First Capital BANK

Reviewed Financial Results
For the half year ended 30 June 2021

Chairman's Statement

Macroeconomic Environment
The first half of the year was characterised by a more positive macroeconomic sentiment.
- Foreign currency availability improved through the RBZ auction.
- Levels of economic activity increased.
- The good rainy season has led to a substantial increase in production of grain and other crops.
- The stock market capitalisation has grown positively in spite of large net sales by foreign investors.
- COVID-19 is still posing a serious risk to the economy, with the risk being managed by lockdowns and increasing levels of vaccinations.
- Inflation continues to trend downwards with June year to date inflation at 20.7% and monthly inflation trending below 5%.
- Stability in inflation, which is largely due to allocation of foreign currency through the auction, use of multiple currencies and control of money supply brought more certainty to the business sector.
- Lending rates declined in the first quarter of the year mainly for large corporate borrowers due to increased liquidity, however interest rates continue to lag behind inflation.

The above indicators brought positivity to the market outlook which should drive a more productive second half.
The Bank will continue to focus on sectors driving future economic growth whilst at the same time supporting areas which are recovering from the impact of COVID-19.

The Bank's capital and liquidity position
The Bank closed the period under review on a strong capital position with a capital adequacy position of 24.7% compared to regulatory minimum of 12%. Core capital was US$36m, exceeding the regulatory target of US$30m. A capital buffer above the US$30m will be required to cushion against future exchange rate fluctuations given that the composition of capital is mixed between US$ and ZWL. Liquidity ratio was 49% compared to regulatory minimum of 30%.

Earnings
The Bank's inflation adjusted operating profit (profit before tax excluding investment property and joint venture fair valuation) was ZWL669m compared to ZWL97m in the prior year, whilst in historic cost terms the operating profit was ZWL935m compared to ZWL122m in prior year. This translates to earnings per share of ZWL7cents compared to prior year ZWL9cents in inflation adjusted terms whilst in historic terms it is ZWL33cents compared to ZW35cents in prior year.
The strong performance was underpinned by loan book growth from the second half of last year to current period coupled with transactional volumes and fee increases. Costs continue to be inflation driven.

Board priorities going forward.
The Board will continue to focus on growth of the business, capital preservation and shareholder value enhancement. Training and development of our people remains a core priority.

Dividend
In view of the Bank's capital position and performance for the six months to 30 June, the Board has proposed to declare an interim dividend of ZWL5 cents per share. A separate dividend notice will be issued, with respect to the dividend declaration.

Patrick Devenish
Chairman

5 August 2021

Managing Director's Statement

Overview
Our operations within the first half continue to be influenced by uncontrollable external factors that call for sound, resilient efforts to maintain our sustainable service delivery model within a corporate-led focus. The COVID-19 impact on our operational framework continue to receive all the attention and resources required to assure the health and safety of all our stakeholders. A culture of responsible business ethics within our workforce has set solid foundations that equip us to overcome obstacles as we leverage our expertise gained over the years.

Business Performance
The continuing hyperinflationary and macroeconomic environment remains a critical focal area influencing our business performance. During the period under review, the Bank's total deposits have, in historic terms grown to ZWL9.8bn, an 11% increase from ZWL8.8bn recorded in December 2020. Foreign currency loans grew to USD18.7m in June 2021 from USD1m in December 2020, driven by the growth in foreign currency deposits.

A loan loss ratio of 0.6% demonstrates the quality of our loan book, which has a non-performing loan ratio of 0.14% against a market average of 0.3%. Loans under watchlist constitute 3.3% of the loan book. Operating costs were largely driven by inflation between June last year and June this year, with the cost to income ratio showing an improvement from 66% to 56%, a combination of the growth in loans and transactional income. We are optimistic about the economic environment and look forward to a second half characterized by further growth in loans and deposits in both local and foreign currency whilst maintaining a quality loan book.

Modified Review Opinion
The Bank obtained a modified audit opinion for the 6 months ended 30 June 2021. This relates to the valuation of properties, where the valuations are denominated in USD and then translated at the official interbank rate as at 30th of June 2021. As a regulated entity we are required to use the official interbank rate for the purposes of translation, as opposed to any other unofficial rate that may be prevailing in the market.

Please refer to note 19,20 and 22 for the detailed disclosure and sensitivities on the property valuations.

Our Products & Service Commitment
COVID-19 has accelerated focus on the Bank's digital capabilities. With increased system stability, we took decisive actions by investing resources towards digital platform development and enhancements. Our expanding digital product suite continues on a growth trajectory that has led us to the launching of services that allow customers to transact from anywhere at any time. Thus taking us one step closer to achieving our aspiration to enable customers and clients to achieve their extraordinary through an integrated, unique service offering.

During the period under review, we introduced a multi-transactional WhatsApp Banking platform, Reverse Billing on internet banking, Zipit Smart Acquiring and Infinipay, a payment platform for our Commercial customers. We continue to leverage our core banking system which has extensive capabilities allowing us to continue to develop our product capability. Our aim continues not only to be able to reduce cost-to-serve but bring transactional convenience through continuous cutting-edge innovations and smart partnerships with global brands.

Safeguarding Human Capital
From the onset, our approach to ensuring the safety of customers, clients and colleagues was founded on our business values. Amidst this turbulent environment, we benefitted from the resilience and strength of our colleague franchise who remain steadfast in ensuring the delivery of service excellence. Their health and safety remains key as we continue to invest in sustainable hybrid work environments in line with global trends and as guided by the health regulatory authorities to ensure that customer expectations are met with minimal disruption.

Consistent efforts in upskilling the colleague franchise have yielded positive results in our culture alignment and transformation initiatives. Even within this challenging environment, the Bank remains invested in developing the next generation through robust Internship programs which will see the recruitment of interns and graduate trainees by the beginning of the third quarter.

Good Citizenship
The drive to invest in the communities we serve comes from our deep-rooted belief that one cannot exist without the other. This is why we have a proud heritage that spans over years of giving back and serving others through our resources, time, skills, and strategic partnerships. We remain focused on the youth who are the future, female empowerment, enterprise economic development and education. The COVID pandemic has seen us increase online training mediations on diverse platforms.

Sustainability is an integral part our strategy. Collaborative efforts with Junior Achievement Zimbabwe culminated to the participation in the annual Global Money Week through a unique virtual mentorship initiative directly benefitting over 1400 youth. Our online platform for women entrepreneurs, Making Hustlepreneurs: Making Herstory, continues to impact an average of 2000 women monthly through unique enterprise training and touchpoints. We are proud of the impact we have realized and will continue to look for strategic worthwhile community goals to invest in.

Looking Ahead
Whilst we may not be certain of how the rest of the year will unfold, we are confident of our ability to continue our digital transformation journey. This will not only focus on new innovations but also include enhancements of existing platforms to give a superior user experience and increased transactional security. Banking-on-the-go and under one roof are goals we are realising one product/service at a time. We are committed to bringing real value to our stakeholders and stand ready to serve as we look forward to a productive second half.

I would like to take this opportunity to sincerely thank all our customers for choosing us as a their banking partner. We value these relationships and endeavour to provide transactional platforms that make your lives easier. We look forward to increasing our feedback platforms as your voice is important to us. If anything, these past years have shown us that Belief truly comes First.

Ciaran McSharry
Managing Director

5 August 2021

Corporate Governance Statement

The Board of Directors of First Capital Bank Limited ("the Board/First Capital Bank") is committed to and recognises the importance of strong governance practices. The Board understands that a comprehensive corporate governance framework is vital in supporting executive management in its execution of strategy and in driving long term sustainable performance. In order to achieve good governance, the Board subscribes to principles of international best practice in corporate governance as guided by, among others, the Companies and Other Business Entities Act, the Banking Act, the Corporate Governance Guidelines, the Zimbabwe National Code on Corporate Governance, Zimbabwe Stock Exchange rules and the King IV report on Corporate Governance. The Board continuously reviews its internal governance standards and practices, to ensure that it modifies and aligns them with local and international corporate governance requirements as appropriate. In line with the Zimbabwe Stock Exchange listing requirements, the board has selected the Zimbabwe National Code on Corporate Governance as the minimum standard to which it subscribes and complies with.

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

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

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

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

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

Board diversity
The First Capital Bank Board recognises the importance of diversity and inclusion in its decision making processes. The board is made up of six independent non-executive directors, 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. As one of its key deliverables, management is mandated to keep the Board informed on an ongoing basis, of material developments in and affecting the Bank.

Share Dealings / Insider trading
The directors, management and staff of First Capital Bank Limited are prohibited from dealing in the company's shares whether directly or indirectly, during "closed periods" which are the periods that are a month before the end of the interim or full year reporting period until the time of the publication of the interim or full year results. Furthermore, directors, management and staff are prohibited from dealing in the company's shares whenever the company is going through certain corporate actions or when they are in possession of non-public information that has the potential of impacting the share price of the company.

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

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

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

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. Furthermore, as part of continuing director development, Board members attend director training programs scheduled during the course of the year.

Board activities
The Board of Directors held two quarterly board meetings in the first half of 2021, a board evaluation review meeting and a strategy review session. Each board Committee held at least two quarterly meetings. The areas of focus included the setting of strategic direction, the review of strategy and business operations, business continuity in light of the COVID-19 pandemic, 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 directors attendance of meetings during the first half of 2021 is shown in the last part of this report.

Board and director evaluation
The Board conducts an annual evaluation process which assesses the performance and effectiveness of individual directors, the Board Chairman, Committees and overall performance of the Board. This process was facilitated internally. The evaluation process involves directors completing evaluation questionnaires. The results of the evaluation are collated, a report is produced and feedback provided to the Board. The Board also submits the evaluation report to the Reserve Bank of Zimbabwe. The Board conducted its evaluation for the year ended 31 December 2020 and a report was submitted to the RBZ. Board performance and evaluation was rated as strong by directors.

Corporate Governance Statement

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

The committee is wholly comprised of independent non-executive directors. The members of the Committee as at 30 June 2021 were:-
A. Chinamo (Chairman)
T. Moyo
K. Terry

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 makes its decisions via round robin and also meets at least once a quarter.

The Committee comprises three non-executive directors. The members of the Committee as at 30 June 2021 were:-
K. Terry (Chairman)
H. Anadkat
K. Naik

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 Nominations Committee. The Committee reviews and approves overall recommendations on employee remuneration as well as approving managerial appointments. The Committee ensures that the remuneration of directors is in line with the nature and size of the operations of the Bank as well as the Bank's performance. In addition, the Committee also considers nominations to the Board and succession planning for the Board. The Committee comprises three non-executive directors .

The members of the Committee as at 30 June 2021 were:-
K. Naik (Chairman)
P. Devenish
H. Anadkat

Information Technology Committee
The Committee is mandated to have strategic oversight and governance of the Company's strategic investment in IT, data protection, information management and ensuring the stability of the bank's IT systems.

The Committee was made up of the following members as at 30 June 2021:-
K. Terry (Chairman)
T. Moyo
M. Gursahani
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 identified risks. It assists the Board with discharging its responsibility to review the quality of the Bank's loan portfolio. At every meeting, it reviews the quality of the loan portfolio with a view to ensuring compliance with the banking laws and regulations and all other applicable laws as well as internal policies.

The members of the Committee as at 30 June 2021 were:-
T. Moyo (Chairman)
S.N.Moyo
A. Chinamo

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

As at 30 June 2021 members of the committee were:-
S. N. Moyo (Chairman)
A. Chinamo
M. Gursahani

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

Country Management Committee (CMC)
The Country Management Committee is the operational management forum responsible for the delivery of the Bank's operational plans. The Country Management 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 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 Assets and Liabilities Committee is tasked with ensuring the achievement of sustainable and stable profits within a framework of acceptable financial risks and controls. The 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 Committees responsibilities.

Board and committees attendance half year 2021
Main Board

Name	Total Meetings	Present	LOA**
P. Devenish	4	4	Nil
A. Chinamo	4	4	Nil
C. McSharry	4	4	Nil
H. Anadkat	4	4	Nil
K. Naik	4	4	Nil
K. Terry	4	4	Nil
M. Gursahani	4	4	Nil
S. N. Moyo	4	4	Nil
T. Moyo	4	4	Nil
T. Mukuku	4	4	Nil

Audit committee

Name	Total Meetings	Present	LOA**
A. Chinamo	3	3	Nil
T. Moyo	3	3	Nil
K. Terry	3	3	Nil

Credit committee

Name	Total Meetings	Present	LOA**
K. Terry	9	9	Nil
H. Anadkat	9	9	Nil
K. Naik	9	9	Nil

Human resources & nominations committee

Name	Total Meetings	Present	LOA**
K. Naik	2	2	Nil
P. Devenish	2	2	Nil
H. Anadkat	2	2	Nil

IT Committee

Name	Total Meetings	Present	LOA**
K. Terry	4	4	Nil
T. Moyo	4	4	Nil
M. Gursahani	4	4	Nil
C. McSharry	4	4	Nil

Loans review committee

Name	Total Meetings	Present	LOA**
T. Moyo	2	2	Nil
S. N. Moyo	2	2	Nil
A. Chinamo	2	2	Nil

Risk and Compliance committee

Name	Total Meetings	Present	LOA**
S. N. Moyo	2	2	Nil
M. Gursahani	2	2	Nil
A. Chinamo	2	2	Nil

**LOA - Leave of absence granted

Directors shareholding
The following is a schedule of the directors' shareholdings in the Bank as at 30 June 2021;

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

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

Half Year Financial Results
The Directors are responsible for the preparation and integrity of the financial results and related financial information contained in this report. The financial results are prepared in accordance with international accounting practices and they incorporate responsible disclosures to ensure that the information contained therein is both relevant and reliable. These reviewed financial results have been prepared under the supervision of Taitos Mukuku CA (Z) PAAB Registered Accountant No.0281.

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

By Order of the Board

S. Binha
Acting Company Secretary

5 August 2021

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Reviewed Financial Results
For the half year ended 30 June 2021

Statement of Comprehensive Income
for the half year ended 30 June 2021

	Notes	Inflation adjusted 30.06.2021 ZWL000	Inflation adjusted 30.06.2020 ZWL000	*Historical 30.06.2021 ZWL000	*Historical 30.06.2020 ZWL000
Interest income	3	924 374	523 992	865 418	155 593
Interest expense	4	32 239	(49 695)	38 862	(17 096)
Net interest income		**956 613**	**474 297**	**904 280**	**138 497**
Net fee and commission income	5	998 602	622 189	938 578	187 532
Net trading and foreign exchange income	6	321 889	440 431	299 512	141 342
Net investment and other income	7	46 739	45 511	44 461	11 438
Fair value (loss)/ gain on investment property	20	(46 891)	128 335	12 583	177 614
Total non interest income		**1 320 339**	**1 236 466**	**1 295 134**	**517 926**
Total income		**2 276 953**	**1 710 763**	**2 199 414**	**656 423**
Impairment losses on loans and receivables	11	(28 836)	(99 567)	(26 370)	(40 133)
Net operating income		**2 248 116**	**1 611 196**	**2 173 044**	**616 290**
Staff costs	8	(570 056)	(324 210)	(417 685)	(85 800)
Infrastructure costs	9	(395 036)	(341 639)	(284 199)	(75 473)
Administration and general expenses	10	(583 943)	(487 752)	(523 424)	(155 792)
Operating expenses		**(1 549 034)**	**(1 153 601)**	**(1 225 308)**	**(317 065)**
Net monetary loss		(76 747)	(129 113)	-	-
Share of (losses)/ profits of joint ventures	22	(154 759)	269 798	47 150	523 365
Profit before tax		**467 576**	**598 280**	**994 886**	**822 590**
Taxation	12	(301 640)	(175 106)	(272 835)	(56 077)
Profit for the period		**165 936**	**423 174**	**722 051**	**766 513**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
(Loss)/ Gains on property revaluations		(140 685)	458 468	52 024	587 906
Deferred tax		34 778	(113 333)	(12 859)	(145 330)
Net (loss)/ gain on property revaluations		**(105 908)**	**345 135**	**39 165**	**442 576**
Gain/ (loss) on Financial assets at FVOCI during the year		209 001	(16 846)	219 390	34 282
Deferred tax		(10 267)	-	(10 786)	(1 506)
Net gain/ (loss) on financial assets at fair value through other comprehensive income		**198 734**	**(16 846)**	**208 604**	**32 776**
Total other comprehensive income		**92 827**	**328 289**	**247 769**	**475 351**
Total comprehensive income		**258 763**	**751 463**	**969 819**	**1 241 864**
Earnings per share					
Basic (cents per share)		**7.69**	**19.63**	**33.44**	**35.56**
Diluted (cents per share)		**7.67**	**19.61**	**33.38**	**35.56**

***Refer to note 2.1 (e)**

Statement of Cash Flows
for the half year ended 30 June 2021

	Notes	Inflation adjusted 30.06.2021 ZWL000	Inflation adjusted 30.06.2020 ZWL000	*Historical 30.06.2021 ZWL000	*Historical 30.06.2020 ZWL000
Cash flows from operating activities					
Profit before tax		**467 576**	**598 281**	**994 886**	**822 590**
Adjustments for non - cash items:					
Depreciation of property and equipment and Software armotisation		121 956	119 246	29 438	8 643
Impairment loss on financial assets	11	28 887	99 567	26 417	40 250
Share of loss/(profit) from joint venture	22	154 759	(269 798)	(47 150)	(523 365)
Fair value loss/ (gain) on investment property	20	46 891	(128 335)	(12 583)	(177 614)
Dividend income from investment securities	7	(37 358)	(38 251)	(35 544)	(9 315)
Profit on disposal of property and equipment		(369)	(3 270)	(494)	(915)
Interest accrual on available for sale financial assets		(19 946)	(30 419)	(18 513)	(8 723)
Prepayments and stocks amortisation		145 503	(3 479)	(1 459)	(2 972)
Lease finance cost		15 110	10 299	14 149	3 213
Net monetary loss		76 747	129 113	-	-
Share based payment expense		378	-	378	-
Derivative assets		(1 155)	(1 556)	(1 155)	(753)
Cash flow from operating activities before changes in working capital		**998 979**	**481 398**	**948 368**	**151 039**
(Increase)/decrease in loans and advances to customers		(1 636 170)	1 055 211	(2 138 217)	(483 833)
(Increase)/decrease in other assets		(210 335)	1 283 901	(637 024)	(891 739)
(Decrease)/ Increase in deposits from customers		(813 140)	(3 768 899)	1 002 406	3 608 960
(Decrease)/ Increase in other liabilities		(473 946)	(749 448)	(111 180)	982 093
Corporate income tax paid		(302 945)	(52 314)	(291 262)	(17 879)
(Payments into)/ withdrawals from restricted bank balances		(102 969)	817 455	(170 543)	77 495
Net cash (used in)/ generated by operating activities		**(2 540 525)**	**(932 696)**	**(1 397 454)**	**3 426 136**
Cash flows from investing activities					
Purchase of property, equipment and intangible assets		(180 318)	(23 915)	(173 483)	(7 240)
Proceeds from sale of property and equipment		551	7 917	498	1 215
Dividends received from investment securities		37 358	38 251	35 544	9 315
Interest received from investment securities		39 225	42 554	43 559	7 025
Purchase of investments securities		(9 553 196)	(268 194)	(8 802 003)	(94 936)
Proceeds from sale and maturities of investment securities		9 898 899	-	9 105 000	-
Net cash generated by / (used in) investing activities		**242 518**	**(203 386)**	**209 115**	**(84 621)**
Cash flows from financing activities					
Proceeds from issue of shares under a share based payment plan		35	167	34	81
IFRS 16 Lease liabilities payments		(28 306)	(29 247)	(26 473)	(8 207)
Net cash used in financing activities		**(28 271)**	**(29 081)**	**(26 439)**	**(8 126)**
Net (decrease) / increase in cash and cash equivalents		**(2 326 278)**	**(1 165 163)**	**(1 214 778)**	**3 333 389**
Cash and cash equivalents at the beginning of the year		6 484 147	4 856 659	5 372 648	897 079
Cash and cash equivalents at the end of the year	13.1	**4 157 870**	**3 691 496**	**4 157 870**	**4 230 468**

***Refer to note 2.1 (e)**

Statement of Financial Position
as at 30 June 2021

	Notes	Inflation adjusted 30.06.2021 ZWL000	Inflation adjusted 31.12.2020 ZWL000	*Historical 30.06.2021 ZWL000	*Historical 31.12.2020 ZWL000
Assets					
Cash and bank balances	13	5 344 211	7 673 753	5 344 211	6 358 334
Derivative financial instruments	14	1 158	4 454	1 158	3 690
Investment securities	15	920 960	1 229 917	920 960	1 019 087
Loans and receivables from banks	16	31 797	15 028	31 797	12 452
Loans and advances to customers	17	4 474 756	2 852 974	4 474 756	2 363 923
Other assets	18	2 561 180	2 350 844	2 462 337	1 826 107
Property and equipment	19	1 158 486	1 167 339	1 152 824	944 709
Investment properties	20	300 063	346 954	300 063	287 480
Investment in joint venture	22	1 023 119	1 177 878	1 023 119	975 969
Intangible assets	21	219 665	243 428	13 503	15 023
Right of use assets	23.1	383 539	348 043	174 692	99 973
Total assets		**16 418 934**	**17 410 612**	**15 899 420**	**13 906 747**
Liabilities					
Derivative financial instruments	14	2	75	2	62
Lease liabilities	23.2	168 817	115 566	168 817	95 756
Deposits from banks	24	155 118	126 333	155 118	104 677
Deposits from customer	25	9 818 391	10 639 846	9 818 391	8 815 986
Provisions	26	85 022	70 686	85 022	58 569
Other liabilities	27	1 288 375	1 858 889	1 287 875	1 539 652
Deferred tax liabilities	29	382 027	417 164	243 629	240 289
Current tax liabilities		32 039	36 400	32 039	30 160
Balances due to group companies	35.3	268 398	186 166	268 398	154 254
Total liabilities		**12 198 189**	**13 451 125**	**12 059 291**	**11 039 405**
Equity					
Capital and reserves					
Share capital		8 635	8 634	216	216
Share premium	30	954 734	954 674	24 013	23 981
Non - distributable reserves	30.1	311 681	311 681	7 785	7 785
Fair value through other comprehensive income reserve	30.2	223 340	24 606	256 916	48 312
Revaluation reserves	30.3	422 574	528 482	743 928	704 763
Impairment reserve		3 010	550	3 010	456
Share - based payment reserve	30.4	49 351	49 376	1 597	1 216
Retained earnings		2 247 420	2 081 484	2 802 664	2 080 613
Total equity		**4 220 745**	**3 959 487**	**3 840 129**	**2 867 342**
Total equity and liabilities		**16 418 934**	**17 410 612**	**15 899 420**	**13 906 747**

***Refer to note 2.1 (e)**

Statement of Changes in Equity
for the half year ended 30 June 2021

Inflation adjusted 2021	Share capital ZWL000	Share premium ZWL000	Non-distributable reserves ZWL000	Fair value through other comprehensive income ZWL000	Revaluation reserves ZWL000	Impairment reserve ZWL000	Share-based payment reserve ZWL000	Retained earnings ZWL000	Total equity ZWL000
Balance at 1 January 2021	**8 634**	**954 674**	**311 681**	**24 606**	**528 482**	**550**	**49 376**	**2 081 484**	**3 959 487**
Profit for the year	-	-	-	-	-	-	-	165 936	165 936
Other comprehensive income for the year	-	-	-	198 734	(105 908)	-	-	-	92 826
Issue of ordinary shares under share-based payment plans	1	60	-	-	-	-	(25)	-	36
Impairment of FVOCI financial assets	-	-	-	-	-	2 460	-	-	2 460
Balance at 30 June 2021	**8 635**	**954 734**	**311 681**	**223 340**	**422 574**	**3 010**	**49 351**	**2 247 420**	**4 220 745**

*Historical 2021	Share capital ZWL000	Share premium ZWL000	Non-distributable reserves ZWL000	Fair value through other comprehensive income ZWL000	Revaluation reserves ZWL000	Impairment reserve ZWL000	Share-based payment reserve ZWL000	Retained earnings ZWL000	Total equity ZWL000
Balance at 1 January 2020	**216**	**23 981**	**7 785**	**48 312**	**704 763**	**456**	**1 216**	**2 080 613**	**2 867 342**
Profit for the year	-	-	-	-	-	-	-	722 051	722 051
Other comprehensive income for the year	-	-	-	208 604	39 165	-	-	-	247 769
Recognition of share-based payments	-	-	-	-	-	-	405	-	405
Issue of ordinary shares under share-based payment plans	-	32	-	-	-	-	(24)	-	8
Realisation of revaluation reserves	-	-	-	-	-	-	-	-	-
Impairment of FVOCI financial assets	-	-	-	-	-	2 554	-	-	2 554
Balance at 30 June 2021	**216**	**24 013**	**7 785**	**256 916**	**743 928**	**3 010**	**1 597**	**2 802 664**	**3 840 129**

***Refer to note 2.1 (e)**

Notes to the Financial Results
for the half year ended 30 June 2021

1. General information and statement of compliance

1.1. General information

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

2.1(a) Basis of preparation

The reviewed financial results have been prepared on the basis of IAS 29: Financial Reporting for Hyperinflationary Economies, as well as the requirements of the Companies and Other Business Entities Act (Chapter 24:31) and the Banking Act (Chapter 24.20).

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

Dates	All items CPI Indices	Conversion factors
June 2021	2986.44	1
December 2021	2474.51	1.21
June 2020	1445.21	2.07

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

Monetary assets and liabilities are not restated while non-monetary assets and liabilities that are not carried at amounts current at balance sheet date and components of shareholders' equity are restated by the relevant monthly conversion factors.

All items in the income statement are restated by applying the relevant monthly, yearly average or year-end conversion factors. The effect of inflation on the net monetary position of the Bank is included in the income statement as a monetary loss adjustment. The comparatives for June 2020 and December 2020 have also been restated by applying the respective conversion factors.

2.1(b) Basis of measurement

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

2.1(c) Accounting policies

The accounting policies applied in the preparation of the reviewed financial results are consistent with the most recent financial statements for the year ended 31 December 2020.

2.1(d) Functional and presentation currency

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

2.1(e) 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 a review conclusion on the historical financial information.

2.1(f) Conversion of foreign currency transactions and balances at interbank exchanges rates

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

2.1(g) Review conclusion and key audit matters

The abridged inflation adjusted financial results for the 6 months ended 30 June 2021 have been reviewed by the Bank's external auditors, Deloitte & Touche, who have issued a qualified review conclusion in respect of valuation of land and buildings, investment property and the property held as part of the joint venture in Makasa Sun (Private) Limited.

The partner for the review engagement was Mr. Lawrence Nyajeka, PAAB practice certificate number 0598.

		Inflation adjusted		Historical	
		30.06.2021	30.06.2020	30.06.2021	30.06.2020
3	**Interest income**	ZWL000	ZWL000	ZWL000	ZWL000
	Bank balances	55 396	48 304	51 663	17 541
	Loans and receivables from banks and investment securities	20 911	30 419	18 513	8 723
	Loans and advances to customers	848 067	445 269	795 242	129 329
	Total interest income	**924 374**	**523 992**	**865 418**	**155 593**
4	**Interest expense**				
	Interest on lease liabilities	(15 110)	(10 299)	(14 149)	(3 214)
	Deposits from banks	(1 423)	(479)	(1 333)	(124)
	Customer deposits	48 772*	(38 917)	54 344*	(13 758)
	Total interest expense	**32 239**	**(49 695)**	**38 862**	**(17 096)**

*Includes reversals of interest accruals on current accounts from prior years.

		Inflation adjusted		Historical	
		30.06.2021 ZWL000	30.06.2020 ZWL000	30.06.2021 ZWL000	30.06.2020 ZWL000
5	**Net fee and commission income**				
	Fee and commission income				
	Account maintenance fees/ ledger fees	200 310	163 759	166 857	46 204
	Insurance commission received	2 452	1 164	2 291	301
	Transfers and other transactional fees	395 526	228 935	394 132	78 001
	Guarantees	35 904	22 002	33 244	-
	Card based transaction fees	144 371	89 377	134 767	28 401
	Cash withdrawal fees	222 715	118 730	209 782	35 120
	Fee and commission income	**1 001 278**	**623 967**	**941 073**	**188 027**
	Fee and commission expense				
	Guarantee commissions	(2 676)	(1 778)	(2 495)	(495)
	Fee and commission expense	**(2 676)**	**(1 778)**	**(2 495)**	**(495)**
	Net fee and commission income	**998 602**	**622 189**	**938 578**	**187 532**

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

		Inflation adjusted		Historical	
		30.06.2021 ZWL000	30.06.2020 ZWL000	30.06.2021 ZWL000	30.06.2020 ZWL000
6	**Net trading and foreign exchange income**				
	Net foreign exchange revaluation gain	12 880	175 250	11 453	67 042
	Net foreign exchange trading income	309 009	265 181	288 060	74 300
	Net trading income	**321 889**	**440 431**	**299 512**	**141 342**

		Inflation adjusted		Historical	
		30.06.2021	30.06.2020	30.06.2021	30.06.2020
7	**Net investment and other income**	ZWL000	ZWL000	ZWL000	ZWL000
	Dividend income	37 358	38 251	35 544	9 315
	Gain on disposal of property and equipment	369	3 270	494	915
	Rental income	8 462	2 901	7 897	887
	Sundry income	550	1 089	526	321
	Total	**46 739**	**45 511**	**44 461**	**11 438**
8	**Staff costs**				
	Salaries and allowances	(462 922)	(274 934)	(317 531)	(72 129)
	Medical costs	(27 974)	(13 360)	(26 175)	(3 717)
	Social security costs	(1 044)	(742)	(998)	(261)
	Pension costs: defined contribution plans	(33 023)	(22 905)	(30 927)	(6 282)
	Directors` remuneration - for services as management	(44 715)	(12 268)	(41 676)	(3 411)
	Share based payments	(378)	-	(378)	-
	Total staff cost	**(570 056)**	**(324 210)**	**(417 685)**	**(85 800)**
	Average number of employees during the period:	474	534	474	534
9	**Infrastructure costs**				
	Repairs and maintenance	(35 058)	(16 955)	(33 107)	(5 121)
	Heating, lighting, cleaning and rates	(38 330)	(22 270)	(35 778)	(6 081)
	Security costs	(18 087)	(13 511)	(16 988)	(4 180)
	Depreciation of property, equipment and right of use asset	(98 193)	(95 482)	(27 917)	(7 142)
	Software amortisation	(23 763)	(23 763)	(1 521)	(1 501)
	Operating lease - other costs	(6 454)	(4 075)	(6 018)	(1 034)
	Connectivity, software and licences	(175 151)	(165,582)	(162 870)	(50 414)
	Total infrastructure costs	**(395 036)**	**(341 639)**	**(284 199)**	**(75 473)**
10	**Administrative and general expenses**				
	Auditors' remuneration:				
	Audit related services	(6 265)	(6 392)	(5 830)	(1 912)
	Review services	(2 720)	(2 901)	(2 535)	(807)
	Total auditors' remuneration	**(8 985)**	**(9 293)**	**(8 365)**	**(2 719)**
	Consultancy, legal & professional fees	(16 790)	(9 610)	(15 865)	(2 794)
	Subscription, publications & stationery	(37 867)	(17 048)	(31 404)	(4 867)
	Marketing, advertising & sponsorship	(25 207)	(9 640)	(23 835)	(3 050)
	Travel & accommodation	(27 063)	(22 621)	(25 578)	(6 007)
	Entertainment	(42)	(27)	(40)	(7)
	Cash transportation	(65 070)	(31 820)	(61 128)	(8 805)
	Directors fees	(3 379)	(613)	(3 103)	(201)
	COVID-19 costs	(28 297)	(28 417)	(26 374)	(7 906)
	Insurance costs	(43 305)	(22 668)	(40 421)	(5 917)
	Telex, telephones & communication	(45 493)	(54 042)	(42 378)	(15 016)
	Group recharges	(214 787)	(220 639)	(200 449)	(72 639)
	Card operating expenses	(27 955)	(35 542)	(26 281)	(13 661)
	Other administrative & general expenses	(39 703)	(25 772)	(18 203)	(12 202)
	Total administrative and general expenses	**(583 943)**	**(487 752)**	**(523 424)**	**(155 792)**
11	**Impairment losses on loans and receivables by stage**				
	Stage 1				
	Loans and advances to customers	(22 980)	(42 922)	(20 861)	(16 793)
	Balances with banks - local & nostro	(53)	57	(53)	158
	Investment securities - treasury bills & bonds	(2 508)	(2 186)	(2 523)	(933)
	Other assets including RBZ NOP receivable	1 358	(48 788)	1 305	(20 088)
	Total	**(24 183)**	**(93 840)**	**(22 132)**	**(37 655)**
	Stage 2				
	Loans and advances to customers	(798)	(6 501)	(633)	(2 342)
	Total	**(798)**	**(6 501)**	**(633)**	**(2 342)**
	Stage 3				
	Loans and advances to customers	(3 906)	368	(3 652)	(252)
	Total	**(3 906)**	**368**	**(3 652)**	**(252)**
	Total impairment raised during the period	(28 887)	(99 973)	(26 417)	(40 250)
	Recoveries of loans and advances previously written off	51	406	47	117
	Impairment losses recognised in profit/ loss	**(28 836)**	**(99 567)**	**(26 370)**	**(40 133)**
12.	**Taxation**				
12.1	**Income tax recognised in profit or loss**				
	Current tax				
	Normal tax	(310 400)	(41 966)	(293 141)	(7 163)
	Total current tax	**(310 400)**	**(41 966)**	**(293 141)**	**(7 163)**
	Deferred tax				
	Deferred tax expense recognised in the current period	8 760	(133 140)	20 306	(48 914)
	Total deferred tax	**8 760**	**(133 140)**	**20 306**	**(48 914)**
	Total income tax charge recognised in the current period	**(301 640)**	**(175 106)**	**(272 835)**	**(56 077)**

		Inflation adjusted		Historical	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
13	**Cash and bank balances**	ZWL000	ZWL000	ZWL000	ZWL000
	Balances with central bank	1 234 114	1 182 182	1 234 114	979 535
	Statutory reserve balance with central bank	255 719	117 322	255 719	97 211
	Cash on hand - foreign currency	1 559 610	2 234 825	1 559 610	1 851 736
	Cash on hand - local currency	65 791	29 377	65 791	24 341
	Balances due from group companies	31 966	37 358	31 966	30 954
	Balances with banks abroad	2 198 264	4 073 017	2 198 264	3 374 829
	Cash and bank balances	**5 345 464**	**7 674 081**	**5 345 464**	**6 358 606**
	Expected credit losses	(1 253)	(328)	(1 253)	(272)
	Net cash and bank balances	**5 344 211**	**7 673 753**	**5 344 211**	**6 358 334**
13.1	**Cash & cash equivalents**				
	Cash & bank balances before impairment	5 345 465	7 674 081	5 345 465	6 358 606
	Restricted balances with central bank	(146 674)	(135 686)	(146 674)	(112 427)
	Statutory reserve	(255 719)	(117 322)	(255 719)	(97 211)
	Restricted balances with banks abroad	(661 881)	(825 620)	(661 881)	(684 094)
	Clearing balances with banks	31 797	15 028	31 797	12 452
	Bank balances due to group companies	-	(20 018)	-	(16 587)
	Balances due to other banks	(155 118)	(106 316)	(155 118)	(88 091)
	Total cash and cash equivalents - statement of cash flows	**4 157 870**	**6 484 147**	**4 157 870**	**5 372 648**

Notes to the Financial Results
for the half year ended 30 June 2021

14 Derivative financial instruments

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

Carrying amount

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

Contract amount

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

	Inflation adjusted		Historical	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Foreign exchange derivatives - assets	ZWL000	ZWL000	ZWL000	ZWL000
Foreign exchange swaps				
Notional contract amount - Asset	172 005	200 821	172 005	166 397
Notional contract amount - Liability	(170 847)	(196 368)	(170 847)	(162 707)
Carrying amount	**1 158**	**4 454**	**1 158**	**3 690**
Foreign exchange derivatives - liabilities				
Foreign exchange spot trades				
Notional contract amount - Asset	41 367	33 580	41 367	27 824
Notional contract amount - Liability	(41 369)	(33 655)	(41 369)	(27 886)
Carrying amount	**(2)**	**(75)**	**(2)**	**(62)**

		Inflation adjusted		Historical	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
15	**Investment securities**	ZWL000	ZWL000	ZWL000	ZWL000
	Treasury bills and bonds	599 159	1 169 309	599 159	968 868
	Promissory notes	19 862	-	19 862	-
	Equity securities	301 939	60 608	301 939	50 219
	Balance at the end of the period	**920 960**	**1 229 917**	**920 960**	**1 019 087**
	Total				
	Balance at beginning of year	**1 229 917**	**1 254 927**	**1 019 087**	**231 800**
	Additions	9 554 261	4 667 120	8 779 295	3 644 749
	Accrued interest	19 946	55 811	8 188	18 025
	Maturities/ Disposals	(10 092 165)	(4 669 218)	(9 105 000)	(2 901 079)
	Changes in fair value	209 001	(78 724)	219 390	25 592
	Balance at the end of the period	**920 960**	**1 229 917**	**920 960**	**1 019 087**

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 ZWL3,010,212.47 was recognised in the reserve as at 30 June 2021. Equity securities are designated as fair value through other comprehensive income and measured at fair value.

		Inflation adjusted		Historical	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
16	**Loans and receivables from banks**	ZWL000	ZWL000	ZWL000	ZWL000
	Clearing balances with other banks	31 797	15 028	31 797	12 452
	Total carrying amount of loans and advances	**31 797**	**15 028**	**31 797**	**12 452**

		Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
17	**Historical and inflation adjusted 30.06.2021**				
	Loans and advances to customers				
	Personal and term loans	923 331	339 770	2 681 229	3 944 330
	Mortgage loans	18 297	-	-	18 297
	Overdrafts	4 663	133 088	459 601	597 351
	Gross loans and advances to customers	**946 290**	**472 857**	**3 140 830**	**4 559 978**
	Less: allowance for expected credit losses				
	Stage1	(25 747)	(7 329)	(38 180)	(71 256)
	Stage2	(1 976)	(2 475)	(1 909)	(6 360)
	Stage3	(7 606)	-	-	(7 606)
	Allowance for expected credit losses	**(35 329)**	**(9 804)**	**(40 089)**	**(85 222)**
	Net loans and advances to customers	**910 961**	**463 054**	**3 100 741**	**4 474 756**

Inflation adjusted 31.12.2020	Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
Personal and term loans	588 554	2 558	2 026 476	2 617 589
Mortgage loans	22 934	-	-	22 934
Overdrafts	5 380	106 084	173 687	285 151
Gross loans and advances to customers	**616 869**	**108 642**	**2 200 163**	**2 925 674**
Less: allowance for expected credit losses				
Stage 1	(17 222)	(6 988)	(37 310)	(61 520)
Stage 2	(1 414)	(3 307)	(2 190)	(6 911)
Stage 3	(4 269)	-	-	(4 269)
Allowance for expected credit losses	**(22 905)**	**(10 294)**	**(39 500)**	**(72 700)**
Net loans and advances	**593 964**	**98 348**	**2 160 663**	**2 852 974**

Historical 31.12.2020	Retail Banking ZWL000	Business Banking ZWL000	Corporate and Investment Banking ZWL000	Total ZWL000
Personal and term loans	487 665	2 120	1 679 102	2 168 887
Mortgage loans	19 003	-	-	19 003
Overdrafts	4 458	87 899	143 913	236 271
Gross loans and advances to customers	**511 126**	**90 019**	**1 823 016**	**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	**492 148**	**81 489**	**1 790 2865**	**2 363 923**

		Inflation adjusted		Historical	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
18	**Other assets**	ZWL000	ZWL000	ZWL000	ZWL000
	Prepayments and stationery	574 449	128 288	497 284	88 404
	Card security deposit and settlement balances	197 754	228 444	197 754	189 284
	Customer auction funds	624 078	333 227	624 078	276 106
	LCs retentions	-	313 698	-	259 925
	Other receivables	188 923	93 083	188 923	79 612
	RBZ receivable - NOP support*	829 054	1 061 116	829 054	879 221
	Staff loans prepaid benefit	179 071	230 375	157 393	87 018
	Total before impairment allowance	**2 593 329**	**2 391 231**	**2 494 486**	**1 859 570**
	Less: Expected credit loss	(32 149)	(40 386)	(32 149)	(33 463)
	Total other assets	**2 561 180**	**2 350 844**	**2 462 337**	**1 826 107**
	Current	1 885 828	1 359 390	1 758 235	1 121 383
	Non - current	675 351	991 454	704 102	704 724
	Total	**2 561 180**	**2 350 844**	**2 462 337**	**1 826 107**

* The receivable relates to the foreign currency commitment by the Reserve Bank to provide cash flows to cover USD16.2 million net open position which arose after separation of RTGS and foreign currency balances. Cash flows were discounted at 9.75%. The receivable is estimated to be fully recovered over a period of 3.6years(2020:4.5years).

19	**Property and equipment Inflation adjusted 30.06.2021**	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Total ZWL000
	Balance at beginning of period	**1 115 583**	**26 125**	**10 829**	**3 415**	**11 386**	**1 167 339**
	Additions	113 358	30 846	3 596	542	31 976	180 318
	Revaluation	(140 685)	-	-	-	-	(140 685)
	Disposals	-	(55)	(374)	-	(1 856)	(2 286)
	Depreciation charge on disposals	-	16	324	-	1 764	2 104
	Depreciation charge	(14 323)	(12 911)	(6 066)	(2 690)	(12 315)	(48 305)
	Carrying amount at end of period	**1 073 933**	**44 022**	**8 308**	**1 267**	**30 955**	**1 158 486**
	Cost or valuation	1 073 933	343 204	150 816	75 948	190 327	1 834 229
	Accumulated depreciation	-	(299 182)	(142 507)	(74 681)	(159 372)	(675 743)
	Carrying amount at end of period	**1 073 933**	**44 022**	**8 308**	**1 267**	**30 955**	**1 158 486**

Historical 30.06.2021	Land and buildings ZWL000	Computers ZWL000	Equipment ZWL000	Furniture and fittings ZWL000	Motor vehicles ZWL000	Total ZWL000
Balance at beginning of period	**924 352**	**10 182**	**7 032**	**2 329**	**814**	**944 709**
Additions	109 119	29 733	3 254	498	30 743	173 347
Revaluation	52 024	-	-	-	-	52 024
Disposals	-	(1)	-	-	(46)	(48)
Depreciation charge on disposals	-	-	-	-	44	44
Depreciation charge	(11 933)	(2 634)	(868)	(319)	(1 496)	(17 251)
Carrying amount at end of period	**1 073 562**	**37 280**	**9 418**	**2 508**	**30 058**	**1 152 824**
Cost or valuation	1 073 562	47 907	13 885	4 509	34 703	1 174 566
Accumulated depreciation	-	(10 627)	(4 467)	(2 002)	(4 646)	(21 741)
Carrying amount at end of period	**1 073 562**	**37 280**	**9 417**	**2 508**	**30 058**	**1 152 824**

Properties were valued in United States Dollars and translated at closing interbank rate to ZWL. The impact of a +/-50% change in the exchange rate on the property values will be ZWL483 million.

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 ZWL641 625 013 (2019: ZWL535 336 921). The fair value measurement of property has been categorised as Level 3 in the fair value hierarchy (Note 32) based on the inputs to the valuation technique used.

		Inflation adjusted		Historical	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
20	**Investment properties**	ZWL000	ZWL000	ZWL000	ZWL000
	Balance at beginning of the period	**346 954**	**386 045**	**287 480**	**71 307**
	Changes in fair value	(46 891)	(39 091)	12 583	216 173
	Balance at the end of the period	**300 063**	**346 954**	**300 063**	**287 480**
	Rental income derived from investment properties	8 462	9 703	7 897	6 073

Properties were valued in United States Dollars and translated at closing interbank rate to ZWL. The impact of a +/-50% change in the exchange rate on the investment property values will be ZWL150 million.

Operating costs incurred on investment properties during the period under review were ZWL 2.6 million. Investment property comprises commercial properties that are leased to third parties. No contingent rents are charged.

The fair value measurement of the investment property has been categorised as Level 3 in the fair value hierarchy (Note 32) based on the inputs to the valuation technique used.

		Inflation adjusted		Historical	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
21	**Intangible assets**	ZWL000	ZWL000	ZWL000	ZWL000
	Balance at beginning of period	**243 428**	**290 954**	**15 023**	**18 025**
	Amortisation	(23 763)	(47 526)	(1 521)	(3 002)
	Balance at end of period	**219 665**	**243 428**	**13 503**	**15 023**
	Cost	316 843	316 843	20 276	20 276
	Accumulated amortisation	(97 178)	(73 415)	(6 773)	(5 253)
	Balance at end of period	**219 665**	**243 428**	**13 503**	**15 023**
22	**Investment in joint venture**				
	Bank's interest at beginning of year	1 177 878	1 312 786	975 969	242 487
	Current year share of total comprehensive (loss)/ income in joint venture	(154 759)	(122 477)	47 150	736 666
	Dividends received during the year	-	(12 431)	-	(3 184)
	Carrying amount of investment at end of period	**1 023 119**	**1 177 878**	**1 023 119**	**975 969**

Properties were valued in United States Dollars and translated at closing interbank rate to ZWL. The impact of a +/-50% change in the exchange rate on the fairvalue of the joint venture property will be a ZWL507 million change in the share of profit.

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	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
23	**Leases**	ZWL000	ZWL000	ZWL000	ZWL000
23.1	**Right of use asset**				
	Balance at beginning of period	348 043	294 093	99 973	16 061
	Additions	91 179	153 121	91 179	95 930
	Terminated	(5 795)	(20 667)	(5 794)	(2 304)
	Depreciation for the period	(49 888)	(78 504)	(10 666)	(9 714)
	Balance at end of period	**383 539**	**348 043**	**174 692**	**99 973**
23.2	**Lease liabilities**				
	Maturity analysis - contractual undiscounted cash flows				
	Less than one year	59 063	26 816	59 063	22 220
	One to five years	206 121	104 115	206 121	86 268
	More than five years	66 116	14 548	66 116	12 055
	Total undiscounted lease liabilities at end of period	**331 300**	**145 480**	**331 300**	**120 543**
	Lease liabilities included in statement of financial position				
	Current	22 084	11 525	22 084	9 549
	Non - current	146 733	104 041	146 733	86 207
	Balance at end of period	**168 817**	**115 566**	**168 817**	**95 756**
	Amounts recognised in profit/ loss				
	Interest on lease liabilities	(15 110)	(21 023)	(14 149)	(11 304)
	Expenses - short term & low value leases	(6 454)	(8 768)	(6 018)	(5 296)
	Total undiscounted lease liabilities	**(21 564)**	**(29 791)**	**(20 167)**	**(16 600)**
	Statement of cash-flows - Leases				
	Total cash outflows	**(28 306)**	**(47 455)**	**(26 473)**	**(25 309)**

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		Inflation adjusted		Historical	
		30.06.2021 ZWL000	31.12.2020 ZWL000	30.06.2021 ZWL000	31.12.2020 ZWL000
24	**Deposits from banks**				
	Bank balances due to banks abroad	13 743	20 018	13 743	16 587
	Clearing balances due to local banks	141 374	106 315	141 374	88 090
	Total deposits from banks	**155 118**	**126 333**	**155 118**	**104 677**
25	**Deposits from customers**				
	Demand deposits				
	Retail	2 065 898	1 843 526	2 065 898	1 527 513
	Business banking	837 099	881 278	837 099	730 211
	Corporate and investment banking	6 199 334	6 885 074	6 199 334	5 704 849
	Total	**9 102 330**	**9 609 879**	**9 102 330**	**7 962 573**
	Call deposits				
	Retail	615	421	615	349
	Business banking	6 186	1 027	6 186	851
	Corporate and investment banking	3 323	153 744	3 323	127 389
	Total	**10 124**	**155 192**	**10 124**	**128 589**
	Savings accounts				
	Retail	17 248	10 459	17 248	8 666
	Business banking	269	26	269	22
	Total	**17 517**	**10 485**	**17 517**	**8 688**
	Other				
	Corporate and investment banking	688 420	864 290	688 420	716 136
	Total	**688 420**	**864 290**	**688 420**	**716 136**
	Total deposits from customers	**9 818 391**	**10 639 846**	**9 818 391**	**8 815 986**

Included in the deposits above are foreign currency deposits of ZWL 4.5 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 ZWL688 420 082 (2020:ZWL864 290 374) held as collateral for loans advanced and letters of credit.

	Inflation adjusted				Historical			
Concentration of customer deposits	30.06.2021 ZWL000	%	31.12.2020 ZWL000	%	30.06.2021 ZWL000	%	31.12.2020 ZWL000	%
Trade and services	3 408 626	35	3 501 258	33	3 408 626	35	2 901 080	37
Energy and minerals	44 107	0	60 117	1	44 107	0	49 812	1
Agriculture	1 001 544	10	1 296 121	12	1 001 544	10	1 073 943	12
Construction and property	140 473	1	190 715	2	140 473	1	158 023	2
Light and heavy industry	1 159 842	12	1 220 095	11	1 159 842	12	1 010 949	11
Physical persons	2 091 978	21	1 854 406	17	2 091 978	21	1 536 528	17
Transport and distribution	829 006	8	1 169 690	11	829 006	8	969 184	11
Financial services	1 142 817	12	1 347 444	13	1 142 817	12	1 116 467	13
Total	**9 818 391**	**100**	**10 639 846**	**100**	**9 818 391**	**100**	**8 815 986**	**100**

		Inflation adjusted		Historical	
		30.06.2021 ZWL000	31.12.2020 ZWL000	30.06.2021 ZWL000	31.12.2020 ZWL000
26	**Provisions**				
	Staff retention				
	Balance at beginning of period	59 885	32 727	49 620	6 045
	Provisions made during the period	56 698	79 000	56 698	65 458
	Provisions used during the period	(70 614)	(51 842)	(60 349)	(21 883)
	Balance at end of period	**45 969**	**59 885**	**45 969**	**49 620**
	Outstanding employee leave				
	Balance at beginning of period	7 581	5 725	6 281	1 057
	Provisions made during the period	32 772	6 316	32 772	5 233
	Provisions used during the period	(1 299)	(4 460)	-	(9)
	Balance at end of period	**39 053**	**7 581**	**39 053**	**6 281**
	Redundancy				
	Balance at beginning of period	3 220	-	2 668	-
	Provisions made during the period	-	3 220	-	2 668
	Provisions used during the period	(3 220)	-	(2 668)	-
	Balance at end of period	**-**	**3 220**	**-**	**2 668**
	Total provisions at end of period	**85 022**	**70 686**	**85 022**	**58 569**

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

		Inflation adjusted		Historical	
		30.06.2021 ZWL000	31.12.2020 ZWL000	30.06.2021 ZWL000	31.12.2020 ZWL000
27	**Other liabilities**				
	Accrued expenses	155 682	181 761	155 682	150 604
	Internal accounts	332 150	234 336	331 650	193 577
	Retentions payable	-	311 061	-	257 739
	Auction funds payable	86 493	337 741	86 493	279 846
	Other foreign currency claims	546 077	640 427	546 077	530 646
	Withholding taxes including IMTT	167 973	153 564	167 973	127 240
	Balance at end of period	**1 288 375**	**1 858 889**	**1 287 875**	**1 539 652**

28 Retirement benefit plans

28.1 Barclays Bank Pension Fund

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

28.2 Defined contribution plans

The defined contribution pension plan to which the Bank contributes 100% is provided for permanent employees. Over and above the Bank's contribution the employee contributes 5%. Under this scheme retirement benefits are determined by reference to the employees' and the Bank's contributions to date and the performance of the Fund. All employees are also members of the National Social Security Authority Scheme to which both the employer and the employees contribute. The Bank contributes 4.5% of pensionable emoluments up to a capped maximum for eligible employees.

28.3 Defined benefit pension plans

The Fund provides for annuities for those pensioners who opted not to purchase the annuity from an external insurer at the point of retirement. All annuities are now purchased outside the Fund at the point of retirement. The provision for pension annuities to pensioners and other death benefits are significant defined benefits. As a result a valuation was performed based on IAS 19 Employee Benefits as at 31 December 2020 and had a net surplus of ZWL$424 887 000. No valuation was done at 30 June 2021.

29 Deferred tax

Deferred tax balances

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

	Inflation adjusted		Historical	
Deferred tax	30.06.2021 ZWL000	31.12.2020 ZWL000	30.06.2021 ZWL000	31.12.2020 ZWL000
Deferred tax balances				
Deferred tax assets	(273 687)	(286 410)	(274 119)	(246 473)
Deferred tax liabilities	655 714	703 575	517 748	486 762
Total deferred tax	**382 027**	**417 164**	**243 629**	**240 289**

30	**Share capital and reserves**				
	Authorised share capital				
	Ordinary shares (5 000 000 000 shares of ZWL0.01 per share)	500	500	500	500
	Issued share capital				
	Ordinary shares (2 159 625 929 shares of ZWL0.01 per share)	8 635	8 634	216	216
	Share premium	954 734	954 674	24 013	23 981
	Total	**963 369**	**963 308**	**24 229**	**24 197**

30.1 Non - distributable reserves

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

	Inflation adjusted		Historical	
	30.06.2021 ZWL000	31.12.2020 ZWL000	30.06.2021 ZWL000	31.12.2020 ZWL000
Non - distributable reserve	311 681	311 681	7 785	7 785
Balance at end of period	**311 681**	**311 681**	**7 785**	**7 785**
Impairment reserve				
Impairment on FVOCI financial assets	3 010	550	3 010	456
Balance at end of period	**3 010**	**550**	**3 010**	**456**

This relates to impairment charge on FVOCI debt securities.

30.2 Fair value through other comprehensive income reserve

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

30.3 Revaluation reserve

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

30.4 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	
		30.06.2021 ZWL000	31.12.2020 ZWL000	30.06.2021 ZWL000	31.12.2020 ZWL000
31	**Financial instruments**				
	Classification of assets and liabilities				
	Financial assets				
	Financial assets at fair value through profit and loss				
	Derivative financial assets	1 158	4 454	1 158	3 690
	RBZ Net open position support	829 054	1 061 116	829 054	879 221
	Total	**830 211**	**1 065 569**	**830 211**	**882 911**
	Financial assets at amortised cost				
	Cash and bank balances	5 344 211	7 673 753	5 344 211	6 358 334
	Loans and advances to customers	4 474 756	2 852 974	4 474 756	2 363 923
	Promissory notes	19 862	-	19 862	-
	Clearing balances due from other banks	31 797	15 028	31 797	12 452
	Other assets*	1 010 755	971 452	1 010 755	804 927
	Total	**10 881 380**	**11 513 206**	**10 881 380**	**9 539 636**

* Excludes prepayments and stationery.

	Inflation adjusted		Historical	
	30.06.2021 ZWL000	31.12.2020 ZWL000	30.06.2021 ZWL000	31.12.2020 ZWL000
Financial assets at fair value through other comprehensive income				
Treasury bills	619 021	1 169 309	619 021	968 868
Unquoted equity securities	301 939	60 608	301 939	50 219
Total	**920 960**	**1 229 917**	**920 960**	**1 019 087**
Total Financial assets	**12 632 552**	**13 808 693**	**12 632 552**	**11 441 634**
Financial liabilities				
Financial liabilities at fair value through profit and loss				
Derivative financial liabilities	2	75	2	62
Total	**2**	**75**	**2**	**62**
Financial liabilities at amortised cost				
Customer deposits	9 818 391	10 639 846	9 818 391	8 815 986
Deposits from other banks	155 118	126 333	155 118	104 677
Other liabilities	1 274 570	1 841 311	1 274 570	1 525 677
Lease liability	168 817	115 566	168 817	95 756
Balances due to group companies	268 398	186 166	268 398	154 254
Total Financial liabilities	**11 685 295**	**12 909 297**	**11 685 295**	**10 696 412**

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

32.1 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 30.06.2021	Level 1 ZWL000	Level 2 ZWL000	Level 3 ZWL000	Total ZWL000
Recurring fair value measurements				
Financial assets				
Derivative assets	-	1 158	-	1 158
RBZ NOP Support receivable	-	-	829 054	829 054
Treasury bills	-	-	599 159	599 159
Unquoted equity instruments	-	-	301 939	301 939
Total	**-**	**1 158**	**1 730 152**	**1 731 310**
Financial liabilities				
Derivative liabilities	-	2	-	2
Total	**-**	**2**	**-**	**2**
Non - financial assets				
Land and buildings	-	-	-	-
Investment property	-	-	300 063	300 063
Investment in joint venture - underlying asset	-	-	1 013 726	1 013 726
Total	**-**	**-**	**1 313 789**	**1 313 789**

32.2 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

32.3 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	Discount rate	48%
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	21%
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 30.06.2021	Investment securities ZWL000	Investment properties ZWL000	RBZ net open position Receivable ZWL000	Investment in Joint venture - Property ZWL000	Total ZWL000
Balance at beginning of year	**1 229 917**	**346 954**	**1 061 115**	**1 177 878**	**3 815 864**
Additions	9 554 261		-		9 554 261
Transfer from property	-	-	-	-	-
Accrued realised interest	19 946	-	44 969	-	64 915
Maturities	(10 081 898)	-	(116 415)	-	(10198313)
Total gains and losses recognised in profit or loss	-	(46 891)	(160 615)	(154 759)	(362 265)
Total gains and losses recognised in other comprehensive income	198 734	-	-	-	198 734
Balance at end of period	**920 960**	**300 063**	**829 054**	**1023 119**	**3073196**

Risk management

Financial risk management objectives

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

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

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

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

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32.4 Capital risk management

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

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

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

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

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

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

	Historical	
	30.06.2021 ZWL000	31.12.2020 ZWL000
Share capital	216	216
Share premium	24 013	23 981
Accumulated profits	2 802 664	2 080 613
Impairment reserve	3 010	456
Share based payment reserve	1 597	1 216
Fair value through OCI reserve	256 916	48 312
Currency translation reserve	3 508	3 508
Total core capital	**3 091 924**	**2 158 302**
Less market and operational risk capital	(449 217)	(269 015)
Less exposures to insiders	(48 147)	(35 648)
Tier 1 capital	**2 594 560**	**1 853 639**
Currency translation reserve movement	4 277	4 277
Revaluation reserves	743 928	704 763
General provisions (limited to 1.25% of weighted risk assets)	71 256	50 974
Tier 2 capital	**819 461**	**760 014**
Total tier 1 & 2 capital	**3 414 021**	**2 613 653**
Market risk	17 089	49 265
Operational risk	449 216	219 750
Tier 3 capital	**449 217**	**269 015**
Total tier 1 2 & 3 capital base	**3 863 237**	**2 882 668**
Deductions from capital	(301 939)	(50 219)
Total capital base	**3 561 298**	**2 832 449**
Credit risk weighted assets	8 820 717	6 239 338
Operational risk equivalent assets	5 401 602	2 746 884
Market risk equivalent assets	213 608	615 806
Total risk weighted assets (RWAs)	**14 435 927**	**9 602 028**
Tier 1 capital ratio	**18.0%**	**19%**
Tier 1 and 2 capital ratio	**23.6%**	**27%**
Total capital adequacy ratio	**24.7%**	**29%**

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 capital requirements based on predetermined exposure and loss probability factors.

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

32.5 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	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing historical	Total historical	Non-interest bearing inflation adjusted	Total inflation adjusted
30 June 2021	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Assets										
Cash and bank balances	2 644 526	-	-	-	-	-	2 699 685	5 344 211	2 699 685	5 344 211
Derivative financial assets	-	-	-	-	-	-	1 158	1 158	1 158	1 158
Investment securities	-	19 862	-	599 159	-	-	301 939	920 960	301 939	920 960
Loans and receivables from banks	31 797	-	-	-	-	-	-	31 797	-	31 797
Loans and advances to customers	-	4 474 756	-	-	-	-	-	4 474 756	-	4 474 756
Other assets	26 684	52 739	56 179	119 167	642 916	-	1 564 652	2 462 337	1 663 495	2 561 180
Property and equipment	-	-	-	-	-	-	1 152 824	1 152 824	1 158 486	1 158 486
Investment properties	-	-	-	-	-	-	300 063	300 063	300 063	300 063
Investment in joint venture	-	-	-	-	-	-	1 023 119	1 023 119	1 023 119	1 023 119
Intangible assets	-	-	-	-	-	-	13 503	13 503	219 665	219 665
Right of use assets	-	-	-	-	-	-	174 692	174 692	383 539	383 539
Total assets	**2 703 007**	**4 547 357**	**56 179**	**718 326**	**642 916**	**-**	**7 231 634**	**15 899 420**	**7 751 148**	**16 418 934**
Liabilities										
Derivative financial liabilities	2	-						2		2
Lease liabilities	168 817	-	-	-	-	-	-	168 817	-	168 817
Deposits from banks	155 118	-	-	-	-	-	-	155 118	-	155 118
Deposits from customers	9 818 391	-	-	-	-	-	-	9 818 391	-	9 818 391
Provisions	-	-	-	-	-	-	85 022	85 022	85 022	85 022
Other liabilities	-	-	-	-	-	-	1 287 875	1 287 875	1 288 375	1 288 375
Deferred tax liabilities	-	-	-	-	-	-	243 629	243 629	382 027	382 027
Current tax liabilities	-	-	-	-	-	-	32 039	32 039	32 039	32 039
Due to group companies	-	-	-	-	-	-	268 398	268 398	268 398	268 398
Total liabilities	**10 142 328**	**-**	**-**	**-**	**-**	**-**	**1 916 963**	**12 059 291**	**2 055 861**	**12 198 189**
Interest rate re - pricing gap	**(7 439 321)**	**4 547 357**	**56 179**	**718 326**	**642 916**	**-**	**5 314 671**	**3 840 128**	**5 695 287**	**4 220 745**
Cumulative gap	**(7 439 321)**	**(2 891 964)**	**(2 835 785)**	**(2 117 459)**	**(1 474 543)**	**(1 474 543)**	**3 840 128**	**-**	**4 220 745**	**-**

32.6 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	**30.06.2021 ZWL000**	**31.12.2020 ZWL000**	**30.06.2021 ZWL000**	**31.12.2020 ZWL000**
One day risk				
Currency	28 347	164 658	28 347	136 533
Aggregate VaR as at end of period	**28 347**	**164 658**	**28 347**	**136 533**
Two day risk				
Currency	89 641	520 695	89 641	431 754
Aggregate VaR as at end of period	**89 641**	**520 695**	**89 641**	**431 754**

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	**30.06.2021 Impact on earnings**	**31.12.2020 Impact on earnings**	**30.06.2021 Impact on earnings**	**31.12.2020 Impact on earnings**
Local currency	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
1500bps increase in interest rates	39 927	21 876	39 927	18 123
1500bps decrease in interest rates	(39 927)	(21 876)	(39 927)	(18 123)
Benchmark	**-**	**-**	**-**	**-**
Foreign currency				
500bps increase in interest rates	4 419	5 305	4 419	4 399
500bps decrease in interest rates	(4 419)	(5 305)	(4 419)	(4 399)
Benchmark	**-**	**-**	**-**	**-**

(iii) Economic capital

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

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

32.7 Foreign exchange risk

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

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

Historical and inflation adjusted	USD (ZWL Equiv)	GBP (ZWL Equiv)	Rand (ZWL Equiv)	Other foreign currency (ZWL Equiv)	Total
At June 2021	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Assets					
Cash and bank balances	2 845 051	40 342	145 065	90 776	3 121 234
Loans and advances to customers	1 603 812	-	-	-	1 603 812
Other assets*	1 620 441	-	-	-	1 620 441
Foreign exchange swaps	172 002	-	-	-	172 002
Total financial assets	**6 241 305**	**40 342**	**145 065**	**90 776**	**6 517 489**
Liabilities					
Deposits from customers	4 838 634	29 919	136 584	50 175	5 055 312
Other liabilities	1 028 652	13 251	3 911	1 772	1 047 586
Balances due to group companies	243 963	-	-	24 435	268 398
Total financial liabilities	**6 111 248**	**43 170**	**140 495**	**76 383**	**6 371 296**
Net currency positions	**130 057**	**(2 828)**	**4 571**	**14 393**	**146 193**

*Excludes prepayments and stationery

Exchange rates applied as at 30 June 2021	USD	GBP	Rand	EUR	CND
ZWL closing rate	85.4234	118.1660	6.0024	101.3980	68.9655

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

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

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

The credit scores from this model are mapped to the regulatory scale with 10 grades. Corporate exposures are monitored by grading exposures into early warning list for those customers who are believed to be facing difficulties. Customers are categorised into Early Warning Lists ("EWL") 1-3. Those in EWL1 have temporary problems and the risk of default is low. EWL2 implies there are doubts that the customer will pay but the risk of default is medium. EWL3 implies that there are doubts that the customer will pay and the risk of default is high

Retail exposures
After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural internal credit rating. Any other known information about the borrower which impacts their creditworthiness such as unemployment and previous delinquency history is also incorporated into the behavioural internal credit rating. These ratings are reflected on the following delinquency bucket; Performing loans (Bucket 0); 1day to 30 days past due (Bucket 1); 30 days to 60 days past due (Bucket 2); 60 days to 89 days past due (Bucket 3) and 90 days+ past due (default,Bucket 4).

(c) Expected credit losses measurement (ECLs)
The expected credit loss (ECLs) - is measured on either a 12 - month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired.
- ECLs are discounted at the effective interest rate of portfolio
- The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk
- The Bank uses a portfolio approach to calculate ECLs. The portfolios are segmented into retail, corporate and treasury and further by product.
- Expected credit losses are the probability weighted discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

Probability of default (PD) - is the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" below), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PDs are modelled using historic data into 12 month and Lifetime PDs. Where data is not available proxies which resemble the risk of default characteristics of the exposure are used. The PDs are determined at portfolio level and segmented into various products.

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

Corporate exposures

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

Retail exposures

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

Treasury exposures
For debt securities in the treasury portfolio and interbank exposures, performance of the counter party is monitored for any indication of default. PDs for such exposures are determined based on benchmarked national ratings mapped to external credit rating agencies grade. For other bank balances where there are external credit ratings PDs are derived using those external credit ratings.

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

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

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

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

i) 12 month ECLs; (Stage 1 - no increase in credit risk)
ECLs measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. The 12 month ECL is calculated for the following exposures:
- Corporate loans with regulatory grades from 1 - 3
- Retail loans graded in bucket 0 and bucket 1
- Debt securities, loans to banks and bank balances which are not past due; and
- These are a product of 12 months PD, 12 months LGD and EAD.

ii) Life time ECLs (Stage 2 - significant increase in credit risk refer to 31.5d)
ECLs are measured based on expected credit losses on a lifetime basis. It is measured for the following exposures;
- Corporate loans with regulatory grades from grade 4 to grade 7 (Early Warning List 1 and Early Warning List 2)
- Retail loans in bucket 2 to 3 (bucket 2 is 30 days to 60 days past due, bucket 3 is 60 days to 90 days past due)
- Debt securities, loans to banks and bank balances where the credit risk has significantly increased since initial recognition; and
- These are a product of lifetime PD, lifetime LGD and EAD.

iii) Life time ECLs (Stage 3 - default)
ECLs are measured based on expected credit losses on a lifetime basis. This is measured on the following exposures.
- All credit impaired/ in default corporate and retail loans and advances to banks and other debt securities in default.
- These are corporates in regulatory grade 8 - 10 (EWL3) and retail loans in bucket 4
- Exposures which are 90 days+ past due; and
- 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, as well as 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 a 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 30 June 2021 was nil (2020: ZWL38 million). Re- negotiations related to customers with operations that were directly impacted by COVID-19.

Maximum credit risk exposure

	Maximum credit risk exposure				Reconciliation of ECL by exposure			
Historical and inflation adjusted 2020	**Performing**	**Standard monitoring**	**Non performing**	**Total**	**Performing**	**Standard monitoring**	**Non performing**	**Total**
Loans and advances to customers	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Corporate	3 046 081	101 740	-	3 147 820	38 181	1 909	-	40 089
Business banking	425 331	40 536	-	465 867	7 328	2 475	-	9 803
Retail	929 227	9 458	7 606	946 290	25 747	1 976	7 606	35 329
Total	**4 400 639**	**151 732**	**7 606**	**4559977**	**71 256**	**6 360**	**7 606**	**85 222**
Balances with central bank								
Savings bonds and treasury bills	599 159	-	-	599 159	3 010	-	-	3 010
Bank balances	184 732	-	-	184 732	36	-	-	36
NNCDs	1 077 063	-	-	1 077 063	49	-	-	49
Total	**1 860 954**	**-**	**-**	**1 860 954**	**3 095**	**-**	**-**	**3 095**
Balances with other banks and settlement balances								
Settlement balances - local currency	31 797	-	-	31 797	279	-	-	279
Bank balances - foreign currency	2 229 345	-	-	2 229 345	1 031	-	-	1 031
Total	**2 261 142**	**-**	**-**	**2 261 142**	**1 310**	**-**	**-**	**1 310**
Other assets								
RBZ receivable NOP support	829 054	-	-	829 054	31 007	-	-	31 007
Other assets	218 122	-	-	218 122	79	-	-	79
Total	**1 047 176**	**-**	**-**	**1 047 176**	**31 086**	**-**	**-**	**31 086**
Total on balance sheet	**9569910**	**151 733**	**7 606**	**9729249**	**106 747**	**6 360**	**7 606**	**120713**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 June 2021, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

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Expected credit losses analysis and reconciliation

Historical and inflation adjusted 2021	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	**85 162**	**5 727**	**3 927**	**94 816**
Movement with P&L impact				
New financial assets purchased or originated	25 871	-	-	25 871
Transfers from stage 1 to stage 2	(4 286)	4 286	-	-
Transfers from stage 2 to stage 3	-	(3 653)	3 653	-
Balance at 30 June 2021	**21 585**	**633**	**3 653**	**25 871**
Other movements with no P&L impact				
Bad debts written off	-	-	25	25
Total no P&L impact	-	-	25	25
Balance at 30 June 2021	**106 747**	**6 360**	**7 605**	**120 712**

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

Industry/Sector	Historical and inflation adjusted 30.06.2021 ZWL000	%	Historical 31.12.2020 ZWL000	%	Inflation adjusted 31.12.2020 ZWL000	%
Trade and services	328 578	12	282 442	12	340 874	10
Energy and minerals	8 654	1	25 868	1	31 220	6
Agriculture	1 324 481	13	295 879	13	357 091	34
Construction and property	4 976	-	-	-	-	-
Light and heavy industry	1 004 624	34	835 843	34	1 008 763	20
Physical persons	946 289	21	511 127	21	616 869	14
Transport and distribution	931 508	18	444 516	18	536 478	13
Financial services	10 868	1	28 486	1	34 379	3
Total	**4 559 978**	**100**	**2 424 161**	**100**	**2 925 674**	**100**

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

	Inflation adjusted		Historical	
	30.06.2021 ZWL000	31.12.2020 ZWL000	30.06.2021 ZWL000	31.12.2020 ZWL000
Performing loans	1 183 304	2 117 398	1 183 304	1 754 438
Non-performing loans	-	-	-	-
Total	**1 183 304**	**2 117 398**	**1 183 304**	**1 754 438**

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

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

Liquidity risk management objectives are;

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

Liquidity risk management process
Liquidity risk is managed as;
a) Business as usual referring to the management of cash inflows and outflows of the bank in the ordinary course of business.
b) Stress liquidity risk – refers to management of liquidity risk during times of unexpected outflows. The Bank's Assets and Liabilities Committee ("ALCO") monitors and manages liquidity risk.
The Bank's liquidity management process as carried out by the ALCO and Treasury units includes:

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

	Historical	
Liquidity ratios	30.06.2021 ZWL000	31.12.2020 ZWL000
Total liquid assets	5 303 260	6 639 012
Deposits and other short term liabilities	10 873 331	9 471 040
Liquidity ratio	**49%**	**70%**
Reserve Bank of Zimbabwe minimum	**30%**	**30%**

Liquidity profiling as at 30 June 2021
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

Historical and inflation adjusted Assets held for managing liquidity risk (contractual maturity dates)	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6 to 12 months ZWL000	1 to 5 years ZWL000	5+ years ZWL000	Total ZWL000	Carrying amount ZWL000
Cash and bank balances*	4 683 583	-	661 881	-	-	-	5 345 464	5 344 211
Derivative financial assets	1 158	-	-	-	-	-	1 158	1 158
Investment securities	19 862	-	-	599 159	-	-	619 021	920 960
Loans and receivables from banks	31 797	-	-	-	-	-	31 797	31 797
Loans and advances to customers	566 301	1 061 496	1 479 240	1 880 948	1 531 135	-	6 519 120	4 474 756
Other assets**	847 494	59 248	64 276	139 065	729 726	-	1 839 809	2 462 336
Total assets	**6 150 195**	**1 120 744**	**2 205 397**	**2 619 172**	**2 260 861**	**-**	**14 356 369**	**13 235 218**
Liabilities								
Derivative financial liabilities	2	-	-	-	-	-	2	2
Lease liabilities	4 922	9 844	14 766	29 532	206 121	66 116	331 301	168 817
Deposits from Banks	155 118	-	-	-	-	-	155 118	155 118
Deposits from customers	9 235 377	155 247	256 380	171 387	-	-	9 818 391	9 818 391
Provisions	-	-	85 022	32 501	-	-	117 523	85 022
Other liabilities	1 287 875	-	-	-	-	-	1 287 875	1 287 875
Current income tax liabilities	32 039	-	-	-	-	-	32 039	32 039
Balances due to Group companies	268 398	-	-	-	-	-	268 398	268 398
Total liabilities	**10 983 731**	**165 091**	**356 168**	**233 420**	**206 121**	**66 116**	**10 724 060**	**11 815 661**
Liquidity gap	**(4 833 536)**	**955 653**	**1 849 229**	**2 385 752**	**2 054 740**	**(66 116)**	**2 345 722**	**-**
Cumulative liquidity gap	**(4 833 536)**	**(3 877 883)**	**(2 028 654)**	**357 098**	**2 411 838**	**2 345 722**	**-**	**-**

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

Notes to the Financial Results
for the half year ended 30 June 2021

Contingent liabilities and commitments as at 30 June 2021

Historical and inflation adjusted	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	43 847	85 563	124 292	149 471	26 311	429 484
Total assets	**43 847**	**85 563**	**124 292**	**149 471**	**26 311**	**429 484**
Liabilities						
Commitment to lend	429 484	-	-	-	-	429 484
Total liabilities	**429 484**	**-**	**-**	**-**	**-**	**429 484**
Liquidity gap	**(385 636)**	**85 563**	**124 292**	**149 471**	**26 311**	**-**

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 .

33 Other risks

Strategic risk

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

Legal and compliance risk

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

Reputation risk

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

Operational risk

This is the risk of losses arising either from, inadequate or failed internal processes, people, 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 2021/22	Previous credit ratings 2020/21
Global Credit Rating Co - Long term	A+(ZW)	A+(ZW)

34 Segmental reporting
Segment results of operations

Inflation adjusted 30.06.2021	Retail ZWL000	Corporate ZWL000	Business Banking ZWL000	Treasury ZWL000	Total ZWL000
Net interest income	232 377	542 893	121 621	59 723	956 613
Non Interest Income	737 893	352 843	70 097	159 706	1 320 339
Total income	**970 269**	**895 736**	**191 718**	**219 229**	**2 276 953**
Credit impairment charges and other provisions	(17 205)	(8 267)	(1 594)	(1 769)	(28 836)
Net Operating income	**953 064**	**887 469**	**190 124**	**217 460**	**2 248 317**
Operating expenses	**(733 392)**	**(234 921)**	**(29 090)**	**(551 631)**	**(1 549 034)**
Net monetary loss	-	-	-	(76 747)	(76 747)
Share of loss of joint venture	-	-	-	(154 759)	(154 759)
Profit / (loss) before tax	**219 672**	**652 548**	**161 034**	**(565 678)**	**467 576**

35 Related parties

The Bank is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated and domiciled in Zimbabwe which owns 53% (2019: 53%) of the ordinary shares. 15% is held by an Employee Share Ownership Trust (ESOT) and the remaining 32% of the shares are widely held. The ultimate parent of the Bank is FMBcapital Holdings PLC incorporated in Mauritius. There are other companies which are related to First Capital Bank through common shareholdings or common directorship.

	Inflation adjusted		Historical	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
35.1 Directors and key management compensation	ZWL000	ZWL000	ZWL000	ZWL000
Salaries and other short term benefits	95 719	12 269	89 215	3 314
Post-employment contribution plan	4 134	205	3 853	99
Share based payments	-	-	-	-
Total	**99 854**	**12 47**	**93 068**	**3 413**

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

	Inflation adjusted		Historical	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
35.2 Balances with directors and key management	ZWL000	ZWL000	ZWL000	ZWL000
Deposits	5 268	15 078	5 268	13 831
Loans and advances	(40 751)	(20 104)	(40 751)	(16 658)
Net balances due (from)/ to directors & key management	**(35 483)**	**(5 026)**	**(35 483)**	**(2 319)**

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.

Of the loans advanced to directors and other key management personnel ZWL 2.2million is secured and repayable over 15-17 years. The balance of ZWL 38.6 million is unsecured and repayable monthly over 4 years at average interest rates of 33%(2020:14%). Loans and advances to non-executive directors during the period ended 30 June 2021 were nil (2020: nil).

No expected credit losses have been recognised in respect of loans advanced to related parties (2020: nil).

	Inflation adjusted		Historical	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
35.3 Balances with group companies	ZWL000	ZWL000	ZWL000	ZWL000
Bank balances due from group companies	31 966	37 358	31 966	30 954
Bank balances due to group companies	-	(20 019)	-	(16 587)
Total	**31 966**	**17 339**	**31 966**	**14 367**
Other balances due from group companies	19 471	21 991	19 471	18 221
Other balances due to group companies	(287 869)	(208 157)	(287 869)	(172 475)
Total	**(268 398)**	**(186 166)**	**(268 398)**	**(154 254)**

36 Going concern

The directors have assessed the ability of the Bank to continue as a going concern and believe that the preparation of these financial results on a going concern basis is still appropriate. Going concern assessment was performed taking into account the forecasts, COVID-19 impact, US$30 million capital requirement and resources that are available for the Bank to manage the financial and operational risks and adapting its strategy to economic changes.