AUDITED RESULTS

FOR THE YEAR ENDED
31 DECEMBER 2022

Chairman's Statement

Operating Environment:
The world economy continues to be impacted by inflationary pressure in advanced economies and increasing geo-political tension linked to the on-going war in Ukraine, amongst many other factors. This has affected post-pandemic global growth prospects, with the International Monetary Fund further revising its forecast for 2022 from 3.6% to 3.4% which compares to a growth of 6.2% in 2021. A further slowdown is projected in 2023 with a growth forecast of 2.9%.

Government estimates the local economy to have grown by 4% in 2022, reflecting a high level of resilience against global and domestic fragility.

Annual domestic inflation closed the year 2022 at 243.8%, compared to 60.7% in December 2021. The Zimbabwean dollar depreciated rapidly against the United States dollar, losing 530% of its value to exchange at ZW$687.28 against the US$ on 31 December 2022 at the official market.

A tight monetary policy was maintained throughout 2022 to curb the adverse effects of high inflation and to also achieve stability in the exchange rate. Amongst these measures were:

a) Continued issuance of Zero-Coupon Non-Negotiable Certificates of Deposits (NNCDs) to mop up excess ZW$ liquidity.
b) The introduction of the foreign currency Willing Buyer Willing Seller market to augment the Foreign Exchange Auction Market and improve access and allocation efficiency.
c) The introduction of Gold Coins as an alternative investment instrument and to also sterilise excess liquidity.
d) The introduction of statutory reserves on foreign currency deposits with the effect of slowing down credit expansion.
e) The hiking of the Bank policy rate to 200% which sought to combat speculative lending and yielded real returns for lenders.

The combined impact of the above measures on the economy was a slowdown in inflation which, having peaked at 30.7% on a month-on-month basis in June 2022, reduced to a low of 2.5% in December 2022. Additionally a modicum of exchange rate stability during the last quarter of 2022 was also observed.

For the banking sector local currency asset creation slowed down considerably as borrowers reassessed their operations in relation to the new cost model. At the same time an increase in the demand for US$ denominated products also became evident.

On the Zimbabwe Stock Exchange, following a rally during the first half of the year, activity became bearish during the second half after fiscal measures were implemented by Government to deal with perceived speculative activity which was deemed to be partially responsible for the rapid movements in the exchange rate. Consequently, market capitalisation during the second half declined by 16.2%, restricting the year-on-year growth to 55.2%, well below the inflation outturn for the period.

The Victoria Falls Exchange (VFEX) All Share Index, still in its early stages, dropped by 13.6%, from 109.7 points recorded in December 2021.

Earnings performance
Despite the challenges in the operating environment, the Bank posted an inflation adjusted profit of ZW$8.4bn on a total asset base of ZW$160.8bn.

The performance is discussed in more detail by the Managing Director in his report.

Capital Requirements
The Bank comfortably met the minimum core capital requirement of US$30m, achieving a translated total capital of US$61m with core capital amounting to US$46.2m.

Dividends
The Board has declared a final dividend of ZW$127 cents per share. This brings the total dividend for the year ended 31 December 2022 to ZW$171 cents per share.

Governance
Mr. Munyaradzi Kavhu was appointed as the Chief Operating Officer for the Bank with effect from 9 January 2023. The Board welcomes him and looks forward to a long association with the Group.

Correspondingly, Mr. Lovemore Mangenda was appointed as Head of Compliance and Mrs Sarudzai Binha was appointed Head of Company Secretariat and Legal Services respectively. We are pleased to have this talent in the Bank and wish them both success in their new roles.

Outlook
The operating environment is expected to remain challenging. We foresee continuing stress on business arising from the broad-based currency management measures as they take full effect on the economy. Downside risk on asset quality and general liquidity management is a possible outcome. The Board however remains optimistic at the long-term growth prospects of the country and the business. Care will be taken to navigate short-term disruptions whilst advantage is taken of emerging significant opportunities across all sectors.

Conclusion
I wish to extend my gratitude to our customers and other stakeholders for their continued support.

Lastly, I extend my full appreciation to our hardworking and committed staff, management, and fellow directors for all their efforts and unwavering commitment during this period.

Patrick Devenish
(Chairman)
21 March 2023

Managing Director's Report

Introduction
The primary financial statements of the Group, upon which my commentary is based, are adjusted for the effects of hyperinflation. Historical financial statements are presented for information purposes only. Reference to "Group" and "Consolidated" is restricted to the Zimbabwean context and arise from the consolidation of the Bank together with an entity whose sole mandate is to hold a property earmarked for future development by the Bank.

Performance Outturn
The Group posted a 42% increase in total income, growing from ZW$25.9bn in 2021 to ZW$36.7bn in 2022. This was on the back of broad-based performance improvement across all revenue lines.

Net interest income increased by 37% following a 77% increase in interest earning assets. Its contribution to total income however reduced to 34% from 36% in the prior year. A 25% year-on-year increase in fees and commissions was posted, reflecting the improved platform usage by clients and an 48% increase in the customer base. Fees and commissions contributed 33% to total income, a reduction from 38% recorded in 2021.

Trading and foreign exchange income increased by 267%, contributing 31% to total income, up from 12% in 2021. This largely reflects the implications of the devaluation of the local currency at a level not fully captured in the inflation index. A fair value loss on investment property was posted at ZW$0.4bn, compared to a profit of ZW$2.8bn in 2021.

The impairment charge related to credit risk on financial assets increased by 174% from ZW$0.2bn in 2021 to ZW$0.7bn in 2022. This is driven primarily by the growth in the loan book, with the non-performing loans ratio remaining low at 0.8% (2021 – 1%) which is well within the business's appetite.

Against the backdrop of pricing models for supplies that track movements in the exchange rate, and the need for regular cost of living adjustments on staff expenses, operating expenses increased by 37% from ZW$15.0bn in 2021 to ZW$20.6bn in 2022. This yielded a cost to income ratio of 56%, an improvement from 58% in 2021.

Whilst a 4% positive jaws ratio was achieved for 2022, cost pressure remains an area of significant concern and future focus given the technical nature of some of the credits included under total income.

A net monetary loss arising from holding a substantial monetary net asset portfolio was recognised at ZW$6.5bn, increasing from ZW$1.9bn in 2021. This constitutes 18% of net operating income, up from 7% in 2021, thus underlining the value destruction effect of inflation.
A 43% reduction in earnings from a joint venture operation from ZW$5.3bn in 2021 to ZW$3.1bn in 2022 was recognised. This relates to a 50% share in a hospitality and leisure asset. The Group is working on a product improvement plan which is expected to boost future earnings from this asset.

A profit after tax of ZW$8.4bn was posted, being a 27% reduction from ZW$11.5bn achieved in 2021. However, operating profit excluding the impact of property valuations increased by 57%.

Credits posted to other comprehensive income amounted to ZW$5.8bn, 12% down from ZW$6.6bn in 2021. This resulted in a ZW$14.2bn total comprehensive income which is a reduction from ZW$18.2bn posted in 2021.

Meanwhile, the total balance sheet increased by 55% from ZW$104.0bn on 31 December 2021 to close at ZW$160.8bn on 31 December 2022. This was largely driven by a 66% growth in deposits which moved from ZW$56.4bn in 2021 to ZW$93.5bn at the end of 2022.

Loans to customers increased by 85%, from ZW$24.6bn at the end of 2021 to ZW$45.3bn on 31 December 2022. This is reflective of an increase in credit appetite which, for many borrowers, was constrained by reduced absorption capacity when interest rates were reviewed upwards. The loans to deposit ratio increased marginally from 44% on 31 December 2021 to 48% as of 31 December 2022.

The funding of the balance sheet generally remained transient in nature, resulting in a significant level of resources, 33% in 2022 and 30% in 2021, being carried in the form of cash and bank balances to meet customer transactions. The overall liquidity ratio was always maintained above 50%, well above the regulatory threshold of 30%.

The Group's equity increased by 30% whilst the Bank's closing capital adequacy ratio was 34%, representing substantial headroom to underwrite new business.

Operations Update
A new internet banking platform was launched during the year and offers a vastly improved interface and service spectrum to our customers. A few teething problems were experienced at the time of migration and were resolved in short order. An improved mobile banking application was also launched during the year with great appeal to the consumer banking sector. During the year, the Bank expanded its money transfer partner network thus improving general convenience for its customers.

Lines of credit were negotiated with the European Investment Bank (EUR12.5m) and Afreximbank (US$20m) and are at varying stages of disbursement. The Bank is looking forward to expanding this network in the year ahead.

The Bank responded swiftly to the demand by its customers to provide seasonal banking facilities in Rusape and Karoi and will extend further service as necessary, subject to feasibility assessment. Generally, the Bank's systems were able to deliver to an expected level during the period under review.

Talent Management
Total staff complement at the end of the year was 528, with permanent staff constituting 88% whilst 12% were employed as fixed contract staff. A total of 1 183 attendances were recorded at 20 training courses during the year as the organisation sought to deepen its skills. Within a very challenging macro environment, we work hard to maintain a cordial industrial relations climate through regular dialogue. Regular engagements were undertaken to share the strategic vision for the business and to promote the sharing of ideas and insights that makes the business deliver its objectives more effectively and efficiently.

Citizenship
We continued to support our communities during the period under review. The following activities were conducted in 2022:

1. **Junior Achievement Zimbabwe | Job Shadow Activities**
   Twenty-one schools across the country participated, with a total of 200 students (124 females and 76 males) being mentored. Over 150 First Capital Bank colleagues participated in this initiative.
2. **Global Money Week | Train-the-Trainer Mentorship Programme**
   Our curriculum reached 7 schools where ten A-Level students from each institution were capacitated to train other students at neighbouring schools. With the downstream knowledge sharing approach a total of 4 664 students were impacted, 2 116 females and 2548 males in Harare.
3. **We Gotcha Mentorship Session**
   A total of 75 graduates were mentored (42 females and 33 males) by 10 colleague mentors.
4. **ZFU Chemhondoro Farming Input donation**
   The donation comprised of water pumps, diamond mesh wire, water tanks, fertilisers, and other farming implements. This will equip young farmers to produce food crops for the school and for business. More than 3000 students and the larger community will benefit directly from this project.

Appreciation
On behalf of the entire management team, I would like to extend our sincere appreciation to our customers for all the support we get from you. As ever we are happy to receive feedback, as that is how we improve. We promise to do more for you. Additionally, I extend my gratitude to the Board for its support and counsel and to our regulators for their guidance.

Lastly to our staff I send my sincere appreciation for all your hard work, commitment, and belief in the brand. Without you we would not achieve the success we have.

Ciaran McSharry
(Managing Director)
21 March 2023

AUDITED RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Corporate Governance Report

The Board of Directors of First Capital Bank Limited ("the Board/ First Capital Bank") is committed to and recognizes the importance of strong governance practices. The Board understands that a comprehensive corporate governance framework is vital in supporting executive management in its execution of strategy and in driving long term sustainable performance. In order to achieve good governance, the Board subscribes to principles of international best practice in corporate governance as guided by, among others, the Banking Act [Chapter 24:20], the Companies and other Business Entities Act [Chapter 24:31], the Reserve Bank of Zimbabwe Corporate Governance Guideline No.1 of 2004, the Zimbabwe Stock Exchange Listing Rules, SI134/2019 and the Zimbabwe National Code on Corporate Governance.

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

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

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

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

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

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

Board diversity
The First Capital Bank Board recognises the importance of diversity and inclusion in its decision making processes. The Board is made up of six independent non-executive directors, two non- executive directors and two executive directors. Three members of the Board (30%) are female. The Board members have an array of experience in commercial and retail banking, accounting, legal, corporate finance, marketing, business administration, economics, human resources management and executive management.

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

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

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

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

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

The First Capital Bank Head of Internal Audit reports directly to the Chairman of the Board Audit Committee and administratively to the Managing Director.

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

Ethics
In our endeavor to instill 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& Touche through which employees can raise any concerns they may have anonymously.

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

Board activities
The Board of Directors held five Board meetings in the year 2022, one strategy review meeting and a Board evaluation review meeting. Each Board Committee held at least four quarterly meetings. The areas of focus included the setting of strategic direction, the review of strategy and business operations, business response to the macroeconomic dynamics in light of the exchange rate and interest rate movements, credit sanctioning as per approved limits, review of internal controls and financial reports, review of the quality of the loan book, review and oversight of the Bank's risk management processes and oversight of the recruitment, remuneration and performance reviews of senior management. A table detailing director's attendance of meetings during 2022 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. The process was facilitated by an external party to allow for objectivity. The evaluation process involves directors completing evaluation questionnaires and having one on one meetings with the facilitator. The results of the evaluation are collated, a report is produced and feedback provided to the Board. The Board also submits the evaluation report to the Reserve Bank of Zimbabwe.

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

Audit Committee
The primary functions of the Committee are to oversee the financial management discipline of the Bank, review the Bank's accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements, oversee the relationship with the Bank's external auditors, as well as providing assurance to the Board that management's control assurance processes are being implemented and are complete and effective. At each meeting, the Committee reviews reported and noted weaknesses in controls and any deficiencies in systems and the remediation plans to address them. The Committee also monitors the ethical conduct of the Bank, its executives and senior officers and advises the Board as to whether the Bank is complying with the aims and objectives for which it has been established. During the period under review, there were no material losses as a result of internal control breakdowns.
The committee is wholly comprised of independent non-executive directors. The members of the Committee as at 31 December 2022 were:-
A. Chinamo (Chairperson)
T. Moyo
K. Terry

Board Credit Committee
The Board Credit Committee is tasked with the overall review of the Bank's lending policies. At each meeting, the Committee deliberates and considers loan applications beyond the discretionary limits of management. It ensures that there are effective procedures and resources to identify and manage irregular or problem credit facilities, minimize credit loss and maximize recoveries. It also directs, monitors, reviews and considers all issues that may materially impact on the present and future quality of the Bank's credit risk management.
The Committee comprises three non-executive directors. The members of the Committee as at 31 December 2022 were: -
K. Terry (Chairperson)
H. Anadkat
K. Naik

Loans Review Committee
This Committee has the overall responsibility for the complete review of the quality of the Bank's loan portfolio to ensure that the lending function conforms to sound lending policies and keeps the Board and management adequately informed on noted risks. It assists the Board with discharging its responsibility to review the quality of the Bank's loan portfolio. At every meeting, it reviews the quality of the loan portfolio with a view to ensuring compliance with the banking laws and regulations and all other applicable laws as well as internal policies.
The Committee comprises three non-executive directors. The members of the Committee as at 31 December 2022 were: -
T. Moyo (Chairperson)
A. Chinamo
S.N. Moyo

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

The Committee comprises three non-executive directors. The members of the Committee as at 31 December 2022 were: -
K. Naik (Chairperson)
P. Devenish
H. Anadkat

Board Risk Committee
The Board Risk Committee is charged with the responsibility to oversee the Bank's overall enterprise risk environment under three broad areas of Operational Risk, Credit Risk Management and Market Risk. These are controlled and managed independently from risk-taking functions and other committees of the Bank. The committee is responsible for the policies and procedures designed to monitor, evaluate and respond to risk trends and risk levels across the Bank ensuring that they are kept within acceptable levels.
The Committee comprises three non-executive directors. As at 31 December 2022 members of the committee were: -
S. N. Moyo (Chairperson)
A. Chinamo
M. Gursahani

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

The Committee comprises three non-executive directors. As at 31 December 2022, the Committee was made up of the following members:-
K. Terry (Chairperson)
T. Moyo
M. Gursahani

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

AUDITED RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Executive Committee (EXCO)

The Executive Committee receives its authority from the Board of First Capital Bank Limited. The Managing Director and the Executive Committee are responsible for managing and overseeing all aspects of the bank's operations and functions, developing the strategy of the Bank and delivery of the annual business plan. The Executive Committee assists the Managing Director to manage the Bank, to guide and control the overall direction of the business of the Bank and acts as a medium of communication and co-ordination between business units and the Board. The Committee delegated work and authority to management committees including but not limited to the Country Management Committee, Asset and Liability Management Committee, Enterprise Risk Management Committee, Management Credit Committee and other specialized Committees. The Committee comprises of executive directors and senior management.

Country Management Committee (CMC)

The Country Management Committee is the operational management forum responsible for the delivery of the Bank's operational plans including implementation of operational plans, annual budgeting, and periodic review of strategic plans, as well as identification and management of key risks. The Committee shall be responsible for providing direction and oversight on operations across the business. The Committee assists the Managing Director in delivering the business mandate and in designing and assuring the adequacy and effectiveness of internal controls. The Committee derives its mandate from the Executive Committee. The Committee comprises of executive directors and senior management.

Assets and Liabilities Committee (ALCO)

ALCO 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 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 Enterprise Risk Management Committee. The Committee comprises executive directors and heads of functions key to the proper discharge of the Committee's responsibilities.

Board and Committees attendance 2022

Main Board

Name	Total Meetings	Present	Absent
P. Devenish	5	5	Nil
T. Moyo	5	5	Nil
S. Moyo	5	5	Nil
H. Anadkat	5	5	Nil
K. Terry	5	5	Nil
K. Naik	5	4	1
A. Chinamo	5	5	Nil
M Gursahani	5	4	1
C. McSharry	5	5	Nil
F. Kapanje	5	5	Nil

Audit committee

Name	Total Meetings	Present	Absent
A. Chinamo	4	3	1
T. Moyo	4	3	1
K. Terry	4	4	Nil

Human resources & nominations committee

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

Loans review committee

Name	Total Meetings	Present	Absent
T. Moyo	4	4	Nil
A Chinamo	4	4	Nil
S.N. Moyo	4	4	Nil

Risk committee

Name	Total Meetings	Present	Absent
S.N. Moyo	4	4	Nil
A. Chinamo	4	4	Nil
M. Gursahani	4	4	Nil

IT Committee

Name	Total Meetings	Present	Absent
K. Terry	5	5	Nil
T. Moyo	5	5	Nil
M Gursahani	5	5	Nil

Directors' shareholding

The following is a schedule of the directors' shareholdings in the Bank as at 31 December 2022.

P. Devenish	Nil
S. N. Moyo	Nil
T. Moyo	Nil
H. Anadkat *	36 068 751 (direct interest)
K. Terry	Nil
A. Chinamo	Nil
K. Naik	25 000 (direct interest)
C. McSharry	Nil
F. Kapanje	Nil
M. Gursahani	Nil

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

Annual financial statements

The Directors are responsible for the preparation and integrity of the financial results and related financial information contained in this report. The financial statements, which for the basis of these financial results, are prepared in accordance with International Financial Reporting Standards and the Banking Act (Chapter 24:20) and they incorporate full and responsible disclosure to ensure that the information contained therein is both relevant and reliable. These audited results have been prepared under the supervision of Chief Finance Officer, Fanuel Kapanje CA (Z) PAAB Registered Accountant No. 2295.

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

Sarudzai Binha
Company Secretary

21 March 2023

Auditor's Opinion

The audited financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2022 which have been audited by Deloitte & Touche. An unmodified audit opinion was issued thereon. The audit report includes a key audit matter on the determination of expected credit losses on financial assets.

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	Inflation adjusted 2022 ZWL000	Inflation adjusted 2021 ZWL000	Historical* 2022 ZWL000	Historical* 2021 ZWL000
Interest income	3	13,299,059	9,411,441	9,542,159	2,187,593
Interest expense	4	(657,666)	(182,481)	(421,814)	(40,450)
Net interest income		**12,641,393**	**9,228,960**	**9,120,345**	**2,147,143**
Net fee and commission income	5	12,191,026	9,749,013	8,671,394	2,263,413
Net trading and foreign exchange income	6	11,521,494	3,142,440	7,382,014	726,038
Net investment and other income	7	753,466	997,797	642,251	270,616
Fair value (loss) / gain on investment property	19	(420,298)	2,805,950	2,770,874	990,860
Total non interest income		**24,045,688**	**16,695,200**	**19,466,533**	**4,250,927**
Total income		**36,687,081**	**25,924,160**	**28,586,878**	**6,398,070**
Impairment losses on financial assets	10	(683,745)	(249,281)	(683,745)	(57,110)
Net operating income		**36,003,336**	**25,674,879**	**27,903,133**	**6,340,960**
Operating expenses	8	(20,644,296)	(15,035,892)	(14,157,772)	(2,936,095)
Net monetary loss	9	(6,472,694)	(1,915,997)	-	-
Share of profit from joint venture	21	3,040,310	5,312,902	10,395,324	2,126,189
Profit before tax		**11,926,656**	**14,035,892**	**24,140,685**	**5,531,054**
Taxation	11	(3,533,876)	(2,505,717)	(2,723,624)	(609,126)
Profit for the year		**8,392,780**	**11,530,175**	**21,417,061**	**4,921,928**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on revaluations	18	6,268,428	4,557,266	15,178,042	2,009,893
Deferred tax		(557,318)	(1,110,138)	(2,314,979)	(486,016)
Gain on financial assets at fair value through other comprehensive income		141,188	3,359,517	2,758,125	1,019,728
Deferred tax		(39,855)	(171,897)	(170,809)	(53,904)
Net gain on other comprehensive income		**5,812,443**	**6,634,748**	**15,450,379**	**2,489,701**
Total other comprehensive income		**5,812,443**	**6,634,748**	**15,450,379**	**2,489,701**
Total comprehensive income		**14,205,223**	**18,164,923**	**36,867,440**	**7,411,629**
Earnings per share					
Basic (cents per share)		388	534	991	228
Diluted (cents per share)		388	533	990	228

*Refer to note 2.1 (f)

Consolidated Statement of Financial Position

as at 31 December 2022

	Notes	Inflation adjusted 2022 ZWL000	Inflation adjusted 2021 ZWL000	Historical* 2022 ZWL000	Historical* 2021 ZWL000
Assets					
Cash and bank balances	12	53,609,309	31,280,302	53,609,309	9,099,463
Derivative financial instruments	13	12,576	6,157	12,576	1,791
Investment securities	14	13,225,558	9,967,610	13,225,558	2,899,585
Loans and receivables from Banks	15	225,622	118,587	225,622	34,497
Loans and advances to customers	16	45,342,180	24,550,086	45,342,180	7,141,638
Other assets	17	8,001,970	9,449,956	7,710,234	2,654,391
Current tax asset		1,072,374	-	1,072,374	-
Investment properties	19	4,080,000	4,394,420	4,080,000	1,278,340
Investment in joint venture	21	13,479,449	10,601,984	13,479,449	3,084,125
Property and equipment	18	18,814,882	12,135,095	18,814,882	3,515,459
Intangible assets	20	679,309	896,900	8,941	11,982
Right of use assets	22	2,242,038	591,054	1,042,315	171,938
Total assets		**160,785,267**	**103,992,151**	**158,623,440**	**29,893,209**
Liabilities					
Derivative financial instruments	13	-	4,373	-	1,272
Lease liabilities	22	1,823,304	587,939	1,823,304	171,032
Deposits from banks	23	800,769	1,881,601	800,769	547,359
Deposits from customer	24	93,514,048	56,367,397	93,514,048	16,397,317
Employee benefit accruals	25	1,166,032	691,923	1,166,032	201,281
Other liabilities	26	12,184,655	4,925,197	12,183,437	1,424,672
Current tax liabilities		-	43,514	-	12,658
Balances due to group companies	33.5	47,628	790,854	47,628	230,060
Deferred tax liabilities	28	4,578,693	2,843,908	3,834,865	735,439
Total liabilities		**114,115,129**	**68,136,706**	**113,370,083**	**19,721,090**
Equity					
Capital and reserves					
Share capital	29.1	39,537	39,536	216	216
Share premium	29.2	4,371,354	4,371,261	24,160	24,085
Non - distributable reserve	29.3	1,426,975	1,426,975	7,785	7,785
Fair value through other comprehensive income reserve	29.4	3,111,479	3,302,790	3,601,907	1,014,591
Property revaluation reserve	29.5	11,534,121	5,823,011	15,083,797	2,220,734
General Reserve	29.6	126,981	-	126,981	-
Share - based payment reserve	29.7	230,159	230,195	5,010	2,274
Retained earnings		25,829,532	20,661,677	26,403,501	6,902,434
Total equity		**46,670,138**	**35,855,445**	**45,253,357**	**10,172,119**
Total equity and liabilities		**160,785,267**	**103,992,151**	**158,623,440**	**29,893,209**

*Refer to note 2.1 (f)

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

Inflation adjusted 2022	Share capital ZWL000	Share premium ZWL000	Non-distributable reserve ZWL000	Fair value through other comprehensive income ZWL000	Property revaluation reserve ZWL000	Impairment reserve ZWL000	General Reserve ZWL000	Share-based payment reserve ZWL000	Retained earnings ZWL000	Total equity ZWL000
Balance at 1 January 2022	**39,536**	**4,371,261**	**1,426,975**	**3,302,790**	**5,823,011**	**-**	**-**	**230,195**	**20,661,677**	**35,855,445**
Profit for the year	-	-	-	-	-	-	-	-	8,392,780	**8,392,780**
Other comprehensive income for the year	-	-	-	101,333	5,711,110	-	-	-	-	**5,812,443**
Total comprehensive income for the year	**-**	**-**	**-**	**101,333**	**5,711,110**	**-**		**-**	**8,392,780**	**14,205,223**
Recognition of share - based payments	-	-	-	-	-	-	-	3,451	-	**3,451**
Issue of ordinary shares under share-based payment plans	1	93	-	-	-	-	-	(3,487)	-	**(3,393)**
Impairment of fair value through other comprehensive	-	-	-	(292,644)	-	-	-	-	-	**(292,644)**
Regulatory impairment allowances	-	-	-	-	-	-	126,981	-	(126,981)	**-**
Dividends paid	-	-	-	-	-	-	-	-	(3,097,944)	**(3,097,944)**
Balance at 31 December 2022	**39,537**	**4,371,354**	**1,426,975**	**3,111,479**	**11,534,121**	**-**	**126,981**	**230,159**	**25,829,532**	**46,670,138**

Historical 2022	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Balance at 1 January 2022	**216**	**24,085**	**7,785**	**1,014,591**	**2,220,734**	**-**	**-**	**2,274**	**6,902,434**	**10,172,119**
Profit for the year	-	-	-	-	-	-	-	-	21,417,061	**21,417,061**
Other comprehensive income for the year	-	-	-	2,587,316	12,863,063	-	-	-	-	**15,450,379**
Total comprehensive income for the year	**-**	**-**	**-**	**2,587,317**	**12,863,063**		**-**	**-**	**21,417,061**	**36,867,441**
Recognition of share-based payments	-	-	-	-	-	-	-	2,768	-	**2,768**
Issue of ordinary shares under share-based payment plans	-	75	-	-	-	-	-	(32)	-	**43**
Regulatory impairment allowances	-	-	-	-	-	126,981	-	-	(126,981)	**-**
Dividend paid	-	-	-	-	-	0	-	-	(1,789,013)	**(1,789,013)**
Balance at 31 December 2022	**216**	**24,160**	**7,785**	**3,601,907**	**15,083,797**	**126,981**	**-**	**5,010**	**26,403,501**	**45,253,357**

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

	Notes	Inflation adjusted 2022 ZWL000	Inflation adjusted 2021 ZWL000	Historical* 2022 ZWL000	Historical* 2021 ZWL000
Cash flows from operating activities					
Profit before tax		**11,926,656**	**14,035,892**	**24,140,685**	**5,531,054**
Adjustments:					
Depreciation of property, equipment and the right of use asset impairment	8.2	861,683	1,687,424	922,800	62,997
Software amortisation	8.2	217,591	217,592	3,041	3,041
Impairment loss on financial assets	10	684,090	249,731	684,090	57,207
Share of profit from joint venture	21	(3,040,310)	(5,312,902)	(10,395,324)	(2,126,189)
Fair value loss / (gain) on investment property	19	420,298	(2,805,950)	(2,770,874)	(990,860)
Dividend income	7	(290,746)	(793,480)	(206,569)	(202,255)
Loss/ (profit) on disposal of property and equipment	18	5,444	91,588	4,752	5,173
Interest on investment securities	3	(757,416)	(651,707)	(504,914)	(162,470)
Staff loan prepayment amortisation		606,854	589,866	(2,588)	38,356
Interest on lease liabilities	22	184,992	122,757	139,574	26,715
Net monetary loss		6,472,694	1,915,997	-	-
Share based payment expense		3,451	4,208	2,767	1,098
Derivatives		(12,576)	(1,785)	(12,576)	(519)
Cash flow from operating activities		**17,282,705**	**9,349,231**	**12,004,864**	**2,243,348**
Increase in loans and advances to customers		(20,792,094)	(11,515,715)	(38,844,292)	(4,823,864)
(Increase)/ decrease in other assets		(599,101)	981,734	(4,541,102)	(488,527)
Increase in deposits from customers		37,146,651	7,654,673	77,116,731	7,581,331
Increase/ (decrease) in other liabilities		6,990,067	(3,278,579)	11,540,813	103,538
Corporate income tax paid		(3,877,095)	(2,821,767)	(3,195,019)	(671,398)
Net cash generated from operating activities		**36,151,133**	**369,577**	**54,081,995**	**3,944,428**

Consolidated Statement of Cash Flows (continued)

for the year ended 31 December 2022

	Notes	Inflation adjusted 2022 ZWL000	Inflation adjusted 2021 ZWL000	Historical* 2022 ZWL000	Historical* 2021 ZWL000
Cash flows from investing activities					
Purchase of property, equipment and intangible assets	18	(1,067,219)	(2,722,699)	(888,715)	(614,214)
Proceeds from sale of property and equipment	18	82,084	11,478	113,301	2,853
Purchase of equity securities	14.3	-	(148,965)	-	(32,537)
Dividends received		290,746	855,467	206,569	220,288
Interest received from investment securities		521,445	302,155	275,639	68,452
Purchase of investments securities		(16,904,120)	(58,858,291)	(11,179,681)	(12,258,889)
Proceeds from sale and maturities of investment securities		6,781,636	57,178,478	4,022,196	11,577,335
Net cash (used in) /generated from investing activities		**(10,295,428)**	**(3,382,377)**	**(7,450,691)**	**(1,036,712)**
Cash flows from financing activities					
Proceeds from issue of shares under a share based payment plan		49	275	45	63
Dividend paid		(3,097,944)	(441,905)	(1,789,013)	(108,013)
Lease liabilities payments	22	(428,803)	(398,239)	(332,490)	(58,637)
Net cash used in financing activities		**(3,526,698)**	**(839,869)**	**(2,121,458)**	**(166,587)**
Net increase /(decrease)in cash and cash equivalents		**22,329,007**	**(3,852,669)**	**44,509,846**	**2,741,129**
Cash and cash equivalents at the beginning of the year		31,280,302	35,132,971	9,099,463	6,358,334
Cash and cash equivalents at the end of the year	12	**53,609,309**	**31,280,302**	**53,609,309**	**9,099,463**

*Refer to note 2.1 (f)

Notes to the Audited Financial Results

for the year ended 31 December 2022

1. General information and statement of compliance

1.1. General information

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

2.1(a) Basis of preparation

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

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

Dates	All items CPI Indices	Conversion factors
Dec-22	13,672.91	1
Dec-21	3,977.46	3.44

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 with the exception of depreciation, amortisation and fair value gains and losses which applies the balance sheet approach.

2.1(b) Basis of measurement

The consolidated 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 property is measured at fair value

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

2.1(c) Consolidated financial statements

The Bank owns 100% in Thulile (Private) Limited, a company that owns a piece of land measuring 18 786 sqm and also holds cash. The property is currently not leased out and is earmarked for further development over the next three years.

The Bank therefore prepares consolidated financial statements per IFRS 10 requirements. Investment in subsidiary and equity of the subsidiary are eliminated when consolidating.

2.1(d) Accounting policies

The accounting policies applied in the preparation of the audited financial results are consistent with the most recent financial statements with the exception of valuation of movable assets within property and equipment which began in the current reporting period for the year ended 31 December 2022.

2.1(e) Functional and presentation currency

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

2.1(f) Historic financial information

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

2.1(g) Approval of Financial Statements

The Consolidated Financial Statements were approved by the Board of Directors on the 21st of March 2023.

2.1(h) 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.

		Inflation adjusted		Historical	
		2022	2021	2022	2021
3	**Interest income**	ZWL000	ZWL000	ZWL000	ZWL000
	Bank balances	426,875	431,824	320,671	96,574
	Loans and receivables from Banks and investment securities	757,416	651,707	504,914	162,470
	Loans and advances to customers	12,103,934	8,312,368	8,710,609	1,925,046
	Promissory notes	10,834	15,542	5,965	3,503
	Total interest income	**13,299,059**	**9,411,441**	**9,542,159**	**2,187,593**
4	**Interest expense**				
	Interest on lease liabilities	(184,992)	(122,757)	(139,574)	(26,715)
	Deposits from banks	(251,909)	(20,223)	(128,236)	(4,234)
	Customer deposits	(220,765)	(39,501)	(154,004)	(9,501)
	Total interest expense	**(657,666)**	**(182,481)**	**(421,814)**	**(40,450)**
5	**Net fee and commission income**				
	Fee and commission income				
	Account maintenance fees	2,717,661	1,874,990	1,764,833	387,188
	Insurance commission received	40,611	24,177	29,564	5,572
	Transfers and other transactional fees	4,401,999	4,043,445	3,291,364	986,152
	Guarantees	303,795	374,076	223,462	87,504
	Card based transaction fees	1,491,158	1,371,729	979,643	317,522
	Cash withdrawal fees	3,238,605	2,088,427	2,384,071	484,140
	Fee and commission income	**12,193,829**	**9,776,844**	**8,672,937**	**2,268,078**
	Fee and commission expense				
	Guarantees	(2,803)	(27,831)	(1,543)	(4,665)
	Fee and commission expense	**(2,803)**	**(27,831)**	**(1,543)**	**(4,665)**
	Net fee and commission income	**12,191,026**	**9,749,013**	**8,671,394**	**2,263,413**

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	
		2022	2021	2022	2021
6	**Net trading and foreign exchange income**	ZWL000	ZWL000	ZWL000	ZWL000
	Net foreign exchange revaluation gain	7,373,339	332,045	4,464,412	82,886
	Net foreign exchange trading income	4,148,155	2,810,395	2,917,602	643,152
	Total	**11,521,494**	**3,142,440**	**7,382,014**	**726,038**
7	**Net investment and other income**				
	Dividend income	290,746	793,480	206,569	202,255
	Loss on disposal of property and equipment	(5,444)	(91,588)	(4,752)	(5,173)
	Rental income	119,114	77,504	92,311	17,671
	Sundry income	349,050	218,401	348,123	55,863
	Total	**753,466**	**997,797**	**642,251**	**270,616**
8	**Operating expenses**	ZWL000	ZWL000	ZWL000	ZWL000
	Staff costs	(8,638,550)	(5,565,703)	(5,783,015)	(1,175,966)
	Infrastructure costs	(4,243,990)	(4,306,455)	(3,211,661)	(617,760)
	General expenses	(7,761,756)	(5,163,734)	(5,163,096)	(1,142,369)
	Total	**(20,644,296)**	**(15,035,892)**	**(14,157,772)**	**(2,936,095)**
	Operating expenses analysis	2022	2021	2022	2021
8.1	**Staff costs**	ZWL000	ZWL000	ZWL000	ZWL000
	Salaries, allowances and Directors remuneration	(7,593,464)	(4,988,069)	(5,044,379)	(1,043,427)
	Medical costs	(447,787)	(262,206)	(315,676)	(60,241)
	Social security costs	(75,847)	(17,897)	(58,992)	(4,333)
	Pension costs: defined contribution plans	(518,001)	(293,323)	(361,201)	(66,867)
	Share based payments	(3,451)	(4,208)	(2,767)	(1,098)
	Total staff cost	**(8,638,550)**	**(5,565,703)**	**(5,783,015)**	**(1,175,966)**
	Average number of employees during the period:	520	491	520	491

Notes to the Audited Financial Results (continued)

for the year ended 31 December 2022

		Inflation adjusted		Historical	
		2022	2021	2022	2021
8.2	**Infrastructure costs**	ZWL000	ZWL000	ZWL000	ZWL000
	Repairs and maintenance	(439,679)	(387,710)	(317,910)	(91,326)
	Heating, lighting, cleaning and rates	(481,217)	(301,770)	(360,413)	(68,558)
	Security costs	(270,104)	(190,519)	(181,945)	(44,663)
	Depreciation of property, equipment and right of use asset	(861,683)	(1,687,424)	(922,800)	(62,997)
	Software amortisation	(217,591)	(217,592)	(3,041)	(3,041)
	Operating lease - short term leases	(89,568)	(61,767)	(66,309)	(14,336)
	Connectivity, software and licences	(1,884,148)	(1,459,673)	(1,359,243)	(332,839)
	Total infrastructure costs	**(4,243,990)**	**(4,306,455)**	**(3,211,661)**	**(617,760)**

		Inflation adjusted		Historical	
		2022	2021	2022	2021
8.3	**General expenses**	ZWL000	ZWL000	ZWL000	ZWL000
	Consultancy, legal & professional fees	(234,364)	(227,204)	(170,647)	(51,689)
	Subscription, publications & stationery	(327,811)	(300,542)	(229,938)	(69,498)
	Marketing, advertising & sponsorship	(738,471)	(275,833)	(564,325)	(68,182)
	Travel & accommodation	(515,316)	(247,720)	(398,070)	(57,407)
	Entertainment	(1,592)	(1,416)	(1,323)	(365)
	Cash transportation	(622,438)	(518,919)	(419,337)	(116,367)
	Directors fees	(66,068)	(38,529)	(43,171)	(9,006)
	COVID-19 costs	(215,039)	(226,373)	(118,408)	(51,032)
	Insurance costs	(479,229)	(397,077)	(343,296)	(91,090)
	Telex, telephones & communication	(702,316)	(503,316)	(495,896)	(118,119)
	Group recharges	(2,872,500)	(1,622,660)	(1,879,885)	(367,006)
	Card operating expenses	(50,230)	(205,197)	27,963	(44,084)
	Other administrative & general expenses	(936,382)	(598,948)	(526,763)	(98,524)
	Total general expenses	**(7,761,756)**	**(5,163,734)**	**(5,163,096)**	**(1,142,369)**
	Included in the operating expenses are the following:				
	Directors fees and remuneration:				
	For services as part of management	(397,526)	(239,872)	(218,890)	(54,075)
	For the oversight role as the director	(66,068)	(38,529)	(43,171)	(9,006)
	Total	**(463,594)**	**(278,401)**	**(262,061)**	**(63,081)**
	Auditors' remuneration				
	Audit related services	(70,583)	(58,604)	(55,768)	(12,816)
	Review services	(24,610)	(10,632)	(13,551)	(2,397)
	Total auditors' remuneration	**(95,193)**	**(69,236)**	**(69,319)**	**(15,213)**

9 Net monetary loss (NML)

Net Monetary Loss is the cost of inflation representing loss in value on net monetary assets. The current cost of ZWL6.4 bn (2021: ZWL1.9 bn) in the statement of profit or loss and other comprehensive income was calculated using the balance sheet method.

		Inflation adjusted		Historical	
		2022	2021	2022	2021
10	**Impairment losses on financial assets**				
	Stage 1	ZWL000	ZWL000	ZWL000	ZWL000
	Loans and advances to customers	(298,719)	(128,814)	(298,719)	(27,708)
	Balances with banks - local & nostro	(7,145)	(9,257)	(7,145)	(439)
	Investment securities - treasury bills & bonds	(129,785)	(38,535)	(129,785)	(8,772)
	Other assets	37,309	(4,074)	37,309	(3,970)
	Total	**(398,340)**	**(180,680)**	**(398,340)**	**(40,889)**
	Stage 2				
	Loans and advances to customers	(91,828)	(7,064)	(91,828)	(1,686)
	Total	**(91,828)**	**(7,064)**	**(91,828)**	**(1,686)**
	Stage 3				
	Loans and advances to customers	(193,921)	(61,987)	(193,923)	(14,632)
	Total	**(193,921)**	**(61,987)**	**(193,923)**	**(14,632)**
	Total impairment raised during the period	**(684,090)**	**(249,731)**	**(684,090)**	**(57,207)**
	Recoveries of loans and advances previously written off	345	450	345	97
	Impairment losses recognised in profit/ loss	**(683,745)**	**(249,281)**	**(683,745)**	**(57,110)**

		Inflation adjusted		Historical	
11	**Taxation**	2022	2021	2022	2021
	Income tax recognised in profit or loss	ZWL000	ZWL000	ZWL000	ZWL000
	Current tax				
	Normal tax - current year	(2,396,265)	(2,853,760)	(2,109,987)	(653,896)
	Total current tax	**(2,396,265)**	**(2,853,760)**	**(2,109,987)**	**(653,896)**
	Deferred tax				
	Deferred tax (expense)/credit recognised in the current year	(1,137,611)	348,043	(613,637)	44,770
	Total deferred tax	**(1,137,611)**	**348,043**	**(613,637)**	**44,770**
	Total income tax charge recognised in the current year	**(3,533,876)**	**(2,505,717)**	**(2,723,624)**	**(609,126)**

		Inflation adjusted		Historical	
		2022	2021	2022	2021
12	**Cash and bank balances**	ZWL000	ZWL000	ZWL000	ZWL000
	Balances with central bank	20,112,478	6,857,776	20,112,478	1,994,932
	Statutory reserve balance with central bank	4,970,047	2,111,830	4,970,047	614,333
	Cash on hand - foreign currency	14,154,342	10,466,330	14,154,342	3,044,663
	Cash on hand - local currency	81,253	178,044	81,253	51,793
	Balances due from group companies	187,999	132,839	187,999	38,643
	Balances with Banks abroad	14,108,368	11,537,805	14,108,368	3,356,356
	Cash and bank balances	**53,614,487**	**31,284,624**	**53,614,487**	**9,100,720**
	Expected credit losses	(5,178)	(4,322)	(5,178)	(1,257)
	Net Cash and bank balances*	**53,609,309**	**31,280,302**	**53,609,309**	**9,099,463**

*Cash and bank balances include restricted amounts relating to Reserve Bank of Zimbabwe (card transaction cash security, ZWL1.6b (2021: ZWL 835m) and Statutory reserve for customer deposits, ZWL 5.0b (2021: ZWL 2.1b) and foreign bank security deposits (Crown Agency Bank, ZWL 3.4b (2021: ZWL 2.8b)

13 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	
	2022	2021	2022	2021
Foreign exchange derivatives - assets	ZWL000	ZWL000	ZWL000	ZWL000
Foreign exchange swaps				
Notional contract amount - Asset	1,210,160	5,951,807	1,210,160	1,731,385
Notional contract amount - Liability	(1,197,584)	(5,945,650)	(1,197,584)	(1,729,594)
Carrying amount	**12,576**	**6,157**	**12,576**	**1,791**
Foreign exchange derivatives - liabilities				
Foreign exchange spot trades				
Notional contract amount - Asset	-	1,334,761	-	388,283
Notional contract amount - Liability	-	(1,339,134)	-	(389,555)
Carrying amount	**-**	**(4,373)**	**-**	**(1,272)**

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for the year ended 31 December 2022

	Inflation adjusted		Historical	
	2022	2021	2022	2021
14 Investment securities	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Treasury bills and bonds	9,234,650	6,189,709	9,234,650	1,800,591
Promissory notes	-	61,510	-	17,893
Equity securities	3,990,908	3,716,391	3,990,908	1,081,101
Balance at the end of the year	**13,225,558**	**9,967,610**	**13,225,558**	**2,899,585**

14.1 Treasury bills and bonds				
Balance at beginning of year	**6,189,709**	**5,353,479**	**1,800,591**	**968,868**
Additions	16,904,120	58,505,514	11,132,604	12,179,361
Accrued interest	391,862	610,280	391,862	154,840
Monetary adjustment	(6,874,843)	(1,115,424)	-	-
Maturities	(7,232,147)	(57,204,511)	(3,951,263)	(11,515,088)
Changes in fair value	(144,051)	40,371	(139,144)	12,610
Balance at the end of the year	**9,234,650**	**6,189,709**	**9,234,650**	**1,800,591**

As at 31 December 2022, ZWL40 million (2021:790 million) of the Treasury bills and bonds was used as security against borrowings from third parties.

	Inflation adjusted		Historical	
	2022	2021	2022	2021
14.2 Promissory notes	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Balance at beginning of year	**61,510**	**-**	**17,893**	**-**
Additions	85,494	352,777	47,077	79,528
Accrued interest	5,965	2,716	5,965	612
Maturities	(70,934)	(276,122)	(70,935)	(62,247)
Monetary adjustments	(82,035)	(17,861)	-	-
Balance at 31 December	**-**	**61,510**	**-**	**17,893**
14.3 Equity securities				
Balance at beginning of year	3,716,391	277,482	1,081,101	50,219
Changes in fair value	274,517	3,289,944	2,909,807	998,345
Additions	-	148,965	-	32,537
Balance at 31 December	**3,990,908**	**3,716,391**	**3,990,908**	**1,081,101**

Treasury bills and bonds classified as investment securities (ZWL 4.8b) are held to collect contractual cash flows and sell if the need arises. These are measured at fair value. The remaining balance ZWL 4.5bn were issued by RBZ as settlement of legacy debt obligations. These are initially measured at fair value and subsequently measured at amortised cost.

A total of ZWL139 million credit losses has been recognised in the year ended 31 December 2022.

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

Financial assets held for investment purpose are classified as financial assets at amortised cost. These financial assets are held to earn interest income over their tenor and to collect contractual cash flows. No treasury bills were held for trading purposes as at 31 December 2022.

	Inflation adjusted		Historical	
	2022	2021	2022	2021
15 Loans and receivables from Banks	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Clearing balances with other banks	225,622	118,587	225,622	34,497
Total carrying amount of Loans and receivables from Banks	**225,622**	**118,587**	**225,622**	**34,497**

Clearing balances with other banks include Zimswitch transactions net settlement receivables.

16 Loans and advances to customers	**Retail Banking ZWL000**	**Business Banking ZWL000**	**Corporate and Investment Banking ZWL000**	**Total ZWL000**
Historical and inflation adjusted 2022				
Term loans	11,743,988	2,236,515	27,159,992	**41,140,495**
Mortgage loans	84,722	-	-	**84,722**
Overdrafts	33,959	1,234,636	3,534,358	**4,802,953**
Gross loans and advances to customers	**11,862,669**	**3,471,151**	**30,694,350**	**46,028,170**
Less: allowance for expected credit losses				
Stage1	(293,329)	(4,383)	(79,689)	**(377,401)**
Stage2	(30,755)	(61,154)	(7,332)	**(99,241)**
Stage3	(150,172)	(6,782)	(52,394)	**(209,348)**
Allowance for expected credit losses	**(474,256)**	**(72,319)**	**(139,415)**	**(685,990)**
Net loans and advances to customers	**11,388,413**	**3,398,832**	**30,554,935**	**45,342,180**

Inflation adjusted 2021	**Retail Banking ZWL000**	**Business Bankingg ZWL000**	**Corporate and Investment Banking ZWL000**	**Total ZWL000**
Term loans	6,074,495	2,622,159	11,631,373	**20,328,027**
Mortgage loans	62,894	-	-	**62,894**
Overdrafts	11,891	914,810	3,581,449	**4,508,150**
Gross loans and advances to customers	**6,149,280**	**3,536,969**	**15,212,822**	**24,899,071**
Less: allowance for expected credit losses				
Stage1	(92,802)	(34,462)	(143,214)	**(270,478)**
Stage2	(7,174)	(7,972)	(10,333)	**(25,479)**
Stage3	(41,973)	(11,055)	-	**(53,028)**
Allowance for expected credit losses	**(141,949)**	**(53,489)**	**(153,547)**	**(348,985)**
Net loans and advances to customers	**6,007,331**	**3,483,480**	**15,059,275**	**24,550,086**
Historical 2021	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Term loans	1,767,075	762,788	3,383,575	5,913,438
Mortgage loans	18,296	-	-	18,296
Overdrafts	3,459	266,119	1,041,846	1,311,424
Gross loans and advances to customers	**1,788,830**	**1,028,907**	**4,425,421**	**7,243,158**
Less: allowance for expected credit losses				
Stage1	(26,996)	(10,025)	(41,661)	(78,682)
Stage2	(2,087)	(2,319)	(3,006)	(7,412)
Stage3	(12,210)	(3,216)	-	(15,426)
Allowance for expected credit losses	**(41,293)**	**(15,560)**	**(44,667)**	**(101,520)**
				-
Net loans and advances to customers	**1,747,537**	**1,013,347**	**4,380,754**	**7,141,638**

	Inflation adjusted		Historical	
17 Other assets	2022 ZWL000	2021 ZWL000	2022 ZWL000	2021 ZWL000
Prepayments and stationery	2,238,222	914,786	1,973,980	235,768
Card security deposit and settlement balances	1,615,679	865,000	1,615,679	251,629
Customer auction funds receivable	259,185	3,608,447	259,185	1,049,700
Other receivables	3,260,818	3,437,283	3,260,819	999,908
Receivables from Reserve Bank of Zimbabwe	7,320	13,981	7,320	4,067
Unamortized balance of staff loans benefit	620,874	739,276	593,379	150,793
Total before expected credit losses	**8,002,098**	**9,578,773**	**7,710,362**	**2,691,865**
Less: Expected credit loss	(128)	(128,817)	(128)	(37,474)
Total other assets	**8,001,970**	**9,449,956**	**7,710,234**	**2,654,391**
Current	3,238,201	6,292,188	3,038,776	1,656,539
Non - current	4,763,769	3,157,768	4,671,458	997,852
Total	**8,001,970**	**9,449,956**	**7,710,234**	**2,654,391**

18 Property and equipment	**Land and buildings**	**Computers**	**Equipment**	**Furniture and fittings**	**Motor vehicles**	**Total**
Inflation adjusted 2022	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Balance at beginning of year	**11,516,334**	**278,188**	**36,799**	**7,429**	**296,345**	**12,135,095**
Additions	255,253	174,083	125,299	1,739	510,845	**1,067,219**
Revaluation	1,382,737	708,769	1,981,170	455,186	1,740,565	**6,268,427**
Disposals	-	(62,287)	(35,832)	(770)	(109,323)	**(208,212)**
Transfers to Investment property	(105,830)	-	-	-	-	**(105,830)**
Depreciation charge on disposals	-	1,037	9,560	769	109,325	**120,691**
Depreciation charge & Impairment charge	(240,394)	(49,215)	(36,039)	(8,752)	(128,108)	**(462,508)**
Carrying amount at end of the year	**12,808,100**	**1,050,575**	**2,080,957**	**455,601**	**2,419,649**	**18,814,882**
Cost or valuation	12,808,100	1,050,575	2,080,957	455,601	2,419,649	**18,814,882**
Accumulated depreciation and impairment	-	-	-	-	-	**-**
Carrying amount at end of the year	**12,808,100**	**1,050,575**	**2,080,957**	**455,601**	**2,419,649**	**18,814,882**

Notes to the Audited Financial Results (continued)
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Property and equipment	**Land and buildings**	**Computers**	**Equipment**	**Furniture and fittings**	**Motor vehicles**	**Total**
Historical 2022	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Balance at beginning of year	**3,350,110**	**65,623**	**21,741**	**5,325**	**72,660**	**3,515,459**
Additions	252,586	135,053	81,732	488	418,856	**888,715**
Revaluation	9,364,803	914,302	2,161,221	477,920	2,259,796	**15,178,042**
Disposals	-	(682)	(1,851)	(4)	(123,854)	**(126,391)**
Transfers to Investment property	(30,786)					**(30,786)**
Depreciation charge on disposals	-	346	80	3	7,909	**8,338**
Depreciation charge	(128,613)	(64,067)	(181,966)	(28,131)	(215,718)	**(618,495)**
Carrying amount at end of year	**12,808,100**	**1,050,575**	**2,080,957**	**455,601**	**2,419,649**	**18,814,882**
Cost or valuation	12,808,100	1,050,575	2,080,957	455,601	2,419,649	**18,814,882**
Accumulated depreciation and impairment	-	-	-	-	-	**-**
Carrying amount at end of the year	**12,808,100**	**1,050,575**	**2,080,957**	**455,601**	**2,419,649**	**18,814,882**

In view of the magnitude of the economic volatility on the market, property and equipment is carried at valuation amounts. In terms of accounting policy, revaluations are carried out with sufficient regularity to ensure the carrying value on those properties is not materially different from the market values. The properties were valued by a qualified, independent valuer, Intergrated Properties (Private) Limited (2021-Intergrated Properties (Private) Limited by reference to inputs from the market deriving from transactions denominated in ZWL only.

All property and equipment was subjected to impairment testing internally and the directors are of the view that there is no cause for raising futher charges beyond what has been applied.

If property and equipment were stated on the historical cost basis, the carrying amount would be ZWL 4.1 billion (2021: ZWL 1.1 billion).

Property worth ZWL 3.3 billion was pledged as security against borrowings from third parties (2021-3.1 billion).

	Inflation adjusted		Historical	
	2022	2021	2022	2021
19 Investment properties	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Balance at beginning of the year	**4,394,420**	**1,588,470**	**1,278,340**	**287,480**
Reclassification from property and equipment	105,878	-	30,786	-
Fair value changes	(420,298)	2,805,950	2,770,874	990,860
Balance at the end of the year	**4,080,000**	**4,394,420**	**4,080,000**	**1,278,340**
Rental income derived from investment properties	**119,114**	**77,504**	**92,311**	**17,671**

The fair value of investment property was determined by external, independent property valuers, Intergrated Properties (Pvt) Ltd for 2021 and 2022, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Bank`s investment property portfolio annually.

Properties were valued using ZWL denominated inputs in 2022.

The fair value measurement of the investment property has been categorised as Level 3 in the fair value hierarchy (Note 30) based on the inputs to the valuation technique used.

Operating costs incurred on investment properties during the year were ZWL39.6 million (2021: ZWL 23.4 million) inflation adjusted and 21.8 million (2021: ZWL 4.5 million) historical basis. Investment property comprises commercial properties that are leased to third parties. No contingent rents are charged.

Property worth ZWL3.1 billion was pledged as security against borrowings from third parties (2021: ZWL 3.4 billion) inflation adjusted and on historical basis (2021: ZWL 990m).

	Inflation adjusted		Historical	
	2022	2021	2022	2021
20 Intangible assets	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Balance at beginning of year	**896,900**	**1,114,493**	**11,982**	**15,023**
Amortisation	(217,591)	(217,593)	(3,041)	(3,041)
Balance at 31 December	**679,309**	**896,900**	**8,941**	**11,982**
Cost	1,450,610	1,450,608	20,276	20,276
Accumulated amortisation	(771,301)	(553,708)	(11,335)	(8,294)
Balance at 31 December	**679,309**	**896,900**	**8,941**	**11,982**

Intangible assets comprise of acquired core banking, switch and other software and licences, amortised over a period of 6.7 years.

	Inflation adjusted		Historical	
	2022	2021	2022	2021
21 Investment in joint venture	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Group's interest in investment				
Group's interest at beginning of year	**10,601,984**	**5,392,719**	**3,084,125**	**975,969**
Current year share of total comprehensive income in joint venture	3,040,310	5,312,902	10,395,324	2,126,189
Monetary adjustment	(162,845)	(41,647)	-	-
Dividends received during the year	-	(61,990)	-	(18,033)
Carrying amount of investment at year end	**13,479,449**	**10,601,984**	**13,479,449**	**3,084,125**

The Bank owns 50% investment in Makasa Sun (Pvt) Ltd. The other 50% is owned by First Capital Bank. Makasa Sun (Pvt) Ltd. owns a hotel located in the tourist resort town of Victoria Falls, Zimbabwe which it leases out.

	Inflation adjusted		Historical	
	2022	2021	2022	2021
22 Leases	**ZWL000**	**ZWL000**	**ZWL000**	**ZWL000**
Right of use asset				
Balance at beginning of year	**591,054**	**1,593,458**	**171,938**	**99,973**
Additions	2,057,814	335,417	1,178,754	97,573
Terminated	(6,887)	(36,659)	(915)	(6,635)
Impairment	-	(859,125)	-	-
Depreciation for the year	(399,943)	(442,037)	(307,462)	(18,973)
Balance at 31 December	**2,242,038**	**591,054**	**1,042,315**	**171,938**
Lease liabilities				
Maturity analysis - contractual undiscounted cash flows				
Less than one year	891,171	231,171	891,171	67,248
One to five years	1,169,389	556,527	1,169,389	161,894
More than five years	235,757	289,315	235,757	84,162
Total	**2,296,317**	**1,077,013**	**2,296,317**	**313,304**
Lease liabilities included in statement of financial position				
Current	727,094	115,063	727,094	33,472
Non - current	1,096,210	472,876	1,096,210	137,560
Balance at 31 December	**1,823,304**	**587,939**	**1,823,304**	**171,032**
Amounts recognised in profit/ loss				
Interest on lease liabilities	(184,992)	(122,757)	(139,574)	(26,715)
Expenses - short term & low value leases	(89,568)	(61,767)	(66,309)	(14,336)
Depreciation charge for the year	(399,943)	(442,037)	(307,462)	(18,973)
Total	**(674,503)**	**(626,561)**	**(513,345)**	**(60,024)**
Statement of cash-flows - Leases				
Total cash outflows	**(428,803)**	**(398,239)**	**(332,490)**	**(58,637)**
23 Deposits from banks				
Bank balances due to foreign banks	27,313	490,893	27,313	142,801
Interbank money market deposit	-	902,820	-	262,631
Clearance balances due to local banks	773,456	487,888	773,456	141,927
Total Deposits from banks	**800,769**	**1,881,601**	**800,769**	**547,359**

Notes to the Audited Financial Results (continued)
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		Inflation adjusted		Historical	
		2022	2021	2022	2021
24	**Deposits from customers**	ZWL000	ZWL000	ZWL000	ZWL000
	Retail	20,238,125	11,365,124	20,238,125	3,306,123
	Business banking	8,274,466	6,612,060	8,274,466	1,923,453
	Corporate and investment banking	59,267,301	34,150,815	59,267,301	9,934,497
	Total	**87,779,892**	**52,127,999**	**87,779,892**	**15,164,073**
	Call deposits				
	Retail	2,164,114	3,108	2,164,114	904
	Business banking	74,789	113,358	74,789	32,976
	Corporate and investment banking	273,589	712,232	273,589	207,189
	Total	**2,512,492**	**828,698**	**2,512,492**	**241,069**
	Savings accounts				
	Retail	23,726	30,701	23,726	8,931
	Business banking	629	104	629	30
	Total	**24,355**	**30,805**	**24,355**	**8,961**
	Other				
	Corporate and investment banking	3,197,309	3,379,895	3,197,309	983,214
	Total	**3,197,309**	**3,379,895**	**3,197,309**	**983,214**
	Total deposits from customers	**93,514,048**	**56,367,397**	**93,514,048**	**16,397,317**

Included in the deposits above are foreign currency deposits of ZWL 65.4 billion (2021: ZWL25.1bn) and on historical basis 2021 ZWL 7.3bn. 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 ZWL3.2 billion (2021:ZWL3.4bn) and historical basis ZWL 983 million held as collateral for loans advanced and letters of credit.

	Inflation adjusted				Historical			
	2022		2021		2022		2021	
Concentration of customer deposits	ZWL000	%	ZWL000	%	ZWL000	%	ZWL000	%
Trade and services	26,382,330	28	22,618,131	33	26,382,330	28	6,579,631	40
Energy and minerals	1,320,530	1	225,427	1	1,320,530	1	65,577	-
Agriculture	1,355,329	1	1,564,795	12	1,355,329	1	455,199	3
Construction and property	894,122	1	1,690,484	2	894,122	1	491,763	3
Light and heavy industry	20,588,147	22	5,824,083	11	20,588,147	22	1,694,230	10
Physical persons	22,425,965	25	11,428,311	17	22,425,965	25	3,324,504	20
Transport and distribution	9,762,730	10	6,541,922	11	9,762,730	10	1,903,050	12
Financial services	10,784,895	12	6,474,244	13	10,784,895	12	1,883,363	12
Total	**93,514,048**	**100**	**56,367,397**	**100**	**93,514,048**	**100**	**16,397,317**	**100**

		Inflation adjusted		Historical	
		2022	2021	2022	2021
25	**Employee benefit accruals**	ZWL000	ZWL000	ZWL000	ZWL000
	Staff retention				
	Balance at beginning of year	**642,178**	**274,169**	**186,810**	**49,620**
	Provisions made during the year	209,654,018	955,209	115,442,203	217,225
	Provisions used during the year	(393,788,713)	(361,831)	(114,553,425)	(80,035)
	Monetary adjustments	184,568,105	(225,369)	-	-
	Balance at end of year	**1,075,588**	**642,178**	**1,075,588**	**186,810**
	Outstanding employee leave				
	Balance at beginning of year	**49,745**	**34,709**	**14,471**	**6,281**
	Provisions made during the year	137,947	36,325	75,958	8,190
	Provisions used during the year	52	-	15	-
	Monetary adjustments	(97,300)	(21,289)	-	-
	Balance at end of year	**90,444**	**49,745**	**90,444**	**14,471**
	Total provisions at end of year	**1,166,032**	**691,923**	**1,166,032**	**201,281**

The staff retention incentive represents an accrual 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 accrual 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	
		2022	2021	2022	2021
26	**Other liabilities**	ZWL000	ZWL000	ZWL000	ZWL000
	Accrued expenses	1,500,416	597,895	1,500,685	173,928
	Internal accounts	6,205,166	1,037,904	6,203,679	293,856
	Other foreign currency claims	4,412,208	2,394,006	4,412,208	696,418
	Withholding taxes including IMTT	66,865	895,392	66,865	260,470
	Balance at 31 December	**12,184,655**	**4,925,197**	**12,183,437**	**1,424,672**

27 Retirement benefit plans

First Capital Bank Pension Fund

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

The plan assets comprise of property, bank balance, equity instruments and money market deposits at 31 December 2022.

		Inflation adjusted		Historical	
		2022	2021	2022	2021
		ZWL000	ZWL000	ZWL000	ZWL000
27.1	**Composition of pension fund plan assets**				
	Cash and bank balances	**548,309**	**359,009**	**548,309**	**104,436**
	Equity and unity trusts	6,627,983	6,346,870	6,627,983	1,846,309
	Money market	1,030,284	347,015	1,030,284	100,947
	Properties	18,894,462	16,937,829	18,894,462	4,927,227
	Other	37,093	30,684	37,093	8,926
	Total	**27,138,131**	**24,021,407**	**27,138,131**	**6,987,845**

Summary of the valuation is shown below:

		Inflation adjusted		Historical	
		2022	2021	2022	2021
27.2	**Summary valuation of the pension obligation**	ZWL000	ZWL000	ZWL000	ZWL000
	Present value of pensioner obligation (Defined Benefit)	5,440,009	3,494,123	5,440,009	1,016,443
	Active members liability (Defined Contribution)	12,018,968	7,678,829	12,018,968	2,233,777
	Deferred pensioners	4,690,460	1,633,506	4,690,460	475,188
	Other liabilities - risk pools	493,294	290,144	493,294	84,403
	Other sundry liabilities	94,775	48,140	94,775	14,004
	Total liabilities	**22,737,506**	**13,144,742**	**22,737,506**	**3,823,815**
	Total assets	**27,138,131**	**24,021,407**	**27,138,131**	**6,987,845**
	Net surplus	**4,400,625**	**10,876,665**	**4,400,625**	**3,164,030**

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

28 Deferred tax

Deferred tax balances

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

	Inflation adjusted		Historical	
	2022	2021	2022	2021
Deferred tax	ZWL000	ZWL000	ZWL000	ZWL000
Deferred tax balances				
Deferred tax assets	(899,441)	(1,289,244)	(993,532)	(374,924)
Deferred tax liabilities	5,478,134	4,133,152	4,828,397	1,110,363
Total deferred tax liability	**4,578,693**	**2,843,908**	**3,834,865**	**735,439**

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29 Share capital and reserves

	Inflation adjusted		Historical	
Authorised shares	2022	2021	2022	2021
Authorised share capital	ZWL000	ZWL000	ZWL000	ZWL000
Ordinary shares (5 000 000 000 shares of ZWL0.01 cents per share)	500	500	500	500

The total authorised number of ordinary shares at year end was 5 billion (2021: 5 billion). The Bank's shares have a nominal value of ZWL0.01 cents per share. The unissued share capital is under the control of the directors subject to the restrictions imposed by the Companies and Other Entities Act (Chapter 24.31), the Zimbabwe Stock Exchange listing requirements and the Articles and Memorandum of Association of the Bank.

		Inflation adjusted		Historical	
		2022	2021	2022	2021
29.1	**Issued share capital**	ZWL000	ZWL000	ZWL000	ZWL000
	Ordinary shares	39,537	39,536	216	216
	Share premium	4,371,354	4,371,261	24,160	24,085
	Total	**4,410,891**	**4,410,797**	**24,376**	**24,301**

29.2 Share premium

Premiums from the issue of shares are reported in the share premium.

29.3 Non - distributable reserves

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

	Inflation adjusted		Historical	
	2022	2021	2022	2021
	ZWL000	ZWL000	ZWL000	ZWL000
Non - distributable reserve	1,426,975	1,426,975	7,785	7,785
Balance at end of year	**1,426,975**	**1,426,975**	**7,785**	**7,785**

29.4 Fair value through other comprehensive income reserve

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

	Inflation adjusted		Historical	
	2022	2021	2022	2021
	ZWL000	ZWL000	ZWL000	ZWL000
Fair value through other comprehensive income reserve	3,111,479	3,302,790	3,601,907	1,014,591
Balance at end of year	**3,111,479**	**3,302,790**	**3,601,907**	**1,014,591**

29.5 Revaluation reserve

Revaluation movement on property and equipment is classified under revaluation reserve. Additional detail on revaluation of assets is contained in note 18.

	Inflation adjusted		Historical	
	2022	2021	2022	2021
	ZWL000	ZWL000	ZWL000	ZWL000
Revaluation reserve	11,534,121	5,823,011	15,083,797	2,220,734
Balance at end of year	**11,534,121**	**5,823,011**	**15,083,797**	**2,220,734**

29.6 General Reserve

This amount represents the excess of impairment allowance required by the Reserve Bank of Zimbabwe over and above the amount calculated in accordance with IFRS9 financial instruments.

	Inflation adjusted		Historical	
	2022	2021	2022	2021
	ZWL000	ZWL000	ZWL000	ZWL000
General Reserve	126,981	-	126,981	-
Balance at end of year	**126,981**	**-**	**126,981**	**-**

29.7 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	
	2022	2021	2022	2021
	ZWL000	ZWL000	ZWL000	ZWL000
Share based payment reserve	230,159	230,195	5,010	2,274
Balance at end of year	**230,159**	**230,195**	**5,010**	**2,274**

29.8 Local managerial share option scheme

This scheme benefits managerial employees. Managerial employees are granted shares in First Capital Bank. Share options issued have a vesting period of three years. The Bank has no legal or constructive obligation to repurchase or settle the options in cash.

The following assumptions were input into the valuation model:

- Volatility of 81.83%
- Nominal risk free rate of return of 80%
- Expected option exercise date is 2 years after vesting period.

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

29.9 Movements during the period

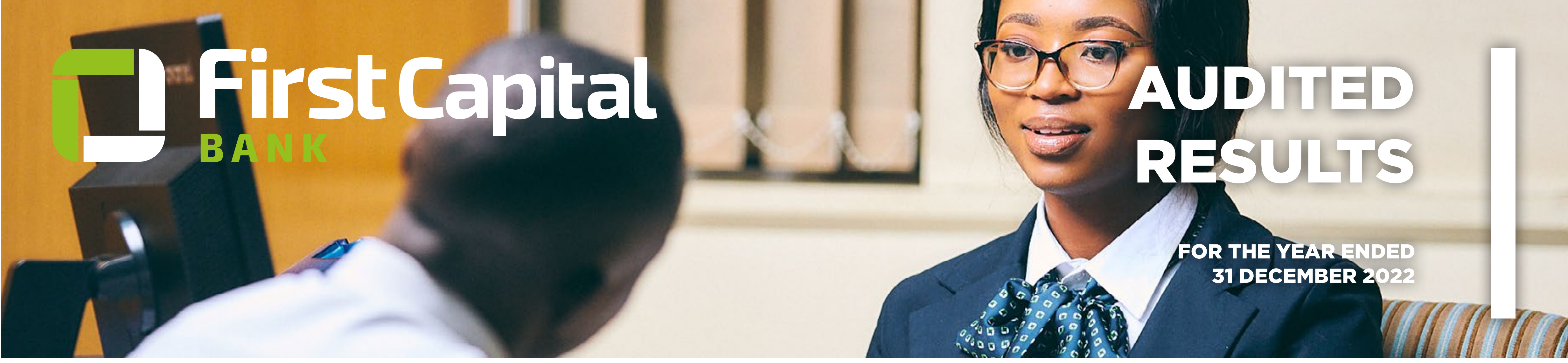
The following reconciles the share options outstanding at the beginning and end of the year:

	2022		2021	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of the year	**6,400,000**	**0.05**	**4,610,000**	**0.05**
Granted during the year	860,000	0.07	4,470,000	0.07
Forfeited during the year	(1,220,000)	0.03	(1,060,000)	0.03
Exercised during the year	(660,000)	-	(1,620,000)	-
Outstanding at 31 December	**5,380,000**	**-**	**6,400,000**	**-**
Exercisable at 31 December	**710,000**	**0.13**	**1,320,000**	**0.13**

30 Financial instruments

		Inflation adjusted		Historical	
		2022	2021	2022	2021
30.1	**Classification of assets and liabilities**				
	Financial assets	ZWL000	ZWL000	ZWL000	ZWL000
	Financial assets at fair value through profit and loss				
	Derivative financial assets	12,576	6,157	12,576	1,791
	RBZ receivable - Net Open Position support	-	3,083,333	-	896,944
	Total	**12,576**	**3,089,490**	**12,576**	**898,735**
	Financial assets at amortised cost				
	Cash and bank balances	**53,609,309**	**31,280,303**	**53,609,309**	**9,099,463**
	Treasury bills	4,570,550	-	4,570,550	-
	Loans and advances to customers	45,342,180	24,550,086	45,342,180	7,141,638
	Clearing balances due from other banks	225,622	118,586	225,622	34,497
	Other assets*	5,143,002	4,841,377	5,143,002	1,408,360
	Total	**108,890,663**	**60,790,352**	**108,890,663**	**17,683,958**
	* Excludes prepayments and stationery.				
	Financial assets at fair value through other comprehensive income				
	Treasury bills and promissory notes	**4,664,100**	**6,251,219**	**4,664,100**	**1,818,484**
	Unquoted equity securities	3,990,908	3,716,391	3,990,908	1,081,101
	Total	**8,655,008**	**9,967,610**	**8,655,008**	**2,899,585**
	Total Financial assets	**117,558,247**	**73,847,452**	**117,558,247**	**21,482,278**
	Financial liabilities				
	Financial liabilities at fair value through profit and loss				
	Derivative financial liabilities	-	4,373	-	1,272
	Total	**-**	**4,373**	**-**	**1,272**
	Financial liabilities at amortised cost				
	Customer deposits	**93,514,048**	**56,367,397**	**93,514,048**	**16,397,317**
	Deposits from other Banks	800,769	1,881,601	800,769	547,359
	Other liabilities*	12,153,077	4,730,600	12,152,807	1,376,135
	Lease liability	1,823,304	587,939	1,823,304	171,032
	Balances due to group companies	47,628	790,854	47,628	230,060
	Total Financial liabilities	**108,338,826**	**64,358,391**	**108,338,556**	**18,721,903**

*Excludes deferred income



30.2 Fair value hierarchy of assets and liabilities held at fair value
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 2022	Level 2 ZWL000	Level 3 ZWL000	Total ZWL000
Recurring fair value measurements			
Financial assets			
Derivative assets	**12,576**	**-**	**12,576**
Treasury bills	-	4,664,100	**4,664,100**
Unquoted equity instruments	-	3,990,908	**3,990,908**
Balance at 31 December 2022	**12,576**	**8,655,008**	**8,667,584**
Financial liabilities			
Derivative liabilities	-	-	**-**
Balance at 31 December 2022	**-**	**-**	**-**
Non - financial assets			
Property and equipment	-	18,814,882	**18,814,882**
Investment property	-	4,080,000	**4,080,000**
Investment in joint venture - underlying property	-	13,243,000	**13,243,000**
Balance at 31 December 2022	**-**	**36,137,882**	**36,137,882**

30.3 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

30.4 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 applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs
Unquoted equity financial instrument	Discounted cash flow	Cashflows and discount rates	29% to 85%
Land and buildings	Market/ income approach	Capitalisation rates	7% to 9%
Investment properties	Market/income approach	Capitalisation rates	7% to 9%
Treasury bills	Discounted cash flow	Market Yield – not actively traded	7%

30.5 Reconciliation of recurring level 3 fair value measurements

Historical and inflation adjusted 2022	Investment securities ZWL000	Investment properties ZWL000	Investment in Joint venture - Property ZWL000	Total ZWL000
Balance at 1 January 2022	**9,967,614**	**4,394,420**	**10,601,984**	**24,964,018**
Additions	16,989,614	105,878	-	**17,095,492**
Monetary adjustment	(6,956,879)	-	(162,845)	**(7,119,724)**
Accrued interest	397,827	-	-	**397,827**
Maturities	(7,303,081)	-	-	**(7,303,081)**
Total gains and losses recognised in profit or loss	-	(420,298)	3,040,310	**2,620,012**
Total gains and losses recognised in other comprehensive income	130,463	-	-	130,463
Balance at 31 December 2022	**13,225,558**	**4,080,000**	**13,479,449**	**30,785,008**

30.6 Fair value of financial instruments not held at fair value
The disclosed fair values of these financial assets and financial liabilities measured at amortised cost approximate their carrying value because of their short term nature.

	Inflation adjusted				Historical			
	2022 Carrying amount ZWL000	Fair value ZWL000	2021 Carrying amount ZWL000	Fair value ZWL000	2022 Carrying amount ZWL000	Fair value ZWL000	2021 Carrying amount ZWL000	Fair value ZWL000
Financial Assets								
Cash and bank balances	53,609,309	53,609,309	31,280,303	31,280,303	53,609,309	53,609,309	9,099,463	9,099,463
Loans and receivables from Banks	225,622	225,622	118,587	118,587	225,622	225,622	34,497	34,497
Treasury bills -NOP	4,570,550	4,570,550	24,550,086	24,550,086	4,570,550	4,570,550	-	-
Loans and advances to customers	45,342,179	45,342,179	4,841,377	4,841,377	45,342,179	45,342,179	7,141,638	7,141,638
Other assets	5,143,002	5,143,002	60,790,352	60,790,352	5,143,002	5,143,002	1,408,360	1,408,360
Total assets	**108,890,662**	**108,890,662**	**121,580,705**	**121,580,705**	**108,890,662**	**108,890,662**	**17,683,958**	**17,683,958**
Financial Liabilities								
Deposits from banks	800,769	800,769	56,367,397	56,367,397	800,769	800,769	547,359	547,359
Deposits from customers	93,514,048	93,514,048	587,939	587,939	93,514,048	93,514,048	16,397,317	16,397,317
Lease liability	1,823,304	1,823,304	4,730,600	4,730,600	1,823,304	1,823,304	171,032	171,032
Other liabilities	12,152,808	12,152,808	790,854	790,854	12,153,077	12,153,077	1,376,135	1,376,135
Balances due to group companies	47,628	47,628	64,358,391	64,358,391	47,628	47,628	230,060	230,060
Total	**108,338,557**	**108,338,557**	**126,835,181**	**126,835,181**	**108,338,826**	**108,338,826**	**18,721,903**	**18,721,903**

31 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.

31.1 Capital risk management
Capital risk – is the risk that the Bank is unable to maintain adequate levels of capital which could lead to an inability to support business activity or failure to meet regulatory requirements. Capital Risk Management is mostly applicable to the Bank which is regulated.
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
- 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;

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- **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.

	2022 ZWL000	2021 ZWL000
Share capital	216	216
Share premium	24,160	24,085
Accumulated profits	25,398,970	6,902,434
Share based payment reserve	5,010	2,274
Fair value through OCI reserve	6,311,658	1,198,141
Currency translation reserve	3,508	3,508
Total core capital	**31,743,522**	**8,130,658**
Less market and operational risk capital	(2,678,732)	(643,080)
Tier 1 capital	**29,064,790**	**7,487,578**
Currency translation reserve movement	4,277	4,277
Revaluation reserves	13,530,151	2,037,184
General provisions (limited to 1.25% of weighted risk assets)	377,401	78,682
Tier 2 capital	**13,911,829**	**2,120,143**
Total tier 1 & 2 capital	**42,976,619**	**9,607,721**
Market risk	503,088	70,453
Operational risk	2,175,645	572,627
Tier 3 capital	**2,678,733**	**643,080**
Total tier 1, 2 & 3 capital base	**45,655,351**	**10,250,801**
Deductions from capital	(3,990,908)	(1,081,101)
Total capital base	**41,664,443**	**9,169,700**
Credit risk weighted assets	88,629,784	17,004,942
Operational risk equivalent assets	27,195,562	7,157,836
Market risk equivalent assets	6,288,596	880,665
Total risk weighted assets (RWAs)	**122,113,942**	**25,043,443**
Tier 1 capital ratio	**24%**	**30%**
Tier 1 and 2 capital ratio	**35%**	**38%**
Total capital adequacy ratio	**34%**	**37%**

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

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

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

Economic capital - Economic capital methodologies are used to calculate risk sensitive capital allocations for businesses incurring market risk. Consequently the businesses incur capital charges related to their market risk.

31.2 Credit risk
Credit risk is the risk of financial loss should the Bank's customers, clients or market counter parties fail to fulfil their contractual obligations to the Bank. The Bank actively seeks to originate and manage credit risk in such a way as to achieve sustainable asset growth and risk adjusted returns in line with board-approved risk parameters. The credit risk that the Bank faces arises mainly from corporate and retail loans advances and counter party credit risk arising from derivative contracts entered into with our clients. Other sources of credit risk arise from treasury bills, government bonds, settlement balances with counter parties and bank balances with Central Bank and other related banks Credit risk management objectives are:
- Supporting the achievement of sustainable asset and revenue growth in line with our risk parameters
- Operating sound credit granting processes and monitoring credit risk using appropriate models to assist decision making.
- Ensure credit risk taking is based on sound credit risk management principles and controls; and
- Continually improving collection and recovery.

a) Risk limit and mitigation policies
The Bank uses a range of policies and practices to mitigate credit risk. These include credit scoring, marking limits against counter parties, credit insurance, and monitoring cash flows and utilisation against limit and collateral. Principal collateral types used for loans and advances are:
• Mortgages over residential and commercial properties;
• Charges over business assets such as premises, inventory and accounts receivable, moveable assets and shares; and
• Cash cover.

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

(b)Credit risk grading
Corporate Exposures
TheBank 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 which are in turn categorised into Risk Categories 1-3. Those in Category 1 display no or unusual business as usual risk and the risk of default is low. Category 2 implies there are some doubts that the borrower will meet its obligations but the risk of default is medium. Category 3 implies that there are strong doubts that the customer will meets its obligations and the risk of default is either high or has occurred.

Category 1 (sub categories 1a – 3c):	0 to 29 days past due, have no or temporary problems and the risk of default is low
Category 2 (sub categories 4a – 7c):	30 days to 89 days past due, implies there are doubts that the customer will pay but the risk of default is medium
Category 3 (sub categories 8 – 10):	90 days+ past due (Default), 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); 31 days to 60 days past due (Bucket 2); 61 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. These
- 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.

(c) Expected credit losses measurement (ECLs)(continued)

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 (Internal Category 1)
Stage 2	Life Time PD	Central Bank Grades 4 to 7 o (Internal Category 2)
Stage 3	Default PD	Central Bank Grades 8 to 10 (Internal Category 3)

Retail exposures

Stage 1	12 Month PD	Central Bank Grades 1 to3 (Internal grades bucket 0 & bucket 1)
Stage 2	Life Time PD	Central Bank Grades 4 to 7 (Internal grades bucket 2 & bucket 3)
Stage 3	Default PD	Central Bank Grades 8 to 10 (internal grades bucket 4)

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 interGroup 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 Group in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The financial asset is more than 89 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 37.3 (d)
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
- Retail loans in bucket 2 to 3 (bucket 2 is 31 days to 60 days past due, bucket 3 is 61 days to 89 days past due)
- Debt securities, loans to Groups and Group 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 Groups and other debt securities in default.

- These are corporates in regulatory grade 8 - 10 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 Group 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 Group'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 and s reviewed monthly and monitored by an independent team in Credit Risk department, together with quarterly reviews by the Impairment Committee and Board Loans Review 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
Corporate portfolio assessment is performed by way of a collective assessment semi-empirical IFRS 9 model (the ECL Model) developed in consultation with external consultants supported by available historic information to support the modelling of PD, LGD and EAD. Individual assessment is performed on all customer loans and advances after having defined a minimum exposure threshold. ECL for Treasury exposures is based on benchmarked PDs and LGDs due to lack of historical data.ECL for Retail exposures are based on model output with no benchmarking comparative since enough historical default data was available when designing the calculation model.

31.2 **(f) Forward – looking information incorporated in the ECL models**
The assessment of SICR and the calculation of ECLs both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. 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.

Notes to the Audited Financial Results (continued)
for the year ended 31 December 2022

Loans and advances renegotiated
During the year the Bank renegotiated loans and advances to customers amounting ZWL8.3 million (2020: ZWL 38 million). Re-negotiations related to customers with operations that were directly impacted by COVID-19.

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

Counterparty	Latest ratings 2021/22	Previous ratings 2020/21
Crown Agency	BB	BB

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

Counterparty	2021	2020
VISA	AA-	AA-
MasterCard International	A+	A+

31.2.1 **Maximum credit risk exposure**

Historical and inflation adjusted 2022 Loans and advances to customers	Maximum credit risk exposure Stage 1 ZWL000	 Stage 2 ZWL000	 Stage 3 ZWL000	 Total ZWL000	ECL Reconciliation Stage 1 ZWL000	 Stage 2 ZWL000	 Stage 3 ZWL000	 Total ZWL000
Corporate	27,740,598	5,278,827	153,499	33,172,924	79,689	7,332	52,394	**139,415**
Business Banking	793,242	10,231	5,380	808,853	4,383	61,154	6,782	**72,318**
Retail	11,674,473	183,245	188,673	12,046,391	293,329	30,755	150,171	**474,255**
Total	**40,208,313**	**5,472,303**	**347,552**	**46,028,168**	**377,401**	**99,241**	**209,347**	**685,988**
Balances with central Bank								
Savings bonds and treasury bills	9,234,650	-	-	9,234,650	139,013	-	-	**139,013**
Bank balances	25,083,161	-	-	25,083,161	2,819	-	-	**2,819**
Total	**34,317,811**	**-**	**-**	**34,317,811**	**141,832**	**-**	**-**	**141,832**
Balances with other Banks and settlement balances								
Settlement balances - local currency	225,622	-	-	225,622	2,028	-	-	**2,028**
Bank balances - foreign currency	14,293,844	-	-	14,293,844	3,003	-	-	**3,003**
Total	**14,519,466**	**-**	**-**	**14,519,466**	**5,031**	**-**	**-**	**5,031**
Other assets								
RBZ receivable other	7,320	-	-	7,320	-	-	-	**-**
Other assets	1,874,863	-	-	1,874,863	128	-	-	**128**
Total	**1,882,183**	**-**	**-**	**1,882,183**	**128**	**-**	**-**	**128**
Total on balance sheet	**90,927,773**	**5,472,303**	**347,552**	**96,747,628**	**524,392**	**99,241**	**209,347**	**832,979**
Guarantees and letters of credit								
Guarantees	610,243	-	-	610,243	-	-	-	**-**
Letters of credit	3,436,418	-	-	3,436,418	-	-	-	**-**
Total	**4,046,661**	**-**	**-**	**4,046,661**	**-**	**-**	**-**	**-**

31.2.2 **Credit risk concentration of loans and advances were as follows;**

Industry/Sector	Historical and inflation adjusted 2022 ZWL000	%	Inflation adjusted 2021 ZWL000	%	Historical 2021 ZWL000	%
Trade and services	5,828,615	13%	6,679,983	27%	1,943,212	27%
Energy and minerals	102,191	0%	-	0%	-	0%
Agriculture	9,582,694	21%	3,944,992	15%	1,147,601	15%
Light and heavy industry	10,534,608	22%	2,724,981	11%	792,699	11%
Physical persons	12,047,485	26%	6,149,280	25%	1,788,830	25%
Transport and distribution	7,626,341	17%	4,433,815	18%	1,289,800	18%
Financial services	306,234	1%	966,020	4%	281,016	4%
Total	**46,028,168**	**100%**	**24,899,071**	**100%**	**7,243,158**	**100%**

31.3 **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 2022 ZWL000	 2021 ZWL000	Historical 2022 ZWL000	 2021 ZWL000
Performing loans	106,872,600	15,249,594	15,805,945	4,436,118
Non-performing loans	859,355	45,342	244,991	13,190
Total	**107,731,955**	**15,294,936**	**16,050,936**	**4,449,308**

The retail portfolio is fully insured.

31.4 **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.

31.5 **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. Mismatches on foreign exchange assets and liabilities are minimised through the daily monitoring of the net foreign exchange exposure by treasury. Currency swaps are also used to manage foreign exchange risk where necessary.

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

Historical and inflation adjusted 2022 at 31 December 2022	USD (ZWL Equiv) ZWL000	GBP (ZWL Equiv) ZWL000	Rand (ZWL Equiv) ZWL000	Other currency (ZWL Equiv) ZWL000	Total ZWL000
Assets					
Cash and bank balances	34,782,578	1,385,371	574,710	1,556,960	**38,299,619**
Investment securities	2,625,469	-	-	-	**2,625,469**
Loans and advances to customers	37,598,647	213	3,099	72	**37,602,031**
Other assets	11,096,482	-	-	-	**11,096,482**
Foreign exchange swaps	-	-	-	-	**-**
Total financial assets	**86,103,176**	**1,385,584**	**577,809**	**1,557,032**	**89,623,601**
Liabilities					
Deposits from banks	247	-	22,391	4,923	**27,561**
Deposits from customers	68,246,502	101,886	516,275	285,456	**69,150,119**
Other liabilities	14,905,392	24,795	17,571	19,733	**14,967,491**
Balances due to group companies	-	-	-	-	**-**
Total financial liabilities	**83,152,141**	**126,681**	**556,237**	**310,112**	**84,145,171**
Net currency positions	**2,951,035**	**1,258,903**	**21,572**	**1,246,920**	**5,478,430**
Exchange rate sensitivity to Profit for the year					
Exchange rate increase of 20%	323,317	28,704	229,895	201,484	783,400
Exchange rate decrease of 20%	(323,317)	(28,704)	(229,895)	(201,484)	(783,400)
Exchange rates applied in 2022	**USD**	**GBP**	**Rand**	**EUR**	**CND**
ZWL closing rate	687	831	40	735	500

Key techniques to measure exposure to FX risk is through monitoring of net open position as well as stress testing;

(i) Net Open Position (NOP) Management
Foreign exchange risk is manged through daily monitoring of the net foreign exchange exposure by Treasury. Currency swaps are also used to manage foreign exchange risk where necessary.This is achieved through limiting exposure per currency against total qualifying capital held. In compliance with regulatory provisions, exposure to a single currency is limited to 10% of total qualifying capital while total exposure is limited to 20% of the same.

(ii) Stress tests
Stress tests provide an indication of losses that could arise in extreme positions.
The stress measure for foreign currency risk is based on determining currency volatility for the past seven years and applying it to the average net open position for the past year assuming a 40 day holding period as per Basel guidelines.

Summarised stressed foreign currency position of the Bank as at 31 December 2022

Currency	Average NOP	Risk Position	Worst Daily Vols	Stress Factor	Risk Measure
USD	3,200,825	3,200,825	8.4%	52.9%	1,692,658
GBP	1,688,322	1,688,322	8.4%	53.4%	901,151
Rand	9,302	9,302	7.0%	44.0%	4,093
Other currencies	1,047,292	1,053,085	5.3%	33.4%	531,317
Total	**5,945,741**	**5,951,534**			**3,129,219**

Summarised stressed foreign currency position of the Group as at 31 December 2021

Currency	Average NOP	Risk Position	Worst Daily Vols	Stress Factor	Risk Measure
USD	302,519	302,519	8.4%	52.9%	159,978
GBP	54,863	54,863	8.4%	53.4%	29,283
Rand	20,773	20,773	7.0%	44.0%	9,140
Other currencies	102,300	102,305	8%	50%	51,346
Total	**480,455**	**480,460**			**249,747**

31.6 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 historical adjusted	Non- interest bearing Historical	Total Historical	Non- interest bearing inflation adjusted	Total inflation adjusted
31-Dec-22	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000	ZWL000
Assets										
Cash and bank balances	30,877,450	-	-	-	-	-	22,731,859	53,609,309	22,731,859	**53,609,309**
Derivative financial assets	12,576	-	-	-	-	-	-	12,576	-	**12,576**
Investment securities	-	237,968	3,288,911	1,137,220	-	-	8,561,459	13,225,558	8,561,459	**13,225,558**
Loans and receivables from Banks	-	-	-	-	-	-	225,622	225,622	225,622	**225,622**
Loans and advances to customers	44,405,193	44,727	66,047	131,705	694,508	-	-	45,342,180	-	**45,342,180**
Other assets	593,379	-	-	-	-	-	7,116,855	7,710,234	7,408,591	**8,001,970**
Current tax asset	-	-	-	-	-	-	1,072,374	1,072,374	1,072,374	**1,072,374**
Property and equipment	-	-	-	-	-	-	18,814,882	18,814,882	18,814,882	**18,814,882**
Investment properties	-	-	-	-	-	-	4,080,000	4,080,000	4,080,000	**4,080,000**
Investment in joint venture	-	-	-	-	-	-	13,479,449	13,479,449	13,479,449	**13,479,449**
Intangible assets	-	-	-	-	-	-	8,941	8,941	679,309	**679,309**
Right of use assets	-	-	-	-	-	-	1,042,315	1,042,315	2,242,038	**2,242,038**
Total assets	**75,888,598**	**282,695**	**3,354,958**	**1,268,925**	**694,508**	**-**	**77,133,756**	**158,623,440**	**79,295,583**	**160,785,267**
Liabilities										
Derivative financial liabilities	-	-	-	-	-	-	-	-	-	**-**
Lease liabilities	-	-	-	-	-	-	1,823,304	1,823,304	1,823,304	**1,823,304**
Deposits from banks	7,092	-	-	-	-	-	793,677	800,769	793,677	**800,769**
Deposits from customers	59,106,443	704,092	1,477,228	2,954,456	23,420,148	5,851,681	-	93,514,048	-	**93,514,048**
Employee benefit accruals	-	-	-	-	-	-	1,166,032	1,166,032	1,166,032	**1,166,032**
Other liabilities	-	-	-	-	-	-	12,183,437	12,183,437	12,184,655	**12,184,655**
Deferred tax liabilities	-	-	-	-	-	-	3,834,865	3,834,865	4,578,693	**4,578,693**
Current tax liabilities	-	-	-	-	-	-	-	-	-	**-**
Due to group companies	-	-	-	-	-	-	47,628	47,628	47,628	**47,628**
Total liabilities	**59,113,535**	**704,092**	**1,477,228**	**2,954,456**	**23,420,148**	**5,851,681**	**19,848,943**	**113,370,083**	**20,593,989**	**114,115,129**
Interest rate Re - pricing gap	**16,775,063**	**(421,397)**	**1,877,730**	**(1,685,531)**	**(22,725,640)**	**(5,851,681)**	**57,284,813**	**45,253,357**	**58,701,594**	**46,670,138**
Cumulative gap	**16,775,063**	**16,353,666**	**18,231,396**	**16,545,865**	**(6,179,775)**	**(12,031,456)**	**45,253,357**	**-**	**46,670,138**	**-**

31.6.1 Interest rate risk (continued)
Net interest income sensitivity ("NII")

NII measures the sensitivity of annual earnings to changes in interest rates. NII is calculated at a 15% and 3% change in local currency and foreign currency interest rates respectively.

The Bank's interest income sensitivity is shown below:

	Inflation adjusted		Historical	
Information yetr to be received from risk	2022	2021	2022	2021
Net interest income sensitivity	Impact on earnings	Impact on earnings	Impact on earnings	Impact on earnings
Local currency	ZWL000	ZWL000	ZWL000	ZWL000
1500bps increase in interest rates	(321,507)	1,623,870	(177,032)	366,074
1500bps decrease in interest rates	321,507	(1,623,870)	177,032	(366,074)
Benchmark	-	-	-	-
Foreign currency				
500bps increase in interest rates	649,979	46,554	357,899	10,495
500bps decrease in interest rates	(649,979)	(46,554)	(357,899)	(10,495)

31.7 Liquidity risk

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

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

Liquidity risk management objectives are;

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

Liquidity risk management process
Liquidity risk is managed as;

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

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

	Inflation adjusted		Historical	
	2022	2021	2022	2021
Liquidity ratios	ZWL000	ZWL000	ZWL000	ZWL000
Total liquid assets	51,660,713	34,803,938	51,660,713	10,124,491
Deposits and other short term liabilities	103,618,792	60,507,947	103,618,792	17,601,806
Liquidity ratio	50%	58%	50%	58%
Reserve Bank of Zimbabwe minimum	30%	30%	30%	30%

Liquidity profiling as at 31 December 2022

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.

31.7.1 On balance sheet items as at 31 December 2022
Historical and inflation adjusted 2022

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	45,534,621	591,423	923,200	1,846,401	4,713,663	-	53,609,308	53,609,309
Derivative financial assets	12,576	-	-	-	-	-	12,576	12,576
Investment securities	-	237,968	3,288,911	1,137,221	11,770,696	-	16,434,796	13,225,558
Loans and receivables from Banks	-	-	-	-	225,623	-	225,623	225,622
Loans and advances to customers	11,755,927	9,463,129	6,776,303	7,635,308	10,397,503	-	46,028,170	45,342,180
Other assets	1,615,679	1,248,159	-	5,942,196	17,590,202	18,814,883	45,211,119	46,208,195
Total assets	**58,918,803**	**11,540,679**	**10,988,414**	**16,561,126**	**44,697,687**	**18,814,883**	**161,521,592**	**158,623,440**
Liabilities								
Derivative financial liabilities	-	-	-	-	-	-	-	-
Lease liabilities	58,181	117,704	180,203	371,006	1,096,210	-	1,823,304	1,823,304
Deposits from banks	800,769	-	-	-	-	-	800,769	800,769
Deposits from customers	2,642,324	11,278,871	17,332,242	38,190,702	24,069,909	-	93,514,048	93,514,048
Provisions	-	-	-	1,051,634	-	-	1,051,634	1,166,032
Other liabilities	-	1,871,473	-	10,261,891	7,079,133	45,071,712	64,284,209	61,271,658
Current income tax liabilities	-	-	-	-	-	-	-	-
Balances due to Group companies	-	47,628	-	-	-	-	47,628	47,628
Total liabilities - (contractual maturity)	**3,501,274**	**13,315,676**	**17,512,445**	**49,875,233**	**32,245,252**	**45,071,712**	**161,521,592**	**158,623,439**
Liquidity gap	**55,417,529**	**(1,774,997)**	**(6,524,031)**	**(33,314,107)**	**12,452,435**	**(26,256,829)**	**-**	**-**
Cumulative liquidity gap	**55,417,529**	**53,642,532**	**47,118,501**	**13,804,394**	**26,256,829**	**-**		

Contingent liabilities and commitments as at 31 December 2022

Historical and inflation adjusted 2022	Less than 1 month ZWL000	1 to 3 months ZWL000	3 to 6 months ZWL000	6-Dec months ZWL000	1 to 5 years ZWL000	Total ZWL000
Assets						
Commitment to lend	587,499	941,112	703,941	339,817	926,646	3,499,015
Total assets	**587,499**	**941,112**	**703,941**	**339,817**	**926,646**	**3,499,015**
Liabilities						
Commitment to lend	3,499,015	-	-	-	-	3,499,015
Total liabilities	**3,499,015**	**-**	**-**	**-**	**-**	**3,499,015**
Liquidity gap	(2,911,516)	941,112	703,941	339,817	926,646	-
Cumulative liquidity gap	**(2,911,516)**	**(1,970,404)**	**(1,266,463)**	**(926,646)**	**-**	**-**

32 Other risks Strategic risk

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

Legal and compliance risk

The Risk Management Committee ensures that the management and operations of the Bank's business is done within the established governance and regulatory control framework of 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 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 loss arising from inadequate or failed internal processes, people and/or systems or from external events. A significant part of the Bank's operations are automated and processed in the core banking system. Key banking operations in corporate and investment banking, retail and business banking and treasury are heavily dependent on the Bank's core banking system. The core banking system also supports key accounting processes for financial assets, financial liabilities and revenue including customer interface on mobile, internet banking and related electronic platforms.

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

Risks and Ratings

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

Notes to the Audited Financial Results (continued)
for the year ended 31 December 2022

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 Group'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

	Latest credit ratings	Previous credit ratings
Rating agent	2021/22	2020/21
Global Credit Rating Co.	A+(ZW)	A+(ZW)

33 Related parties

The Bank is controlled by Afcarme Zimbabwe Holdings (Private) Limited incorporated and domiciled in Zimbabwe which owns 53% (2021: 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.

33.1 Key management compensation

	Inflation adjusted		Historical	
	2022 ZWL000	2021 ZWL000	2022 ZWL000	2021 ZWL000
Salaries and other short term benefits	918,159	161,059	505,568	161,059
Post-employment contribution plan	8,900	8,754	4,901	8,754
Share based payments	2,482	839	1,367	651
Total	**929,541**	**170,652**	**511,836**	**170,464**

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, Head of Risk, Commercial Director, Chief Operating Officer, Consumer Banking Director, Chief Internal Auditor, Head of Compliance, Company Secretary and Head of Human Resources.

33.2 Loans to key management

	Inflation adjusted		Historical	
	2022 ZWL000	2021 ZWL000	2022 ZWL000	2021 ZWL000
Loans outstanding at 1 January	**16,658**	**57,263**	**16,658**	**16,658**
Loans issued during the year	165,135	88,488	165,135	25,741
Loans repayments during the year	(9,375)	(7,981)	(9,375)	(2,322)
Loans outstanding at 31 December	**172,418**	**137,770**	**172,418**	**40,077**

The above loans to directors and other key management personnel are insured and repayable monthly over 4 years at average interest rates of 15% (2021:15%).Loans and advances to non-executive directors during the year ended 31 December 2022 were nil (2021: nil). The loans to directors were issued under conditions similar to other staff loans.

No impairment losses have been recognised in respect of loans and advanced to related parties (2021: nil)

33.3 Deposits from executive directors and key management

	Inflation adjusted		Historical	
	2022 ZWL000	2021 ZWL000	2022 ZWL000	2021 ZWL000
Deposits at 1 January	**13,831**	**47,545**	**13,831**	**13,831**
Deposits received during the year	871,836	246,067	871,836	71,581
Deposits repaid during the year	(871,242)	(279,876)	(871,242)	(81,416)
Deposits at 31 December	**14,425**	**13,736**	**14,425**	**3,996**

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

	Inflation adjusted				Historical			
	Deposits 2022 ZWL000	Loans and advances 2022 ZWL000	Deposits 2021 ZWL000	Loans and advances 2021 ZWL000	Deposits 2022 ZWL000	Loans and ad-vances 2022 ZWL000	Deposits 2021 ZWL000	Loans and advances 2021 ZWL000
First Capital Bank Pension Fund	-	-	344,320	-	-	-	100,163	-
Makasa Sun (Private) Limited	415,753	-	77,428	-	415,753	-	22,524	-
NicozDiamond Insurance Limited	4,677	-	69,928	-	4,677	-	20,342	-
Lotus Stationary Manufacturers (Pvt) Ltd	-	-	4,706	-	-	-	1,369	-
St Georges College	28,774	-	16,109	-	28,774	-	4,686	-
Thulile Investments	3,411,047	-	-	-	3,411,047	-	-	-
Total	**3,860,251**	**-**	**512,491**	**-**	**3,860,251**	**-**	**149,084**	**-**
Current	3,860,251	-	512,491	-	3,860,251	-	149,084	-
Non - current	-	-	-	-	-	-	-	-
Total	**3,860,251**	**-**	**512,491**	**-**	**3,860,251**	**-**	**149,084**	**-**

Repayments on the loans to the related parties were made on due dates and no new loans were granted.

33.5 Balances with group companies

	Inflation adjusted		Historical	
	2022 ZWL000	2021 ZWL000	2022 ZWL000	2021 ZWL000
Bank balances due from group companies	187,999	132,839	187,999	38,643
Bank balances due to group companies	-	-	-	-
Total	**187,999**	**132,839**	**187,999**	**38,643**
Other balances due from group companies	(7,113)	-	(7,113)	-
Other balances due to group companies	(40,515)	(790,854)	(40,515)	(230,060)
Total	**(47,628)**	**(790,854)**	**(47,628)**	**(230,060)**

34 Events after the reporting date

There were no events noted after reporting date that required to be adjusted for or disclosed in the consolidated financial results of First Capital Bank Limited.


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