finance in the USA specializing in mergers, acquisitions and valuations. He holds directorships in four commercial banks (part of FMB Group) within the Southern African Region as well as Telecoms Networks (Malawi) Private Limited.

Kevin Terry Independent Non – Executive Director

Kevin Terry holds a Bachelor of Laws Degree from the University of Zimbabwe. He has a wealth of knowledge and experience in banking gained from his extensive career in the financial services sector with the Old Mutual group. Currently, he chairs the Boards of St Georges College, Childline Society and EFT Services (Private) Limited. Kevin is also an Arbitrator with the Commercial Arbitration Centre of Zimbabwe.

Kiritkumar Naik Non-Executive Director

Kirit Naik is the Managing Director of Rank Zimbabwe, a conglomerate in the stationery and plastics industry which also has an extensive real estate and equity portfolio. He holds an advanced diploma in Mechanical Engineering from City & Guilds Institute, London. He is a renowned entrepreneur with vast business leadership experience gained from the various directorships he has held in several corporate entities including TSL Limited, ART Corporation and Nicoz Diamond.

Michael Twigger Independent Non – Executive Director

Mike Twigger is the Managing Director, Transition Services, Barclays Services Company Limited. He has over 34 years of banking experience which was gained in Commercial, Retail and Credit Card business across Europe, Africa, Asia and the Middle East within the Barclays Group.

Sara Nyaradzo Moyo Independent Non – Executive Director

Sara Moyo is a registered legal practitioner, an IP Attorney and the Senior Partner of Honey & Blanckenberg Practitioners. Sara holds a BL (Hons) and an LLB degree both from the University of Zimbabwe. She is Vice Chairperson of the Agriculture Law Committee of the International Bar Association, a member of the Alternative Dispute Resolution and Legal Sub-Committee of the Zimbabwe National Chamber of Commerce and a contributor to the Zimbabwe Chapter of the Kluwer Manual on Intellectual Property. She is also a member of the Zimbabwe Energy Council and the Professional Women Executives and Business Women's Forum.

Taitos Mukuku Chief Finance Officer
Taitos Mukuku was appointed Chief Finance Officer of First Capital Bank Limited with effect from 1 October 2019. Prior to his appointment, he held the position of Financial Controller. Taitos is a qualified Chartered Accountant and trained for his articles with Price Waterhouse Coopers (PwC). He has over 15 years' experience served predominantly in the audit, financial services and telecommunications industries.

Tembiwe Moyo Independent Non – Executive Director
Tembiwe Moyo is the Chief Executive Officer of Beitbridge Bulawayo Railway (Private) Limited. She is an Accountant and Chartered Secretary by profession and she holds a Masters in Business Administration (Nottingham Trent University, UK). She is an Associate member of the Chartered Institute of Administrators and Secretaries (ACIS). She is the Chairperson and Trustee of the Women in Agri-business in Sub-Sahara Africa Alliance (WASAA), the immediate past Chairperson of ANSA, the current President of the Southern Africa Railways Association (SARA), a shareholder representative of the NLPI Limited Group and a platinum member of PROWEB. Tembiwe is also a Trustee of the Zimbabwe Ladies Golf Union (ZLGU) and an independent non-executive director of NICOZ Diamond Insurance Company.

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.

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 (c) 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

Deloitte.

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To the Shareholders of First Capital Bank Limited

Report on the audit of the inflation adjusted financial statements

Qualified opinion

We have audited the inflation adjusted financial statements of First Capital Bank Limited (the "Bank") set out on pages 21 to 75, which comprise the inflation adjusted statement of financial position as at 31 December 2020, the inflation adjusted statement of profit or loss and other comprehensive income, the inflation adjusted statement of changes in equity and the inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section of our report, the accompanying inflation adjusted financial statements present fairly, in all material respects, the inflation adjusted financial position as at 31 December 2020, and its inflation adjusted financial performance and inflation adjusted cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Banking Act (Chapter 24:20), the Companies and Other Business Entities Act (Chapter 24:31) and the relevant statutory instruments.

Basis for qualified opinion

Impact of incorrect date of application of International Accounting Standard (IAS) 21- *"The Effects of Changes in Foreign Exchange Rates"* on comparative financial information.

As disclosed in note 2.1(C) of the inflation adjusted financial statements, the Bank did not comply with IAS 21 in the prior financial year, as it elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19") from 22 February 2019. Had the Bank applied the requirements of IAS 21, many of the elements of the prior year financial statements, which are presented as comparative information, would have been materially impacted. Therefore, the departure from the requirements of IAS 21 was pervasive in the prior year. In addition, the IAS 29 "Financial Reporting in Hyperinflationary Economies" inflation adjustments in prior year were applied to incorrectly determined balances, as a result of the non-compliance with IAS 21.

Our opinion on the current year's inflation adjusted financial statements is modified because of the possible effects of the matter on the comparability of the current year's inflation adjusted financial statements with those of the prior year.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section of our report, we have determined the matters described below to be the key audit matters.

To the Shareholders of First Capital Bank Limited

Report on the audit of the inflation adjusted financial statements

Key Audit Matters

Key Audit Matter	How the matter was addressed in the audit
1. Determination of expected credit losses on financial assets (continued)	
As disclosed in note 37.5 the expected credit losses (ECL) reflected in the inflation adjusted statement of financial position as at 31 December 2020 determined in accordance with International Financial Reporting Standard 9, "Financial Instruments" (IFRS 9), amounts to ZWL$94.4million (2019 ZWL$162 million). This was considered a key audit matter as the determination of the ECL requires significant judgement such as: • Models used to determine the ECL provisions are complex and might not have considered all relevant factors such as macroeconomic data for forecasts and the data used for historical analysis might not be accurate; and • The estimation of the key components of the expected credit loss such as probability of default, loss given default and exposure at default requires judgement in the determination of the inputs. The judgements and estimates used in the determination of the ECL have been detailed as per note 3 of the inflation adjusted financial statements.	To respond to the matter, we performed audit procedures which included: • Tested the design and implementation of controls around the determination of the expected credit losses; • Reviewed the Bank's IFRS 9 based impairment provisioning policy, compared it with the requirements of IFRS 9 and performed an independent assessment on the appropriateness of the model; • Reviewed the back-testing assessment to determine reasonableness of the prior year ECL balance; • Reviewed the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages; • Tested the assumptions used in the ECL calculations and assessed these for reasonability; • With the assistance of an auditors' specialist performed an independent assessment on the appropriateness of the model; • Reviewed the calculation of the Loss Given Default (LGD) used in the ECL calculations, including the appropriateness of the discounting of ECL performed by management and the resultant arithmetical calculations; • Assessed whether forward looking information has been incorporated into the Bank's ECL computations for all financial assets subject to IFRS 9 impairment and whether it is appropriate in light of the current economic environment; and • Evaluated the impact of any findings identified on the expected credit loss provision. • Evaluated the appropriateness of financial statement disclosures around the expected credit loss on financial statements. The disclosures and accounting were found to be appropriate in terms of the relevant accounting standards. The disclosures and accounting pertaining to the property was found to be appropriate in terms of the relevant accounting standards.
2. Valuation of properties	
As disclosed in note 3 of the inflation adjusted financial statements, the Bank has owner occupied properties, investment properties and investment in Makasa Sun which are recognised at fair value and are an area of significant judgement and estimates. The directors make use of independent external valuers in determining the fair values of property. Valuations by their nature involve the use of judgment and estimates which involve significant unobservable inputs such as • Market rentals • Risk yields The complexity and subjectivity of these may result in material misstatement. The current economic environment is extremely volatile given the valuation intricacies impacting property in the Zimbabwean market. We identified the valuation of investment property as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the level of judgement associated with determining the fair values including the applicable and most reasonable rate to use in the ZWL fair valuation of the USD valued properties. Judgements and estimates used in the valuation of properties have been disclosed as per note 3 of the inflation adjusted financial statements.	To respond to the matter, we performed the following procedures: • We assessed the competence, capabilities, objectivity and independence of the directors' independent valuers, and assessed their qualifications. • We made enquiries of the directors' independent external valuers to obtain an understanding of the valuation techniques and judgements adopted. • We assessed the work performed by the independent external valuers in valuing investment property by performing the following: - Reviewed the valuation methods used and assessed whether they are appropriate and consistent with the reporting requirements; - Assessed the reasonableness of expected rentals and risk yields by comparing to historic trends; - We performed physical verification of a sample of assets to determine whether the conclusion reached by the expert where consistent with the physical condition of the asset; - Assessed the reasonableness of the COVID discount applied by the property valuer on the Makasa Sun property by benchmarking against movements in the occupancy rates in the hotel industry as well as benchmarking against movements in the investment property valuations done in other entities for 2020. - Assessed reasonableness of using the interbank exchange rate in the valuation of United States Dollar (USD) denominated property valuations; and - Evaluated the financial statement disclosures for appropriateness and adequacy. • The disclosures and accounting pertaining to the property was found to be appropriate in terms of the relevant accounting standards.

To the Shareholders of First Capital Bank Limited
Report on the audit of the inflation adjusted financial statements

Key Audit Matters (continued)

3. Valuation of the financial asset relating to legacy debt	
As disclosed in Note 20 of the inflation adjusted financial statements, the Bank has recognised a receivable ZWL$879.2million from the Reserve Bank of Zimbabwe ("RBZ") for funding the Bank's foreign liability funding gap which arose after separation of RTGS and foreign currency balances by the Reserve Bank of Zimbabwe. The fair value of the receivable on initial recognition was determined as the present value of expected future cash flows discounted at a rate. Subsequently the receivable was recognised at amortised cost with an expected credit loss being recognised at year end. Given the materiality of the balance and the judgment applied in determining the timing of the cash flows and the discount rate applied in determining the fair value, we have determined this to be a key audit matter. The valuation assumptions are disclosed in Note 40.3 of the inflation adjusted financial statements.	To address this matter, we performed the following procedures: • We reviewed the foreign liability gap funding confirmations from the Reserve Bank of Zimbabwe ("RBZ"). To test the fair valuation of the receivable, we performed the following procedures: • Reviewed supporting documentation for the legacy debt including any agreements in place; • Engaged an audit specialist to evaluate the discount rate used by management as to whether it is appropriate as well as to evaluate the cashflow projections and the forecasts done by management; • This included assessing cash flows against historical performance and assessing growth rate effected in the forecast cashflows; and • Evaluated the appropriateness of financial statement disclosures. The disclosures and accounting were found to be appropriate in terms of the relevant accounting standards.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Responsibilities and approval, Chairman's statement, Managing Director's review of operations, Directors' report, Corporate governance statement, Analysis of Shareholding, Notice of Annual General Meeting, Annual General Meeting form of proxy and the historic cost financial information which we obtained prior to the date of this auditor's report. The other information does not include the inflation adjusted financial statements and our auditor's report thereon.

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

In connection with our audit of the inflation adjusted financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section above, the Bank changed its functional currency to the RTGS Dollar effective 22 February 2019. The date of change in functional currency as determined in accordance with IFRS is 1 October 2018. Consequently, the measurement of transactions between 1 October 2018 and 22 February 2019 does not comply with the requirements of IAS 21, as such, transactions have not been appropriately translated in accordance with these Standards. We have determined that the other information is misstated for that reason.

Responsibilities of the Directors for the inflation adjusted financial statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), the Banking Act (Chapter 24:20) and the Banking Amendment Act No. 12 of 2015, and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the inflation adjusted financial statements

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

To the Shareholders of First Capital Bank Limited
Report on the audit of the inflation adjusted financial statements

Auditor's responsibilities for the audit of the inflation adjusted financial statements (continued)

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In fulfilment of the requirements of Section 193 of the Companies and Other Business Entities Act (Chapter 24:31) ("the Act"), we report to the shareholders as follows.

Section 193(1)

Except for the of the matters described in the Basis for qualified opinion section of our report, the inflation adjusted financial statements of the Bank have been properly drawn up in accordance with the Act and do give a true and fair view of the state of the Bank's affairs as at 31 December 2020.

Section 193(2)

We have no matters to report in respect of the Section 193(2) requirements of the Act.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Tumai Mafunga
Partner
PAAB Practice Certificate Number 0042

19 March 2021


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First Capital Bank is a Registered Commercial Bank and a member of the Deposit Protection Scheme. Terms and conditions apply.
Belief comes first.
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Statement of Comprehensive Income

for the year ended 31 December 2020

		Inflation adjusted		*Historical	
		2020	2019	2020	2019
	Notes	ZWL000	ZWL000	ZWL000	ZWL000
Interest income	4	955 266	784 003	635 853	74 635
Interest expense	5	(103 578)	(49 060)	(74 471)	(3 998)
Net interest income		**851 688**	**734 943**	**561 382**	**70 637**
Net fee and commission income	6	1 321 680	1 008 757	923 243	100 720
Net trading and foreign exchange income	7	1 185 427	537 668	893 330	61 896
Net investment and other income	8	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	12	(104 160)	(346 154)	(56 682)	(30 048)
Net operating income		**3 275 876**	**2 123 542**	**2 571 742**	**267 797**
Staff costs	9	(572 051)	(687 848)	(363 364)	(58 136)
Infrastructure costs	10	(579 850)	(740 242)	(276 478)	(62 802)
Administration and general expenses	11	(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	25	(101 482)	674 557	736 666	228 242
Profit / (loss) before tax		**901 271**	**(493 524)**	**2 095 330**	**270 004**
Taxation	13.1	(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	21	(76 082)	602 591	710 264	220 431
Deferred tax		18 807	(148 960)	(170 243)	(53 992)
(Loss)/gain financial assets at fair value through other comprehensive income	17	(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)	14	**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 (d)**

Statement of Financial Position

as at 31 December 2020

		Inflation adjusted		*Historical	
		2020	2019	2020	2019
	Notes	ZWL000	ZWL000	ZWL000	ZWL000
Assets					
Cash and bank balances	**15**	6 358 334	5 064 201	6 358 334	1 128 936
Derivative financial instruments	**16**	3 690	-	3 690	-
Investment securities	**17**	1 019 087	1 039 810	1 019 087	231 800
Loans and receivables from banks	**18**	12 452	14 639	12 452	3 263
Loans and advances to customers	**19**	2 363 923	3 190 411	2 363 923	711 222
Other assets	**20**	1 947 867	1 373 730	1 826 107	278 471
Property and equipment	**21**	967 236	1 127 982	944 709	238 398
Investment properties	**22**	287 480	319 870	287 480	71 307
Investment in joint venture	**25**	975 969	1 087 751	975 969	242 487
Intangible assets	**23**	201 701	241 079	15 023	18 025
Right of use assets	**26.1**	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	**16**	62	-	62	-
Lease liabilities	**26.2**	95 756	72 377	95 756	16 135
Deposits from banks	**27**	104 677	176 644	104 677	39 379
Deposits from customer	**28**	8 815 986	9 181 640	8 815 986	2 046 816
Provisions	**29**	58 569	31 860	58 569	7 102
Other liabilities	**30**	1 540 242	653 200	1 539 652	142 817
Deferred tax liabilities	**32**	345 655	349 849	240 289	53 737
Current tax liabilities	**33**	30 160	-	30 160	-
Balances due to group companies	**43.5**	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	**34.1**	791 025	790 778	23 981	23 837
Non - distributable reserves	**34.3**	258 253	258 253	7 785	7 785
Fair value through other comprehensive income reserve	**34.4**	20 388	82 754	48 312	24 307
Revaluation reserves	**34.5**	437 890	524 914	704 763	171 374
Impairment reserve		456	3 510	456	783
Share - based payment reserve	**34.6**	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 (d)**

T. Mukuku
Chief Finance Officer

C. McSharry
Managing Director

P. Devenish
Chairman

V. Mutandwa
Company Secretary

10 March 2021

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**

Inflation adjusted 2019	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 2019 as previously recorded	**7 155**	**790 778**	**258 253**	**139 984**	**71 283**	**17 018**	**40 696**	**1 985 233**	**3 310 400**
Impact of change in accounting policy	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(30 070)**	**(30 070)**
Revised balance at 1 January 2019	7 155	790 778	258 253	139 984	71 283	17 018	40 696	1 955 163	3 280 330
Loss for the year	-	-	-	-	-	-	-	(732 479)	(732 479)
Other comprehensive income for the year	-	-	-	(57 230)	453 631	-	-	-	396 401
Total comprehensive income for the year	-	-	-	(57 230)	453 631	-	-	(732 479)	(336 079)
Recognition of share - based payments	-	-	-	-	-	-	318	-	318
Impairment of FVOCI financial assets	-	-	-	-	-	(13 508)	-	-	(13 508)
Balance at 31 December 2019	**7 155**	**790 778**	**258 253**	**82 754**	**524 914**	**3 510**	**41 014**	**1 222 684**	**2 931 062**

***Refer to note 2.1 (d)**

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

*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**

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

***Refer to note 2.1 (d)**

Statement of Cash Flows
for the year ended 31 December 2020

	Notes	Inflation adjusted 2020 ZWL000	Inflation adjusted 2019 ZWL000	*Historical 2020 ZWL000	*Historical 2019 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	12	104 862	348 603	57 105	30 215
Share of loss/ (profit) from joint venture	25	101 482	(674 557)	(736 666)	(228 242)
Fair value loss / (gain) on investment property	22	32 390	(144 712)	(216 173)	(59 073)
Dividend income from investment securities	8	(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	33	(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)**	**5 227 488**	**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	35	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	26	(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	15	**5 372 649**	**4 024 132**	**5 372 649**	**897 079**

***Refer to note 2.1 (d)**

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.

1. 2 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the effects of non-compliance with International Accounting Standard 21 (IAS 21) and in a manner required by the Companies and Other Business Entities Act, (Chapter 24:31), the Zimbabwe Banking Act (Chapter 24:20) and the Banking Amendment Act of 2015. Refer to note 2.1(c) for the disclosure of non-compliance with IFRS.

2. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated below in note 2.1.

2.1(a) Basis of preparation

The financial statements have been prepared on the basis of IAS 29 - Financial Reporting for Hyperinflationary Economies.

The Public Accountants and Auditors Board (PAAB) announced that the factors and characteristics of IAS 29 had been met and all financial statements for the period ending from 1 July 2019 should be prepared on IAS 29 basis. The historical cost financial information is re-stated for the changes in purchasing power (inflation) as a result the financial statements are stated in terms of the closing Consumer Price Index ("CPI") at the end of the reporting period.

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

Dates	All items CPI Index	Conversion factors
December 2020	2 474.51	1
December 2019	551.63	4.49

The procedures applied for the above restatement are as follows:
Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for the prior period are restated in the same terms.

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at balance sheet date.

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, yearly average or year-end 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

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

2.1(c) Functional and presentation currency

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

2019 financial year assessment

Statutory Instrument (S.I) 33 of 2019

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

Non compliance with IAS 21

S.I. 33 prescribed that assets and liabilities in United States dollars($) on or before 22 February be converted at 1:1 hence the Bank applied this legal requirement when converting balances as at 31 December 2018 to comply with local laws and regulations. As a result the Bank could not apply the requirements of IAS 21 which required a market exchange rate to be applied when converting balances into reporting currency or use of first subsequent rate when exchange rate is temporarily lacking resulting in non-compliance with IAS 21.

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

2.1 (d) 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.

2.2 Adoption of new and revised accounting standards

During the current year, the Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standard Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2020. Further details of major new and revised accounting policies adopted during the current year can be found in note 47.

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

The principal accounting policies are set out below:

2.3 Revenue recognition

i) Net fee and commission income

The Bank applies IFRS 15 – Revenue from contracts with customers. Net fee and commission income is calculated by subtracting fee and commission charges from fee and commission income. Fee and commission income relates to revenue earned for the rendering of services and is recognised net of any trade discounts , volume rebates and amounts received on behalf of third parties, such as sales taxes, goods and service taxes, and value added taxes. When the Bank is acting as an agent, amounts collected on behalf of the principal are not income. Only net commission retained by the Bank is, in this case, recognised as income.

Under IFRS 15 -Revenue from contracts with customers, entities are required to recognise revenue in a manner which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Fees and commission income earned in respect of services rendered are recognised on an accrual basis when the service is rendered.

Fees and commission expenses are expenses which are connected to the generation of fees and commission income. Operating expenses that happen to take the form of a fee payment are recognised within operating expenditure or other appropriate line item based on the nature of the cost.

ii) Net trading income

In accordance with IFRS 9 Financial Instruments, gains or losses on assets or liabilities reported in the trading portfolio which are measured at fair value are included in the profit or loss component of the statement of comprehensive income under gains and losses from banking and trading activities. Interest and dividends arising from long and short positions and funding costs relating to trading activities are also included under gains and losses from banking and trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.

Own credit gains/losses arise from the fair valuation of financial liabilities designated at fair value through the profit or loss component of the statement of comprehensive income.

iii) Net interest income

Interest income on loans and advances at amortised cost, debt instruments at fair value through other comprehensive income, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, direct and incremental fees and costs, over the expected lives of the assets and liabilities.

Net interest income also includes other interest income and other charges which are not recognised based on the effective interest method.

IFRS 9 requires interest income to be calculated on stage 1 or stage 2 financial assets by multiplying effective interest rate (EIR) by the gross carrying amount of such assets. In addition IFRS 9 requires interest income to be recognised on Stage 3 assets based on the net carrying amount (gross loan less expected credit loss allowance). To achieve this requirement the Bank first suspends the recognition of contractual interest and then adjusts by applying effective interest rate on the net carrying amount of the financial assets.

2.4 Leasing

All leases entered into by the Bank are primarily operating leases. IFRS 16 which became effective from 1 January 2019 prescribes different methodology to account for the leases compared to IAS 17. One of the key requirements being capitalisation of operating leases in the books of the lessor and recognising of a lease liability.

As lessor

The Bank enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

As a lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease payments change due to changes in payment terms, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The right of use assets are presented as a separate line in the statement of financial position.

The Bank applies IAS 36 to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

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

The Bank applied practical expedience on lease and non-lease components where for all contracts that contain a lease component and one or more additional lease or non-lease components, the Bank aggregates the consideration. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.5 Foreign currencies

In preparing the financial statements of the Bank, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

2.6 Employee benefits

Defined contribution schemes:

The Bank recognises contributions due to defined contribution plans as an expense as and when the services are rendered by employees that entitle them to such contributions. Any contributions unpaid at the reporting date are therefore included as a liability.

Defined benefit schemes:

The Bank has a defined benefit liability which relates to pensioners whose lifetime annuities were guaranteed by the Bank's Pension Fund, of which the Bank is the sponsor.

The Bank recognises its obligation (determined using the projected unit credit method) to members of the scheme at the period end, less the fair value of the scheme assets. Scheme assets are stated at fair value as at the reporting period end.

Costs arising from regular pension cost, interest on net defined benefit liability or asset, past service cost settlements or contributions to the plan are recognised in profit or loss.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses and the effect of the asset ceiling (if applicable) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Adjustments recorded in other comprehensive income are not recycled. However, the Bank may transfer those amounts recognised in other comprehensive income within equity.

Interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Gains and losses on curtailments are recognised when the curtailment occurs, which may be when a demonstrable commitment to a reduction in benefits, or reduction in eligible employees, occurs. The gain or loss comprises any change in the present value of the obligation and the fair value of the assets. Where a scheme's assets exceed its obligation, an asset is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions.

The Bank faces a number of actuarial risks such as;

Investment risk - Actual returns maybe less than what is anticipated which may result in less assets to cover the benefits therefore the Bank will have to fund the shortfall.

Longevity risk - pensioners may live longer than expected resulting in an increase in pension liability.

Measurement risk- the liability is measured using various assumptions including discount rate and inflation. These variables may fluctuate than anticipated.

Regulatory risk - pension liabilities are measured based on current rules, however there may changes to the rules resulting from the regulatory changes.

Post-employment medical aid plans

The Bank was providing health care assistance through an independent medical aid society to those of its retirees that had remained in service up to retirement age. This benefit is no longer being offered as the fund was curtailed in 2016.

Staff costs

Short-term employee benefits, including salaries, accrued performance costs, salary deductions and taxes are recognised over the reporting period in which the employees provide the services to which the payments relate. Performance costs are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably and are recognised on an undiscounted basis over the period of service that employees are required to work to qualify for the services.

Fair value loss from staff loans relating to the differential between staff loans interest rates and market rate is expensed over the life of the loan.

2.7 Share-based payments

The Bank operates a local equity-settled share-based payment plan.

Employee services settled in equity instruments

The cost of the employee services received in respect of the shares or share options granted is recognised in profit or loss over the period that employees provide services, generally the period in which the award is granted or notified and the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions.

2.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Income tax payable on taxable profits is recognised as an expense for the year in which the profits arise.

Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior reporting period.

Provisions are recognised for pending tax audit issues based on estimates of whether additional taxes will be due after taking into account legal advice, progress made in the discussions or negotiations with tax authorities and previous tax precedents.

Where the outcome of such matters is different from the amounts provided, the amounts will affect current period only.

Deferred taxation

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax not recognised in profit or loss

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.9 Property and equipment

Land and buildings are shown at fair value, based on periodic valuation done at least every two years by external independent valuers, less subsequent accumulated depreciation and impairment for buildings. Fair value changes are reviewed annually. Where there are significant changes in fair value, revaluation is done annually. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. All other property and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes costs that are directly attributable to the acquisition of the items.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

For an estimate of useful lives refer to note 3 - Judgements and Estimates xii - (Useful lives and residual values).

2.10 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.11 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the assets are re-measured in accordance with the Bank's accounting policies. Thereafter the assets are measured at the lower of their carrying amount or fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the profit or loss component of the statement of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss until finally sold.

Property and equipment, once classified as held for sale, are not depreciated or amortised.

2.12 Investment in joint venture

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control through a company, partnership or other entity. Joint control exists only when the strategic, financial and operating decisions relating to the activity require unanimous consent of the venturers.

The results, assets and liabilities of a jointly controlled entity are incorporated in these financial statements using the equity method of accounting. The investment in a jointly controlled entity is carried in the balance sheet at cost, plus post-acquisition changes in the Bank`s share of net assets in the entity, less distributions received and less any impairment in the value of the investment. The Bank`s profit or loss statement reflects the Bank`s share of profit after tax of the jointly controlled entity.

The Bank assesses investments in jointly controlled entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

The Bank ceases to use the equity method of accounting on the date from which it no longer has joint control or significant influence over the joint venture, or when the interest becomes held for sale.

2.13 Intangible assets – Computer Software

Intangible assets include acquired core banking, switch and other software and licences which are accounted for in accordance with IAS 38 Intangible Assets. The asset which is controlled by the entity, must be separately identifiable, reliably measured and should be probable that future economic benefits will arise from the asset.

Implementation costs are capitalised only if they can be measured reliably and the asset will bring future economic benefits. Other implementation expenditure not meeting this definition will be expensed.

Intangible assets are stated at cost less accumulated amortisation and any provision for impairment. The assets are amortised over their useful lives in a manner that reflects the pattern in which they contribute to future cash-flows.

Impairment of tangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless if it relates to a an asset accounted for under revaluation model where the impairment will be accounted for in equity as a revaluation decrease up to the extent of previous revaluation surpluses.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss or in equity for the assets which are accounted for under the revaluation model.

2.14 Provisions, contingent liabilities and undrawn commitments

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote.

At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) and the amount initially recognised less cumulative amortisation recognised in accordance with IFRS 15.

Undrawn commitments

Under IFRS 9, the provision for impairment for undrawn commitments is provided for depending on the nature of the product. Depending on the product any undrawn commitment will be included in Exposure At Default (EAD). For 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. Term loans EAD is the term limit while for short term loans and retail loans the EAD is the drawn balance.

2.15 Financial instruments

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are capitalised to the initial carrying amount of the financial asset/liability, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of significant unobservable inputs, the difference between the model valuation and the initial transaction price (Day One profit) is recognised in profit or loss either on a straight-line basis over the term of the transaction, or over the reporting period until all model inputs will become observable where appropriate, or released in full when previously unobservable inputs become observable.

2.16 Financial assets and financial liabilities

Financial assets mapping table vs. accounting policies

The following table shows the classification of financial assets, the business model and the subsequent measurement.

Financial instrument	Business model	IFRS 9 classification	IFRS9 subsequent measurement
Loans and advances to customers	Hold to collect contractual cash-flows	Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Staff loans are measured at market interest rates and fair value loss is expensed as staff costs.
Loans and receivable from banks (held for investment purposes)	Hold to collect contractual cash-flows	Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange on derecognition is recognised in profit or loss.
Investment securities-debt (held for liquidity purposes)	Hold to collect contractual cash-flows and sell	Financial assets at fair value through Other Comprehensive Income (OCI)	These assets are subsequently measured at fair value. Interest income impairment is recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Investment securities-equity	Other business model	Financial assets at fair value through Other Comprehensive Income	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly are recognised in OCI and are never reclassified to profit or loss.
Investment securities-debt (held for trading)	Hold to sell	Financial assets at fair value through Other Comprehensive income(OCI)	These assets are subsequently measured at fair value. Net gains are recognised in profit or loss.
Other assets; NOP receivable	Other	Financial assets at fair value through PL	The asset is subsequently measured at fair value through PL

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:
i) Amortised cost;
ii) Fair Value Through Other Comprehensive Income (FVOCI) – debt investments;
iii) Fair Value Through Other Comprehensive Income – equity investments or;
iv) Fair value through profit or loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The categories of financial assets and business models are explained as follows:

i) Hold to collect contractual cash-flows - financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
a) It is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
b) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.
- These assets are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Interest income of loans and debt instruments in stage 1 and stage 2 is recognised on the outstanding loan balance based on original effective interest rate. When loans are in stage 3 interest income is recognised only on the expected recoverable balance.

The financial assets in this category include the loans and advances, debt instruments held for investment and bank balances.

ii) Hold to collect contractual cash-flows and sell - financial assets at fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
a) It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

These assets include debt instruments held for liquidity management.

iii) Other business models - equity investments at fair value through OCI

On initial recognition of an equity investment that is not held for trading, the Bank irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. These assets include equity investments.

iv) Hold to sell - financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. They are held for selling and profit making. The assets are subsequently measured at fair value. Gains and losses are recognised in the P or L. These assets include debt instruments held for selling and derivatives.

Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

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

Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new ' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition.

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Modified loans are assessed for significant increase in credit risk, if there is a significant increase in credit risk the loan will be downgraded to stage 2 and lifetime impairment will be calculated.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

The Bank assesses on a forward-looking basis the expected credit losses (ECLs) associated with its debt instrument assets, loans and advances carried at amortised cost and FVOCI and with the exposure arising from loan commitments, bank balances and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date.

Subsequent increases or decreases in impairment will be recorded in the statement of comprehensive income.

Expected credit loss measurement

- ECLs are measured on either a 12 month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered credit impaired.
- ECLs are a probability-weighted discounted product of Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).
- ECLs are discounted at the effective interest rate of the portfolio.
- The maximum period considered when estimating ECLs is the maximum contractual period over which the Banks exposed to credit risk.
- The Bank uses a portfolio based approach to calculation of ECLs. The portfolios are segmented into retail and corporate and further by product.
- 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. The loss allowance is measured on either of the following basis:

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

These are ECLs on financials instruments not credit impaired on initial recognition and they are in the performing grade. These are a portion of lifetime ECLs that result from possible default events within the 12 months after the reporting date. The ECLs are measured on the assets with the following grading:

- Corporate loans with regulatory grades from 1 – 3
- Retail loans graded in bucket 0 and bucket 1 (bucket 0 no missed instalment, bucket 1 instalment overdue but less than 30 days)
- Debt securities, loans to banks and bank balances which are performing grade
- These are a product of 12 month PD, 12 month LGD and EAD

ii) Lifetime ECLs (Stage 2 – significant increase in credit risk)

These are ECLs that result from all possible default events over the expected life of a financial instrument.
These ECLs are measured on assets with significant increase in credit risk since initial recognition.

- 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 89 days past due)
- Debt securities, loans to banks and bank balances classified from grade 4 - 7 or standard monitoring grade
- These are a product of lifetime PD, lifetime LGD and EAD

iii) Lifetime ECLs (Stage 3 – default)

These ECLs are measured on all credit impaired/ in default credit exposures.

- These are corporates in regulatory grade 8 - 10 and retail loans in bucket 4, and debt securities, loans to banks, bank balances in default
- All exposures which are 90 days past due
- These are a product of default PD, lifetime LGD and EAD

Note 37.5 provides more detail of how the expected credit loss allowance is measured.

Significant increase in credit risk (SICR)

When determining whether the credit risk of a financial asset has increased significantly since initial recollection 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 including forward looking information.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

Uncollectable loans are written off against the related allowance for loan impairment on completion of the Bank's internal processes and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the profit or loss component of the statement of comprehensive income.

Benchmarking ECL

Corporate exposures

The ECL for all financial instruments portfolios is determined from an impairment model. However due to lack of enough historical information on corporate portfolio defaults from which PD and LGD are derived, a judgemental benchmarking is used parallel to the corporate model output. The higher of benchmarking ECL and the model output is considered as the final ECL stock.

Treasury

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

Retail

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

De-recognition of financial assets

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

Financial liabilities

All financial liabilities are held or measured at amortised cost with the exception of derivative liabilities. The Bank did not elect to irrevocably designate financial liabilities as measured at fair value through profit or loss as permitted by IFRS 9.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss component of the statement of comprehensive income. Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.16.1 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary share capital

Proceeds are included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the Board.

2.16.2 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of impairment allowance measured in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies of IFRS 15.

Any increase in the liability relating to guarantees is recognised in profit or loss. Any liability remaining is credited to profit or loss when the guarantee is discharged, cancelled or expires.

2.16.3 Loan commitments

The Bank enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Bank subject to notice conditions. Provision is made for undrawn loan commitments to be provided at below-market interest rates and for similar facilities, if it is probable that the facility will be drawn and result in recognition of an asset at an amount less than the amount advanced.

2.17 Derivative financial instruments

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

2.18 Offsetting

In accordance with IAS 32 Financial Instruments: Presentation, the Bank reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a current legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.19 Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises cash on hand and demand deposits with banks and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

2.20 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Bank and the number of basic weighted average number of ordinary shares excluding treasury shares held in employee benefit trusts or held for trading. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive potential ordinary shares held.

Headline earnings per share is calculated using profit attributable to ordinary shareholders adjusted for non-ordinary transactions divided by the basic weighted average number of ordinary shares

2.21 Segment reporting

Management has determined the operating segments based on the reports reviewed by the Country Management Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8 Operating Segments. The Country Management Committee assesses the performance of the operating segments monthly based on a measure of profit or loss. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and legal expenses. The measure also excludes the effects of equity-settled share-based payments and unrealised gains or losses on financial instruments.

The Bank has four broad business segments:

1. Retail banking - focuses on individual customers with product offering that incorporates direct debit facilities, current and savings accounts, investment savings products, safe custody, debit cards, consumer loans and mortgages.

2. Business banking - focuses on small to medium enterprises with product offering similar to retail banking.

3. Corporate banking - focuses on large corporates, multi-nationals and non-governmental organisations. Product offering includes current accounts, overdrafts, loans and foreign currency products.

4. Treasury - focuses on management of the overall Bank operating asset balances and balance sheet structure. Main products include financial instruments and foreign currency trading

Revenue allocated to the segments is from external customers who are domiciled in Zimbabwe. There were no trading revenues from transactions with a single external customer that amounted to 10% or more of the Bank's revenues. Costs incurred by support functions are allocated to the business segments on the basis of the determined cost drivers.

3. Judgements and estimates

In the preparation of the annual financial statements, management is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

Judgements made by management that could have a significant effect on the amounts recognised in the financial statements include:

i) Functional currency

Determination of the functional currency

This was a critical judgement area in the prior years given the existing legislation on the currency of the country compared to the substance over form of currency in use. In 2018, the transactional activity on the ground was pointing to a different functional currency than the legislated currency thereby resulting in a significant judgement on the currency. Refer to note 2.1 (c), section for functional and presentation currency.

ii) Measurement of the expected credit loss allowance (ECL)

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 37.5(c-e), which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL such as determination of EAD PD;
- Establishing the number and relative weightings of forward -looking scenarios for each type of product market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 37.5(c-e)

iii) Income taxes
The Bank is subject to income tax in Zimbabwe. Significant judgement is required in determining the income tax payable. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from amounts that were initially recognised, such differences will impact the income and deferred income tax provisions in the period in which such determination is made.

iv) Fair value of share options
The fair value of share options that are not traded in an active market is determined using valuation techniques. The Bank uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of outstanding share options during the year was determined by reference to the Black Scholes Model.

v) Defined benefit pension scheme
The Barclays Bank Pension Fund manages retirement funds for the active members and pensioners. The assets of the funds are managed as one composite pool, with no separation for the active members and pensioners. A review of the Fund resulted in the conclusion that the provision of pension annuities to pensioners was a significant defined benefit. As a result, a valuation is performed based on IAS 19; Employee Benefits for the whole Fund for both the assets and liabilities. In determining the liability, assumptions relating to life expectancy of pensioners, discount rate and expected investment returns which are judgemental in nature are applied.

vi) Investment property and investment in Makasa Sun
The fair value of investment property is based on the nature, location and condition of the asset. The fair value is calculated by reference to the price that would be received to sell the property in an orderly transaction at measurement date or value determined by capitalisation of market rentals. Given the property pricing distortions in the market, sellers withholding properties for sale in local currency, unavailability of sales information and which currency sales are made, valuation of properties becomes a significant judgement area.

Fair value of Makasa Sun, which is an investment in a hotel located in Victoria Falls is an area of significant judgement given the specialised nature of the property and limited hotel sales activity. The fair value is determined by capitalisation of future deferred revenue and also reference to recent offers by potential buyers.

Sensitivity assessment
The fair values of the above properties were determined in United States Dollars (USD) and converted to Zimbabwe Dollars (ZWL) at the closing interbank rate of 1 USD: 81.7866 ZWL. A 50% increase in the exchange rate results in an increase in the property values by ZWL629 million.

vii) FVOCI - treasury bills and bonds
These instruments are not actively traded hence the valuation inputs are unobservable. The unobservable inputs are generally determined based on inputs of similar nature or historical observations. Treasury bills are fair valued based on yields of recent treasury bill issues.

viii) FVOCI - equity instruments (Zimswitch investment)
The fair value of these unquoted equity investments was determined using dividend growth model. Dividend growth in perpetuity was estimated using the weighted average cost of capital of the investment. Estimation of the cost of equity and future cash flows is an area of significant judgement.

ix) Owner occupied property
The fair value of property is based on the nature, location and condition of the asset. The fair value is calculated by reference to the price that would be received to sell the property in an orderly transaction at measurement date, or value determined by capitalisation of market rentals. Given the property pricing distortions in the market, sellers withholding properties for sale in local currency, unavailability of sales information and which currency sales are happening in, valuation of properties becomes a significant judgement area.

Sensitivity assessment
The fair values of the above properties were determined in United States Dollars (USD) and converted to Zimbabwe Dollars (ZWL) at the closing interbank rate of 1 USD: 81.7866 ZWL. A 50% increase in the exchange rate results in an increase in the property values by ZWL462 million.

x) Other assets - Net Open Position (NOP) support receivable from RBZ
Determination of the present value of the future cash flows to be received under the NOP support by the RBZ is an area of significant judgement, given the assumptions relating to timing of cash flows and the discount rate applied on the USD denominated cash flows.

xi) Conversion of foreign currency transactions and balances at Interbank exchanges rates

The Bank used the interbank exchanges rates to foreign currency balances at 31 December 2018 and 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.

xii) Useful lives and residual values

Depreciation on other assets is calculated using the straight – line method to allocate the cost down to the residual values over their estimated useful lives, see below:

	Useful lives Years
Property and equipment	
Buildings	50
Furniture and fittings	5
Computers	3 - 5
Office equipment	5
Motor vehicles	5
Intangible asset computer software	6

		Inflation adjusted		Historical	
		2020	2019	2020	2019
4	**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**
5	**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)**
6	**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	
		2020	2019	2020	2019
7	**Net trading and foreign exchange income**	ZWL000	ZWL000	ZWL000	ZWL000
	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**
8	**Net investment and other income**				
	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**
9	**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
10	**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)**

		Inflation adjusted		Historical	
		2020	2019	2020	2019
11	**Administrative and general expenses**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	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)**
12	**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)**
13.	**Taxation**				
13.1	**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)**
	Income tax recognised in profit or loss: reconciliation of tax expense amount				
	Profit for the year	**901 271**	**(493 520)**	**2 095 330**	**270 004**
	Income tax expense calculated at 24.72%	(222 794)	127 081	(517 966)	(69 526)
	Effect of income that is exempt from taxation	43 788	321 800	212 444	80 183
	Effect of expenses that are not deductible in determining taxable profit	(178 881)	(499 594)	(94 533)	(13 516)
	Change in tax rate	-	(4)	-	(1)
	Other	(71 136)	(188 238)	42 629	(2 954)
	Income tax expense recognised in profit or loss	**(429 023)**	**(238 955)**	**(357 426)**	**(5 814)**
	Statutory tax rate	**24.72%**	**25.75%**	**24.72%**	**25.75%**
	Effective income tax rate	**47.60%**	**48.42%**	**17.06%**	**2.15%**
	Adjusted operating tax rate (excluding investment property valuations)	**41.45%**	**18%**	**31.28%**	**(33.58%)**

		Inflation adjusted		Historical	
		2020	2019	2020	2019
13.2	**Income tax recognised in other comprehensive income**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	Deferred tax				
	Fair value remeasurement of FVOCI financial assets	2 863	3 352	(1 587)	(127)
	Property revaluations	18 807	(148 960)	(170 243)	(53 992)
	Total income tax through other comprehensive income	**21 670**	**(145 608)**	**(171 830)**	**(54 119)**

		Inflation adjusted		Historical	
		2020	2019	2020	2019
14	**Earnings per share**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
a)	**Basic earnings per share**				
	Earnings attributable to ordinary equity holders	**472 248**	**(732 479)**	**1 737 904**	**264 190**

	2020 Number of shares	2019 Number of shares	2020 Number of shares	2019 Number of shares
Issued shares at the beginning of the reporting year	2 156 720 176	2 155 630 176	2 156 720 176	2 155 630 176
Shares issued during the year	932 877	-	932 877	-
Weighted average number of ordinary shares	**2 157 653 053**	**2 155 630 176**	**2 157 653 053**	**2 155 630 176**

	Cents	Cents	Cents	Cents
Basic earnings per share (cents)	**21.89**	**(33.98)**	**80.55**	**12.26**

		Inflation adjusted		Historical	
		2020	2019	2020	2019
b)	**Diluted earnings per share**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	Earnings attributable to ordinary equity holders	**472 248**	**(732 479)**	**1 737 904**	**264 190**

	2020 Number of shares	2019 Number of shares	2020 Number of shares	2019 Number of shares
Weighted average number of ordinary shares	2 157 653 053	2 155 630 176	2 157 653 053	2 155 630 176
Adjustment for share options issued at no value	4 279 055	3 407 769	4 279 055	3 407 769
Diluted average number of ordinary shares	**2 161 932 108**	**2 159 037 945**	**2 161 932 108**	**2 159 037 945**

	Cents	Cents	Cents	Cents
Diluted earnings per share (cents)	**21.84**	**(33.93)**	**80.39**	**12.24**

		Inflation adjusted		Historical	
		2020	2019	2020	2019
c)	**Headline earnings per share**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
	Earnings attributable to ordinary equity holders	**472 248**	**(732 479)**	**1 737 904**	**264 190**
	Non operational transactions				
	Fair value loss/ (gain) on investment property	32 390	(144 712)	(216 173)	(59 073)
	Share of fair value loss/ (gain) in joint venture	101 482	(674 557)	(736 666)	(225 421)
	Impairment on RBZ receivable	47 769	43 261	23 362	9 644
	Dividends received	(46 759)	-	(23 852)	(4 429)
	RBZ NOP Support revaluation	(278 453	-	(195 614)	-
	Total effect of non operational transactions	**(143 571)**	**(776 008)**	**(1 148 943)**	**(279 279)**
	Non routine transactions				
	Redundancy	41 544	88 348	38 732	9 059
	Migration costs - technology	10 843	245 149	1 976	21 948
	Migration costs other	11 992	-	11 397	-
	COVID -19 Related costs	57 449	-	28 096	-
	Letters of credit revaluation gains	(381 961)	-	(361 564)	-
	Net monetary loss	261 926	1 036 006	-	-
	Total effect of non routine transactions	**1 793**	**1 369 503**	**(281 363)**	**31 007**
	Headline earnings	**330 470**	**(138 984)**	**307 597**	**20 347**

	2020 Number of shares	2019 Number of shares	2020 Number of shares	2019 Number of shares
Weighted average number of ordinary shares	2 157 653 053	2 155 630 176	2 157 653 053	2 155 630 176
Diluted average number of ordinary shares	**2 157 653 053**	**2 155 630 176**	**2 157 653 053**	**2 155 630 176**

	Cents	Cents	Cents	Cents
Headline earnings per share (cents)	**15.32**	**(6.45)**	**14.26**	**0.74**

		Inflation adjusted		Historical	
		2020	2019	2020	2019
15	**Cash and bank balances**	ZWL000	ZWL000	ZWL000	ZWL000
	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**
15.1	**Cash & cash equivalents**				
	Cash & bank balances before impairment	6 358 606	5 067 161	6 358 606	1 129 596
	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**

16 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)**	**-**
17	**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**
17.1	**Treasury bills and bonds**				
	Balance at beginning of year	**922 341**	**7 876 122**	**205 613**	**281 189**
	Additions	3 867 092	1 725 801	3 644 749	341 272
	Accrued interest	46 244	20 967	18 025	3 401
	Maturities	(3 868 830)	(8 699 006)	(2 901 079)	(421 382)
	Changes in fair value	2 021	(1 543)	1 560	1 133
	Balance at the end of the year	**968 868**	**922 341**	**968 868**	**205 613**
17.2	**Equity securities**				
	Balance at beginning of year	**117 469**	**176 508**	**26 187**	**7 812**
	Changes in fair value	(67 250)	(59 039)	24 032	18 375
	Balance at 31 December	**50 219**	**117 469**	**50 219**	**26 187**
	Total balance at 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
18	**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.

		Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
19	**Historical and inflation adjusted 2020**				
	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
20	**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 expected credit losses	**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	617 741	704 724	137 709
	Total	**1 947 867**	**1 373 729**	**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. Refer to note 40.3 for the valuation assumptions. The receivable is estimated to be fully recovered over a period of 4.5 years (2019: 5.5years).

21 Property and equipment Inflation adjusted 2020	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Assets under development ZWL000	Total ZWL000
Balance at beginning of year	**1 025 455**	**39 895**	**9 783**	**9 409**	**43 440**	**-**	**1 127 982**
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 the 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)	(123 312)	-	(533 495)
Carrying amount at end of the year	**924 352**	**21 647**	**8 973**	**2 830**	**9 434**	**-**	**967 236**
Inflation adjusted 2019							
Balance at beginning of year	**465 749**	**69 216**	**26 204**	**18 796**	**78 442**	**242 915**	**901 322**
Additions	-	17 461	5 242	2 335	1 557	-	26 595
Revaluation	602 591	-	-	-	-	-	602 591
Disposals	-	-	-	-	(2 230)	-	(2 230)
Transfers to intangible assets (Note 23)	-	-	-	-	-	(242 915)	(242 915)
Transfers to investment properties	(31 800)	-	-	-	-	-	(31 800)
Depreciation charge	(11 085)	(46 782)	(21 663)	(11 722)	(34 329)	-	(125 581)
Carrying amount at end of the year	**1 025 455**	**39 895**	**9 783**	**9 409**	**43 440**	**-**	**1 127 982**
Cost or valuation	1 025 455	249 864	113 035	60 706	170 713	-	1 619 773
Accumulated depreciation and impairment	-	(209 969)	(103 252)	(51 297)	(127 273)	-	(491 791)
Carrying amount at end of the year	**1 025 455**	**39 895**	**9 783**	**9 409**	**43 440**	**-**	**1 127 982**

Property and equipment Historical 2020	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Assets under development ZWL000	Total ZWL000
Balance at beginning of year	**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 the year	**924 352**	**10 182**	**7 032**	**2 329**	**814**	**-**	**944 709**
Historical 2019							
Balance at beginning of year	**16 715**	**2 387**	**1 001**	**622**	**2 555**	**7 322**	**30 602**
Additions	-	3 874	1 136	504	298	-	5 812
Revaluation	220 431	-	-	-	-	-	220 431
Disposals	-	-	-	-	(351)	-	(351)
Transfers to intangible assets	-	-	-	-	-	(7 322)	(7 322)
Transfers to investment properties	(7 089)	-	-	-	-	-	(7 089)
Depreciation charge on disposals	-	-	-	-	276	-	266
Depreciation charge	(1 458)	(1 032)	(310)	(264)	(897)	-	(3 961)
Carrying amount at end of the year	**228 599**	**5 229**	**1 827**	**862**	**1 881**	**-**	**238 398**
Cost or valuation	228 599	10 961	4 410	2 267	5 129	-	251 366
Accumulated depreciation and impairment	-	(5 732)	(2 583)	(1 405)	(3 248)	-	(12 968)
Carrying amount at end of the year	**228 599**	**5 229**	**1 827**	**862**	**1 881**	**-**	**238 398**

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 40) based on the inputs to the valuation technique used.

		Inflation adjusted		Historical	
		2020	2019	2020	2019
22	**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 40) based on the inputs to the valuation technique used.

		Inflation adjusted		Historical	
		2020	2019	2020	2019
23	**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	262 530	262 530	20 276	20 276
	Accumulated amortisation	(60 829)	(21 451)	(5 253)	(2 251)
	Balance at 31 December	**201 701**	**241 079**	**15 023**	**18 025**

Intangible assets comprise of acquired core banking, switch and other software and licences, armotised over a period of 6.7 years. Amortisation for the year was ZWL39 380 000 (2019:21 451 000) and included under infrastructure costs.

24	**Non - current assets held for sale**				
	Balance at beginning of year	**-**	**92 111**	**-**	**14 829**
	Transfer to investment in joint venture	-	(92 111)	-	(14 829)
	Balance at 31 December	**-**	**-**	**-**	**-**

Non - current assets held for sale relates to investment in Makasa sun, that was reclassified as joint venture in 2019.

		Inflation adjusted		Historical	
		2020	2019	2020	2019
25	**Investment in joint venture**	ZWL000	ZWL000	ZWL000	ZWL000
	Summarised financial information				
	Revenue	7 861	112 648	7 565	7 636
	Fair value gain on investment property	(207 806)	2 128 834	1 540 095	474 570
	(Loss) / profit for the year	(202 964)	1 349 114	1 473 332	456 484
	Total comprehensive income	**(202 964)**	**1 349 114**	**1 473 332**	**456 484**
	Non - current assets	2 044 665	2 263 408	2 044 665	504 570
	Current assets	3 346	6 038	3 346	1 346
	Non - current liabilities	102 233	106 442	102 233	23 729
	Current liabilities	1 515	8 837	1 515	1 970
	Bank's interest in investment				
	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 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
26	Leases	ZWL000	ZWL000	ZWL000	ZWL000
26.1	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**
26.2	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)**
27	Deposits from banks				
	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**
28	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.

Concentration of customer deposits	Inflation adjusted 2020 ZWL000	%	2019 ZWL000	%	Historical 2020 ZWL000	%	2019 ZWL000	%
Trade and services	2 901 080	33	3 379 125	37	2 901 080	33	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**

29 Provisions

	Inflation adjusted 2020 ZWL000	2019 ZWL000	Historical 2020 ZWL000	2019 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.

30 Other liabilities

	Inflation adjusted 2020 ZWL000	2019 ZWL000	Historical 2020 ZWL000	2019 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**

31 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.

31.1 Composition of pension fund plan assets

	Inflation adjusted 2020 ZWL000	2019 ZWL000	Historical 2020 ZWL000	2019 ZWL000
Cash and bank balances	13 073	32 249	13 073	7 189
Equity and unity trusts	478 278	244 266	478 278	54 453
Money market	75 261	90 587	75 261	20 194
Properties	2 272 441	783 407	2 272 441	174 641
Other	13 993	2 647	13 993	590
Total	**2 853 046**	**1 153 155**	**2 853 046**	**257 067**

31.2 Defined contribution plans

The defined contribution pension plan, to which the Bank contributes 100%, is provided for permanent employees. Over and above the Bank's contribution, the employee contributes 6%. Under this scheme, retirement benefits are determined by reference to the employees' and the Bank's contributions to date and the performance of the Fund.

All employees are also members of the National Social Security Authority Scheme, to which both the employer and the employees contribute. The Bank contributes 4.5% of pensionable emoluments (maximum ZWL5000) for eligible employees.

31.3 Defined benefit pension plans

The Fund provides for annuities for those pensioners who opted not to purchase the annuity from an external insurer at the point of retirement. All annuities are now purchased outside the Fund at the point of retirement.

The provision of pension annuities to pensioners is a significant defined benefit. As a result, a valuation was performed based on IAS 19; Employee Benefits for the whole Fund for both the assets and liabilities.

Summary of the valuation is shown below:

	Inflation adjusted		Historical	
	2020	2019	2020	2019
31.4 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**

This surplus is attributable to the Fund and the Trustees have discretion as to the application and appropriation of the surplus. The surplus could not be recognised as an asset by the Bank because the Bank will not receive any future benefits from the surplus in the form of contribution holidays or refunds. The Fund rules clearly state that the Bank will not be paid any refund relating to the surplus. In addition the Bank is currently not making any additional contributions for the pensioners, therefore, there will be no benefit to the Bank arising from reduced contributions or contribution holiday.

Movements in the present value of the defined benefit obligation in the current year were as follows:

	Inflation adjusted		Historical	
	2020	2019	2020	2019
Movement in present value of obligation	ZWL000	ZWL000	ZWL000	ZWL000
Opening present value	18 063	76 631	18 063	17 083
Interest cost	14 177	1 718	14 177	383
Surplus allocated to pensioners	581 162	8 294	581 162	1 849
Benefits paid	(5 116)	(8 362)	(5 116)	(1 864)
Remeasurement of obligation	405	2 745	405	612
Present value at 31 December 2019	**608 691**	**81 027**	**608 691**	**18 063**
Principal actuarial assumptions				
Discount rate	2%	2%	2%	2%
Average life expectancy in years of pensioner retiring at 60 - Male	18	18	18	18
Average life expectancy in years of pensioner retiring at 60 - Female	22	22	22	22
Sensitivity of key principal assumptions	**Increase in DB obligation**			
Decrease in discount rate (0.5%)	37 656	4 535	37 656	1 011
Increase in life expectancy (1 year)	19 773	2 418	19 773	539

32 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**

Deferred tax assets and liabilities are attributable to the following:

Inflation adjusted 2020	Balance at period start ZWL000	Recognised in P/L ZWL000	Recognised in OCI ZWL000	Recognised directly in equity ZWL000	Balance at period end ZWL000
Assets/(liabilities)					
Property and equipment	372 768	4 525	(22 250)	(7 800)	347 244
Investment property	14 404	(30)	-	-	14 374
Investment securities	5 727	-	(2 863)	-	2 864
Impairments	(30 057)	6 610	-	-	(23 447)
Prepaid expenses	30 791	(26 368)	-	-	4 423
Deferred revenue	(14 478)	(1 501)	-	-	(15 979)
Provisions	(9 249)	(7 831)	-	-	(17 081)
Other items	(20 057)	53 314	-	-	33 257
Total	**349 849**	**28 719**	**(25 113)**	**(7 800)**	**345 655**
Inflation adjusted 2019					
Assets/(liabilities)					
Property and equipment	131 641	131 937	109 190	-	372 768
Investment property	7 168	7 236	-	-	14 404
Investment securities	30 474	-	(24 747)	-	5 727
Impairments	(57 642)	27 585	-	-	(30 057)
Prepayments	-	30 791	-	-	30 791
Deferred revenue	(15 270)	792	-	-	(14 478)
Provisions	(17 845)	8 596	-	-	(9 249)
Other items	-	(20 057)	-	-	(20 057)
Total	**78 525**	**186 880**	**84 443**	**-**	**349 849**
Historical 2020					
Assets/(liabilities)					
Property and equipment	62 667	12 763	170 243	-	245 673
Investment property	3 213	11 163	-	-	14 376
Investment securities	1 277	-	1 587	-	2 864
Impairments	(6 701)	(16 235)	-	-	(22 936)
Deferred revenue	(3 228)	(12 606)	-	-	(15 834)
Provisions	(2 678)	(14 404)	-	-	(17 082)
Other items	(813)	34 041	-	-	33 228
Total	**53 737**	**14 722**	**171 830**	**-**	**240 289**
Historical 2019					
Assets/(liabilities)					
Property and equipment	4 655	4 020	53 992	-	62 667
Investment property	257	2 956	-	-	3 213
Investment securities	1 150	-	127	-	1 277
Impairments	(2 069)	(4 632)	-	-	(6 701)
Deferred revenue	(548)	(2 680)	-	-	(3 228)
Provisions	(641)	(2 037)	-	-	(2 678 8)
Other items	-	(813)	-	-	(813)
Total	**2 804**	**(3 186)**	**54 119**	**-**	**53 737**

		Inflation adjusted		Historical	
		2020 ZWL000	2019 ZWL000	2020 ZWL000	2019 ZWL000
33	**Taxation paid**				
	Tax receivable at the beginning of the year	25 279	33 487	5 635	1 201
	Current tax expense	(400 304)	(120 321)	(342 704)	(9 000)
	Tax receivable/ (payable) at the end of the year	30 160	(25 279)	30 160	(5 635)
	Taxation paid	**(344 865)**	**(112 113)**	**(306 909)**	**(13 434)**
34	**Share capital and reserves**				
	Authorised shares				
	Issued and fully paid	2 158 585 929	2 156 720 176	2 158 585 929	2 156 720 176
	Shares allocated to management share option scheme	33 663 397	32 929 150	33 663 397	32 929 150
	Shares under control of directors	2 807 750 674	2 810 350 674	2 807 750 674	2 810 350 674
	Total authorised shares	**5 000 000 000**	**5 000 000 000**	**5 000 000 000**	**5 000 000 000**
	Authorised share capital				
	Ordinary shares (5 000 000 000 shares of ZWL0.01 per share)	500	500	500	500
34.1	**Issued share capital**				
	Issued and fully paid shares				
	Balance at beginning of year	2 156 720 176	2 156 720 176	2 156 720 176	2 156 720 176
	Exercise of share options	1 865 753	-	1 865 753	-
	Balance at end of year	**2 158 585 929**	**2 156 720 176**	**2 158 585 929**	**2 156 720 176**
	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**

The total authorised number of ordinary shares at year end was 5 billion (2019: 5 billion). The Bank's shares have a nominal value of ZWL0.01 from date of issue in United States dollars. The unissued share capital is under the control of the directors subject to the restrictions imposed by the Companies and Other Entities Act (Chapter 24.31), the Zimbabwe Stock Exchange listing requirements and the Articles and Memorandum of Association of the Bank.

34.2 **Share premium**

Premiums from the issue of shares are reported in the share premium, including amounts transferred from the currency translation reserve when the Zimbabwe economy adopted the multi-currency system in 2009.

34.3 **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 ZWL000	2019 ZWL000	2020 ZWL000	2019 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.

34.4 **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.

34.5 **Revaluation reserve**

Revaluation movement on property and equipment is classified under revaluation reserve. Additional detail on revaluation of assets is contained in note 21.

34.6 **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 ZWL000	2019 ZWL000	2020 ZWL000	2019 ZWL000
35	**Proceeds on disposal of property and equipment**				
	Carrying amount of property and equipment disposed of	13 128	2 230	396	74
	Profit on disposal	(5 452)	1 460	888	245
	Non Current Assets write off	(4 518)	-	(136)	-
	Proceeds on disposal	**3 158**	**3 690**	**1 148**	**319**
36	**Financial instruments**				
	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.

	2020 ZWL000	2019 ZWL000	2020 ZWL000	2019 ZWL000
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**	**2 330 577**
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**

37 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.

37.1 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 ZWL000	2019 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.

37.2 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	
Type of risk or activity	**2020 ZWL000**	**2019 ZWL000**	**2020 ZWL000**	**2019 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	
Net interest income sensitivity	31.12.2020 Impact on earnings	31.12.2019 Impact on earnings	31.12.2020 Impact on earnings	31.12.2019 Impact on earnings
Local currency	ZWL000	ZWL000	ZWL000	ZWL000
1500bps increase in interest rates	18 123	16 490	18 123	3 676
1500bps decrease in interest rates	(18 123)	(16 490)	(18 123)	(3 676)
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.

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

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

Historical and inflation adjusted 31 December 2020	Up to 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6 months to 1 year ZWL000	1 to 5 years ZWL000	Over 5 years ZWL000	Non-interest bearing historical ZWL000	Total historical ZWL000	Non-interest bearing inflation adjusted ZWL000	Total inflation adjusted 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**	**-**

Historical and inflation adjusted 31 December 2019	Up to 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6 months to 1 year ZWL000	1 to 5 years ZWL000	Over 5 years ZWL000	Non-interest bearing historical ZWL000	Total historical ZWL000	Non-interest bearing inflation adjusted ZWL000	Total inflation adjusted ZWL000
Assets										
Cash and bank balances	3 410 229	-	-	-	-	-	1 653 972	5 064 201	1 653 972	5064201
Derivative financial assets	-	-	-	-	-	-	-	-		-
Investment securities	922 342	-	-	-	-	-	117 468	1 039 810	117 468	1039810
Loans and receivables from banks	14 639	-	-	-	-	-	-	14 639	-	14639
Loans and advances to customers	-	3 023 516	-	-	-	166 895	-	3 190 411	-	3190411
Other assets	80 691	35 564	59 643	98 800	717 731	-	256 741	1 249 170	381 301	1373729
Property and equipment	-	-	-	-	-	-	1 069 410	1 069 410	1 127 982	1127982
Investment properties	-	-	-	-	-	-	319 870	319 870	319 870	319870
Investment in joint venture	-	-	-	-	-	-	1 087 751	1 087 751	1 087 751	1 087 751
Intangible assets	-	-	-	-	-	-	80 857	80 857	241 079	241 079
Right of use assets	-	-	-	-	-	-	72 047	72 047	243 680	243 680
Current tax asset	-	-	-	-	-	-	25 279	25 279	25 279	25 279
Total assets	**4 427 902**	**3 059 080**	**59 643**	**98 800**	**717 731**	**166 895**	**4 683 394**	**13 213 444**	**5 198 382**	**13728432**
Liabilities										
Derivative financial liabilities	-	-	-	-	-	-	-	-	-	-
Lease liabilities	72 377	-	-	-	-	-	-	72 377	-	72 377
Deposits from banks	176 645	-	-	-	-	-	-	176 645	-	176 645
Deposits from customers	9 104 654	76 986	-	-	-	-	-	9 181 640	-	9 181 640
Provisions	-	-	-	-	-	-	31 860	31 860	31 860	31 860
Other liabilities	-	-	-	-	-	-	640 651	640 651	653 200	653 200
Deferred tax liabilities	-	-	-	-	-	-	241 054	241 054	349 849	349 849
Due to group companies	-	-	-	-	-	-	331 800	331 800	331 800	331 800
Total liabilities	**9 353 676**	**76 986**	**-**	**-**	**-**	**-**	**1 245 366**	**10 676 027**	**1 366 709**	**10797371**
Interest rate re - pricing gap	**(4925 774)**	**2 982 094**	**59 643**	**98 800**	**717731**	**166 895**	**3 438 028**	**2 537 417**	**3 831 672**	**2 931 061**
Cumulative gap- Inflation adjusted 2019	**(4925 774)**	**(1943 680)**	**(1884 037)**	**(1 785 237)**	**(1067 506)**	**(900 611)**	**2 537 417**	**-**	**2 931 061**	**-**
Cumulative gap - Historic 2019 comparative interest rate repricing	**(1098 078)**	**(433 296)**	**(420 000)**	**(397 974)**	**(237974)**	**(200 769)**	**565 652**	**-**	**-**	**-**

37.4 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 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

Inflation adjusted 2019 At 31 December 2019	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	3 961 003	109 735	209 101	200 801	4 480 640
Loans and advances to customers	522 829	17	322	4	523 172
Other assets	1 194 805	-	1	-	1 194 806
Total financial assets	**5 678 637**	**109 752**	**209 424**	**200 805**	**6 198 618**
Liabilities					
Deposits from banks	898	897	-	-	898
Deposits from customers	4 354 421	35 388	160 975	90 855	4 641 639
Other liabilities	492 166	11 737	3 121	4 783	511 807
Balances due to group companies	331 802	-	-	-	331 802
Total financial liabilities	**5 179 287**	**47 125**	**164 096**	**95 638**	**5 486 146**
Net currency positions	**499 350**	**62 627**	**45 329**	**105 167**	**712 473**

Historical 2019 At 31 December 2019	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	883 006	24 463	46 614	44 763	998 846
Loans and advances to customers	116 552	3	72	1	116 628
Other assets*	266 352	-	-	-	266 352
Total financial assets	**1 265 910**	**24 466**	**46 686**	**44 764**	**1 381 826**
Liabilities					
Deposits from banks	200	-	-	-	200
Deposits from customers	970 709	7 889	35 885	20 254	1 034 737
Other liabilities	109 716	2 616	696	1 066	114 094
Balances due to group companies	73 967	-	-	-	73 967
Total financial liabilities	**1 154 592**	**10 505**	**36 581**	**21 320**	**1 222 998**
Net currency positions	**111 318**	**13 961**	**10 105**	**23 444**	**158 828**

*Excludes prepayments and stationery

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

37.5 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.

a) Risk limit and mitigation policies

The Bank uses a range of policies and practices to mitigate credit risk. These include credit scoring, marking limits against counter parties, credit insurance, and monitoring cash flows and utilisation against limit and collateral.
Principal collateral types used for loans and advances are:

- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable, moveable assets and shares; and
- Cash cover.

The legal department is responsible for conducting sufficient legal review to confirm that the approved collateral is legally effective. Ratio of value of loan to value of security is assessed on grant date and continuously monitored.

(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
- These are a product of default PD, lifetime LGD and EAD.

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

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

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

Significant increase in credit risk - Qualitative measures retail and corporate
There are various quantitative measures which include:
- Retail - Retrenchment, Dismissal, Salary diversion, employer facing difficulties
- Corporate - Adverse business changes, changes in economic conditions, quality challenges, among others.

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

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

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

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

(i)Maximum exposure to credit risk by credit quality grade before credit enhancements
The Bank has an internal rating scale which is mapped into the Basel II grading system. The internal rating is broadly classified into; performing loans, standard monitoring and non-performing.

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

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

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

Loans and advances renegotiated
During the 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		Standard	Non			Standard	Non	
Loans and advances to customers	Performing ZWL000	monitoring ZWL000	performing ZWL000	Total ZWL000	Performing ZWL000	monitoring ZWL000	performing ZWL000	Total 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
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.

Bank balances with other banks are held with banks which have the following credit ratings:

Counterparty	Latest ratings 2020/21	Previous ratings 2019/20
Crown Agency	BB	BB

Other asset balances are held by counter parties with the following ratings;

Counterparty	2020 credit rating	2019 credit rating
VISA	A+	A+
MasterCard International	A	A

	Maximum credit risk exposure				Reconciliation of ECL by exposure			
		Standard	Non			Standard	Non	
Inflation adjusted 2019	Performing	monitoring	performing	Total	Performing	monitoring	performing	Total
Loans and advances to customers	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Corporate	2 469 389	11 699	-	2 481 088	76 349	734	-	77 083
Business banking	332 690	31 114	2 010	365 814	8 516	1 488	1 369	11 373
Retail	432 827	15 839	8 585	457 251	13 871	4 797	6 618	25 287
Total	**3 234 906**	**58 652**	**10 595**	**3 304 153**	**98 737**	**7 019**	**7 987**	**113 743**
Balances with central bank								
Savings bonds and treasury bills	922 341	-	-	922 341	3 510	-	-	3 510
Bank balances	315 398	-		315 398	29	-	-	29
Total	**1 237 739**	**-**	**-**	**1 237 739**	**3 539**			**3 539**
Balances with other banks and settlement balances								
Settlement balances - local currency	14 639	-	-	14 639	-	-	-	-
Bank balances - foreign currency	3 685 174	-	-	3 685 174	2 431	-	-	2 431
Interbank placements	-	-	-	-	-	-	-	-
Total	**3 699 813**	**-**	**-**	**3 699 813**	**2 431**	**-**	**-**	**2 431**
Other assets								
RBZ receivable NOP support	932 238	-	-	932 238	40 641	-	-	40 641
RBZ receivable other	60 195	-	-	60 195	2 620	-	-	2 620
Other assets	173 066	-	4 185	177 251	1	-	4 185	4 186
Total	**1 165 499**	**-**	**4 185**	**1 169 684**	**43 262**	**-**	**4 185**	**47 447**
Total on balance sheet	**9 337 957**	**58 652**	**14 780**	**9 411 389**	**147 969**	**7 019**	**12 172**	**167 161**
Guarantees and letters of credit								
Guarantees	89 662	-	-	89 662	-	-	-	-
Letters of credit	1 230 204	-	-	1 230 204	2 279	-	-	2 279
Total	**1 319 866**	**-**	**-**	**1 319 866**	**2 279**	**-**	**-**	**2 279**

	Maximum credit risk exposure				Reconciliation of ECL by exposure			
		Standard	Non			Standard	Non	
Historical 2019	Performing	monitoring	performing	Total	Performing	monitoring	performing	Total
Loans and advances to customers	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Corporate	550 488	2 608	-	553 096	17 019	164	-	17 183
Business banking	74 165	6 936	448	81 549	1 899	332	305	2 536
Retail	99 606	3 531	1 914	101 933	3 092	1 070	1 475	5 637
Total	**721 141**	**13 075**	**2 362**	**736 578**	**22 010**	**1 566**	**1 780**	**25 356**
Balances with central bank								
Savings bonds and treasury bills	205 613	-	-	205 613	783	-	-	783
Bank balances	70 310	-	-	70 310	6	-	-	6
Total	**275 923**	**-**	**-**	**275 923**	**789**	**-**	**-**	**789**
Balances with other banks and settlement balances								
Settlement balances - local currency	3 263	-	-	3 263	-	-	-	-
Bank balances - foreign currency	821 517	-	-	821 517	542	-	-	542
Interbank placements	-	-	-	-	-	-		-
Total	**824 780**	**-**	**-**	**824 780**	**542**	**-**	**-**	**542**
Other assets								
RBZ receivable NOP support	207 819	-	-	207 819	9 060	-	-	9 060
RBZ receivable other	13 419	-	-	13 419	584	-	-	584
Other assets	38 580	-	933	39 513	-	-	933	933
Total	**259 818**	**-**	**933**	**260 751**	**9 644**	**-**	**933**	**10 577**
Total on balance sheet	**2 081 662**	**13 075**	**3 295**	**2 098 032**	**32 985**	**1 566**	**2 713**	**37 264**
Guarantees and letters of credit								
Guarantees	19 988	-	-	19 988	-	-	-	-
Letters of credit	274 243	-	-	274 243	508	-	-	508
Total	**294 231**	**-**	**-**	**294 231**	**508**			**508**

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				
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 2019	**85 162**	**5 727**	**3 536**	**94 425**

Inflation adjusted 2019	Stage 1 - 12 month ECL ZWL000	Stage 2 - Lifetime ECL not credit impaired ZWL000	Stage 3 - Lifetime ECL credit impaired ZWL000	Total ZWL000
Balance at beginning of the year	**24 080**	**2 436**	**5 495**	**32 011**
Movements with profit and loss impact				
New financial assets purchased or originated	124 107	6 859	8 999	139 964
Transfers from stage 2 to stage 3	-	(2 274)	-	(2 274)
Existing Financial assets repaid or sold	(184)	-	(1 960)	(2 144)
Changes to model assumptions	-	-	-	12 046
Total profit and loss impact	**123 923**	**4 585**	**7 038**	**135 545**
Other movements with no profit and loss impact				
Bad debts written off	-	-	(359)	(359)
Financial assets at FVOCI accounted for through equity	(36)	-	-	(36)
Balance at 31 December 2018	**147 967**	**7 020**	**12 175**	**167 161**

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

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

Industry/Sector	Historical and inflation adjusted 2020 ZWL000	%	Inflation adjusted 2019 ZWL000	%	Historical 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	-	-	-	-	1	-
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**

Historical and inflation adjusted 2020 Industry/Sector	Total loans ZWL000	Non performing loans ZWL000	Write offs ZWL000	Recoveries ZWL000	Impairment allowance ZWL000
Trade and services	282 442	-	-	-	-
Energy and minerals	25 868	-	-	-	-
Agriculture	295 879	-	-	-	-
Light and heavy industry	835 843	-	-	-	-
Physical persons	511 127	3 922	392	423	3 537
Transport and distribution	444 516	-	-	-	-
Financial services	28 486	-	-	-	-
Gross value at 31 December 2019	**2 424 161**	**3 922**	**392**	**423**	**3 537**

Inflation adjusted 2019 Industry/Sector	Total loans ZWL000	Non performing loans ZWL000	Write offs ZWL000	Recoveries ZWL000	Impairment allowance ZWL000
Trade and services	342 455	-	-	-	-
Energy and minerals	192 276	-	-	-	-
Agriculture	1 127 084	2 010	-	-	1 369
Construction and property	1	-	-	-	-
Light and heavy industry	663 882	-	-	-	-
Physical persons	460 397	5 778	358	745	6 617
Transport and distribution	414 676	-	-	-	-
Financial services	103 383	-	-	-	-
Gross value at 31 December 2019	**3 304 154**	**7 787**	**358**	**745**	**7 985**

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

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

	Inflation adjusted		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**

37.7 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	
Liquidity ratios	2020 ZWL000	2019 ZWL000	2020 ZWL000	2019 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**	**-**	**-**

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**	**-**	**-**	**-**	**-**	**996 407**
Liquidity gap	**(205 341)**	**110 684**	**33 624**	**44 256**	**16 777**	**-**

On balance sheet items as at 31 December 2019

Inflation adjusted 2019 Assets held for managing liquidity risk (contractual maturity dates)	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6-12 months ZWL000	1 to 5 years ZWL000	5+ years ZWL000	Total ZWL000	Carrying amount ZWL000
Cash and bank balances*	4 523 999	47 769	491 937	493	-	-	5 064 199	5 064 201
Investment securities	922 342	-	-	117 470	-	-	1 039 812	1 039 810
Loans and receivables from banks	14 637	-	-	-	-	-	14 637	14 639
Loans and advances to customers	127 617	587 440	430 315	1 449 022	2 140 793	124 997	4 860 184	3 190 411
Other assets**	80 857	36 277	61 918	106 605	957 632	-	1 243 289	1 249 171
Current income tax asset	25 278	-	-	-	-	-	25 278	25 279
Total assets	**5 694 730**	**671 486**	**984 170**	**1 673 591**	**3 098 425**	**124 997**	**12 247 399**	**10 583 511**
Liabilities								
Derivative financial liabilities	-	-	-	-	-	-	5	-
Lease liabilities	3 831	4 064	6 092	12 188	107 507	32 850	-	72 379
Deposits from Banks	176 647	-	-	-	-	-	18 045	176 645
Deposits from customers	8 496 822	124 755	491 937	68 126	-	-	3 438 463	9 181 640
Provisions	-	-	31 858	-	-	-	19 649	31 860
Other liabilities	598 767	-	-	-	-	-	112 134	653 193
Balances due to Group companies	331 802	-	-	-	-	-	11 216	331 800
Total liabilities - (contractual maturity)	**9 607 868**	**128 819**	**529 887**	**80 314**	**107 507**	**32 850**	**3 599 523**	**10 447 517**
Liquidity gap	**(3 913 139)**	**542 667**	**454 283**	**1 593 277**	**2 990 918**	**92 148**	**554 754**	**-**
Cumulative liquidity gap	**(3 913 139)**	**(3 370 472)**	**(2 916 189)**	**(1 322 912)**	**1 668 006**	**1 760 153**	**-**	**-**

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

Contingent liabilities and commitments as at 31 December 2019

Inflation adjusted 2019	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6-12 months ZWL000	1 to 5 years ZWL000	Total ZWL000
Assets						
Commitment to lend	55 448	171 603	76 233	870 605	-	1 173 890
Total assets	**55 448**	**171 603**	**76 233**	**870 605**	**10 301**	**1 173 890**
Liabilities						
Commitment to lend	1 173 890	-	-	-	-	1 173 890
Total liabilities	**1 173 890**	**-**	**-**	**-**	**-**	**1 173 890**
Liquidity gap	**(1 118 441)**	**171 603**	**76 233**	**870 605**	**-**	**-**

On balance sheet items as at 31 December 2019

Historical 2019 **Assets held for managing liquidity risk (contractual maturity dates)**	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6 to 12 months ZWL000	1 to 5 years ZWL000	5+ years ZWL000	Total ZWL000	Carrying amount ZWL000
Cash and bank balances*	1 008 512	10 649	109 665	110	-	-	1 128 936	1 128 936
Investment securities	205 613	-	-	26 187	-	-	231 800	231 800
Loans and receivables from banks	3 263	-	-	-	-	-	3 263	3 263
Loans and advances to customers	28 449	130 955	95 928	323 023	477 236	27 865	1 083 456	711 222
Other assets**	18 025	8 087	13 803	23 765	213 480	-	277 160	278 471
Current income tax asset	5 635	-	-	-	-	-	5 635	5 635
Total assets	**1 269 497**	**149 691**	**219 396**	**373 085**	**690 716**	**27 865**	**2 730 250**	**2 359 328**
Liabilities								
Lease liabilities	854	906	1 358	2 717	23 966	7 323	37 125	16 135
Deposits from Banks	39 379	-	-	-	-	-	39 379	39 379
Deposits from customers	1 894 153	27 811	109 665	15 186	-	-	2 046 816	2 046 816
Provisions	-	-	7 102	-	-	-	7 102	7 102
Other liabilities	133 480	-	-	-	-	-	133 480	145 613
Balances due to Group companies	73 967	-	-	-	-	-	73 967	73 967
Total liabilities - (contractual maturity)	**2 141 833**	**28 717**	**118 125**	**17 903**	**23 966**	**7 323**	**2 337 869**	**2 326 217**
Liquidity gap	**(872 336)**	**120 974**	**101 271**	**355 182**	**666 751**	**20 542**	**392 381**	**-**
Cumulative liquidity gap	**(872 336)**	**(751 362)**	**(650 091)**	**(294 909)**	**371 839**	**392 381**	**-**	**-**

Contingent liabilities and commitments as at 31 December 2019

Historical 2019	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6-12 months ZWL000	1 to 5 years ZWL000	Total ZWL000
Assets						
Commitment to lend	12 361	38 255	16 994	194 080	-	261 690
Total assets	**12 361**	**38 255**	**16 994**	**194 080**	**-**	**261 690**
Liabilities						
Commitment to lend	261 690	-	-	-	-	261 690
Total liabilities	**261 690**	**-**	**-**	**-**	**-**	**261 690**
Liquidity gap	**(249 329)**	**38 255**	**16 994**	**194 080**	**-**	**-**

The Bank determines ideal weights for maturity time buckets which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits by ALCO .

38 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

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)

39 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 ZWL000	2020 Fair value ZWL000	2019 Carrying amount ZWL000	2019 Fair value ZWL000	2020 Carrying amount ZWL000	2020 Fair value ZWL000	2019 Carrying amount ZWL000	2019 Fair value 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**

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

40.1 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**

Inflation adjusted 2019	Level 1 ZWL000	Level 2 ZWL000	Level 3 ZWL000	Total ZWL000
Recurring fair value measurements				
Financial assets				
Treasury bills	-	-	922 340	922 340
Unquoted equity instruments	-	-	117 470	117 470
Balance at 31 December 2019	**-**	**-**	**1 039 810**	**1 039 810**
Financial liabilities				
Derivative liabilities	-	-	-	-
Balance at 31 December 2019	**-**	**-**	**-**	**-**
Non - financial assets				
Land and buildings	-	-	1 025 455	1 025 455
Investment property	-	-	319 870	319 870
Investment in joint venture - underlying asset	-	-	1 075 119	1 075 119
RBZ NOP support receivable			932 238	932 238
Balance at 31 December 2019	**-**	**-**	**3 352 682**	**3 352 682**

Historical 2019	Level 1 ZWL000	Level 2 ZWL000	Level 3 ZWL000	Total ZWL000
Recurring fair value measurements				
Financial assets				
Treasury bills	-	-	205 613	205 613
Unquoted equity instruments	-	-	26 187	26 187
Balance at 31 December 2019	**-**	**-**	**231 800**	**231 800**
Non - financial assets				
Land and buildings	-	-	228 599	228 599
Investment property	-	-	71 307	71 307
Investment in joint venture - underlying asset	-	-	231 671	231 671
RBZ NOP support receivable			207 819	207 819
Balance at 31 December 2020	**-**	**-**	**747 196**	**747 196**

40.2 Valuation techniques for the level 2 fair value measurement of assets and liabilities held at fair value

The table below sets out information about the valuation techniques applied at the end of the reporting period in measuring assets and liabilities whose fair value is categorised as Level 2 in the fair value hierarchy. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Category of asset/liability	Valuation technique applied	Significant observable inputs
Foreign Exchange Contracts	Discounted cash flow	Interest and foreign currency exchange rates

40.3 Valuation techniques for the level 3 fair value measurement of assets and liabilities held at fair value

The table below sets out information about the significant unobservable inputs used at the end of the reporting period in measuring assets and liabilities whose fair value is categorised as Level 3 in the fair value hierarchy.

Category of asset/liability	Valuation technique applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs
Unquoted equity financial instrument	Dividend Growth model/ discounted cash flow	Dividend pay-outs	80%
Land and buildings	Market/ income approach	Long term market discount rate	9.5% to 13.5%
Investment properties	Market/income approach	Long term market discount rate	9.5% to 13.5%
Treasury bills	Discounted cash flow	Market Yield – not actively traded	7.48%
RBZ NOP Support receivable	Discounted cash flow	Cash flows/Market Yield	9.75%

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**

Inflation adjusted 2019	Investment securities ZWL000	Investment properties ZWL000	RBZ net open position Receivable	Investment in Joint venture - Property ZWL000	Total ZWL000
Balance at 1 January 2019	**8 052 632**	**143 358**	**-**	**-**	**8 195 990**
Additions	1 725 801	-	932 238		2 658 039
Transfer from property	-	31 800	-	413 194	444 994
Accrued interest	20 966	-	-	-	20 966
Disposals	(8 699 006)	-	-	-	(8 699 006)
Total gains and losses recognised in profit or loss	-	144 712	-	661 925	806 637
Total gains and losses recognised in other comprehensive income	(60 583)	-	-	-	(60 583)
Balance at 31 December 2019	**1 039 810**	**319 870**	**932 238**	**1 075 119**	**3 367 037**

Historical 2019	Investment securities ZWL000	Investment properties ZWL000	RBZ net open position Receivable ZWL000	Investment in Joint venture - Property ZWL000	Total ZWL000
Balance at 1 January 2019	**1 795 132**	**31 958**	**-**	**-**	**1 827 090**
Additions	384 724		207 819	14 369	606 912
Transfer from property	-	7 089	-	-	7 089
Accrued interest	4 674	-	-	-	4 674
Maturities	(1 939 225)	-	-	-	(1 939 225)
Total gains and losses recognised in profit or loss	-	32 260	-	225 302	257 562
Total gains and losses recognised in other comprehensive income	(13 505)	-	-	-	(13 505)
Balance at 31 December 2019	**231 800**	**71 307**	**207 819**	**239 671**	**750 597**

41 Segment reporting

Management has determined the operating segments based on the reports reviewed by the Country Management Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8 Operating Segments. The Country Management Committee assesses the performance of the operating segments monthly based on a measure of profit or loss. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and legal expenses. The measure also excludes the effects of equity-settled share-based payments and unrealised gains or losses on financial instruments.

The Bank has four broad business segments:

1. Retail banking - focuses on individual customers with product offering that incorporates direct debit facilities, current and savings accounts, investment savings products, safe custody, debit cards, consumer loans and mortgages.

2. Business banking – focuses on small to medium enterprises with product offering similar to retail banking.

3. Corporate banking - focuses on large corporates, multi-nationals and non-governmental organisations. Product offering includes current accounts, overdrafts, loans and foreign currency products.

4. Treasury - focuses on management of the overall Bank operating asset balances and balance sheet structure. Main products include financial instruments and foreign currency trading

Segment results of operations

Inflation adjusted 2020	Retail Banking ZWL000	Corporate Banking ZWL000	Business Banking ZWL000	Treasury ZWL000	Total ZWL000
Net interest income	**135 805**	**476 942**	**103 295**	**135 646**	**851 688**
Net fee and commission income	864 296	401 388	37 115	18 881	1 321 680
Net trading and foreign exchange income	-	-	-	1 185 427	1 185 427
Net investment and other income	-	-	-	53 631	53 631
Fair value gain on investment property	-	-	-	(32 390)	(32 390)
Total Income	**1 000 101**	**878 330**	**140 410**	**1 361 195**	**3 380 036**
Credit impairment charges and other provisions	(23 739)	(28 569)	(11 015)	(40 837)	(104 160)
Net operating income	**976 362**	**849 761**	**129 395**	**1 320 358**	**3 275 876**
Staff costs	(156 876)	(45 277)	(9 559)	(360 339)	(572 051)
Infrastructure costs (excluding depreciation)	(85 768)	(5 248)	(222)	(289 439)	(380 677)
Administrative expenses	(62 306)	(47 420)	(230)	(749 340)	(859 296)
Depreciation and amortisation	(8 451)	(1 265)	(45)	(189 411)	(199 172)
Operating expenses	**(313 401)**	**(99 210)**	**(10 056)**	**(1 588 529)**	**(2 011 196)**
Net monetary loss	-	-	-	(261 927)	(261 927)
Share of profits of joint ventures	-	-	-	(101 482)	(101 482)
Profit/ (loss) before tax	**662 961**	**750 551**	**119 339**	**(631 580)**	**901 271**
Taxation	(183 084)	(198 182)	(31 350)	(16 407)	(429 023)
Profit /(loss) for the year	**479 877**	**552 369**	**87 989**	**(647 987)**	**472 248**
Total assets	**510 528**	**1 857 147**	**84 533**	**11 973 913**	**14 426 121**
Total liabilities	**1 546 716**	**6 591 796**	**735 932**	**2 270 917**	**11 145 361**

Inflation adjusted 2019	Retail Banking ZWL000	Corporate Banking ZWL000	Business Banking ZWL000	Treasury ZWL000	Total ZWL000
Net interest income	**139 737**	**404 189**	**46 417**	**144 600**	**734 943**
Net fee and commission income	588 302	327 819	40 063	52 574	1 008 758
Net trading and foreign exchange income	-	-	-	537 668	537 668
Net investment and other income	-	-	-	43 616	43 616
Fair value gain on investment property	-	-	-	144 712	144 712
Total Income	**728 039**	**732 008**	**86 480**	**923 170**	**2 469 697**
Credit impairment charges and other provisions	(31 015)	(188 362)	(7 540)	(119 237)	(346 154)
Net operating income	**697 024**	**543 646**	**78 940**	**803 933**	**2 123 543**
Staff costs	(468 834)	(49 386)	(14 504)	(155 124)	(687 848)
Infrastructure costs (excluding depreciation)	(213 699)	(144 686)	(102 791)	(79 608)	(540 788)
Administrative expenses	(447 774)	(207 856)	(113 086)	(141 994)	(910 710)
Depreciation and amortisation	(142 255)	(45 574)	(5 297)	(6 329)	(199 455)
Operating expenses	**(1 272 562)**	**(447 501)**	**(235 679)**	**(383 055)**	**(2 338 797)**
Net monetary loss	-	-	-	(1 036 006)	(1 036 006)
Share of profits of joint ventures	-	-	-	674 557	674 557
(Loss)/ profit before tax	**(575 538)**	**96 145**	**(156 743)**	**59 429**	**(576 707)**
Taxation	(69 968)	(11 688)	(19 055)	(78 437)	(155 772)
(Loss)/ profit for the year	**(645 507)**	**107 836**	**(175 798)**	**(19 008)**	**(732 480)**
Total assets	**456 909**	**2 485 879**	**367 501**	**10 418 143**	**13 728 432**
Total liabilities	**2 119 908**	**6 104 178**	**949 318**	**1 623 967**	**10 797 371**

Historical 2020	Retail Banking ZWL000	Corporate Banking ZWL000	Business Banking ZWL000	Treasury ZWL000	Total ZWL000
Net interest income	**89 514**	**314 372**	**68 086**	**89 410**	**561 382**
Net fee and commission income	603 743	280 385	25 926	13 189	923 243
Net trading and foreign exchange income	-	-	-	893 330	893 330
Net investment and other income	-	-	-	34 296	34 296
Fair value gain on investment property	-	-	-	216 173	216 173
Total Income	**693 257**	**594 757**	**94 012**	**1 246 398**	**2 628 424**
Credit impairment charges and other provisions	(12 918)	(15 547)	(5 994)	(22 223)	(56 682)
Net operating income	**680 339**	**579 210**	**88 018**	**1 224 175**	**2 571 742**
Staff costs	(108 616)	(31 348)	(6 618)	(216 782)	(363 364)
Infrastructure costs	(55 235)	(3 379)	(143)	(186 399)	(245 156)
Depreciation and amortisation	(1 329)	(199)	(7)	(29 787)	(31 322)
Administrative expenses	(41 564)	(31 634)	(154)	(499 884)	(573 236)
Operating expenses	**(206 744)**	**(66 560)**	**(6 922)**	**(932 852)**	**(1 213 078)**
Share of profits /(losses) of joint ventures	-	-	-	736 666	736 666
Profit /(loss) before tax	**473 595**	**512 650**	**81 096**	**1 027 989**	**2 095 330**
Taxation	(148 163)	(160 382)	(25 371)	(23 510)	(357 426)
Profit /(loss) for the year	**327 432**	**352 268**	**55 725**	**1 004 479**	**1 737 904**
Total assets	**492 148**	**1 790 285**	**81 489**	**11 543 075**	**13 906 747**
Total liabilities	**1 536 528**	**6 548 374**	**731 084**	**1 223 419**	**11 039 405**

Historical 2019	Retail Banking ZWL000	Corporate Banking ZWL000	Business Banking ZWL000	Treasury ZWL000	Total ZWL000
Net interest income	**13 431**	**38 848**	**4 461**	**13 898**	**70 637**
Net fee and commission income	58 739	32 731	4 000	5 249	100 720
Net trading and foreign exchange income	-	-	-	61 896	61 896
Net investment and other income	-	-	-	5 519	5 519
Fair value gain on investment property	-	-	-	59 073	59 073
Total Income	**72 170**	**71 579**	**8 461**	**145 635**	**297 845**
Credit impairment charges and other provisions	(4 436)	(13 987)	(361)	(11 263)	(30 048)
Net operating income	**67 734**	**57 592**	**8 100**	**134 371**	**267 797**
Staff costs	(38 642)	(4 070)	(1 195)	(14 229)	(58 136)
Infrastructure costs	(24 420)	(16 533)	(11 746)	(9 096)	(61 795)
Depreciation and amortisation	(718)	(230)	(27)	(32)	(1 007)
Administrative expenses	(46 840)	(21 495)	(11 694)	(25 068)	(105 097)
Operating expenses	**(110 620)**	**(42 328)**	**(24 662)**	**(48 425)**	**(226 035)**
Share of profits (losses) of joint ventures	-	-	-	228 242	228 242
Profit (loss) before tax	**(42 886)**	**15 264**	**(16 562)**	**314 188**	**270 004**
Taxation	5 253	(4 104)	2 251	(9 213)	(5 814)
Profit (loss) for the year	**(37 633)**	**11 160**	**(14 311)**	**304 974**	**264 190**
Total assets	**96 295**	**535 913**	**79 014**	**2 234 383**	**2 945 605**
Total liabilities	**249 519**	**1 362 391**	**407 840**	**360 203**	**2 379 953**

42 Share-based payments

42.1 Local managerial share option scheme

This scheme benefits managerial employees. Managerial employees are granted shares in First Capital Bank. Share options granted before 1 September 2008 were exercisable on the grant date. Share options issued thereafter have a vesting period of three years. The Bank has no legal or constructive obligation to repurchase or settle the options in cash.

The following assumptions were input into the valuation model, same as prior year:
Volatility of 81.83%
Dividend yield 0%
Nominal risk free rate of return of 8.60%
Expected option exercise date is 2 years after vesting period.

In the valuation, volatility was calculated as the standard deviation of lognormal weekly returns for a full year. Volatility is a measure of the amount by which the price is expected to fluctuate between the grant date and the exercise date.

Movements during the period
The following reconciles the share options outstanding at the beginning and end of the year:

	2020		2019	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of the year	7 210 000	0.05	7 050 000	0.05
Granted during the year	280 000	0.07	1 090 000	0.07
Forfeited during the year	(1 014 247)	0.03	(930 000)	0.03
Exercised during the year	(1 865 753)	-	-	-
Outstanding at 31 December	**4 610 000**	**-**	**7 210 000**	**0.05**
Exercisable at 31 December	**2 400 000**	**0.06**	**1 740 000**	**0.05**
Weighted average contractual life of options outstanding at end of period	4.2	-	3.2	-

43 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.

43.1 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.

43.2 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% (2019:6.3%). Loans and advances to non-executive directors during the year ended 31 December 2019 were nil (2019: nil).

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

43.3 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**

43.4 Balances with related parties - related through common directorship and shareholding

	Inflation adjusted				Historical			
	Deposits 2020 ZWL000	Loans and advances 2020 ZWL000	Deposits 2019 ZWL000	Loans and advances 2019 ZWL000	Deposits 2020 ZWL000	Loans and advances 2020 ZWL000	Deposits 2019 ZWL000	Loans and advances 2019 ZWL000
Barclays Bank Pension Fund	5 437	5 649	24 922	-	5 437	5 649	5 556	-
Tobacco Sales Limited	-	-	243	134 574	-	-	54	30 000
Makasa Sun (Private) Limited	304	-	6 038	-	304	-	1 346	-
NicozDiamond Insurance Limited	17 969	-	11 552	-	17 969	-	2 569	-
Lotus Stationary Manufacturers (Pvt) Ltd	11 824	30 000	-	-	11 824	30 000	-	-
St Georges College - Chairman	3 740	-	2 054	-	3 740	-	458	-
Beitbridge Bulawayo Railway P/L	54	-	4454	-	54	-	993	-
Total	**39 328**	**35 649**	**49 263**	**134 574**	**39 328**	**35 649**	**10 976**	**30 000**
Current	39 328	35 649	49 263	134 574	39 328	35 649	10 976	30 000
Non - current	-	-	-	-	-	-	-	-
Total	**39 328**	**35 649**	**49 263**	**134 574**	**39 328**	**35 649**	**10 976**	**30 000**

Repayments on the loans to the related parties were made on due dates and new loans were also granted. The balances were assessed and no expected credit losses have been recognised for balances with related parties through common directorship/trusteeship.

43.5 Balances with group companies

	Inflation adjusted		Historical	
	2020 ZWL000	2019 ZWL000	2020 ZWL000	2019 ZWL000
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**

43.6 Related Parties - related through common shareholding

	Inflation adjusted		Historical	
	2020 ZWL000	2019 ZWL000	2020 ZWL000	2019 ZWL000
Balance due to Barclays Bank PLC	-	111 673	-	24 895
Total	**-**	**111 673**	**-**	**24 895**

44 Capital commitments and contingencies

44.1 Capital commitments

	Inflation adjusted		Historical	
	2020 ZWL000	2019 ZWL000	2020 ZWL000	2019 ZWL000
Authorised and contracted for	89 492	109 952	89 492	24 511
Authorised but not yet contracted for	852 522	296 019	852 522	65 990
Total capital commitment	**942 014**	**405 971**	**942 014**	**90 501**

44.2 Contingent assets and liabilities

Loan commitments	238 791	1 173 893	238 791	261 690
Guarantees and letters of credit	757 617	1 320 409	757 617	294 352
Total	**996 408**	**2 494 302**	**996 408**	**556 042**

45 Assets under administration

The Bank has assets for exporters and parastatals under its administration. These amounts were as a result of the transfer of exporter and parastatals' funds to the Reserve Bank of Zimbabwe "RBZ" in the previous years, after issuance of Exchange Control Directives by the RBZ. Final settlement of the principal amount to the exporters and parastatals was done through the Bank's name on the RBZ Central Securities Depository. The Bank's role is solely of an administrative nature, involving crediting interest and principal amounts into customers' accounts after payment by the Government of Zimbabwe and when a customer wants to move the treasury bills to another financial institution the Bank will notify the RBZ.

The treasury bills and the accrued interest are not on the Bank's statement of financial position.

46 Events after the reporting date

There were no events noted after reporting date that required to be adjusted for in the financial results of First Capital Bank Limited, nor disclosure. COVID-19 related impact is disclosed in the directors responsibility statement.

47 New accounting pronouncements

47.1 Standards, amendments and interpretations that are relevant to the Bank.

Standard/ Interpretation	Content	Applicable for financial years beginning on or after
Amendments to References to Conceptual Framework in IFRS standards	The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Most updates to those pronouncements were with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. New in the framework is expansion of definition of assets and liabilities by introducing a definition to "economic resource" and describes alternatives when it is not possible to achieve requirements for derecognition. There were no updates arising from this amendment.	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of material	The amendments are intended to make the definition of material in IAS 1 easy to understand and are not intended to alter underlying concept of materiality in IFRS Standards. Three new aspects of the new definition regarding "obscuring of information that could reasonably be expected to influence decisions of primary users" should especially be noted.	1 January 2020
Amendments IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	Amendment is in response to long-term viability of Interbank offered rates (IBORs) as interest reference rates. The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications in terms of IFRS 9, IAS 39 and IFRS 7. There were no updates in the current year arising from this amendment.	1 January 2020
Amendments to IFRS 3: Definition of a Business	Amendment clarifies the definition of a business, to enable distinction of a business or a group of assets at acquisition. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.	1 January 2020
Amendment to IFRS 16: Leases COVID-19 Related Rent Concessions	The amendment changes in COVID-19 related Rent Concessions (Amendment to IFRS 16) amend IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The Bank did not elect to apply the exemption in terms of IFRS 16 COVID-19 related concessions.	1 June 2020
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	Amendment clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at end of reporting period and clarifies impact of discretion, to refinance or roll over an obligation for at least twelve months.	1 January 2022
Amendments to IFRS 3: Reference to the Conceptual Framework	The amendment updates an outdated reference in IFRS 3 without significantly changing its requirements.	1 January 2022
Amendments to IAS 16: Property, Plant and Equipment (PPE) — Proceeds before Intended Use	Amends the standard to provide guidance in accounting for any proceeds from selling items produced while bringing an item of PPE to the location and condition necessary for it to be capable of operating in the manner intended by management.	1 January 2022
Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract	The changes in Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	1 January 2022
Amendments to IAS 37: Cost of Fulfilling a Contract	Amendment with regards to costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.	1 January 2022
Amendments to IFRS 17: Implementation challenges	The amendments to address concerns and implementation challenges that were identified after IFRS 17 "Insurance Contracts" was published in 2017. The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted.	1 January 2023

Analysis of Shareholding

Top 20 Shareholders

Names	Shares	Percentage
Afcarme Zimbabwe Holdings (Pvt) Ltd	1 134 268 206	52.55
1912 Employee Share Ownership Trust	322 998 026	14.96
Old Mutual Life Ass Co Zim Ltd	128 763 232	5.97
Stanbic Nominees Pvt Ltd	88 158 761	4.08
SCB Nominees 033667800001	64 479 812	2.99
Barclays Zimbabwe Nominees P/L	53 189 670	2.46
Amaval Investments (Pvt) Ltd	37 929 816	1.76
Hitesh Anadkat	28 629 959	1.33
NSSA Staff Pension Fund - ABC	18 491 090	0.86
Public Service Commission PF-ABC	16 443 586	0.76
Hippo Valley Estates PF-IMARA	12 028 506	0.56
Danchen Investments	10 932 348	0.51
Avenell Investments (Pvt) Ltd	9 803 832	0.45
LHG Malta Holdings Limited	8 337 479	0.39
Omzil Stra Shareholder Trap Fund	8 124 873	0.38
Mundell Family Trust	7 937 816	0.37
Anglo American Ass Co PF- Imara	7 837 057	0.36
National Foods PF-Imara	6 160 560	0.29
Amzim Pension Fund - Imara	5 316 848	0.25
Local Authorities Pension Fund	4 572 434	0.21
Selected Shares	**1 974 403 911**	**91.47**
Non - Selected Shares	**184 182 018**	**8.53**
Issued Shares	**2 158 585 929**	**100.00**

Analysis of shareholding
For the year ended 31 December 2020

Analysis by volume	Shares	%	Share holders	Share holders %
Volume				
1-5000	8 406 242	0.39	5 235	60.90
5001-10000	6 406 551	0.30	940	10.94
10001-25000	21 135 161	0.98	1 266	14.73
25001-50000	22 399 099	1.04	680	7.91
50001-100000	11 677 592	0.54	171	1.99
100001-200000	14 310 959	0.66	100	1.16
200001-500000	26 994 465	1.25	81	0.94
500001-1000000	26 536 359	1.23	39	0.45
1000001 and Above	2 020 719 501	93.61	84	0.98
Totals	**2 158 585 929**	**100.00**	**8 596**	**100.00**

Analysis by industry	Shares	%	Share holders	Share holders %
Industry				
Financial service -majority shareholder	1 134 268 206	52.55%	01	0.01%
Employee Share Ownership Trust	322 998 026	14.96%	01	0.01%
Pension Funds	216 839 723	10.05%	141	1.64%
Insurance companies	129 503 984	6.00%	13	0.15%
Individuals	119 866 993	5.55%	7 166	83.36%
Nominee companies	124 074 740	5.75%	121	1.41%
Financials organisations	51 006	0.00%	09	0.10%
Other	110 983 251	5.14%	1 144	13.31%
Total	**2 158 585 929**	**100.00%**	**8596**	**100.00%**


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First Capital Bank is a Registered Commercial Bank and a member of the Deposit Protection Scheme. Terms and conditions apply.

Notice of Annual General Meeting

Notice is hereby given that the 40th Annual General Meeting of the Shareholders of First Capital Bank Limited will be held at Meikles Hotel, in the Stewart Room on Thursday the 6th of May 2021, at 1500 hours for the purpose of transacting the following business: -

Agenda
Ordinary business
Shareholders will be requested to consider and if deemed fit to pass the following ordinary resolutions, with or without amendment:

1. To receive, consider and adopt the Financial Statements and Report of the Directors and Auditors for the financial year ended 31 December 2020.
2. a. To approve the re-election of a director. Mrs T. Moyo retires as a director of the Company, in terms of Article 102 of the Articles of Association. Being eligible in terms of Article 104 of the Articles of Association, Mrs. T. Moyo offers herself for re-election.

   b. To approve the re-election of a director. Mr. P. Devenish retires as a director of the Company, in terms of Article 102 of the Articles of Association. Being eligible in terms of Article 104 of the Articles of Association, Mr. P. Devenish offers himself for re-election.

   c. To approve the appointment of a director. Mr. Mahendra Gursahani was appointed as a director of the Company with effect from 30 January 2021. In terms of Article 109 of the Articles of Association, he retires as a Director of the Company and being eligible, offers himself for election.

   d. To note the resignation of Mr Dheeraj Dikshit who resigned as a director of the Company with effect from 31 October 2020.
3. To approve directors' fees and remuneration for the past year.
4. To re-appoint auditors Deloitte as Auditors of the Company. Deloitte was appointed as the Company's auditors with effect from 10 May 2019.
5. To fix the remuneration of the auditors, for the past year's audit.

In terms of the Companies and Other Business Act [Chapter 24.31], a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company.

By Order of the Board

Barclay House
Cnr. First Street / Jason Moyo Avenue
Harare

Violet Mutandwa
Company Secretary

10 March 2021

Profiles of Retiring and Newly Appointed Directors
Patrick Devenish Independent Non – Executive Director
Patrick is the former Chief Executive Officer of TSL Limited. He holds an Executive MBA from the Graduate School of Business, University of Cape Town. He has worked in the tobacco sales industry for more than 20 years, having started his career as an auctioneer. Over the years, he has become a specialist in business strategy and operations from his experience in leading organisations such as Tobacco Sales Floor, Seedco Limited, AICO Africa Limited and Plexus Cotton Limited. He also chairs the boards of Tobacco Industry and Marketing Board (TIMB), Royal Harare Golf Club and is a Trustee of Harare Sports Club.

Tembiwe Moyo Independent Non – Executive Director
Tembiwe Moyo is the Chief Executive Officer of Beitbridge Bulawayo Railway (Private) Limited. She is an Accountant and Chartered Secretary by profession and she holds a Masters in Business Administration (Nottingham Trent University, UK). She is an Associate member of the Chartered Institute of Administrators and Secretaries (ACIS). She is the Chairperson and Trustee of the Women in Agri-business in Sub-Sahara Africa Alliance (WASAA), the immediate past Chairperson of ANSA, the current President of the Southern Africa Railways Association (SARA), a shareholder representative of the NLPI Limited Group and a platinum member of PROWEB. Tembiwe is also a Trustee of the Zimbabwe Ladies Golf Union (ZLGU) and an independent non-executive director of NICOZ Diamond Insurance Company.

Mahendra Gursahani – Non-Executive Director
Mahendra is a qualified Chartered Accountant, a holder of a Bachelor of Commerce degree and an accomplished career banker. Previously he was the Chief Operating Officer of Noor Bank, responsible for the bank's strategic direction, Operations, IT, Finance, Transformation and Customer Experience. Prior to Noor Bank, he was the Chief Executive Officer at Standard Chartered Bank Malaysia where he was responsible for the governance and management of the bank's franchise in the country. He has also held a number of senior positions in Standard Chartered and has worked at leading international Financial and Accounting service firms including American Express Bank and Arthur Andersen. Mahendra sits on the boards of First Merchant Bank Capital Holdings Plc, First Capital Bank Malawi and First Capital Bank Zambia.

Annual General Meeting Form of Proxy

I, We………..........................……….............
Of……................….……......……………………….............

Being a member/members of First Capital Bank Limited and entitled to…………..........................…...…………… vote(s)...............................

hereby appoint…...……………………………………………………………………………………………...................…………………………….….…………….…..............

of………...

or failing him/her……...................……….................

of………...

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at a date and venue to be advised and at any adjournment thereof.

Signed this…………………………….................................….…...……………………………….day of ……………………………………………2021

Signature of member…..

Note:

1. Unless otherwise instructed the proxy will vote as he / she sees fit.
2. In terms of Section 171 of the Companies and Other Business Entities Act [Chapter 24:31] a member of the company is entitled to appoint one or more persons to act in the alternative as his / her proxy, to attend, vote and speak in his stead. A proxy needs not be a member of the Company.
3. Article 81 of the Company's Articles of Association provides that instruments of proxy must be deposited at the Registered Office of the Company not less than forty-eight hours before the time of holding the meeting.

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